Registered number 06141077 (England and Wales)

TES Global Holdings Limited

Annual report and consolidated financial statements for the year ended 31 August 2016

TES GLOBAL HOLDINGS LIMITED ANNUAL REPORT DISCLAIMER

This annual report has been prepared on the basis of information available to TES Global Holdings Limited and its subsidiaries (the "**Group**") as at the date hereof.

This annual report contains forward-looking statements. Forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue", "believe", "anticipated", "estimated", "intends", "expect", "plan", "seek", "projection", "suggest", "outlook", "should", "could", "would", "may", "will", "forecast", and other similar expressions or, in each case, their negative or other variations or comparable terminology.

These statements involve predictions of our future financial condition, performance, plans and strategies, and are thus dependent on a number of factors including, without limitation, assumptions and data that may be imprecise or incorrect. Forward-looking statements are subject to risks and uncertainties. Actual results or outcomes may differ materially from those expressed in any forward-looking statements made in this annual report. We caution you not to place undue reliance on any of these forward-looking statements.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to publically update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

This annual report contains financial information prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This annual report contains non-GAAP measures and ratios. The non-GAAP measures and ratios may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation. Information needed to reconcile such non-GAAP financial measures to the most directly comparable measures under IFRS can be found in the *Strategic Report* section of the Annual Report.

TES Global Holdings Limited

Annual report and consolidated financial statements

for the year ended 31 August 2016

Contents

TES Global Holdings Limited

Directors and advisers

Directors
Mr R Grimshaw
Mr N Runnicles

Company Secretary
Mr N Runnicles

Registered Number
06141077

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26 Red Lion Square
London
WC1R 4HQ
United Kingdom

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

TES Global Holdings Limited

Strategic report

Business overview and financial highlights

TES is a digital education company that helps teachers, schools and universities succeed. Our mission is to enable great teaching by helping educators find the tools, technology and services they need to excel throughout their career. TES.com is the world's largest online community of teachers finding work, reading news, sharing opinions, trading resources and developing their careers.

School Services

Our School Services business operates two leading digital marketplaces to support the world's teachers and schools. TES Jobs Marketplace ("TES Jobs") supports schools by attracting the right teachers to the right jobs, and TES Resources Marketplace ("TES Resources") supports teachers by providing access to digital classroom content from other educators through a global peer-to-peer platform.

TES Jobs is the largest recruitment platform in the United Kingdom for permanent teaching roles. Over the last 10 years we have transformed our print-based recruitment business into a digital proposition with 100% of our job listings now advertised online (of which 17% were jointly-advertised online and offline in our nationally-distributed TES magazine). During 2016, we invested in a number of areas to improve our recruitment platform introducing mobile advertising and successfully launching a subscription based service to schools for all of their advertising needs. All schools that advertise with us now get access to the TES School Portal, a free online recruitment tool designed to improve the recruitment process for schools. From advert posting to performance statistics through to candidate application management, the portal has been designed to help schools find quality candidates faster and more easily. In addition, schools also receive their "Career Site", a mobile-friendly online destination to promote each school and its jobs to candidates, that can be linked to the school's website. Our market-leading inventory of jobs is matched by a significant user base of teaching professionals with 700,000 unique visitors each month to TES Jobs during the year. This highly liquid marketplace enables schools to fill over 80% of roles advertised within just four weeks.

In 2014, we initiated our strategy to grow our recruitment business beyond permanent roles with the acquisition of Vision for Education, one of the leading providers of temporary supply teachers to UK schools in the north of England. During the year, we further expanded our supply footprint into London and the Midlands with the acquisitions of Smart Teachers and ABC Teachers.

The superior effectiveness of TES Jobs as a recruitment platform is strengthened by the community forums, popular news content and teacher resources available globally at tes.com. These assets provide teachers with many compelling reasons to engage with TES online, and have helped us build a self-reinforcing network effect of 2.8 million active users from more than 200 countries across our product portfolio.

TES Resources is one of world's largest peer-to-peer platforms for teachers to trade and share digital teaching resources for the classroom with free downloads often exceeding 1 million per day during the school term. With our library scaling to over half a million resources and a growing base of active users, an additional paid marketplace was launched in 2015 to enable teachers to sell their premium content and charge for downloads. Since launch the premium catalogue has grown to more than 125,000 resources and over 100,000 teachers have purchased content. We also host TES Teach, a lesson-building product where those resources can be easily integrated and used in class, and Wikispaces, an open classroom management platform that facilitates student-teacher communication and collaboration.

In addition, at TES Institute, we provide professional development and teacher training courses that bring new skilled educators into the UK workforce and facilitate the continued development of qualified teachers.

University Services

THE has been at the heart of higher education since 1973, with its news, analysis and opinion reaching over 300,000 weekly readers in print and online at timeshighereducation.com, where an average of 1.6 million academics, university leaders, students and their families visit each month.

TES Global Holdings Limited

Strategic report (continued)

Business overview and financial highlights (continued)

THE has a range of services that offer universities the chance to recruit the best candidates via its online job board and print advertising, attend Awards and Summits that bring together thought leaders to learn, network and celebrate their knowledge and experiences, and participate in the many THE rankings that assess, on both a global, regional and country basis, the world's leading institutions.

THE's World University Rankings, now in its 12th year, are arguably the world's most trusted university rankings covering 1,000's of higher education institutions and are now compiled on a global, regional and national basis. THE's use of carefully calibrated performance indicators, crafted in partnership with the higher education community, ensure that the rankings are a valuable resource to help universities improve through analysis and benchmarking. Institutions can subscribe to a suite of digital data products to compare their university's performance to others like it with data drawn from 1,100 institutions, 11 million academic papers and over 11,000 academic surveys. In 2016 THE, in partnership with The Wall Street Journal, launched the US College Rankings, which took a pioneering student-led approach to evaluating over 1,000 US colleges and universities.

Financial Highlights

For the twelve months ended 31 August 2016, we generated revenue of £137.2m (2015: £130.3m), Adjusted EBITDA of £43.0m (2015: £51.0m) and an operating profit of £22.9m (2015: £38.4m). As of 31 August 2016, we had 585 employees (2015: 435 employees) in over 20 offices in the United Kingdom, Australia, Singapore and the United States. During the year, lower capital spending compared to 2015 and a favourable working capital movement driven by higher deferred revenue from subscriptions helped our free cash flow improve to £39.3m (2015: £38.5m).

At the time of TPG Capital's acquisition, the Company had accrued intercompany preference share dividends of £124.2m outstanding. During the year, TES Global Group Limited agreed to absolutely and irrevocably waive all right, title and interest to any dividends accrued (whether due and payable or not) in relation to the preference shares that TES Global Group Limited had held in TES Global Holdings Limited, prior to them being converted to equity. As a result, the accrued preference share dividends have been de-recognised from October 2015.

Key factors affecting our results of operations

Our performance and results of operations have been and will continue to be affected by a number of factors. Certain of these key factors that have had, or may have, an effect on our results are set forth below.

In the year ended 31 August 2016, 93% of our revenue was generated by School Services, with advertising accounting for 53% of that revenue. The remaining 7% of our revenue in the year ended 31 August 2016 was generated by University Services.

Our advertising revenue from Schools is currently affected by two key variables: advertisement volume and yield.

Advertisement Volumes
Teaching professional turnover increases the number of job vacancies and therefore the number of jobs advertisements placed. This has an immediate impact on our revenue. Teaching professional turnover is driven by both economic and non-economic factors. The economic factors are principally reflected in the drivers of teaching professional churn. The non-economic factors are principally related to demographics and longevity of professionals in the industry.

Churn (which is defined as movements of teachers between roles in the education sector) is the largest component of teaching professional turnover and is impacted by the economic cycle. Churn tends to lag the economic cycle, as during an economic downturn teaching professionals tend to display lower propensity to change jobs. This has a multiplier effect. If a teacher opts to remain in a current job instead of taking a new one, there is no opportunity for another teacher to replace that teacher in his current role. As a result, advertisement volumes tend to decline in a recession.

Key factors affecting our results of operations (continued)

We consider this trend to be principally driven by concerns around job security. Teaching professionals become reluctant to change jobs due to fears of being made redundant in their new position if the new school's budget comes under pressure, while schools are cautious in recruiting due to uncertainty around future budgets. Our research also indicates that teachers are more cautious in the run up to an election and whilst the impact cannot be quantified, the uncertainty created by an election can depress volumes.

Although the Education budget is generally protected from any government cuts if schools experience an underlying increase in costs (as is the case currently with increasing national insurance and pension costs) without a corresponding increase in the Education budget, general school budget pressure can negatively impact school recruitment activity.

Teaching professional turnover is also driven by factors that are largely unrelated to the state of the economy, such as retirements and maternity, which are principally impacted by age demographics. The last element affecting advertisement volumes is the change in teaching professional numbers, which again is related to demographic factors (changes in pupil numbers) and potentially also changes in governmental and education policies (which could, among other things, alter the pupil/teaching professional ratio).

Yield
Yield is a key performance indicator that we use to evaluate our business and results of operations and forms part of the information routinely reviewed by our management. We define yield as our total revenue from classified advertisements divided by our total number of classified advertisements.

We consider the main driver of yield to be the mix of products selected by our customers each time they place an advertisement with us. We have a variety of products available at differing price points. The mix of products chosen by customers should be seen in the context of the increasing popularity of online only advertisements with a premium component and the declining popularity of advertisements which also have a printed component. Historically, in each financial year we have managed to substitute declines in revenue derived from the print bundle component by increases in revenue derived from online only products with a premium component. In early 2016, we launched a subscription product for UK schools which, for a fixed annual fee, allows unlimited job advertising to be placed online, and depending on the subscription package purchased, print advertising as well (both excluding leadership roles). If we are successful in driving the uptake of subscription products in an increasing proportion of schools, transactional volume and yield will, over time, become a less relevant driver of revenue.

Seasonality
It is common practice in the UK school system (due largely to historical reasons) for teaching professionals to resign during defined periods throughout the academic year. As a result of this, our business is highly seasonal.

The teacher recruitment cycle in the United Kingdom tends to revolve around the following three transfer windows (in September–October, January–February and March–May). Teaching professional recruitment activity tends to peak at these times. Teaching professionals are generally required to give a minimum of two months' notice (three months' in the summer term) before the end of a school term (while head teachers are generally required to give a three months' notice) with customary resignation dates in order to avoid classroom disruption. These resignation dates lead to significant peaks in advertisement volumes with the most significant occurring around Easter. This results in the vast majority of our advertising revenue being generated in the period between January and May. We typically have a loss in the fourth fiscal quarter ending 31 August. This also leads to high working capital needs during January, February and March (depending on the timing of Easter). The lowest point of working capital is at the financial year-end in August, which coincides with school summer holidays, during which time working capital will typically be negative.

Subscription revenues are recognised evenly on a monthly basis over the period of the subscription contract. If we are successful in driving the uptake of subscription products to an increasing proportion of schools, over time, our revenue seasonality will reduce as we become less reliant on the underlying teacher recruitment cycle to determine revenues.

TES Global Holdings Limited

Strategic report (continued)

Key factors affecting comparability

Investment Activity
On 2 June 2015, we acquired 100% of the share capital in Hibernia College UK Limited (rebranded "TES Institute") for an initial cash consideration of £2.0m, with a further £2.0m deferred contingent consideration of which £1.25m has now been paid. TES Institute is a leading online initial teacher training and subject knowledge enhancement provider in the United Kingdom. The purchase price of the acquisition was financed through available cash.

On 18 December 2015, we acquired 100% of the share capital in Smart Education Limited ("Smart") for an initial cash consideration of £7.3m, net of cash acquired. A further payment is due based on the performance in the year ending 31 December 2016, subject to a minimum payment of £5.3m. Smart is a leading London-based supply teacher agency. The acquisition is in line with the Group's strategy to expand its footprint in the supply teaching market and adds valuable expertise in London and the South East. The purchase price of the acquisition was financed through available cash.

On 17 March 2016 we acquired a 45% stake in Edukey Education Limited ("EduKey") for an initial consideration of £2.0m. Edukey is a rapidly growing provider of education software to teachers and schools and has a user base of over 700 schools. The acquisition further positions us as a leading provider of digital subscription services to teachers and schools.

On 7 April 2016, we acquired 75% of the ordinary share capital in ABC Teachers Limited ("ABC") for an initial consideration of £5.8m (net of cash acquired), with a further £2.9m deferred contingent consideration due in late 2017 for the remaining interest. ABC is a supply teaching agency serving schools across the Midlands. The purchase price of the acquisition was financed through available cash.

Trading performance in the year

The majority of the Group's revenue is derived from the advertising of teacher/academic vacancies, online and in its publications, and from the provision of supply teachers. This can vary from year to year and therefore the Group's income may vary. The Group generated revenue of £137.2m in the year to 31 August 2016 (2015: £130.3m) with School Services accounting for £127.0m (2015: £121.4m) and University Services £10.2m (2015: £8.9m).

School Services' reported revenue benefitted from acquisitions in the year which added £14.7m of Agency revenue and helped offset a £12.7m fall in Advertising revenues. The decline in Advertising revenue was mainly attributable to a decrease in the volume of advertisements and the change in mix between print and online, with online increasing from 77% to 83% of the adverts in the year. Advertising volumes were negatively affected by a unique sequence of events (UK election cycle, the UK Government's comprehensive spending review in November 2015, UK Government's education white paper in March 2016 and the UK EU referendum vote in June 2016) that created market uncertainty for both teachers and schools impacting employment cycles, coupled with budget pressure on schools from increasing national insurance and pension costs at a time when the UK Government has not provided additional funding to schools in the education budget.

University Services revenue grew from £8.9m to £10.2m following the launch of THE's World University Rankings which saw strong first year sales of data and branding contracts.

During the year, the Group generated Adjusted EBITDA of £43.0m, a £8.0m decline on 2015 due to lower advertising volumes in School Services, and the investment in University Services to launch THE's World University Rankings. Operating profit decreased by £15.5m to £22.9m with the EBITDA shortfall extended by a £3.4m increase in the amortisation of intangible assets following recent acquisitions, a £0.3m increase in depreciation following higher levels of capital investment in 2015, a £2.9m deferred contingent consideration liability in relation to the acquisition of the remaining interest in ABC and a £0.7m increase in non-recurring costs due principally to acquisition expenses and one-time costs incurred to establish and launch a subscription product for Schools.

Net finance costs fell by £1.4m, from £22.1m in the year ended 31 August 2015 to £20.7m in the year ended 31 August 2016, primarily due to a £1.3m revaluation of the Vision put/call option. The directors do not recommend the payment of a dividend.

Trading performance in the year (continued)

The financial position of the Group is presented in the balance sheet. Total assets at 31 August 2016 were £204.3m (2015: £192.2m) comprising intangible assets of £165.8m (2015: £150.2m), property, plant and equipment of £3.2m (2015: £3.8m), investments and joints ventures and associates of £2.1m (2015: £0.2m) and current assets of £33.2m (2015: £38.0m). Total liabilities at 31 August 2016 were £360.7m (2015: £472.3m) comprising borrowings of £293.8m (2015: £292.2m), other non-current liabilities of £10.6m (2015: £7.9m) and current liabilities of £56.3m (2015: £172.2m).

Liquidity and Capital Resources

Capital Resources
Our primary sources of liquidity consist of cash generated from operating activities and available drawings under the Revolving Credit Facility of £20m. We believe that these sources of funding will be sufficient to fund our debt servicing requirements as they become due and working capital requirements for the next 12 months from the date of approval of these financial statements. Our ability to generate positive cash flow from operations will depend on our future performance, which is driven by various factors. The high level of seasonality in our business affects the pattern of our working capital, which tends to be higher than average during January, February and March, while its lowest (negative) point is reached in August.

Net generated from operating activities
Net cash generated from operating activities declined to £19.7m for the year ended 31 August 2016 (2015: £26.7m), due to lower profits in the year.

Net cash used in investing activities
Net cash used in investing activities was £27.3m for the year ended 31 August 2016 (2015: £13.4m). This increase was mainly due to the acquisition of Smart (£7.3m, net of cash acquired) and ABC (£5.8m, net of cash acquired), payments of £2.8m to exercise a put/call option to increase our ownership of Vision, a £2.0m investment in EduKey and £1.6m of contingent consideration payments in relation to the acquisitions of Hibernia and Wikispaces, partly offset by a £3.1m reduction in the level of spend on tangible fixed assets and software development.

Net cash used in financing activities
Net cash used in financing activities was a £1.1m outflow for the year ended 31 August 2016 (2015: £4.0m inflow). The inflow in the year ended 31 August 2015 was due to the issuance of share capital, whilst the outflow in the year ended 31 August 2016 related to the repayment of loans from Group undertakings.

Material Contractual Commitments
The table below sets forth our contractual obligations and commercial commitments as at 31 August 2016 that are expected to have an impact on liquidity and cash flow in future periods. The following table excludes any future interest payments that we would be required to make. The table also excludes any amount that will be available under the Revolving Credit Facility Agreement. The information presented in this table reflects management's estimates of the contractual payment streams of our current obligations, which may differ significantly from the actual payments made under these obligations.

Liquidity and Capital Resources (continued)

£'m	Less than 1 year	1 - 5 years	More than 5 years	Total
	Payments due by period			
Senior Secured Notes(1).................................	-	300.0	-	300.0
Operating Lease Obligations(2)..........................	1.2	4.6	1.6	7.4
Contingent consideration(3).............................	1.8	2.9	-	4.7
Deferred consideration(4)...............................	5.3	-	-	5.3
Total..	8.3	307.5	1.6	317.4

(1) Represents the aggregate principal amount of the Senior Secured Notes.
(2) Represents the rent on our corporate headquarters.
(3) Relates to consideration in connection with the acquisitions of Wikispaces (£0.8m), Hibernia (£0.7m), Smart (£0.3m) and ABC (£2.9m), upon the satisfaction of certain performance metrics.
(4) Relates to consideration of £5.3m payable in connection with the Smart acquisition (payable in December 2016).

The Senior Secured Notes
Senior secured fixed rate sterling-denominated notes of £200m were issued on 17 July 2014 with a maturity date of 15 July 2020. Interest is fixed at 6.75% and is payable on a semi-annual basis.

Senior secured floating rate sterling-denominated notes of £100m were issued on 17 July 2014 with a maturity date of 15 July 2020. Interest is floating at three month GBP LIBOR plus a margin of 5.0% and is payable on a quarterly basis.

The terms of the Senior Secured Notes restrict the ability of the Group to, among other things, incur more debt, pay dividends, repurchase stock and make distributions and certain other payments and investments, create liens, enter into transactions with affiliates, transfer or sell assets, impair security interests, provide guarantees of other debt, agree to restrictions on dividends by subsidiaries, expand into unrelated businesses and merge or consolidate. The Group is required to submit annual audited financial statements and quarterly financial statements under the terms of the Senior Secured Notes.

The Revolving Credit Facility Agreement
On 17 July 2014, the Company, together with other members of the Group, entered into the Revolving Credit Facility Agreement, which provides for £20m of committed financing, all of which can be drawn by way of loans or ancillary facilities. Utilisations under the Revolving Credit Facility Agreement may be used for the general corporate and working capital purposes of the Group but not towards prepayment, repayment, purchase, defeasance or redemption of, among other things, any Senior Secured Notes or the payment of any dividend, redemption, repurchase, defeasance, retirement, repayment, premium or any other distribution in respect of any share capital of the Company.

The Revolving Credit Facility Agreement is guaranteed and secured by members of the Group and bears interest at a rate per annum equal to LIBOR or, potentially EURIBOR (if a utilisation is made in euro) and a margin of 4.00% per annum, subject in each case to a margin ratchet as at each quarter date. A commitment fee is payable in arrears on the last day of each successive three month period, on available but unused commitments under the Revolving Credit Facility at a rate of 40% of the applicable margin under the Revolving Credit Facility. We are also required to pay fees related to the issuance of ancillary facilities and certain fees to the Agent and the Security Agent in connection with the Revolving Credit Facility Agreement. The Revolving Credit Facility Agreement contains customary and certain deal specific affirmative loan style covenants and restrictive covenants, all of which are subject to customary and certain deal specific exceptions.

TES Global Holdings Limited

Strategic report (continued)

Liquidity and Capital Resources (continued)

Working Capital
Seasonality in the business has a material impact on working capital requirements during the year. The business is highly seasonal with over 85% of EBITDA generated between January and May. This seasonality is dictated by the academic year and customary resignation periods for teaching professionals. This results in high working capital during January, February and March (depending on Easter timing) corresponding to the periods when most advertisements are placed. The lowest (negative) point of working capital is year-end (August) during the summer months when advertising activity is at its lowest. Movements in net working capital are primarily debtors (or revenue) driven as other components of net working capital are relatively stable. If we are successful in driving the uptake of subscription products to an increasing proportion of schools, over time, our working capital seasonality will reduce as we become less reliant on the underlying teacher recruitment cycle to determine revenue and cash flow.

Principal risks and uncertainties

The principal risks and uncertainties, including financial risks, facing the business are set out below:

Market risk
Changes in teacher turnover influence the Group's turnover and therefore future performance may be affected by changes in teacher mobility. The Group performs periodic market reviews to identify any underlying changes in the rate of teacher turnover. Teacher turnover is influenced by a number of factors, including public sector spending and recessionary pressures. Management are monitoring market developments in light of the outcome of the UK referendum to leave the European Union, but we are not aware of any immediate direct consequences that will impact the TES business.

Competitive risk
TES Global supports schools by attracting the right teachers to the right jobs. This will continue to deliver value to our customers. The main competitive threats facing the Group are from current competitors, potential new entrants and potential technological changes in the industry. In the opinion of the directors, TES Global has a sufficiently well-established position in the market place to defend against potential threats.

Credit risk
The Group ensures that appropriate credit checks are made on potential customers before sales are made. Management regularly reviews outstanding receivables and debtor recovery plans, together with credit limits across most of our largest customers. The Group's policy is to deposit surplus cash with internally approved banks. These banks are reviewed at least annually to ensure that appropriate credit ratings are maintained.

Cash flow/ liquidity risk
The Group has sufficient funds to service the annual cost of its financing. A £20m credit facility is available to the Group if required.

Price risk
Future turnover remains sensitive to changes in advertising rates in the TES. The Group performs periodic market reviews to ensure that all rates remain competitive.

On behalf of the board on 8 December 2016.

N Runnicles

Mr N Runnicles
Director

Directors' report

The directors present their report and the audited consolidated financial statements of the Group and the Company for the year ended 31 August 2016.

Dividends
The directors do not recommend a dividend for the year ended 31 August 2016 (2015: nil).

Political donations
The Group did not make any political donations during the year (2015: nil).

Director and directors' interests
TES Global was incorporated on 6 March 2007 under the laws of England and Wales. The directors of the Company who were in office during the year and up to the date of signing the financial statements are as follows:

Name	Title	Date of Appointment
Mr R Grimshaw	CEO	01 April 2015
Mr N Runnicles	CFO	21 September 2015
Mr M O'Sullivan	CFO	

Matthew O'Sullivan resigned as CFO on 21 September 2015. No directors' interests for the year under review.

Rob Grimshaw is the CEO of TES Global, having joined the Company in November 2014. Previously, Rob led the successful development of digital at the Financial Times ("FT") in his role as Managing Director, FT.com. He was also responsible for the FT's print subscriptions, events business and its New York Institute of Finance professional development subsidiary. Rob joined the FT in 1998, holding a series of commercial roles before taking responsibility for FT.com. He holds a Bachelor's degree in Philosophy & Politics from the University of Warwick.

Nathan Runnicles serves as CFO and oversees group finance, legal and corporate development. Prior to joining TES in September 2015 Nathan was CFO at Research Now Group Inc. ("Research Now"), the global leader in online survey data collection. Before joining Research Now in 2007, he served as EMEA Finance Director at Fitch, a subsidiary of WPP Group plc ("WPP"), and led corporate finance and investor relations at Cordiant Communications Group plc ("Cordiant") from 2001 until Cordiant's acquisition by WPP in 2003. He qualified as a Chartered Accountant with PricewaterhouseCoopers in 1998. Nathan has a Bachelor of Science in Economics and Accounting from the University of Bristol.

Employment of disabled persons
The Group endeavours to promote and ensure equal opportunities to all its employees, job applicants and former employees irrespective of race (including colour, nationality and ethnic and national origins), religion, belief, disability, gender, marital or civil partnership status, sex or sexual orientation, age or trade union membership. The Group values the individual contribution of all its employees and prospective employees from all sectors of the community. We recognise our social and moral duty to employ people with disabilities and we will do all that is practicable to meet this responsibility and comply with our legal responsibilities under the Equality Act 2010. All those involved in recruitment have the additional responsibility to be open to all candidates based on their skills and expertise. Recruiters can explore any reasonable adjustments that may be required to ensure that disabled candidates are able to compete fairly in the selection process and once they have been appointed. If members of staff become disabled the group continues employment where possible, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employment involvement
The Group and its leadership works hard to communicate its strategy, progress and updates to global staff, while investing in an open and collaborative culture that supports a shared common purpose. Communication is driven through several different channels, including a collaborative global intranet for news and collaboration, staff newsletters, town hall meetings and leadership blogs. Staff associations meet regularly with the management team to ensure the views of our employees are represented and taken into account when making decisions that are likely to affect their interests. The ambition is to ensure that employees understand the contribution they make to the business in achieving its goals both from both a social purpose and financial perspective.

Human rights

The Group is fully committed to respecting the human rights of our employees and to compliance with all applicable laws regarding, among other things:

- prohibition of child, forced, bonded or indentured labour;
- providing compensation and benefits that are competitive and comply with applicable minimum wages, overtime hours, and mandated benefits;
- respecting the cultures, customs and values of the people in communities in which we operate;
- promoting workplace diversity;
- protecting the privacy of employees;
- promoting environmental stewardship;
- promoting health and safety practices; and,
- promoting ethical behaviour, business integrity and fair competition.

The Group seeks to provide consistent and comprehensive guidance to our employees through internal training regarding human rights and employment issues across the Group. As a responsible corporate citizen, the Group operates in accordance with all applicable human rights laws and respects and promotes human rights through our employment policies and practices, through our supply chain and through the responsible provision of our products and services. Through our various efforts to promote human rights, we seek to drive a consistent message that human rights form a part of our corporate culture and principles.

Social and community issues

The Group believes in the power of great teaching and supports the sharing of free classroom resources created by teachers all over the world. Research from Stanford professors has shown that these resources have a positive impact on the standard of teaching in the classroom and on teacher wellbeing.

Other core initiatives that support and celebrate the teaching profession include a number of annual awards to recognise outstanding contributions of learning institutions and individuals in the community. These include the TES School Awards, which were established to celebrate and reward the professionalism and flair of those teams making an outstanding contribution to primary, secondary and special needs schools in both the maintained and independent sectors in the UK. TES FE Awards recognise the outstanding provision in all aspects of further education: colleges, work based learning providers, adult and community learning providers, offender learning establishments and specialist designated institutions.

The Group participates in a number of social and community initiatives through its staff and locations. A 'Matched Giving' scheme matches money raised by employees for charity, with amounts of up to £500 per team per year and £200 for individuals. TES Global offers work placements for secondary school students. Further in 2016, the Group is supporting the Campaign for Female Education (Camfed). Following a staff vote we chose Camfed as our global charity partner and support a number of other local education related charities across the world.

Environmental measures

The Group is fully committed to reducing its carbon emissions and play its part in the fight to combat climate change and is registered for ESOS (Energy Saving Opportunities Scheme).The 'Switch Off' initiative encourages employees at TES Global to shut down their computers and switch off their monitors on a daily basis. The Group has an automatic 'Lights Off' function across all TES Global floors at Red Lion Square inclusive of an intelligent lighting system for its meeting rooms. The Group has installed spectrally selective window film across specific glass areas of high solar gain, so as to effectively reduce energy consumption. The Group recycles waste paper and cardboard on a weekly basis and has recycling bins on each floor for plastic bottles and aluminium cans. The Groups occupied area has an automatic out of hours shut-off for both air conditioning and heating, so as to reduce energy consumption. The Group prints all its publications on Programme for the Endorsement of Forest Certification accredited paper. The Group uses biodegradable film for all of its products.

TES Global Holdings Limited

Directors' report (continued)

Principal risks and uncertainties
The principal risks and uncertainties, including financial risks, facing the business are set out in the Strategic report.

Research and development
In the year ended 31 August 2016, the Group spent £5.1m (2015: £6.3m) on research and development. The research and development spend has been capitalised as part of the software and software development additions in the year (see note 7).

Directors and officers indemnity
The Group maintains liability insurance for its directors and officers and had this in place throughout the year and up to the date of signing the financial statements.

Going concern
The directors, having reviewed the Group's liquid resources and access to borrowings facilities, and the Group's future cash flow forecasts, have a reasonable expectation that the Group has adequate resources to continue as a going concern. Therefore these financial statements have been prepared on this basis. Further explanation of our capital resources and working capital requirements is contained in the Strategic Report.

Independent auditors
The auditors are deemed to be re-appointed in accordance with the provision of s487 of the Companies Act 2006. PricewaterhouseCoopers LLP have indicated their willingness to serve as auditors for the coming year and they will therefore continue to serve as auditors for the Company.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report 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 prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and the Company and of the profit or loss of the Group 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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Restatement of the prior year
In the year ended 31 August 2016, the Group has adopted segmental disclosure under IFRS 8. As part of this disclosure, the Group has adjusted the definition of cost of sales to align with internal management reporting which better reflects costs that vary directly with revenue. In addition, computer software reported within tangible assets as computer equipment has been reclassified as software within intangible assets as required under IFRS. The comparative figures have been re-stated accordingly.

TES Global Holdings Limited

Directors' report (continued)

Disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware;
2. each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board on 8 December 2016.

Mr N Runnicles
Director

Independent auditors' report to the members of TES Global Holdings Limited

Report on the financial statements

Our opinion

In our opinion:

- TES Global Holdings Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 August 2016 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and consolidated financial statements (the "Annual Report"), comprise:

- the consolidated balance sheet and the company balance sheet as at 31 August 2016;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows and the company statement of cash flows for the year then ended;
- the consolidated statement of changes in equity and the company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 December 2016

TES Global Holdings Limited

Consolidated income statement

		Year ended 31 August	
			Restated
		2016	2015
	Note	**£'000**	£'000
Revenue	3	**137,154**	130,288
Cost of sales	3	**(39,506)**	(30,912)
Gross profit		**97,648**	99,376
Other income		**-**	125
Administrative expenses		**(74,772)**	(61,063)
Operating profit	2	**22,876**	38,438
Finance income	4	**1,304**	310
Finance costs	4	**(22,038)**	(22,423)
Share of operating losses in joint ventures and associates		**(19)**	(254)
Profit before income tax		**2,123**	16,071
Income tax expense	5	**(831)**	(4,020)
Profit for the year		**1,292**	12,051
Profit attributable to:			
- Attributable to the owners of TES Global Holdings Limited		**1,197**	11,927
- Non-controlling interest		**95**	124
		1,292	12,051

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement.

The loss for the parent Company for the year was £0.6m (2015: £0.3m).

The notes on pages 24 to 62 are an integral part of these consolidated financial statements.

In the year ended 31 August 2016, the Group has adopted segmental disclosure under IFRS 8. As part of this disclosure, the Group has adjusted the definition of cost of sales to align with internal management reporting which better reflects costs that vary directly with revenue. The comparative figures have been restated accordingly.

TES Global Holdings Limited

Consolidated statement of comprehensive income

	Year ended 31 August	
	2016	2015
	£'000	£'000
Profit for the year	**1,292**	12,051
Items that may be reclassified subsequently to the income statement		
Other comprehensive income		
Currency translation differences	**304**	(52)
Total comprehensive income for the year	**1,596**	11,999
Attributable to the owners of TES Global Holdings Limited	**1,501**	11,875
Non-controlling interest	**95**	124
Total comprehensive income for the year	**1,596**	11,999

The notes on pages 24 to 62 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Registered number 06141077

Consolidated balance sheet

	Note	As at 31 August 2016 £'000	Restated 2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	**3,187**	3,828
Intangible assets	7	**165,833**	150,227
Investments and joint ventures and associates	8	**2,113**	186
		171,133	154,241
Current assets			
Trade and other receivables	9	**13,904**	9,980
Cash and cash equivalents	10	**19,234**	27,979
		33,138	37,959
Total assets		**204,271**	192,200
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	12	**132,665**	132,665
Share premium	12	**3,564**	3,564
Exchange reserves		**252**	(52)
Accumulated losses		**(296,099)**	(417,613)
		(159,618)	(281,436)
Non-controlling interest		**3,147**	1,347
Total equity		**(156,471)**	(280,089)

In the year ended 31 August 2016, computer software reported within tangible assets as computer equipment has been reclassified as software within intangible assets as required under IFRS. The comparative figures have been restated accordingly.

TES Global Holdings Limited

Registered number 06141077

Consolidated balance sheet (continued)

		As at 31 August	
		2016	2015
	Note	**£'000**	£'000
Liabilities			
Non-current liabilities			
Trade and other payables	13	**143**	493
Borrowings	14	**293,808**	292,188
Financial liabilities at fair value through profit and loss	24	**7,938**	5,952
Deferred income tax liabilities	11	**2,516**	1,415
		304,405	300,048
Current liabilities			
Trade and other payables	13	**47,443**	163,883
Current income tax liabilities		**133**	3,187
Deferred consideration	25	**5,300**	1,200
Financial liabilities at fair value through profit and loss	24	**3,461**	3,971
		56,337	172,241
Total liabilities		**360,742**	472,289
Total equity and liabilities		**204,271**	192,200

The notes on pages 24 to 62 are an integral part of these consolidated financial statements.

The financial statements on pages 15 to 62 were authorised for issue by the board of directors on 8 December 2016 and were signed on its behalf by:

Mr N Runnicles
Director

TES Global Holdings Limited

Consolidated statement of changes in equity for the year ended 31 August 2016

	Attributable to owners of the parent					
	Share capital	Share premium	Exchange differences	Accumulated losses	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2014 restated	128,647	3,564	-	(428,467)	1,798	**(294,458)**
Comprehensive income						
Profit for the year	-	-	-	11,927	124	12,051
Currency translation differences	-	-	(52)	-	-	(52)
Total comprehensive income for the year	-	-	**(52)**	**11,927**	**124**	**11,999**
Put/call option	-	-	-	(1,798)	-	(1,798)
Non-controlling interest	-	-	-	-	150	150
Acquisition of non-controlling interest	-	-	-	725	(725)	-
Issue of ordinary shares	4,018	-	-	-	-	4,018
Balance at 31 August 2015	**132,665**	**3,564**	**(52)**	**(417,613)**	**1,347**	**(280,089)**
Comprehensive income						
Profit for the year	-	-	-	1,197	95	1,292
Currency translation differences	-	-	304	-	-	304
Total comprehensive income for the year	-	-	**304**	**1,197**	**95**	**1,596**
Put/call option	-	-	-	(3,859)	-	(3,859)
Acquisition of non-controlling interest	-	-	-	-	1,705	1,705
Waiver of preference share dividends	-	-	-	124,176	-	124,176
Balance at 31 August 2016	**132,665**	**3,564**	**252**	**(296,099)**	**3,147**	**(156,471)**

The notes on pages 24 to 62 are an integral part of these consolidated financial statements.

At the time of TPG Capital's acquisition, the Company had accrued intercompany preference share dividends of £124.2m outstanding. During the year, TES Global Group Limited agreed to absolutely and irrevocably waive all right, title and interest to any dividends accrued (whether due and payable or not) in relation to the preference shares that TES Global Group Limited had held in TES Global Holdings Limited, prior to them being converted to equity. As a result, the accrued preference share dividends have been de-recognised from October 2015.

TES Global Holdings Limited

Company balance sheet

	Note	As at 31 August 2016 £'000	2015 £'000
Assets			
Non-current assets			
Investments		**50**	50
		50	50
Current assets			
Trade and other receivables	9	**149,850**	33,135
		149,850	33,135
Total assets		**149,900**	33,185
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	12	**132,665**	132,665
Share premium	12	**3,564**	3,564
Accumulated losses		**(133,749)**	(257,341)
Total equity		**2,480**	(121,112)
Liabilities			
Current liabilities			
Trade and other payables	13	**147,420**	154,297
Total liabilities		**147,420**	154,297
Total equity and liabilities		**149,900**	33,185

The notes on pages 24 to 62 are an integral part of these consolidated financial statements.

The financial statements on pages 15 to 62 were authorised for issue by the board of directors on 8 December 2016 and were signed on its behalf by:

Mr N Runnicles
Director

TES Global Holdings Limited

Company statement of changes in equity for the year ended 31 August 2016

	Attributable to owners of the parent			
	Share capital	Share premium	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 September 2014	128,647	3,564	(257,077)	**(124,866)**
Comprehensive income				
Loss and total comprehensive expense for the year	-	-	(264)	**(264)**
Issue of ordinary shares	4,018	-	-	**4,018**
Balance at 1 September 2015 and 31 August 2015	**132,665**	**3,564**	**(257,341)**	**(121,112)**
Comprehensive income				
Loss and total comprehensive expense for the year	-	-	(584)	**(584)**
Waiver of preference share dividends	-	-	124,176	**124,176**
Balance at 31 August 2016	**132,665**	**3,564**	**(133,749)**	**2,480**

The notes on pages 24 to 62 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Consolidated statement of cash flows

Group

	Note	2016 £'000	2015 £'000
		Year ended 31 August	
Cash flows from operating activities			
Cash generated from operations	19	**41,947**	45,974
Interest paid		**(19,448)**	(14,359)
Income tax paid in respect of current and prior year		**(2,835)**	(4,926)
Net cash generated from operating activities		**19,664**	26,689
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(1,049)**	(2,097)
Software development	7	**(5,594)**	(7,625)
Investments	8	**(2,051)**	(105)
Cash paid for acquisitions	21	**(18,191)**	(3,534)
Cash acquired on acquisition	21	**5,157**	1,502
Contingent consideration for acquisitions	24	**(1,599)**	(686)
Deferred consideration for acquisitions	25	**(1,200)**	(1,200)
Put/call option for acquisitions	24	**(2,835)**	-
Interest received		**52**	310
Net cash used in investing activities		**(27,310)**	(13,435)
Cash flows from financing activities			
Proceeds from issuance of share capital		**-**	4,018
Repayment of loans from Group undertakings		**(1,099)**	(15)
Net cash (used in) / generated from financing activities		**(1,099)**	4,003
Net (decrease) / increase in cash and cash equivalents		**(8,745)**	17,257
Cash and cash equivalents at beginning of year	10	**27,979**	10,722
Cash and cash equivalents at end of year	10	**19,234**	27,979

The notes on pages 24 to 62 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Company statement of cash flows

Company

	Year ended 31 August	
	2016	2015
	£'000	£'000
Cash flows from financing activities		
Proceeds from issuance of share capital	-	4,018
Loans to group undertakings	-	(4,018)
Net cash from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The notes on pages 24 to 62 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Notes to the financial statements for the year ended 31 August 2016

1 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

1.1 Basis of preparation
The consolidated financial statements of TES Global Holdings Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. TES Global is a private limited liability company incorporated and domiciled in the United Kingdom. The consolidated financial statements have been prepared under the historical cost convention as modified by financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.31. Amounts are rounded to the nearest thousands and are suffixed with a "k", "m" or "millions" in certain disclosure paragraphs, unless otherwise stated.

1.2 Going concern
The directors confirm that having reviewed the Group's cash requirements for the next 12 months from the date of signing the financial statements, they have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as and when they fall due for the foreseeable future. For this reason they have adopted the going concern basis in preparing these financial statements. Further explanation of our capital resources and working capital requirements is contained in the Strategic Report.

1.3 New accounting standards
Up to the date of issue of our consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 August 2016 and which have not been adopted in our consolidated financial statements. These include the following which may be relevant to us.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012-2014 cycle-various standards	July 1, 2016
Amendments to IAS 16 and IAS 38, clarification of acceptable methods of depreciation and amortization	July 1, 2016
Amendments to IAS 27, Equity method in separate financial statements	July 1, 2016
IFRS 15, Revenue from Contracts with Customers	January 1, 2018
IFRS 9, Financial instruments	July 1, 2018
IFRS 16, Leases	January 1, 2019

For those amendments effective beginning on or after 1 September 2016, we will adopt them when they become effective. For those new standards with effective date beginning on or after January 1, 2018, we are in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far we have concluded that the adoption of them is unlikely to have a significant impact on our results of operations and financial position.

Notes to the financial statements for the year ended 31 August 2016 (continued)

1 Significant accounting policies (continued)

1.4 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in an acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Changes in the non-controlling interest, which do not result in a change in control, are accounted for as equity transactions.

Inter-company transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Assets are depreciated over their expected useful lives less estimated residual value. The principal rates, using the straight-line basis, are as follows:

Category	Rates of Depreciation
Computer equipment	25% per annum
Furniture and office equipment	20% to 25% per annum

Assets in the course of construction are transferred into an asset category at the point of completion of construction. As assets are transferred upon completion there is no depreciation charged against this category of asset.

1.6 Restatement

Where the classification of costs or assets and liabilities are restated to provide a better or more accurate understanding of the financial statements, the prior year figures are restated accordingly.

1.7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating units.

1 Significant accounting policies (continued)

1.7 Intangible assets (continued)

Customer relationships

Customer relationships acquired as part of a business combination are shown at fair value at the date of acquisition and subsequently less accumulated amortisation. Identifiable intangible assets are those which can be sold separately or which arise from legal rights. Amortisation is charged to the income statement for the financial year using the straight-line method over their estimated useful lives.

Internally developed software cost

The Group capitalises expenditure that is directly attributable to the development of the intangible asset which is amortised on a straight-line basis over 2 to 5 years from the point the asset is available for use. The assets are valued at cost less accumulated amortisation, except those identifiable intangible assets acquired as part of a business combination which are shown at fair value at the date of acquisition, and subsequently less accumulated amortisation. Where no intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Publishing rights and titles

Publishing rights and titles are stated at cost less amortisation and any provision made for impairment. Publishing rights and titles are amortised in equal annual instalments their expected useful lives, subject to acceleration of write-off where impairment is indicated.

Other intangible assets

Other intangible assets, primarily databases and an online content catalogue, are capitalised at fair value and amortised using the straight-line method over their estimated useful lives, from the date the intangible assets are in use.

Category	Estimated Useful Lives
Customer relationships	12 to 15 years
Internally developed software	2 to 4 years
Publishing rights and titles	5 to 13 years
Other intangible assets	3 to 4 years

1.8 Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised immediately as an expense. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group tests annually whether goodwill has suffered any impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, except where fair value less cost to sell is more representative of the maturities and growth stages of the business.

1.9 Financial assets

1.9.1 Classification

The Group has one classification of financial assets; loans and receivables. Management determines the classification of its financial assets at initial recognition.

1 Significant accounting policies (continued)

1.9 Financial assets (continued)

1.9.1 Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

1.9.2 Recognition and measurement

Loans and receivables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method less provision for impairment.

1.10 Financial liabilities

1.10.1 Classification

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss for the financial year.

Gains and losses

Gains or losses arising from changes in the fair value of the financial liabilities at fair value through profit or loss category are presented in the profit or loss for the financial year within 'finance costs' in the period in which they arise.

1.10.2 Recognition and measurement

The Group's financial liabilities at fair value through profit or loss comprise 'contingent consideration' and 'put/call options on non-controlling interest'. All other financial liabilities are recognised at fair value, net of transaction costs incurred, and subsequently carried at amortised cost using the effective interest method.

1.10.3 Secured bond notes

Senior secured notes are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, net of any transaction costs incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest is recognised in the consolidated income statement over the period of the borrowing.

1.11 Contingent consideration

Accounting for contingent consideration in the post combination period is determined by the classification at the acquisition date.

Contingent consideration is recognised as a financial liability and measured at fair value at the acquisition date and each subsequent reporting date with changes in fair value recognised in profit or loss.

1.12 Deferred consideration

Accounting for deferred consideration in the post combination period is determined by the classification at the acquisition date.

Deferred consideration is recognised as a financial liability and measured at fair value at the acquisition date and each subsequent reporting date.

Notes to the financial statements for the year ended 31 August 2016 (continued)

1 Significant accounting policies (continued)

1.13 Put/call options

The call options give the Group a contractual right to purchase the equity instruments owned by non-controlling interests which gives rise to a financial liability for the present value of the redemption amount. The financial liability is recognised initially at the present value of the redemption amount with the corresponding debit recognised directly in equity. Subsequent fair value re-measurements of the liability at future balance sheet dates have been taken to the income statement.

1.14 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate provisions for impairment are recognised as per note 1.15. When a trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

1.15 Impairment of trade receivables

The Group fully provides for any amounts of loan principal and charged income that is estimated to be irrecoverable from customers. This provision is calculated based on the type of debt, its age and the period in which the original debt was initiated and by comparison with the past performance of similar historical loans.

1.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, current balances and other short-term highly liquid investments with banks and similar institutions.

1.17 Share capital

Ordinary shares, A ordinary shares and preference shares are classified as equity and carry the same voting and dividend rights.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.19 Non-recurring items

Items which are material either because of their size or their nature, and which are non-recurring, are presented within their relevant income statement category, but disclosed separately in note 2 to the financial statements. The separate reporting of non-recurring items helps to provide a better understanding of the Company's financial statements. These items are not deemed significant enough to highlight separately on the face of the income statement.

Notes to the financial statements for the year ended 31 August 2016 (continued)

1 Significant accounting policies (continued)

1.20 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates 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 income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.21 Revenue recognition

Revenue comprises the fair value of the consideration receivable by the Group for the sale of goods and services in the ordinary course of its business. Revenue is shown net of value added tax, returns and trade discounts. Transactional advertising revenue is recognised on a straight line basis over the period that an advert is run.

Advertising revenue under a subscription contract is recognised on a straight line basis over the period that the subscription runs.

Revenue from circulation is recognised in the week in which the magazine is published. Refunds from circulation returns are debited to revenue. Revenue from the supply business represents net invoiced sale of services, excluding value added tax, and is recognised when the service to the customer has been completed. Online training revenue is recognised only in relation to the proportion of individual course modules delivered in the period. Revenue in relation to course modules not yet delivered is deferred until the module is delivered. Premium resource revenue is recognised depending on the service provided. One off sales are recognised immediately, while subscription revenue is recognised on a straight line basis over the period that the subscription runs. Exhibition income is recognised on a straight line basis over the period when the exhibition occurs. Amounts received in advance of an exhibition are deferred until the period when the exhibition occurs. TES Prime revenue from attraction packages is recognised as performance of the service occurs. TES Prime revenue from selection and search packages is recognised in line with the performance of the service related to each element of the package.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Notes to the financial statements for the year ended 31 August 2016 (continued)

1 Significant accounting policies (continued)

1.22 Cost of sales
Cost of sales includes print and paper costs, distribution costs, supply teacher costs and any other costs associated directly with the revenue generating activities of the Group.

1.23 Finance cost
Finance costs are accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

1.24 Operating lease commitments
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

1.25 Research and development
Research expenditure is expensed through the consolidated income statement as incurred.

The development cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

1.26 Investment in subsidiary undertakings
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment. Cost is defined as the fair value of the consideration transferred, excluding acquisition related costs.

1.27 Segmental analysis
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors has been identified as the chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments. The Group operates in two major market segments: School Services and University Services.

1.28 Functional currency
The functional currency is pounds sterling and the financial statements are presented in pounds sterling, which the directors consider is the appropriate presentational currency of the Group.

Transactions in currencies other than the functional currency of the Group are recorded at the rates of exchange prevailing on the dates of the transactions.

At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Gains or losses arising on retranslation of monetary items are included in net profit or loss for the period.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Translation from functional currency to presentational currency
The Group's results, financial position and cash flows are translated into the presentational currency as follows:

- equity items other than net profit at the rate of transaction;
- assets and liabilities at the closing rate;
- income, expenses and cash flows at the average exchange rate; and
- resulting exchange differences are included in equity.

Notes to the financial statements for the year ended 31 August 2016 (continued)

1 Significant accounting policies (continued)

1.29 Investments in joint ventures and associates
The share of joint ventures' and associates' results are recognised in the income statement and accordingly adjusted to the carrying amount. The investment is recorded using the equity method which shows the initial investment net of the share of net income / loss and any dividends received.

1.30 Provision for joint ventures losses
The share of joint ventures' results are recognised in the income statement and accordingly adjusted to the carrying amount. The entity has incurred legal or constructive obligations or made payments on behalf of the joint venture and the interest in losses are shown as a liability.

1.31 Critical accounting estimates and judgements
The preparation of the Group's consolidated financial statements in accordance with IFRS requires decisions and estimates for some items, which might have an effect on their recognition and measurement in the balance sheet and income statement. The actual amounts realised may differ from these estimates.

Impairment of goodwill
Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. The Group tests annually whether goodwill has suffered any impairment, in accordance with the Group's accounting policy. In determining the recoverable amount of all CGUs it is necessary to make a series of assumptions to estimate the present value of future cash flows. In each case, these key assumptions have been made by management reflecting past experience and future expectations.

The value in use is calculated using a discounted cash flow methodology in accordance with applicable Accounting Standards. The discounting rate used in assessing the value in use of the assets is the estimated weighted average cost of capital employed by the Group. This has been calculated as the weighted average of the internal rate of return applied in the equity funding and the Group's bank debt interest rate.

The main assumptions within forecast operating cash flow include the achievement of future sales, the cost incurred, removing non cash flow items and the levels of ongoing capital expenditure required to support forecast production.

Capitalisation of development costs
The Group capitalise development costs, in accordance with the Group's accounting policy. Determining the amounts to be capitalised requires management to make assumptions and estimates regarding the expected future cash generation of new developments and the expected period of benefits.

Depreciation and amortisation
Property, plant and equipment and intangible assets are stated at cost, net of depreciation or amortisation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. The carrying values of assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Assets are depreciated over their expected useful lives or anticipated length of use by the Group in order to write off their cost less estimated residual value.

Contingent consideration and put/call on non-controlling interest
The Group has estimated the value of future purchase consideration payable to vendors based on management's estimate of the future performance indicators of the relevant entity.

Notes to the financial statements for the year ended 31 August 2016 (continued)

1 Significant accounting policies (continued)

1.32 Pensions
Pension contributions, which are made to a defined contribution Group Personal Pension Plan, are charged to the income statement as incurred. These contributions are invested separately from the Group's assets.

2 Operating profit

Group	2016 £'000	2015 £'000
Depreciation and amortisation		
Depreciation of property, plant and equipment	**1,701**	1,362
Amortisation of intangible assets	**10,622**	7,195
	12,323	8,557
Non-recurring costs		
Property costs	**80**	160
Restructuring costs	**796**	912
SML joint venture transition costs	-	1,300
Acquisition costs for business combinations	**1,851**	702
Acquisition integration costs	**254**	448
Business transformation	**1,092**	-
Asset impairment	**171**	-
Other business costs	-	32
	4,244	3,554
Operating lease payments		
Buildings	**810**	810

Non-recurring costs include the external cost of acquisition activity during the year of £1.9m (2015: £0.7m), business transformation costs of £1.1m (2015: £nil) incurred in migrating schools towards subscription products and staff restructuring costs of £0.8m (2015: £0.9m).

3 Segmental analysis

During the year the Group has fully adopted the provisions as set out under IFRS 8.

TES Global is a digital education company with a global community, helping teachers, schools and universities succeed. We operate in two major market segments: School Services, providing supply teachers through our agency businesses, classified advertising solutions to schools through a range of products and content through our training, resources and events businesses together with the publication of the TES magazine; and University Services, providing classified advertising solutions to universities and content through our World University Rankings business, summits and events business and from the publication of the THE magazine.

The chief operating decision maker has been identified as the Board of Directors, which makes the strategic decisions. The Group's reported segments are based on the internal reporting structure and financial information provided to the Board. The Board reviews the performance of the Group by the reported segments.

Notes to the financial statements for the year ended 31 August 2016 (continued)

3 Segmental analysis (continued)

The Board does not review the assets and liabilities of the Group on a segmented basis and has therefore chosen to adopt the amendments to IFRS 8 which permit not segmenting the assets and liabilities of the Group. Other information provided to the Board is measured in a manner consistent with that in the financial statements. Accounting policies are consistent across the reportable segments.

Group	2016 £'000	2015 £'000
Revenue		
Agency	**48,044**	33,385
Advertising	**67,214**	81,386
Content	**11,735**	6,619
School Services	**126,993**	121,390
University Services	**10,161**	8,898
Total revenue	**137,154**	130,288
Costs		
Cost of sales	**38,084**	29,247
Staff costs	**30,305**	23,992
Other costs	**13,928**	17,381
School Services	**82,317**	70,620
Cost of sales	**1,422**	1,665
Staff costs	**6,662**	4,627
Other costs	**3,785**	2,390
University Services	**11,869**	8,682
Total costs	**94,186**	79,302
Adjusted EBITDA		
School Services	**44,676**	50,770
University Services	**(1,708)**	216
Total adjusted EBITDA	**42,968**	50,986

Revenue and adjusted EBITDA are the key segmental profit measures used by the Group in assessing performance. The reconciliation of non-GAAP adjusted EBITDA to IFRS statutory operating profit is shown on page 3.

4 Finance income and costs

Group	2016 £'000	2015 £'000
Bank borrowings	**339**	360
Senior secured notes	**19,099**	19,177
Other interest	**10**	-
Amortisation of issue costs	**1,620**	1,619
Revaluation of put/call option	**-**	137
Interest on loans from group undertakings (note 18)	**970**	1,130
Finance costs	**22,038**	22,423
Finance income:		
Interest income on cash at bank	**(52)**	(63)
Revaluation of put/call option	**(1,252)**	-
Other interest	**-**	(247)
Finance income	**(1,304)**	(310)
Net finance costs	**20,734**	22,113

5 Income tax expense

Group	2016 £'000	2015 £'000
Current tax:		
Current tax on profits for the year	**2,549**	5,148
Adjustments in respect of prior years	**(882)**	(911)
Total current tax	**1,667**	4,237
Deferred income tax (note 11):		
Origination and reversal of temporary differences	**(915)**	(178)
Impact of change in UK tax rate	**79**	(39)
Total deferred income tax	**(836)**	(217)
Income tax expense	**831**	4,020

Of the current tax charge of £2.5m, an amount of £1.3m was paid during the year, £0.4m is payable to TES Global Group Limited and the balance is payable in December 2016.

5 Income tax expense (continued)

Factors affecting current tax charge for the year
The main rate of UK corporation tax fell from 21% to 20% with effect from 1 April 2015 and remained at 20% throughout the year ending 31 August 2016.

The tax charge in the income statement is lower (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.58%). A reconciliation of the tax charge for the year to the profit for the year multiplied by the applicable UK tax rate is shown below:

	2016	2015
	£'000	£'000
Profit before income tax	**2,123**	16,071
Tax calculated at the standard rate of corporation tax in the UK of 20% (2015: 20.58%)	**425**	3,307
Tax effects of:		
Differences between depreciation and capital allowances	-	156
Expenses not deductible for tax purposes	**251**	845
Utilisation of general provisions	-	(108)
Amortisation not deductible for tax purposes	**793**	675
Joint venture loss not deductible for tax purposes	**4**	95
Non-taxable revaluation of put and call option	**(250)**	-
Contingent consideration not deductible for tax purposes	**589**	-
Effect of higher taxes on overseas earnings	**44**	-
Overseas tax losses carried forward	**110**	-
Utilisation of tax losses brought forward	**(104)**	-
Previously unrecognised temporary differences	**(228)**	-
Impact of change in tax rates	**79**	(39)
Adjustments in respect of prior years	**(882)**	(911)
Total income tax expense	**831**	4,020

Deferred tax assets and liabilities are measured at tax rates that are expected to apply when the asset is realised or the liability is settled and which have been enacted or substantively enacted by the balance sheet date. Finance No.2 Bill 2015 became substantively enacted in October 2015, reducing the main rate of corporation tax from 20% to 19% from 1 April 2017, and Finance Bill 2016 became substantively enacted in September 2016 further reducing the rate to 17% from 1 April 2020.

The adjustment in respect of prior years in the year ended 31 August 2016, relates to an over estimation of the prior year tax liability. In 2011, part of our debt was purchased at a discount. As at 31 August 2014 a £5.2m provision was recognised in corporation taxation to cover amounts potentially payable in respect of the tax deductibility of interest payable on this debt. The liability was settled at £4.3m in 2015, resulting in a £0.9m credit in the year ended 31 August 2015.

Notes to the financial statements for the year ended 31 August 2016 (continued)

6 Property, plant and equipment

Group	Computer equipment £'000	Furniture and office equipment £'000	Total £'000
Cost			
At 1 September 2014 – restated	6,932	5,337	12,269
Additions – restated	1,706	391	2,097
At 31 August 2015	**8,638**	**5,728**	**14,366**
Accumulated depreciation			
At 1 September 2014 – restated	6,280	2,896	9,176
Depreciation charge – restated	648	714	1,362
At 31 August 2015	**6,928**	**3,610**	**10,538**
Net book value			
At 31 August 2015	**1,710**	**2,118**	**3,828**
At 31 August 2014	652	2,441	3,093

Restatement
During the year ended 31 August 2016, computer software reported within computer equipment with a net book value of £0.9m was reclassified as software within intangible assets as required under IFRS. The prior year numbers have been restated accordingly.

Notes to the financial statements for the year ended 31 August 2016 (continued)

6 Property, plant and equipment (continued)

Group	Computer equipment £'000	Furniture and office equipment £'000	Total £'000
Cost			
At 1 September 2015	8,638	5,728	14,366
Additions	1,049	-	1,049
Acquisition from business combinations	37	59	96
Disposals	(176)	(19)	(195)
Other movements	-	(86)	(86)
Exchange differences	1	3	4
At 31 August 2016	**9,549**	**5,685**	**15,234**
Accumulated depreciation			
At 1 September 2015	6,928	3,610	10,538
Depreciation charge	862	839	1,701
Disposals	(174)	(18)	(192)
At 31 August 2016	**7,616**	**4,431**	**12,047**
Net book value			
At 31 August 2016	**1,933**	**1,254**	**3,187**
At 31 August 2015	1,710	2,118	3,828

Depreciation expense of £1.7m (2015: £1.4m) has been charged to administrative expenses in the consolidated income statement.

Company

The Company had no property, plant and equipment during the year under review (2015: nil).

TES Global Holdings Limited

Notes to the financial statements for the year ended 31 August 2016 (continued)

7 Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Software and software development £'000	Publishing rights and titles £'000	Other Intangible Assets £'000	Total £'000
Cost						
At 1 September 2014 - restated	91,060	6,463	11,422	41,144	2,462	152,551
Acquisition from business combinations	5,670	700	-	-	1,700	8,070
Additions - restated	-	-	7,625	-	-	7,625
At 31 August 2015	**96,730**	**7,163**	**19,047**	**41,144**	**4,162**	**168,246**
Accumulated amortisation and impairment						
At 1 September 2014 - restated	-	95	4,260	6,244	225	10,824
Charge for the year - restated	-	449	2,496	3,352	898	7,195
At 31 August 2015	**-**	**544**	**6,756**	**9,596**	**1,123**	**18,019**
Net book value						
At 31 August 2015	**96,730**	**6,619**	**12,291**	**31,548**	**3,039**	**150,227**
At 31 August 2014	91,060	6,368	7,162	34,900	2,237	141,727

Restatement

During the year ended 31 August 2016, computer software reported within tangible assets as computer equipment with a net book value of £0.9m was reclassified as software as required under IFRS. The prior year numbers have been restated accordingly.

Notes to the financial statements for the year ended 31 August 2016 (continued)

7 Intangible assets (continued)

Group	Goodwill £'000	Customer relationships £'000	Software and software development £'000	Publishing rights and titles £'000	Other Intangible Assets £'000	Total £'000
Cost						
At 1 September 2015	96,730	7,163	19,047	41,144	4,162	168,246
Acquisition from business combinations	10,554	6,764	2,050	898	-	20,266
Additions	81	-	5,513	-	-	5,594
Disposals	-	-	(329)	-	-	(329)
Exchange differences	-	-	382	-	-	382
Other movements	(14)	-	-	-	-	(14)
At 31 August 2016	**107,351**	**13,927**	**26,663**	**42,042**	**4,162**	**194,145**
Accumulated amortisation and impairment						
At 1 September 2015	-	544	6,756	9,596	1,123	18,019
Charge for the year	-	749	5,091	3,454	1,328	10,622
Disposals	-	-	(329)	-	-	(329)
At 31 August 2016	-	**1,293**	**11,518**	**13,050**	**2,451**	**28,312**
Net book value						
At 31 August 2016	**107,351**	**12,634**	**15,145**	**28,992**	**1,711**	**165,833**
At 31 August 2015	96,730	6,619	12,291	31,548	3,039	150,227

Goodwill represents amounts paid primarily for TSL Education Holdings Limited. The additions in the year relate to the acquisition of a 75% interest in ABC with goodwill valued at £3.3m and the acquisition of 90% of Smart with goodwill valued at £7.3m. For further information see note 21.

Intangible asset acquisitions from business combinations represents the value of digital teacher databases at ABC (£0.7m) and Smart (£1.3m), customer relationships at ABC (£2.8m) and Smart (£4.0m) and trade names at ABC (£0.4m) and Smart (£0.5m). For further information see note 21.

Publishing rights and titles relates to the titles TES and THE, which are held by TES Global Limited, a group subsidiary undertaking. Publishing rights and titles are tested for impairment where appropriate.

Within software and software development, assets under construction amounted to £1.3m as at 31 August 2016 (2015: £2.5m) and are not yet being amortised.

Amortisation expense of £10.6m (2015: £7.2m) has been charged to administrative expenses in the consolidated income statement.

Notes to the financial statements for the year ended 31 August 2016 (continued)

7 Intangible assets (continued)

Management perform an annual impairment review for any intangible asset which is considered to have an indefinite life. This review compares the carrying amount of goodwill, intangible assets and other directly attributable assets and liabilities in the cash generating unit ('CGU') with their recoverable amounts. The recoverable amount of TES Global group has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period, using a pre-tax discount factor of 11.5% and terminal growth increase of 2.2%.

The carrying value of goodwill by relevant CGU is shown below:

Cash Generating Unit	**Goodwill £'000**
TES Global Limited	**78,938**
Vision for Education Limited	**9,281**
Tangient LLC	**2,827**
Hibernia College UK Limited	**4,607**
Unijobs Global Pty Limited	**1,144**
ABC Teachers Limited	**3,258**
Smart Education Limited	**7,296**
At 31 August 2016	**107,351**

Sensitivity analysis
The value-in-use calculations indicates significant headroom and low sensitivity to changes in the assumptions. If the cash generated had been less than 59% of the pre-tax cash flow projections, the group would have recognised an impairment of goodwill.

Company
The Company had no intangible assets during the year under review (2015: nil).

8 Investments

	Investment Undertakings £'000	**Total £'000**
Cost		
At 1 September 2015	186	186
Additions	2,113	2,113
Impairment provision	(104)	(104)
Disposal	(82)	(82)
At 31 August 2016	**2,113**	**2,113**
Net book value		
At 31 August 2016	**2,113**	**2,113**
At 31 August 2015	186	186

Notes to the financial statements for the year ended 31 August 2016 (continued)

8 Investments (continued)

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment. The additions during the year relate to the acquisition of a 45% interest in Edukey Education Limited (£2.1m). The SML joint venture arrangement was terminated and the interest in Barton Woodhead Limited was impaired during the year.

Company
Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment. In the Company, investments in subsidiaries have been fully impaired. The directors believe that the carrying value of the investments is supported by their underlying net assets.

At 31 August 2016 the Company held the equity of the following subsidiary undertakings:

Subsidiaries

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
TES Finance Plc (UK)	Holding company	Ordinary shares of £1 each (100% held)
TSL Education SPV 2 Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
TSL Education SPV 3 Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
TSL Education SPV 4 Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
TSL Education Holdings Limited (UK)	Holding company	Ordinary shares of £0.000001 each (100% held)
TSL Education Acquisition Limited (UK)	Holding company	Ordinary shares of £0.000001 each (100% held)
TSL Education Finance Limited (UK)	Holding company	Ordinary shares of £0.000001 each (100% held)
TES Global Limited (UK)	Publisher	Ordinary shares of £1 each (100% held)
The Times Educational Supplement Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
The Times Higher Education Supplement Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
Educational Exhibitions Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
TSL Education Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)

Notes to the financial statements for the year ended 31 August 2016 (continued)

8 Investments (continued)

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
TES Supply Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
TES Bidco Limited (UK)	Holding company	Ordinary shares of £0.01 each (90% held)
Vision for Education Limited (UK)	Recruitment agency	Ordinary shares of £1 each (90% effectively held)
Education Data Surveys Limited (UK)	Information provider	Ordinary shares of £1 each (100% held)
Englishteaching.co.uk Limited (UK)	Information provider	Ordinary shares of £1 each (100% held)
Electronic Blackboard Limited (UK)	Information provider	Ordinary shares of £1 each (100% held)
BrightSpark Education Limited (UK)	Online tutoring service	Ordinary shares of £1 each (100% held)
TES Education Resources Limited (UK)	Information provider	Ordinary shares of £1 each (100% held)
TSL Education US Holdings Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
TSL Education US, Inc (USA)	Holding company	Common stock of US $0.01 each (100% held)
Tangient, LLC (USA)	Software company	Membership capital (100% held)
TSL Education Australia Pty Limited (AUS)	Information provider	Ordinary shares of Aus $1 each (100% held)
Hibernia College UK Limited (UK)	Training provider	Ordinary shares of £1 each (100% held)
TES Aus Global Pty Limited (AUS)	Holding company	Ordinary shares of Aus $1 each (75% held)
Unijobs Global Pty Limited (AUS)	Information provider	Ordinary shares of Aus $1 each (75% effectively held)
TES India Private Limited (IND) (in liquidation)	Information provider	Equity shares of Rs 10/- each (100% held)
The WUR, Inc (USA)	Information provider	Ordinary shares of US $0.0001 each (100% held)

Notes to the financial statements for the year ended 31 August 2016 (continued)

8 Investments (continued)

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
ABC Teachers Limited (UK)	Recruitment agency	Ordinary shares of £1 each (75% effectively held)
Smart Education Limited (UK)	Recruitment agency	Ordinary shares of £0.01 each (90% effectively held)
Smart Teachers Limited (UK)	Dormant	Membership capital (90% effectively held)
Smart Education (Australia) Pty Limited (AUS)	Recruitment agency	Ordinary shares of Aus $1 each (90% effectively held)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent Company do not differ from the proportion of shares held.

9 Trade and other receivables

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current				
Trade receivables	**11,440**	5,755	-	-
Less: provision for impairment	**(185)**	(219)	-	-
Trade receivables - net	**11,255**	5,536	-	-
Prepayments and accrued income	**2,239**	1,692	-	-
Other taxation and social security	**112**	1,051	-	-
Amounts due from group undertakings	-	-	**149,802**	33,135
Other receivables	**298**	1,701	**48**	-
Total trade and other receivables	**13,904**	9,980	**149,850**	33,135

The fair values of trade and other receivables is equivalent to the carrying amounts.

As of 31 August 2016, trade receivables were £11.4m (2015: £5.8m). The Company had no trade receivables (2015: nil).

Amounts owed from group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum (2015: 8%).

Notes to the financial statements for the year ended 31 August 2016 (continued)

9 Trade and other receivables (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
UK pounds	**13,179**	9,826	**149,850**	33,135
Australian dollars	**725**	154	-	-
	13,904	9,980	**149,850**	33,135

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
At start of year	**219**	404	-	-
Provision for receivables impairment	-	(192)	-	-
Receivables written off during the year as uncollectable	**(34)**	7	-	-
At end of year	**185**	219	-	-

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated income statement. Amounts charged to the allowance account are generally written off where there is no expectation of recovery additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The ageing analysis of these trade receivables is as follows:

	2016	2015
	£'000	£'000
Not due	**3,946**	3,600
Up to 3 months past due	**7,398**	1,986
More than 3 months past due	**96**	169
	11,440	5,755

The increase in trade receivables is primarily the result of the acquisitions of Smart and ABC which added £1.0m and £0.6m respectively as at 31 August 2016, together with an increase in TES Global billings in the last quarter relating to subscription revenue.

Notes to the financial statements for the year ended 31 August 2016 (continued)

10 Cash and cash equivalents

Group	**2016 £'000**	2015 £'000
Cash at bank and on hand	**19,234**	27,979
Cash and cash equivalents	**19,234**	27,979

Company

The Company had no cash and cash equivalents during the year under review (2015: nil).

11 Deferred income tax

Group	**2016 £'000**	2015 £'000
Deferred tax liabilities		
Deferred tax asset to be recovered after more than 12 months	982	606
Deferred tax asset to be recovered within 12 months	107	(30)
Deferred tax liability to reverse after more than 12 months	(2,825)	(1,494)
Deferred tax liability to reverse within 12 months	(780)	(497)
Deferred tax liability	**(2,516)**	(1,415)

The gross movement on the deferred income tax account is as follows:

Group	**2016 £'000**	2015 £'000
At 1 September	**(1,415)**	(1,152)
Income statement credit	**836**	217
Acquisition from business combinations	**(1,937)**	(480)
At 31 August	**(2,516)**	(1,415)

Notes to the financial statements for the year ended 31 August 2016 (continued)

11 Deferred income tax (continued)

Group	Decelerated capital allowances £'000	Other temporary differences £'000	Intangible assets £'000	Total £'000
At 31 August 2014 - restated	**904**	**160**	**(2,216)**	**(1,152)**
Income statement credit/(charge)	(114)	(59)	390	217
Acquisitions	-	-	(480)	(480)
At 31 August 2015	**790**	**101**	**(2,306)**	**(1,415)**
Income statement credit	178	6	652	836
Acquisitions	(9)	-	(1,928)	(1,937)
At 31 August 2016	**959**	**107**	**(3,582)**	**(2,516)**

Deferred tax assets have been recognised only to the extent that the directors consider it probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply when the asset is realised or the liability is settled and which have been enacted or substantively enacted by the balance sheet date.

Finance No.2 Bill 2015 became substantively enacted on 26 October 2015, reducing the main rate of corporation tax to from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred tax balances have been recalculated to reflect these changes (note 5).

The Group did not recognise deferred tax assets relating to carried forward losses in Brightspark Education Limited of £0.7m (2015: £0.7m) and TSL Education Acquisition Limited of £0.3m (2015: £0.3m).

12 Share capital and premium

	31 August 2015	
	Allotted, issued and fully paid	
Group and Company	No of shares	Share capital £
A ordinary shares of 10p each	1,837,945	183,794
Ordinary shares of 10p each	40,843,385	4,084,339
Preference share capital of £1 each	128,397,204	128,397,000
	171,078,534	132,665,133

Notes to the financial statements for the year ended 31 August 2016 (continued)

12 Share capital and premium (continued)

Group and Company	31 August 2016 Allotted, issued and fully paid No of shares	 Share capital £
A ordinary shares of 10p each	1,837,945	183,794
Ordinary shares of 10p each	40,843,385	4,084,339
Preference share capital of £1 each	128,397,204	128,397,000
	171,078,534	132,665,133

Group and Company	No of shares	Share capital £	Share premium £	Total £
At 31 August 2015	171,078,534	132,665,133	3,564,000	136,229,133
At 31 August 2016	**171,078,534**	**132,665,133**	**3,564,000**	**136,229,133**

13 Trade and other payables

13.1 Non current

Group	**2016** **£'000**	2015 £'000
Rent payable	**143**	493
Total non-current trade and other payables	**143**	493

Rent payable relates to the deemed rent liability during the rent free period to 29 July 2014, which is being amortised over the lease period. The lease expires on 29 January 2023.

Notes to the financial statements for the year ended 31 August 2016 (continued)

13 Trade and other payables (continued)

13.2 Current

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade payables	**3,855**	750	**-**	-
Amounts due to group undertakings (note 18)	**15,365**	137,562	**147,358**	154,268
Social security and other taxes	**1,829**	822	**-**	-
Other liabilities	**1,273**	2,881	**-**	17
Accrued expenses	**15,806**	17,572	**62**	12
Deferred income	**9,315**	4,296	**-**	-
Total current trade and other payables	**47,443**	163,883	**147,420**	154,297

The fair values of trade and other payables is equivalent to the carrying amounts.

14 Borrowings

Group	**2016 £'000**	2015 £'000
Non-current		
Senior secured notes:		
Secure Sterling – fixed notes	**200,000**	200,000
Secure Sterling – floating rate notes	**100,000**	100,000
Capitalised issue costs	**(6,192)**	(7,812)
	293,808	292,188

Senior secured notes
Senior secured fixed rate sterling denominated notes of £200m were issued on 17 July 2014 with a maturity date of 15 July 2020. Interest is fixed at 6.75% and payable on a semi-annual basis.

Senior secured floating rate sterling denominated notes of £100m were issued on 17 July 2014 with a maturity date of 15 July 2020. Interest is floating at three month GBP LIBOR plus a margin of 5% and payable on a quarterly basis.

The full amount of the notes, less certain issue costs, was received in cash as at 17 July 2014.

Notes to the financial statements for the year ended 31 August 2016 (continued)

14 Borrowings (continued)

Capitalised issue costs
Costs incurred in issuing the senior secured notes totalled £9.7m. The costs are capitalised and allocated to the income statement over the terms of the related debt facility. At year end, borrowings are stated net of unamortised issue costs of £6.2m.

The exposure of the Group's borrowings to interest payments is as follows:

	2016	2015
	£'000	£'000
6 months or less	**9,547**	9,547
6-12 months	**9,537**	9,551
1-5 years	**53,122**	72,206
Total	**72,206**	91,304

The fair value of the borrowings is equivalent to the carrying amounts.

	Carrying Value		**Fair Value**	
Group	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Senior secured notes	**293,808**	292,188	**293,808**	292,188
Total	**293,808**	292,188	**293,808**	292,188

15 Pension

The Group operates a defined contribution scheme in the form of a Group Personal Pension Plan for its employees. The assets of the Plan are held separately from those of the Group in an independently administered fund. The Group pays a fixed percentage contribution for each employee who is a member of the Group Personal Pension Plan. Contributions payable by the Group to the fund in respect of the year ended 31 August 2016 amounted to £1.9m (2015: £1.6m). Out of this amount, nil was accrued at 31 August 2016 (2015: nil).

Notes to the financial statements for the year ended 31 August 2016 (continued)

16 Auditors' remuneration

During the year the Group obtained the following services from the Company's auditors:

Group	2016 £'000	2015 £'000
Fees payable to the Company's auditors for the audit of all Group companies	**163**	176
Fees payable to the Company's auditors for other services:		
- Other assurance services	**326**	40
	489	216

Of the audit fees payable to the Company's auditors, £55k (2015: £65k) was for the audit of the Company's subsidiaries.

17 Employee benefit expense

Group	2016 £'000	2015 £'000
Wages and salaries	**30,348**	21,245
Social security costs	**2,636**	2,110
Other pension costs (note 15)	**1,930**	1,583
	34,914	24,938

The average monthly number of employees, including directors, during the year was as follows;

Group	2016 No.	2015 No.
Editorial	**68**	52
Sales and marketing	**170**	130
Technology	**97**	83
Resources	**24**	21
Production	**7**	9
Administration	**47**	49
Supply	**172**	91
	585	435

For the year ended 31 August 2016, the split between male and female employees was 46%:54%.

The Company had no employees for the year ended 31 August 2016 (2015: nil).

Notes to the financial statements for the year ended 31 August 2016 (continued)

17 Employee benefit expense (continued)

Directors' remuneration	2016	2015
Group	£'000	£'000
Aggregate emoluments (excluding pension contributions)	876	700
Company contributions to defined contribution schemes	68	66
	944	766

Directors are considered the only key management individuals and therefore no separate disclosure of key management remuneration is required.

Highest paid director:	2016	2015
	£'000	£'000
Total emoluments	494	233

Company contributions were made during the year under the Group Personal Pension Plan, a defined contribution scheme, in respect of three directors (2015: three directors) of £77k (2015: £66k). Company contributions made under the Group Personal Pension Plan in respect of the highest paid director is £40k (2015: £26k). No shares were received or receivable by the highest paid director in respect of qualifying services under a long-term incentive scheme (2015: nil).

18 Related party disclosures

Group

The ultimate parent undertaking of the Group is TES Global Investments S.à.r.l., a company registered in Luxembourg. The directors consider that the ultimate controlling party of the Group is TPG Capital LLP, headquartered in the US, on behalf of the funds under its management.

Joint ventures and Associates

As at 31 August 2016 Edukey Education Limited was a related party. The group's interest in Barton Woodhead Education Limited was impaired during the year, whilst the group's interest in SML JV LLC was disposed of during the year.

(a) Loans to joint ventures

	2016	2015
	£'000	£'000
At 1 September	-	798
Transfer to other debtors following Sandgate disposal	-	(314)
Reclassified to investments	-	(484)
At 31 August	-	-

Loans to related parties relates to loans made to Sandgate Systems Limited of £nil (2015: £nil) and SML JV LLC of £nil (2015: £nil).

18 Related party disclosures (continued)

(b) Loans from group undertakings

	2016 £'000	2015 £'000
At 1 September	**137,562**	127,018
Loans received during the year	**-**	9,428
Loan repayments made	**(1,099)**	(14)
Interest charged (note 4)	**970**	1,130
Waiver of preference share dividends	**(124,176)**	-
Other movements	**2,108**	-
At 31 August (note 13.2)	**15,365**	137,562

The other movements relate to £2.1m payable to TES Global Group Limited for the transfer of tax relief. Loans from related parties relates to net loans from group undertakings. This comprises a loan from TES Global Group Limited of £15.9m (2015: £138.0m) and a loan to TES Global Holdings S.à.r.l. of £0.5m (2015: £0.5m).

No purchases or sales transactions were entered into between the Company and subsidiary undertakings or with any other entities controlled by the directors of the Company.

19 Cash generated from operations

Group	2016 £'000	2015 £'000
Profit before income tax	**2,123**	16,071
Adjustments for:		
Depreciation (note 6)	**1,701**	1,362
Amortisation charges (note 7)	**10,622**	7,195
Non-recurring administrative expenses	**105**	1,386
Non-recurring contingent consideration	**2,947**	-
Other income	**-**	(125)
Finance costs – net	**20,734**	22,113
Share of operating loss of joint ventures	**19**	254
Currency translation differences	**186**	(52)
Changes in working capital:		
Trade and other receivables	**(210)**	(3,648)
Trade and other payables	**3,720**	1,418
Cash generated from operations	**41,947**	45,974

Notes to the financial statements for the year ended 31 August 2016 (continued)

20 Commitments

Group

The Group had annual commitments to make payments under non-cancellable operating leases and other financial commitments expiring as follows:

	2016	2015
Buildings	**£'000**	£'000
No later than 1 year	**1,639**	1,156
Later than 1 year and no later than 5 years	**6,015**	4,623
Greater than 5 years	**2,623**	2,600
	10,277	8,379

	2016	2015
Other financial commitments	**£'000**	£'000
No later than 1 year	**52**	487
Later than 1 year and no later than 5 years	**52**	-
	104	487

At 31 August 2016, the Group had £52k of other financial commitments for provision of IT managed services (2015: £0.5m). There are no other financial commitments which have not been provided for.

Company
At 31 August 2016, the Company had nil financial commitments under non-cancellable operating leases (2015: nil).

21 Business combinations

Smart Education Limited

On 18 December 2015, the Group acquired 100% of the ordinary share capital in Smart to further expand our activities in the UK and Australian education recruitment sector.

The Group believes that the carrying value of the underlying assets and liabilities on acquisition are the current fair value and these are reflected below.

Notes to the financial statements for the year ended 31 August 2016 (continued)

21 Business combinations (continued)

The following table summarises the consideration paid and the fair value of assets acquired at the acquisition date.

Consideration at 18 December 2015	£'000
Cash	9,820
Deferred consideration	5,300
Contingent consideration	268
Total consideration	**15,388**

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	-	5,830	5,830
Property, plant and equipment	41	-	41
Cash	2,541	-	2,541
Debtors	1,468	-	1,468
Prepayments	63	-	63
Creditors	(371)	-	(371)
Tax and social security	(314)	-	(314)
Deferred tax	-	(1,166)	(1,166)
Total identifiable net assets	**3,428**	**4,664**	**8,092**
Goodwill			7,296
Purchase consideration			**15,388**

Acquisition-related costs of £0.3m have been charged to administrative expenses in the consolidated income statement for the period ended 31 August 2016.

The consideration arrangement requires the Group to pay in cash the former owners of Smart a further payment based on the performance in the year ending 31 December 2016, subject to a minimum payment of £5.3m. An additional contingent payment of £0.3m has been initially recognised as a reasonable estimate of fair value and will be revised to reflect the amount expected to be paid in subsequent reporting periods.

Fair value adjustments were required on the acquisition of Smart to reflect the valuation of their intangible assets relating to their customer relationships, trade name and teacher database and to provide for deferred tax.

Notes to the financial statements for the year ended 31 August 2016 (continued)

21 Business combinations (continued)

Smart Education Limited

From the start of its latest financial year on 1 January 2015, to the date of acquisition, Smart recorded the following results in its management accounts;

	£'000
Revenue	16,161
Cost of sales	(9,453)
Gross profit	6,708
Administrative expenses	(4,539)
Operating income	2,169
Profit before income tax	2,169

Since the acquisition date, Smart has recorded £10.5m of revenue within the consolidated statement of comprehensive income statement and a profit of £1.0m. If the entity had been combined from the beginning of the annual reporting period the entity would have recognised total revenue of £15.9m and a profit of £1.7m.

ABC Teachers Limited

On 7 April 2016, the Group acquired 75% of the ordinary share capital in ABC in line with our strategy to expand our footprint in the supply teaching market and to add valuable expertise across the Midlands region. ABC joins Smart, which serves the London school market, and Vision for Education, covering the North of England, in the Group's growing supply network.

The Group believes that the carrying value of the underlying assets and liabilities on acquisition are the current fair value and these are reflected below. The Group has applied the net asset method for measurement of the non-controlling interest.

The following table summarises the consideration paid and the fair value of assets acquired at the acquisition date.

Consideration at 7 April 2016	**£'000**
Cash	8,370
Total consideration	**8,370**

Notes to the financial statements for the year ended 31 August 2016 (continued)

21 Business combinations (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	-	3,882	3,882
Property, plant and equipment	55	-	55
Cash	2,616	-	2,616
Debtors	2,003	-	2,003
Creditors	(738)	-	(738)
Income tax	(225)	-	(225)
Deferred tax	-	(776)	(776)
Total identifiable net assets	**3,711**	**3,106**	**6,817**

Non-controlling interest	(1,705)
Goodwill	3,258
Purchase consideration	**8,370**

Acquisition-related costs of £0.4m have been charged to administrative expenses in the consolidated income statement for the period ended 31 August 2016.

The Group has agreed to purchase the remaining non-controlling interest in ABC with effect from August 2017. The consideration for the remaining 25% of share capital is contingent upon ABC's future performance. An initial financial liability of £2.9m was recognised at acquisition date with no change to fair value measurement between the acquisition date and 31 August 2016.

Fair value adjustments were required on the acquisition of ABC to reflect the valuation of their intangible assets relating to their customer relationships, trade name and teacher database and to provide for deferred tax.

From the start of its latest financial year on 1 September 2015, to the date of acquisition, ABC recorded the following results in its management accounts;

	£'000
Revenue	7,416
Cost of sales	(5,271)
Gross profit	2,145
Administrative expenses	(1,032)
Operating income	1,113
Profit before income tax	1,113

Since the acquisition date, ABC has recorded £4.2m of revenue within the consolidated statement of comprehensive income statement and a profit of £0.5m. If the entity had been combined from the beginning of the annual reporting period the entity would have recognised total revenue of £11.6m and a profit of £1.6m.

22 Events after the reporting period

No material events have taken place subsequent to the reporting date.

23 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk
Foreign exchange risk
The Group advances intercompany loans to its operating entities denominated in Sterling. While there is no effect on Group level, currency fluctuations might result in significant adjustments at individual statutory account level.

Exchange differences arising on the retranslation of foreign currency borrowings during the current year are recognised in other comprehensive income.

Both foreign operations and foreign intercompany loans to date are immaterial and no further market risk sensitivity analysis was performed.

Interest rate risk
The Group manages its interest rate risk by regularly reviewing its existing position, refinancing or alternative financing to ensure the Group seeks to borrow at competitive rates. The Group also calculates the impact on loss in the statement of comprehensive income of a defined interest rate shift.

The Group's interest rate risk arises from senior secured notes:
- Senior secured fixed rate sterling denominated notes of £200m were issued. Interest is fixed at 6.75% and payable on a semi-annual basis.
- Senior secured floating rate sterling denominated notes of £100m were issued. Interest is floating at three month GBP LIBOR plus a margin of 500 bps. Interest is payable on a quarterly basis.

Changes in interest rates affect the finance income or expense of variable interest financial instruments, financial instruments with fixed interest rates have no impact for financial instruments carried at amortised cost. The Group's main exposure to interest rate risk arises from senior secured floating rate notes.

The Group does not consider the interest rate risk for cash and cash equivalents, trade and other receivables, trade and other payables, deferred consideration and accrued preference share dividends material as these are considered current and present fair value and initial recognition and subsequent amortised costs and not susceptible to further rate changes.

Other market risks
Changes in the fair values of financial liabilities at fair value through profit or loss are estimated by discounting the future cash flows to net present values using rates prevailing at the year end.

The Group does not consider the other market risks material, except for the impact on the put/call options from the non-controlling interest in Unijobs and controlling interest in EduKey.

Notes to the financial statements for the year ended 31 August 2016 (continued)

23 Financial risk management (continued)

Market risk sensitivity analysis

The following analysis is intended to illustrate the sensitivity of the Group's financial instruments at year end to changes in interest rates. The Group is using a sensitivity analysis technique that measures the estimated impacts on the consolidated loss for the financial year of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening in estimates for each class of financial instruments with all other variables remaining constant.

The sensitivity analysis excludes the impact of market risks on corporate tax payable. This analysis is for illustrative purposes only, as in practice interest and foreign exchange rates rarely change in isolation.

The sensitivity analysis is based on all losses for the financial year sensitivities also impact equity.

	Other market risk		**Interest rate**	
	Reflected in loss		**Reflected in loss**	
	Favourable changes £'000	Unfavourable changes £'000	Favourable changes £'000	Unfavourable changes £'000
Secure Stirling – floating rate notes	-	-	1,000	(1,000)
Put/call options	688	(688)	-	-
At 31 August 2016	**688**	**(688)**	**1,000**	**(1,000)**

Management assessed their market risks exposure as limited with no material effect during the year ended 31 August 2016.

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a high credit-rating are accepted. The Group's main banking facilities are provided by Barclays bank, which has a long term credit rating of A2 from Moody's. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and clients. Refer to trade and other receivables for further detail on credit risk analysis.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Notes to the financial statements for the year ended 31 August 2016 (continued)

23 Financial risk management (continued)

Liquidity risk (continued)

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group finance. Group finance invests surplus cash in interest bearing current financial statements, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held cash and cash equivalents of £19.2m (2015: £28.0m) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
At 31 August 2015				
Trade and other payables excluding non-financial liabilities	158,765	-	493	-
Borrowings	-	-	300,000	-
Contingent consideration	-	1,773	1,312	-
Deferred consideration	-	1,200	-	-
Put/call option	2,235	-	6,769	-
	161,000	**2,973**	**308,574**	**-**
At 31 August 2016				
Trade and other payables excluding non-financial liabilities	36,299	-	143	-
Borrowings	-	-	300,000	-
Contingent consideration	1,050	823	3,360	-
Deferred consideration	5,300	-	-	-
Put/call option	1,050	866	7,723	-
	43,699	**1,689**	**311,226**	**-**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

23 Financial risk management (continued)

Capital risk management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 August 2016 and 31 August 2015 were as follows:

	2016 £'000	2015 £'000
Total borrowings	**293,808**	292,188
Less cash and cash equivalents	**(19,234)**	(27,979)
Net debt	**274,574**	264,209
Equity capital	**136,229**	136,229
Total capital	**410,803**	400,438
Gearing ratio	**66.8%**	**66.0%**

24 Financial liabilities at fair value through the profit and loss

	2016 £'000	2015 £'000
Liabilities as per consolidated balance sheet:		
Financial liabilities at fair value through the income statement		
Contingent consideration arising on a business combination	4,692	2,988
Put/call option		
- Vision	1,050	5,137
- Unijobs	1,798	1,798
- EduKey	3,859	-
	11,399	**9,923**
Less non-current portion		
Contingent consideration arising on a business combination	(2,947)	(1,252)
Put/call option	(4,991)	(4,700)
Current portion	**3,461**	**3,971**

Contingent consideration arising on a business combination

As part of the transaction consideration for the acquired assets and trade of ABC in FY16, the contingent consideration is being settled in cash by the Group to the former owners of ABC based on the performance in the year ending 31 August 2017. An initial financial liability of £2.9m was recognised at acquisition date and there has been no material change to fair value measurement between the acquisition date and 31 August 2016.

24 Financial liabilities at fair value through the profit and loss (continued)

As part of the transaction consideration for the acquired assets and trade of Smart in FY16, the contingent consideration is being settled in cash by the Group to the former owners of Smart based on the performance in the year ending 31 December 2016. An initial financial liability of £0.3m was recognised at acquisition date and there has been no material change to fair value measurement between the acquisition date and 31 August 2016.

As part of the transaction consideration for the acquired assets and trade of Hibernia in FY15, the contingent consideration is being settled in cash by the Group to the former owners of Hibernia up to a maximum amount of £1.9m in the two years ending 31 December 2016. Associated with the contingent consideration are performance criteria based on Hibernia meeting future enrolment numbers. An initial financial liability of £1.9m was recognised at acquisition date and £1.2m was paid in February 2016. There has been no material change to fair value measurement of the remaining contingent consideration between the acquisition date and 31 August 2016.

As part of the transaction consideration for the acquired assets and trade of Tangient LLC in FY14, the contingent consideration is being settled in cash by the Group to the former owners and management of Tangient LLC up to a maximum amount of £1.8m in the three years to February 2017. Associated with the contingent consideration are performance criteria based on Tangient LLC meeting future user target numbers. An initial financial liability of £1.8m was recognised at acquisition date and £1.1m has been paid. There has been no material change to fair value measurement of the remaining contingent consideration between the acquisition date and 31 August 2016.

Put/call option

Management of Edukey have a put option to sell their remaining controlling interest to the Group and the Group has a purchased call option that accompanies the put option, on similar terms. The consideration for the additional 55% of share capital is contingent upon the future performance of Edukey and no service conditions are attached to them. An initial financial liability of £3.8m was recognised at acquisition date with no material change to fair value measurement between the acquisition date and 31 August 2016.

Management of Unijobs have a put option to sell their remaining non-controlling interest to the Group and the Group has a purchased call option that accompanies the put option, on similar terms. The consideration for the remaining 25% of share capital is contingent upon the future performance of Unijobs and no service conditions are attached to them. An initial financial liability of £1.8m was recognised at acquisition date with no material change to fair value measurement between the acquisition date and 31 August 2016.

In August 2015, the Group exercised its right to acquire part of the shares not owned in Vision at a cost of £2.2m. The payment was made in September 2015. Management of Vision have a put option to sell their remaining non-controlling interest to the Group and the Group has a purchased call option that accompanies the put option, on similar terms. The consideration for the remaining 10% of share capital has now been fixed at £1.7m in stage payments to January 2017 (of which £0.6m has been paid at 31 August 2016) and no service conditions are attached. A discounted financial liability of £5.0m was recognised at acquisition date and a £1.3m adjustment in the fair value measurement has been made in the year ended 31 August 2016 to reflect the revised discounted total liability payable. This revaluation of the put/call option is reported within finance income in the consolidated income statement.

The Group's financial liabilities carried at fair value are classified within Level 3 of the fair value hierarchy (fair value is based on appropriate valuation techniques using non-market observable inputs). There were no transfers between levels during the year. The Group's finance department includes a team that performs the valuations of contingent consideration and put/call options required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every quarter, in line with the group's quarterly reporting dates.

25 Deferred consideration

The deferred consideration arrangements require the Group to pay the former owners of Smart a minimum amount of £5.3m, to be settled in cash in December 2016. An initial financial liability of £5.3m was recognised at acquisition date, with no material change to the amortised cost between acquisition date and 31 August 2016.

The deferred consideration arrangements also required the Group to pay the former owners of Vision for Education Limited an amount of £2.4m, of which 50% cash was settled in June 2015 and 50% cash was settled in June 2016.

Liabilities as per consolidated balance sheet

	2016 £'000	2015 £'000
Deferred consideration arising on a business combination	**5,300**	1,200
Less non-current portion	-	-
Deferred consideration arising on a business combination – current portion	**5,300**	1,200

26 Ultimate Parent Company and Ultimate Controlling Party

The directors consider that the ultimate controlling party of the Company is TPG Capital LLP, headquartered in the US, on behalf of the funds under its management. The immediate parent undertaking is TES Global Group Limited, a company registered in England & Wales.

The parent undertaking of both the largest and smallest group of undertakings for which group financial statements are drawn up for the year ended 31 August 2016, and of which the Company is a member, is TES Global Holdings Direct Limited, a company incorporated in England & Wales. The ultimate parent undertaking of TES Global Holdings Limited is TES Global Investments S.à.r.l., a company incorporated in Luxembourg. This is the first group financial statements for this group.

TPG Partners VI, L.P. is an indirect shareholder in TES Global Holdings Limited, an indirect subsidiary of TES Global Holdings Direct Limited. TPG Partners VI, L.P. is managed by TPG VI Management, LLC, a relying adviser registered with the U.S. Securities and Exchange Commission on the Form ADV of TPG Capital Advisors, LLC.

TES Global Holdings Direct Limited is the indirect 100% parent of TES Global Holdings Limited and its board of directors includes:

- Mr K Peterson, a member of TPG Capital, LLP, which is an affiliate of TPG Capital Management, L.P.;
- Mr M Janzarik, a member of TPG Capital, LLP; and,
- Mr A Capo, a member of TPG Capital, LLP.

TPG is a leading global private investment firm founded in 1992 with over $74 billion of assets under management and offices in San Francisco, Fort Worth, Austin, Dallas, Houston, New York, Beijing, Hong Kong, London, Luxembourg, Melbourne, Moscow, Mumbai, São Paulo, Shanghai, Singapore and Tokyo. TPG has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, growth investments, joint ventures and restructurings. For more information visit www.tpg.com.

Copies of the TES Global Holdings Direct Limited consolidated financial statements, which include the Company, are available from The Company Secretary, TES Global Holdings Direct Limited, 26 Red Lion Square, London WC1R 4HQ.