Registered number 06141077 (England and Wales)

TES Global Holdings Limited

Annual report and consolidated financial statements

for the year ended 31 August 2017

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

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TES Global Holdings Limited

Directors and advisers

Directors
Mr R Grimshaw
Mr N Runnicles

Company Secretary
Mr N Runnicles

Registered Number
06141077

Registered Office
TES Global Holdings Limited
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. We are the foremost education news, analysis and opinion site for teachers, school leaders and other educators, delivered through a global family of news sites, blogs, apps, podcasts and the world's longest-running education magazine, Tes.

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. During 2017, we continued to invest to improve our recruitment platform, in particular our subscription-based recruitment service, which caters for all of a schools advertising needs. Over 3,800 subscription customers now place their advertising with Tes and our secondary and international schools work with dedicated Account Managers to get the most out of their recruitment.

All schools that advertise with us 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, we recently launched Talent Match, a new product that makes use of our talent bank of over 500,000 teachers who have expressed an interest in finding a new role. Talent Match aims to save schools money and grow our school engagement by sourcing candidates for hard-to-fill roles that schools would otherwise need to place via more expensive recruitment agencies.

In addition to permanent roles, our recruitment business also offers supply teachers to UK schools through Vision for Education, Smart Education and ABC Teachers.

Our market-leading inventory of jobs is matched by a highly engaged and significant user base of teaching professionals across our site. Resources, Community, News and other services drive traffic to Tes.com, with over 750,000 unique monthly users across the year. Critically, this user base is a mixture of active and passive job seekers that ensure that Tes is the platform where schools are most likely to find the highest quality candidates.

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 800,000 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 280,000 resources and over 250,000 teachers have purchased content. We also host Tes Teach, a lesson-building product where those resources can be easily integrated and used in class, Tes Elements, a primary school years subscription service, 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 2.1 million academics, university leaders, students and their families visit each month.

Strategic report (continued)

Business overview and financial highlights (continued)

THE's mission is to help the world's leading research intensive universities achieve their mission by supplying them with benchmarking data to improve their performance and competitiveness; plus help them improve their brand, help them hire the best staff and improve their knowledge by supplying content in a variety of forms: digital, face to face and print.

THE collects data on over 1,500 institutions worldwide, some of this data goes into compiling THE World University Rankings. Now in their 13th year, these 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. THE, in partnership with The Wall Street Journal, also publishes the US College Rankings, which take a pioneering student-led approach to evaluating over 1,000 US colleges and universities.

Financial Highlights

For the twelve months ended 31 August 2017, we generated revenue of £145.7m (2016: £137.2m), Adjusted EBITDA of £38.6m (2016: £43.0m) and an operating profit of £19.0m (2016: £22.9m). As of 31 August 2017, we had 644 employees (2016: 585 employees) in over 20 offices in the United Kingdom, Australia, Singapore and the United States. During the year, higher capital spending and a less favourable working capital inflow, driven by a lower increase in deferred revenue from subscriptions in the year, resulted in our free cash flow falling to £30.6m (2016: £39.3m).

A reconciliation of Adjusted EBITDA to profit for the year from continuing operations is provided as follows:

	2017 **£'000**	2016 £'000
Adjusted EBITDA *	**38,550**	42,968
Depreciation and amortisation	**(13,854)**	(12,323)
Non-recurring costs (note 2)	**(5,401)**	(4,244)
Non-recurring contingent consideration (note 23)	**259**	(2,947)
Finance income	**27**	1,304
Finance cost	**(22,019)**	(22,038)
Share of operating profit / (losses) in joint ventures and associates	**23**	(19)
Parent company costs	**(524)**	(578)
Income tax expense	**40**	(831)
(Loss) / profit for the year from continuing operations	**(2,899)**	1,292

* Adjusted EBITDA is defined as profit/(loss) for the year before tax on profit/(loss) on ordinary activities, net interest payable and similar charges, amortisation, depreciation, non-recurring costs, non-recurring contingent consideration, parent company costs and share of operating profit/(loss) in joint ventures and associates. Adjusted EBITDA is not a measure of financial performance under IFRS, but is presented because we believe that it is a relevant measure for assessing our performance as it adjusts for certain items which we believe are not indicative of our underlying operating performance.

During the year, the Group sold it's last remaining exhibition, the Special Education Needs ("SEN") show, for £0.4m. A profit on disposal of £0.3m is included within the Income Statement (note 2). The Group also impaired the goodwill and intangible assets related to the acquisition of Tangient LLC, following a decision to consolidate the Resources team in the UK to prioritise investment in the marketplace and run down the Wikispaces activity. An impairment charge of £3.1m is included within the Income Statement (note 2).

Key performance indicators

There are a number of key performance indicators measuring the financial and operational performance of the Group:

		2013	2014	2015	2016	2017
Adjusted EBITDA	(£m)	46.5	56.3	51.0	43.0	38.6
Change in working capital (1)	(£m)	(0.1)	1.2	(2.2)	3.5	0.2
Free cash flow	(£m)	42.7	53.2	38.5	39.3	30.6
Recognised subscription revenue (2)	(£m)	2.7	2.8	3.6	7.1	22.8
Annualised subscription revenue (3)	(£m)	-	-	-	9.8	25.6
Subscription renewal rate (4)	(%)	-	-	-	-	87
Advertisement volumes (all)	('000s)	62,387	70,652	69,224	62,896	76,825
No. of Tes.com registered members	('000s)	2,694	3,278	4,005	6,752	8,994
Premium resources purchased	('000s)	-	-	32,466	277,463	868,905

(1) Change in working capital is the cash movement in trade and other receivables and trade and other payables, excluding amounts due to group undertakings.
(2) Subscription revenues in all Tes businesses including Tes school job subscriptions, THE data and job subscriptions and magazine subscriptions.
(3) The annualised value of subscription revenues for all schools (all segments) on a subscription contract at year end including those that expired prior to year end and have subsequently renewed.
(4) The renewal rate for English secondary subscriptions only that expired in the financial year.

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 2017, 92% of our revenue was generated by School Services, with advertising accounting for 43% of that revenue. The remaining 8% of our revenue in the year ended 31 August 2017 was generated by University Services.

Our advertising revenue from Schools is currently affected by three key variables: advertisement volume, advertisement yield and subscription activity.

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.

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 Education budgets.

Key factors affecting our results of operations (continued)

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).

Advertisement Yields
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.

Subscription Adoption and Renewals
The subscription products for UK and international schools are sold for a fixed annual fee, and allow unlimited job advertising to be placed online, and depending on the subscription package purchased, print advertising as well (both excluding leadership roles, which subscription schools continue to purchase on a transactional basis). As we continue to drive 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.

Renewal rates are a key performance indicator that demonstrates how much our customers value a Tes recruitment subscription. A subscriptions-led business is more stable than a transactional one, but is dependent on high renewal rates to sustain a solid revenue base. This is predominantly within our control through good account management, high quality service and additional products and services that are of value to the customer even outside traditional recruitment periods.

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 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 transactional advertising revenue being generated in the period between January and May. 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. As we continue to drive 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 (continued)

Investment Activity
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 of £5.3m was made during the year, based on their performance in the year ending 31 December 2016. 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 £3.7m deferred contingent consideration due in late 2017 for the remaining 25% 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 £145.7m in the year to 31 August 2017 (2016: £137.2m) with School Services accounting for £133.4m (2016: £127.0m) and University Services £12.3m (2016: £10.2m).

School Services' reported revenue benefitted from acquisitions in the prior year which added £12.3m of Agency revenue and helped offset a £10.4m fall in Advertising revenues. Trading conditions remained challenging in the core Advertising business with state schools across England in all sectors experiencing budget pressure due to changes in government funding. Although significant progress continues to be made to migrate schools to subscription products, the transactional advertising business from the non-subscription school population as at 31 August 2017 has declined with advertising volumes down 19% this year. Recognised subscription revenue within Advertising was £18.6m in the period, up from £5.1m in the prior year.

University Services revenue grew from £10.2m to £12.3m following good growth from THE's World University Rankings data and branding contracts.

During the year, the Group generated Adjusted EBITDA of £38.6m, a £4.4m decline on 2016 due to lower transactional advertising volumes in School Services. Operating profit decreased by £3.9m to £19.0m with the EBITDA shortfall extended by a £1.9m increase in the amortisation of intangible assets following prior year acquisitions and a £1.2m increase in non-recurring costs primarily due to a £3.1m impairment of Tangient LLC following a decision to run the business down as existing contracts end.

Net finance costs increased by £1.3m, from £20.7m in the year ended 31 August 2016 to £22.0m in the year ended 31 August 2017, primarily due to a £1.3m revaluation of the Vision put/call option in the prior year. The directors do not recommend the payment of a dividend.

The financial position of the Group is presented in the balance sheet. Total assets at 31 August 2017 were £198.4m (2016: £204.3m) comprising intangible assets of £157.2m (2016: £165.8m), property, plant and equipment of £2.5m (2016: £3.2m), investments and joints ventures and associates of £2.1m (2016: £2.1m) and current assets of £36.6m (2016: £33.1m). Total liabilities at 31 August 2017 were £357.8m (2016: £360.7m) comprising borrowings of £295.4m (2016: £293.8m), other non-current liabilities of £5.1m (2016: £10.6m) and current liabilities of £57.2m (2016: £56.3m).

TES Global Holdings Limited

Strategic report (continued)

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.

Net generated from operating activities
Net cash generated from operating activities declined to £16.1m for the year ended 31 August 2017 (2016: £19.7m), due to lower profits in the year.

Net cash used in investing activities
Net cash used in investing activities was £14.7m for the year ended 31 August 2017 (2016: £27.3m). This decrease was mainly due to the acquisition of Smart (£7.3m, net of cash acquired) and ABC (£5.8m, net of cash acquired) in the prior year, together with the £2.0m investment in EduKey in 2016.

Net cash used in financing activities
Net cash used in financing activities was a £1.7m outflow for the year ended 31 August 2017 (2016: £1.1m outflow). These outflows 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 2017 that are expected to have an impact on liquidity and cash flow in future periods. The following table excludes any future interest payments on our Senior Secured Notes that we would be required to make. The table also excludes any amount that would be available under the Revolving Credit Facility Agreement if it were to be utilised. 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.

	Payments due by period			
£'m	**Less than 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
Senior Secured Notes[1]………………………………	-	300.0	-	300.0
Operating Lease Obligations[2]…………………………	1.2	4.6	0.5	6.3
Contingent consideration[3]………………………….	3.7	-	-	3.7
Put/call options[4]………………………………..	1.9	3.8	-	5.7
Total……….……………………………………….	6.8	308.4	0.5	315.7

(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 acquisition of ABC (£3.7m), upon the satisfaction of certain performance metrics.
(4) Relates to options to acquire the remaining interest in EduKey (£3.9m) and Unijobs (£1.8m).

Liquidity and Capital Resources (continued)

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 unaudited 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.

Working Capital
Seasonality in the business has a material impact on working capital requirements during the year. The business is highly seasonal with over 70% 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) and deferred income 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 continuing to monitor 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 Group.

Competitive risk
Tes 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 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.

Renewal risk
Future revenues will be impacted by subscription renewal rates as we migrate an increasing proportion of schools to subscription products. The Group is investing in account management and additional products and services that are of value to the customer even outside traditional recruitment periods, together with focusing on delivering a high quality service to ensure good renewal rates.

On behalf of the board on 15 December 2017.

Mr N Runnicles
Director

TES Global Holdings Limited

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 2017.

Dividends

The directors do not recommend a dividend for the year ended 31 August 2017 (2016: nil).

Political donations

The Group did not make any political donations during the year (2016: 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

There were 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 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 a social purpose and a 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 Schools 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. The 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 offers work placements for secondary school students. The Group is also 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 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 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.

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 2017, the Group spent £7.0m (2016: £5.1m) 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 in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Directors' report (continued)

The directors are also responsible for safeguarding the assets of the Group and Company 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

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 15 December 2017.

Mr N Runnicles
Director

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

Report on the audit of the financial statements

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 2017 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the financial statements, included within the Annual Report and consolidated financial statements (the "Annual Report"), which comprise:

- The consolidated and company balance sheets as at 31 August 2017;
- The consolidated income statement and statement of comprehensive income for the year then ended;
- The consolidated and company statements of cash flows for the year the ended;
- The consolidated and company statements of changes in equity for the year then ended; and
- The notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

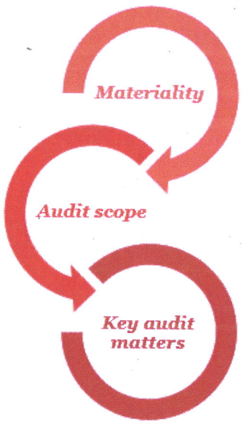
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 16 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 September 2016 to 31 August 2017.

Our audit approach

Overview



- Overall group materiality: £1,092,000 (2016: £1,060,000), based on 2.5% of 3 year average EBITDA.
- Overall company materiality: £103,000 (2016: £24,800), based on 1% of net assets.

- The reporting units vary in size and we have identified 4 reporting units which required an audit of their complete financial information due to their individual size. These 4 reporting units were all audited by the Group engagement team. In the other components we conducted specific audit procedures on certain balances and transactions. This gave coverage of 73% if the Group's revenue.
- Our audit work in these 4 reporting units, together with additional procedures performed at group level on the consolidation, gave us the evidence we needed for our opinion on the Group and Company financial statements as a whole.

- Goodwill and intangible assets impairment assessment (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets impairment assessment IAS 36 'Impairment of Assets' requires that Goodwill and other indefinite lived intangible assets are subject to an impairment review at least annually, or more frequently when there is evidence of a trigger event. IAS 36 also requires a number of specific disclosures in respect of the impairment assessment. The Group has goodwill of £104.5m. The impairment reviews performed by management identified an impairment of goodwill related to Tangient LLC (trading as Wikispaces) following the decision to wind down the business. The total impairment charge was £2.8m. Whilst the annual impairment review of goodwill performed by management as at 31 August 2017 supported the carrying values above (excluding Tangient LLC), we focused on this area as the preparation of these assessments involve a significant degree of judgement and the results are sensitive to changes in the future forecasts of cash flows and other assumptions such as growth and discount rates.	***Procedures performed*** We obtained the annual impairment assessments performed by management. We evaluated the assumptions in the forecasts and considered evidence in support of them, both with reference to historical trends and actual performance in 2017 and also potential future developments impacting the group. Our work did not highlight any material issues. We also considered the discount rates used in the goodwill and intangible asset impairment assessment and reviewed these in line with the cost of capital for the Group and prior year rates. We found these to be consistent and in line with our expectations. We also performed sensitivity analysis on the level of cash flows, the discount and growth rates used in the impairment assessments and concurred with management's conclusion that a material change in these assumptions would be required to trigger an impairment charge. In addition to testing the results of the impairment assessments performed by management and whether the amounts of any impairment charge identified was appropriate, we also considered the disclosures given in the Annual Report and found that these satisfied the requirements of IAS 36.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The financial statements are a consolidation of reporting units, comprising the Group's operating businesses and centralised functions.

The Group is structured into five main components, Core TES group and four separate holding companies managed by central management. Each of the components have reporting units that are consolidated into the Group financial statements along with the centralised functions.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	*Company financial statements*
Overall materiality	£1,092,000 (2016: £1,060,000).	£103,000 (2016: £24,800).
How we determined it	2.5% of 3 year average EBITDA.	1% of net assets.
Rationale for benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 2.5% of the 3 year average EBITDA. We believe that underlying profit before tax is the most appropriate measure as it is the key performance measure management use to monitor the performance of the business and provides a consistent year-on-year basis for our work.	Based on our professional judgement, we determined materiality by applying a benchmark of 1% of net assets. We believe that net assets is the most appropriate measure as the entity has significant assets on the balance sheet, with its principle activity as holding of investments..

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £58,000 and £1,091,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £55,000 (Group audit) (2016: £53,000) and £5,195 (Company audit) (2016: £1,240) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 11 September 2006 to audit the financial statements for the year ended 31 August 2006 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 August 2006 to 31 August 2017.

Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 December 2017

TES Global Holdings Limited

Consolidated income statement

		Year ended 31 August	
		2017	2016
	Note	**£'000**	£'000
Revenue	3	**145,738**	137,154
Cost of sales	3	**(48,926)**	(39,506)
Gross profit		**96,812**	97,648
Administrative expenses		**(77,782)**	(74,772)
Operating profit	2	**19,030**	22,876
Finance income	4	**27**	1,304
Finance costs	4	**(22,019)**	(22,038)
Share of operating profit / (loss) in joint ventures and associates		**23**	(19)
(Loss) / profit before income tax		**(2,939)**	2,123
Income tax credit / (expense)	5	**40**	(831)
(Loss) / profit for the year		**(2,899)**	1,292
(Loss) / profit attributable to:			
- The owners of TES Global Holdings Limited		**(3,278)**	1,197
- Non-controlling interest		**379**	95
		(2,899)	1,292

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 profit for the parent Company for the year was £7.9m (2016 loss: £0.6m).

The notes on pages 29 to 64 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Consolidated statement of comprehensive income

	Year ended 31 August	
	2017	2016
	£'000	£'000
(Loss) / profit for the year	**(2,899)**	1,292
Items that may be reclassified subsequently to the income statement		
Other comprehensive income		
Currency translation differences	**43**	304
Total comprehensive (expense) / income for the year	**(2,856)**	1,596
Loss attributable to:		
- The owners of TES Global Holdings Limited	**(3,235)**	1,501
- Non-controlling interest	**379**	95
Total comprehensive (expense) / income for the year	**(2,856)**	1,596

The notes on pages 29 to 64 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Registered number 06141077

Consolidated balance sheet

	Note	As at 31 August **2017** **£'000**	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	**2,491**	3,187
Intangible assets	7	**157,164**	165,833
Investments and joint ventures and associates	8	**2,136**	2,113
		161,791	171,133
Current assets			
Trade and other receivables	9	**17,722**	13,904
Cash and cash equivalents	10	**18,913**	19,234
		36,635	33,138
Total assets		**198,426**	204,271
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		**295**	252
Accumulated losses		**(298,142)**	(296,099)
		(161,618)	(159,618)
Non-controlling interest		**2,291**	3,147
Total equity		**(159,327)**	(156,471)

Consolidated balance sheet (continued)

		As at 31 August	
	Note	**2017** **£'000**	2016 £'000
Liabilities			
Non-current liabilities			
Trade and other payables	13	-	143
Borrowings	14	**295,428**	293,808
Financial liabilities at fair value through profit and loss	23	**3,807**	7,938
Deferred income tax liabilities	11	**1,309**	2,516
		300,544	304,405
Current liabilities			
Trade and other payables	13	**50,407**	47,443
Current income tax liabilities		**1,214**	133
Deferred consideration	24	-	5,300
Financial liabilities at fair value through profit and loss	23	**5,588**	3,461
		57,209	56,337
Total liabilities		**357,753**	360,742
Total equity and liabilities		**198,426**	204,271

The notes on pages 29 to 64 are an integral part of these consolidated financial statements.

The financial statements on pages 20 to 64 were authorised for issue by the board of directors on December 2017 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 2017

	Attributable to owners of the parent					
	Share capital	**Share premium**	**Exchange reserves**	**Accumulated losses**	**Non-controlling interest**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 September 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)**
Comprehensive expense						
Loss for the year	-	-	-	(3,278)	379	(2,899)
Currency translation differences	-	-	43	-	-	43
Total comprehensive expense for the year	**-**	**-**	**43**	**(3,278)**	**379**	**(2,856)**
Put/call option	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	1,235	(1,235)	-
Balance at 31 August 2017	**132,665**	**3,564**	**295**	**(298,142)**	**2,291**	**(159,327)**

The notes on pages 29 to 64 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Company balance sheet

	Note	As at 31 August 2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments		**50**	50
		50	50
Current assets			
Trade and other receivables	9	**160,029**	149,850
		160,029	149,850
Total assets		**160,079**	149,900
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		**(125,838)**	(133,749)
Total equity		**10,391**	2,480
Liabilities			
Current liabilities			
Trade and other payables	13	**149,688**	147,420
Total liabilities		**149,688**	147,420
Total equity and liabilities		**160,079**	149,900

The notes on pages 29 to 64 are an integral part of these consolidated financial statements.

The financial statements on pages 20 to 64 were authorised for issue by the board of directors on December 2017 and were signed on its behalf by:

Mr N Runnicles
Director

Company statement of changes in equity for the year ended 31 August 2017

	Attributable to owners of the parent			
	Share capital	Share premium	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 September 2015	**132,665**	**3,564**	**(257,341)**	**(121,112)**
Comprehensive expense				
Loss and total comprehensive expense for the year	-	-	(584)	**(584)**
Waiver of preference share dividends	-	-	124,176	**124,176**
Balance at 1 September 2016 and 31 August 2016	**132,665**	**3,564**	**(133,749)**	**2,480**
Comprehensive income				
Profit and total comprehensive income for the year	-	-	7,911	**7,911**
Balance at 31 August 2017	**132,665**	**3,564**	**(125,838)**	**10,391**

The notes on pages 29 to 64 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Consolidated statement of cash flows

Group

	Note	**2017**	2016
		Year ended 31 August	
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	19	**35,409**	41,947
Interest paid		**(19,201)**	(19,448)
Income tax paid in respect of current and prior year		**(117)**	(2,835)
Net cash generated from operating activities		**16,091**	19,664
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(647)**	(1,049)
Software development	7	**(7,005)**	(5,594)
Investments	8	**-**	(2,051)
Cash paid for acquisitions		**-**	(18,191)
Cash acquired on acquisition		**-**	5,157
Contingent consideration paid for acquisitions	23	**(750)**	(1,599)
Deferred consideration paid for acquisitions	24	**(5,300)**	(1,200)
Put/call option paid for acquisitions	23	**(1,050)**	(2,835)
Interest received		**27**	52
Net cash used in investing activities		**(14,725)**	(27,310)
Cash flows from financing activities			
Repayment of loans from Group undertakings		**(1,687)**	(1,099)
Net cash used in financing activities		**(1,687)**	(1,099)
Net decrease in cash and cash equivalents		**(321)**	(8,745)
Cash and cash equivalents at beginning of year	10	**19,234**	27,979
Cash and cash equivalents at end of year	10	**18,913**	19,234

The notes on pages 29 to 64 are an integral part of these consolidated financial statements.

TES Global Holdings Limited

Company statement of cash flows

Company	Note	Year ended 31 August	
		2017	2016
		£'000	£'000
Cash flows from financing activities			
Net cash generated from financing activities		**-**	-
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of year	10	**-**	-
Cash and cash equivalents at end of year	10	**-**	-

The notes on pages 29 to 64 are an integral part of these consolidated financial statements.

Notes to the financial statements for the year ended 31 August 2017

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 as 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

Prior 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 2017 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
IFRS 15, Revenue from contracts with customers	January 1, 2018
IFRS 9, Financial instruments	January 1, 2018
IFRS 16, Leases	January 1, 2019

For those amendments effective beginning on or after 1 September 2017, we will adopt them when they become effective. For those new standards with effective date beginning on or after January 1, 2019, 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.

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 over 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 2017 (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 Group's financial statements. These items are not deemed significant enough to highlight separately on the face of the income statement.

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 and data 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. Premium resources 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. Other recruitment revenues are 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.

1 Significant accounting policies (continued)

1.22 Cost of sales
Cost of sales includes print and paper costs, distribution costs, premium resources author royalties, 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 2017 (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.

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	**2017 £'000**	2016 £'000
Depreciation and amortisation		
Depreciation of property, plant and equipment	**1,355**	1,701
Amortisation of intangible assets	**12,499**	10,622
	13,854	12,323
Non-recurring costs		
Property costs	**-**	80
Restructuring costs	**370**	796
Acquisition costs for business combinations	**-**	1,851
Acquisition integration costs	**283**	254
Business transformation	**1,237**	1,092
Asset impairment	**3,085**	171
Gain on disposal	**(260)**	-
Other business costs	**686**	-
	5,401	4,244
Operating lease payments		
Buildings	**810**	810

Non-recurring costs include business transformation costs of £1.2m (2016: £1.1m) incurred in migrating schools towards subscription products, staff restructuring costs of £0.4m (2016: £0.8m), asset impairment of £3.1m (2016: £0.2m) following the decision taken to wind down Tangient LLC and a gain on the disposal of the SEN show of £0.3m (2016: £nil).

3 Segmental analysis

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

Tes 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 2017 (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	**2017 £'000**	2016 £'000
Revenue		
Agency	**61,466**	48,044
Advertising	**56,849**	67,214
Content	**15,117**	11,735
School Services	**133,432**	126,993
University Services	**12,306**	10,161
Total revenue	**145,738**	137,154
Costs		
Cost of sales	**47,272**	38,084
Staff costs	**33,074**	30,305
Other costs	**13,926**	13,298
School Services	**94,272**	83,317
Cost of sales	**1,654**	1,422
Staff costs	**7,453**	6,662
Other costs	**3,809**	3,785
University Services	**12,916**	11,869
Total costs	**107,188**	94,186
Adjusted EBITDA		
School Services	**39,160**	44,676
University Services	**(610)**	(1,708)
Total Adjusted EBITDA	**38,550**	42,968

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 profit/loss for the year is shown on page 3.

Notes to the financial statements for the year ended 31 August 2017 (continued)

4 Finance income and costs

Group	**2017** **£'000**	2016 £'000
Bank borrowings	**337**	339
Senior secured notes	**18,819**	19,099
Other interest	**24**	10
Amortisation of issue costs	**1,620**	1,620
Interest on loans from group undertakings (note 18)	**1,219**	970
Finance costs	**22,019**	22,038
Finance income:		
Interest income on cash at bank	**(27)**	(52)
Revaluation of put/call option	**-**	(1,252)
Finance income	**(27)**	(1,304)
Net finance costs	**21,992**	20,734

5 Income tax expense

Group	**2017** **£'000**	2016 £'000
Current tax:		
Current tax on profits for the year	**1,446**	2,549
Adjustments in respect of prior years	**(279)**	(882)
Total current tax	**1,167**	1,667
Deferred income tax (note 11):		
Origination and reversal of temporary differences	**(729)**	(915)
Impact of change in tax rate	**(478)**	79
Total deferred income tax	**(1,207)**	(836)
Income tax (credit) / expense	**(40)**	831

Of the current tax charge of £1.4m, an amount of £0.3m was paid during the year, £26k is payable to TES Global Group Limited and the balance is payable in December 2017.

5 Income tax expense (continued)

Factors affecting current tax charge for the year

The main rate of UK corporation tax was 20% throughout the year ending 31 August 2016 and fell to 19% with effect from 1 April 2017.

The tax charge in the income statement is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.58% (2016: 20%). A reconciliation of the tax charge for the year to the loss for the year multiplied by the applicable UK tax rate is shown below:

	2017	2016
	£'000	£'000
(Loss) / profit before income tax	**(2,939)**	2,123
Tax calculated at the standard rate of corporation tax in the UK of 19.58% (2016: 20%)	**(575)**	425
Tax effects of:		
Fixed asset differences	**1,210**	793
Expenses not deductible for tax purposes	**26**	255
Non-taxable revaluation of put and call option	**-**	(250)
Contingent consideration not deductible for tax purposes	**121**	589
Differences in overseas tax rates	**42**	44
Tax losses carried forward	**21**	110
Utilisation of tax losses brought forward	**(133)**	(104)
Previously unrecognised temporary differences	**-**	(228)
Adjust opening and closing deferred tax to current tax rates	**(473)**	79
Adjustments in respect of prior years	**(279)**	(882)
Total income tax (credit) / expense	**(40)**	831

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.

6 Property, plant and equipment

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

Notes to the financial statements for the year ended 31 August 2017 (continued)

6 Property, plant and equipment (continued)

Group	Computer equipment £'000	Furniture and office equipment £'000	Total £'000
Cost			
At 1 September 2016	9,549	5,685	15,234
Additions	480	167	647
Disposals	(127)	(560)	(687)
Other movements	(4)	40	36
At 31 August 2017	**9,898**	**5,332**	**15,230**
Accumulated depreciation			
At 1 September 2016	7,616	4,431	12,047
Depreciation charge	1,043	312	1,355
Disposals	(127)	(560)	(687)
Other movements	-	24	24
At 31 August 2017	**8,532**	**4,207**	**12,739**
Net book value			
At 31 August 2017	**1,366**	**1,125**	**2,491**
At 31 August 2016	1,933	1,254	3,187

Depreciation expense of £1.4m (2016: £1.7m) has been charged to administrative expenses in the consolidated income statement.

During the year, assets no longer used in the business and with no net book value were written off the books.

Company

The Company had no property, plant and equipment during the year under review (2016: nil).

Notes to the financial statements for the year ended 31 August 2017 (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 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

Notes to the financial statements for the year ended 31 August 2017 (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 2016	107,351	13,927	26,663	42,042	4,162	194,145
Additions	-	-	7,005	-	-	7,005
Disposals	-	-	(133)	(242)	-	(375)
Other movements	4	-	(40)	-	-	(36)
At 31 August 2017	**107,355**	**13,927**	**33,495**	**41,800**	**4,162**	**200,739**
Accumulated amortisation and impairment						
At 1 September 2016	-	1,293	11,518	13,050	2,451	28,312
Charge for the year	-	958	6,698	3,645	1,198	12,499
Disposals	-	-	(133)	(164)	-	(297)
Impairment	2,827	-	171	-	87	3,085
Other movements	-	-	(24)	-	-	(24)
At 31 August 2017	**2,827**	**2,251**	**18,230**	**16,531**	**3,736**	**43,575**
Net book value						
At 31 August 2017	**104,528**	**11,676**	**15,265**	**25,269**	**426**	**157,164**
At 31 August 2016	107,351	12,634	15,145	28,992	1,711	165,833

Goodwill represents amounts paid primarily for TSL Education Holdings Limited.

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. During the year, the SEN show was sold with a net book value of £0.1m.

During the year, the Tangient LLC goodwill and intangible assets of £3.1m were impaired following the decision to wind down the business.

7 Intangible assets (continued)

Within software and software development, assets under construction amounted to £0.1m as at 31 August 2017 (2016: £1.3m) and are not yet being amortised.

Amortisation expense of £12.5m (2016: £10.6m) has been charged to administrative expenses in the consolidated income statement.

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	**78,942**
Vision for Education Limited	**9,281**
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 2017	**104,528**

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 73% 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 (2016: nil).

Notes to the financial statements for the year ended 31 August 2017 (continued)

8 Investments

	Investment Undertakings £'000	Total £'000
Cost		
At 1 September 2016	2,113	2,113
Additions	23	23
At 31 August 2017	**2,136**	**2,136**
Net book value		
At 31 August 2017	**2,136**	**2,136**
At 31 August 2016	2,113	2,113

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment. The investments relate to a 45% interest in Edukey Education Limited.

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.

8 Investments (continued)

At 31 August 2017 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)
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)
TES Supply Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
TES Bidco Limited (UK)	Holding company	Ordinary shares of £0.01 and £1.40 each (100% held)
Vision for Education Limited (UK)	Recruitment agency	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)
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)

Notes to the financial statements for the year ended 31 August 2017 (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
Tangient, LLC (USA)	Software company	Membership capital (100% held)
TES Aus Global 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)
THE WUR 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)
ABC Teachers Limited (UK)	Recruitment agency	Ordinary shares of £1 each (75% held)
Smart Education Limited (UK)	Recruitment agency	Ordinary shares of £0.01 each (100% held)
Smart Teachers Limited (UK)	Dormant	Membership capital (100% held)
Smart Education (Australia) Pty Limited (AUS)	Recruitment agency	Ordinary shares of Aus $1 each (100% 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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Current				
Trade receivables	**14,628**	11,440	**-**	-
Less: provision for impairment	**(219)**	(185)	**-**	-
Trade receivables - net	**14,409**	11,255	**-**	-
Prepayments and accrued income	**2,471**	2,239	**-**	-
Other taxation and social security	**-**	112	**-**	-
Amounts due from group undertakings	**-**	-	**160,004**	149,802
Other receivables	**842**	298	**25**	48
Total trade and other receivables	**17,722**	13,904	**160,029**	149,850

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

Amounts owed from group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum (2016: 8%).

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

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
UK pounds	**16,393**	13,179	**160,029**	149,850
Australian dollars	**1,329**	725	**-**	-
	17,722	13,904	**160,029**	149,850

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

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
At start of year	**185**	219	**-**	-
Provision for receivables impairment	**34**	-	**-**	-
Receivables written off during the year as uncollectable	**-**	(34)	**-**	-
At end of year	**219**	185	**-**	-

Notes to the financial statements for the year ended 31 August 2017 (continued)

9 Trade and other receivables (continued)

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 of 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:

	2017	2016
	£'000	£'000
Not due	**8,704**	3,946
Up to 3 months past due	**3,104**	7,398
More than 3 months past due	**2,820**	96
	14,628	11,440

10 Cash and cash equivalents

	2017	2016
Group	**£'000**	£'000
Cash at bank and on hand	**18,913**	19,234
Cash and cash equivalents	**18,913**	19,234

Company

The Company had no cash and cash equivalents during the year under review (2016: nil).

11 Deferred income tax

	2017	2016
Group	**£'000**	£'000
Deferred tax assets / (liabilities)		
Deferred tax asset to be recovered after more than 12 months	**994**	982
Deferred tax asset to be recovered within 12 months	**61**	107
Deferred tax liability to reverse after more than 12 months	**(1,932)**	(2,825)
Deferred tax liability to reverse within 12 months	**(432)**	(780)
Deferred tax liability	**(1,309)**	(2,516)

11 Deferred income tax (continued)

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

Group	2017 £'000	2016 £'000
At 1 September	**(2,516)**	(1,415)
Income statement credit	**1,207**	836
Acquisition from business combinations	**-**	(1,937)
At 31 August	**(1,309)**	(2,516)

Group	Decelerated capital allowances £'000	Other temporary differences £'000	Intangible assets £'000	Total £'000
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)
Income statement credit	78	(106)	1,235	1,207
At 31 August 2017	**1,037**	**1**	**(2,347)**	**(1,309)**

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 and Finance Bill 2016 became substantively enacted in September 2016 further reducing the rate to 17% from 1 April 2020. Deferred tax balances have been recalculated to reflect these changes.

The Group did not recognise deferred tax assets relating to carried forward losses in Brightspark Education Limited of £0.7m (2016: £0.7m), TSL Education Acquisition Limited of £0.3m (2016: £0.3m) and Tangient LLC and TSL Education US Inc of £0.9m (2016: £0.9m).

Notes to the financial statements for the year ended 31 August 2017 (continued)

12 Share capital and premium

	31 August 2016	
	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

	31 August 2017	
	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

Group and Company	**No of shares**	**Share capital £**	**Share premium £**	**Total £**
At 31 August 2016	171,078,534	132,665,133	3,564,000	136,229,133
At 31 August 2017	**171,078,534**	**132,665,133**	**3,564,000**	**136,229,133**

13 Trade and other payables

13.1 Non current

Group	**2017 £'000**	2016 £'000
Rent payable	**-**	143
Total non-current trade and other payables	**-**	143

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 2017 (continued)

13 Trade and other payables (continued)

13.2 Current

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Trade payables	**3,136**	3,855	**-**	-
Amounts due to group undertakings (note 18)	**14,897**	15,365	**149,684**	147,358
Social security and other taxes	**1,465**	1,829	**-**	-
Other liabilities	**2,360**	1,273	**-**	-
Accrued expenses	**13,865**	15,806	**4**	62
Deferred income	**14,684**	9,315	**-**	-
Total current trade and other payables	**50,407**	47,443	**149,688**	147,420

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

Amounts owed from group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum (2016: 8%).

14 Borrowings

Group	**2017 £'000**	2016 £'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	**(4,572)**	(6,192)
	295,428	293,808

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 2017 (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 £4.6m.

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

	2017 £'000	2016 £'000
6 months or less	**9,318**	9,547
6-12 months	**9,471**	9,537
1-5 years	**35,190**	53,122
Total	**53,979**	72,206

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

	Carrying Value		Fair Value	
Group	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Senior secured notes	**295,428**	293,808	**295,428**	293,808
Total	**295,428**	293,808	**295,428**	293,808

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 2017 amounted to £2.0m (2016: £1.9m). Out of this amount, nil was accrued at 31 August 2017 (2016: nil).

Notes to the financial statements for the year ended 31 August 2017 (continued)

16 Auditors' remuneration

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

Group	**2017 £'000**	2016 £'000
Fees payable to the Company's auditors for the audit of all Group	**159**	163
Fees payable to the Company's auditors for other services:		
- Audit related assurance services	**130**	100
- Other assurance services	**-**	226
	289	489

Of the audit fees payable to the Company's auditors, £55k (2016: £55k) was for the audit of the Company's subsidiaries.

17 Employee benefit expense

Group	**2017 £'000**	2016 £'000
Wages and salaries	**34,874**	30,348
Social security costs	**3,495**	2,636
Other pension costs (note 15)	**1,987**	1,930
	40,356	34,914

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

Group	**2017 No.**	2016 No.
Editorial	**68**	68
Sales and marketing	**172**	170
Technology	**83**	97
Resources	**24**	24
Production	**5**	7
Administration	**46**	47
Supply	**246**	172
	644	585

For the year ended 31 August 2017, the split between male and female employees was 42%:58%.

The Company had no employees for the year ended 31 August 2017 (2016: nil).

Notes to the financial statements for the year ended 31 August 2017 (continued)

17 Employee benefit expense (continued)

Directors' remuneration	2017	2016
Group	£'000	£'000
Aggregate emoluments (excluding pension contributions)	579	876
Company contributions to defined contribution schemes	42	68
	621	944

Directors are considered the only key management individuals and therefore no separate disclosure of key management remuneration is required. Parent company Directors' remuneration has been presented above, with other group company Directors' remuneration disclosed within wages and salaries.

Highest paid director:	2017	2016
	£'000	£'000
Total emoluments	310	494

Company contributions were made during the year under the Group Personal Pension Plan, a defined contribution scheme, in respect of two directors (2016: three directors) of £62k (2016: £77k). Company contributions made under the Group Personal Pension Plan in respect of the highest paid director is £34k (2016: £40k). No shares were received or receivable by the highest paid director in respect of qualifying services under a long-term incentive scheme (2016: 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 2017 Edukey Education Limited was a related party.

Loans from group undertakings

	2017	2016
	£'000	£'000
At 1 September	15,365	137,562
Loan repayments made	(1,687)	(1,099)
Interest charged (note 4)	1,219	970
Waiver of preference share dividends	-	(124,176)
Other movements	-	2,108
At 31 August (note 13.2)	14,897	15,365

This comprises a loan from TES Global Group Limited of £15.4m (2016: £15.9m) and a loan to TES Global Holdings S.à.r.l. of £0.5m (2016: £0.5m).

18 Related party disclosures (continued)

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	**2017** **£'000**	2016 £'000
(Loss) / profit before income tax	**(2,939)**	2,123
Adjustments for:		
Depreciation (note 6)	**1,355**	1,701
Amortisation charges (note 7)	**12,499**	10,622
Non-recurring administrative expenses	**2,523**	105
Non-recurring contingent consideration	**(259)**	2,947
Finance costs – net	**21,992**	20,734
Share of operating loss of joint ventures	**(23)**	19
Currency translation differences	**56**	186
Changes in working capital:		
Trade and other receivables	**(3,930)**	(210)
Trade and other payables	**4,135**	3,720
Cash generated from operations	**35,409**	41,947

20 Commitments

Group

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

Buildings	**2017** **£'000**	2016 £'000
No later than 1 year	**1,856**	1,639
Later than 1 year and no later than 5 years	**7,230**	6,015
Greater than 5 years	**1,373**	2,623
	10,459	10,277

Other financial commitments	**2017** **£'000**	2016 £'000
No later than 1 year	**-**	52
Later than 1 year and no later than 5 years	**-**	52
	-	104

At 31 August 2017, the Group had nil (2016: £52k) and in the prior year other financial commitments for provision of IT managed services. There are no other financial commitments, which have not been provided for.

Company
At 31 August 2017, the Company had nil financial commitments under non-cancellable operating leases (2016: nil).

21 Events after the reporting period

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

22 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.

Notes to the financial statements for the year ended 31 August 2017 (continued)

22 Financial risk management (continued)

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 and deferred consideration 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.

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 impact 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 Sterling – floating rate notes	-	-	1,000	(1,000)
Put/call options	548	(548)	-	-
At 31 August 2017	**548**	**(548)**	**1,000**	**(1,000)**

22 Financial risk management (continued)

Management assessed their market risks exposure as limited with no material effect during the year ended 31 August 2017.

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 A1 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.

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 £18.9m (2016: £19.2m) that are expected to readily generate cash inflows for managing liquidity risk.

Notes to the financial statements for the year ended 31 August 2017 (continued)

22 Financial risk management (continued)

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 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**	**-**
At 31 August 2017				
Trade and other payables excluding non-financial liabilities	34,258	-	-	-
Borrowings	-	-	300,000	-
Contingent consideration	3,738	-	-	-
Put/call option	2,109	-	5,357	-
	40,105	**-**	**305,357**	**-**

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.

22 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 2017 and 31 August 2016 were as follows:

	2017 **£'000**	2016 £'000
Total borrowings	**295,428**	293,808
Less cash and cash equivalents	**(18,913)**	(19,234)
Net debt	**276,515**	274,574
Equity capital	**136,229**	136,229
Total capital	**412,744**	410,803
Gearing ratio	**67.0%**	66.8%

23 Financial liabilities at fair value through the profit and loss

	2017 **£'000**	2016 £'000
Liabilities as per consolidated balance sheet:		
Financial liabilities at fair value through the income statement		
Contingent consideration arising on a business combination	**3,738**	4,692
Put/call option		
- Vision	**-**	1,050
- UniJobs	**1,798**	1,798
- EduKey	**3,859**	3,859
	9,395	11,399
Less non-current portion		
Contingent consideration arising on a business combination	**-**	(2,947)
Put/call option	**(3,807)**	(4,991)
Current portion	**5,588**	3,461

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 discounted financial liability of £2.9m was recognised at acquisition date. A £0.8m increase in the fair value measurement was reported during the year to reflect the expected liability payable. This revaluation of the contingent consideration is reported within operating profit in the income statement.

23 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 was to be settled in cash by the Group to the former owners of Smart based on the performance in the year ended 31 December 2016. An initial discounted financial liability of £0.3m was recognised at acquisition date and has now been released to the income statement as the performance criteria were not achieved.

As part of the transaction consideration for the acquired assets and trade of Hibernia in FY15, the contingent consideration was to be settled in cash by the Group to the former owners of Hibernia up to a maximum amount of £1.9m in the two years ended 31 December 2016. Associated with the contingent consideration were performance criteria based on Hibernia meeting future enrolment numbers. An initial discounted financial liability of £1.9m was recognised at acquisition date and £1.2m was paid in February 2016. A further £0.8m was paid in March 2017, with a £0.1m charge in the income statement to reflect the change in valuation of the liability.

As part of the transaction consideration for the acquired assets and trade of Tangient LLC in FY14, the contingent consideration was to be 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 were performance criteria based on Tangient LLC meeting future user target numbers. An initial discounted financial liability of £1.8m was recognised at acquisition date, of which £1.1m was subsequently paid. The performance criteria for the third period were not achieved and the remaining provision has been released to the income statement.

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 2017.

The UniJobs shareholders 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. 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. The first put option was not exercised. The second put option on the remaining shares is exercisable in the third quarter of FY19. The call option is exercisable from the date of acquisition. An initial discounted 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 2017.

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. The Vision shareholders had a put option to sell their remaining non-controlling interest to the Group and the Group had a purchased call option that accompanies the put option, on similar terms. The consideration for the remaining 10% of share capital was fixed at £1.7m in stage payments to January 2017, all of which has now been paid.

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 and the valuation team in line with the Group's quarterly reporting dates and with the AC on an annual basis.

24 Deferred consideration

The deferred consideration arrangements required the Group to pay the former owners of Smart a minimum amount of £5.3m, which was settled in cash in December 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

	2017 £'000	2016 £'000
Deferred consideration arising on a business combination	**-**	5,300
Less non-current portion	**-**	-
Deferred consideration arising on a business combination – current portion	**-**	5,300

25 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 2017, 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.

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.