

TSL Education Group Limited

**Annual Report and Financial Statements
for the year ended 31 August 2010**

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for the year ended 31 August 2010

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TSL Education Group Limited

Directors' Report for the year ended 31 August 2010

The directors present their report and the audited financial statements for the Company and Group for the year ended 31 August 2010.

Principal Activities

The principal activities of the Group are the publication of the Times Educational Supplement (TES) and the Times Higher Education (THE). The publications are long established and leaders in each of their respective fields with the TES having been published since 1910 and the THE since 1971. The website, TES Connect, provides one of the world's largest online social networks for teachers, provides a vast library of teaching resources and is the UK's leading online recruitment platform for schools and colleges looking to find new teaching and support staff. TES HireWire is a free web-based recruitment service that allows schools to leverage online technology to manage their recruitment, thereby saving time, money and resources and providing a better service to candidates. In addition the Company runs education-related events (TSL Events) and provides a specialist search and selection recruitment service (TES Prime) for leadership vacancies within the education industry.

A key objective of the Group is to drive up the quality of UK education by helping the right people to find the right jobs, by giving professionals a platform to discover and share resources, by providing content that enables people in the profession to develop, by encouraging debate about the best ways forward in education and by keeping the education community well-informed through news, views and comment.

The principal activity of the Company is a holding company.

Review of Business Activities

Since its launch in February 2009, TES HireWire has been an outstanding success with an unprecedented take-up by 3,100 secondary and academy schools in England and Wales (approximately 95% of the population). Some 110,000 candidates have already registered with TES HireWire to find teaching positions. During the year under review, the service was delivered for the first time to Local Authorities and HireWire has now been adopted by 70% of Local Authorities in England. October 2010 saw the launch of further and higher education versions of HireWire. Some 25 colleges, 28 universities and a number of sector representatives were involved in helping to design these new versions which include additional functionalities adapted for the recruitment process in each sector.

The inventory of free teaching resources hosted and shared on TES Connect, and the number of teachers accessing these, grew rapidly during the year. A total of approximately 60,000 teaching resources have now been uploaded to TES Connect (by teachers themselves) and these resources were downloaded on a weekly average of 745,500 times during the last twelve months, an increase of 83% over the prior year. This exponential growth in the scale of the content inventory and the user base is set to continue. The Company believes that the sharing of teaching resources and of best practice, in this manner, will be a key cornerstone to raising classroom standards and in driving substantial efficiencies for the UK education sector. In September 2010 TSL were awarded 'No1 supplier' status by NERARS (the body representing the advertising interests for the HE and FE sectors) for its Applicant Tracking System (ATS) tender. In practical terms this means any FE or HE institution looking to adopt an ATS can now use TSL's HireWire product without going through a formal tendering process.

In November 2009, the Group acquired EnglishTeaching.co.uk Limited for a cash consideration of £180,000. EnglishTeaching.co.uk provides lesson plans, worksheets and resources to English teachers. In December 2009, the Group also acquired Electronic Blackboard Limited for a cash consideration of £320,000. Electronic Blackboard provides computer related services for educational purposes. Both acquisitions reflect TSL's commitment to be the leading provider of online teaching resources.

During the year, TES Prime won the Fastest Growing New Recruitment Agency award at the London and South East Recruitment Awards. TES Connect secured one of the most coveted accolades at the 2010 Periodical Publishers Association Awards when it was named PPA Business Web Service of the Year. TES recorded a 14.5% rise in circulation, despite challenging conditions for all publishers, and had the 13th best growth rate of all paid for titles in the UK.

In March 2011, the Group acquired a 50% stake in BrightSpark Education, the provider of online tutoring services into schools and the home, to create a new joint venture that will see the Group and BrightSpark roll out these services across the UK. The joint venture will also be aligned to the Group's Resources business and gives the Group a very important step forward in its Resources strategy.

TSL Education Group Limited

Directors' Report for the year ended 31 August 2010 (continued)

Review of Business Activities (continued)

In September 2010, Bernard Gray stepped down as a director of the Company after five years with the business. Over that time, Bernard led the successful transformation of the business from a newsprint publisher to an award winning digital media business. Louise Rogers continues as CEO, following her promotion to that role in October 2009, and will take on Bernard's responsibility for the strategic direction of the business. William Donoghue, the Managing Director of the business, was appointed to the Board in January 2010.

Future Developments

Despite the difficult economic environment and uncertainty over school budgets, the directors are satisfied with the prospects of the Group. The print business remains strong, whilst the digital offering continues to strengthen. The next 12 months will see further services added to the electronic platform, a significant increase in the number of online resources and the launch of a loyalty rewards scheme.

Trading Performance in the Year

The majority of the Group's revenue is derived from the advertising of teacher/academic vacancies in its publications. This can vary from year to year and therefore the Group's income may vary. In the year ended 31 August 2010, the Group generated revenue of £69.2 million compared with £71.7 million in the prior year. This performance, given the recessionary factors experienced throughout the advertising industry, demonstrates the strength of our brands. All trading activities within the Group are in TSL Education Limited, which also operates the activities of Education Data Surveys Limited, EnglishTeaching.co.uk Limited and Electronic Blackboard Limited. The Group's future financial performance will be influenced by the strength of advertising revenue in the TES. The directors believe that, following a significant level of investment, the Group is in a good position to benefit from the improvement in teacher mobility once the recession ends.

During the year, the Group generated an operating loss of £210.8 million (2009: £7.9 million profit), a reduction of £218.7 million in the year reflecting the impact of higher exceptional costs. Exceptional costs of £219.2 million were incurred during the year (2009: £0.4 million), being redundancy costs incurred in reducing the cost base in response to weaker market conditions of £1.7 million and a £217.5 million provision for the impairment of intangible assets (note 9). The provision for impairment of intangible assets reflects a reassessment of the group's cash flow projections over the next five years due to the impact of the current recession. The Group's main revenue driver is the level of teacher turnover in the UK. Teacher turnover has dropped significantly due to the recession and, although the directors expect teacher turnover to return to historical levels in the long term, an impairment charge has been made to reflect the impact on the business.

The net interest charge for the year was £42.0 million (2009: £43.8 million) and relates to net cash payments due on the Group's loans of £18.2 million (2009: £21.5 million), rolled over interest of £5.6 million (2009: £5.8 million) in respect of the Group's mezzanine and PIK facilities, £0.9 million (2009: £0.9 million) of amortised debt fees, £17.1 million (2009: £15.4 million) accrued preference share dividends and £0.2 million (2009: £0.2 million) bank fees. The loss for the year after taxation was £253.6 million (2009: £36.1 million). The directors do not recommend the payment of a dividend (2009: £nil).

The financial position of the Group is presented in the balance sheet. Total shareholders' deficit and net liabilities at 31 August 2010 was £335.1 million (2009: £81.5 million) comprising fixed assets of £141.5 million (2009: £380.9 million), net current assets of £21.6 million (2009: £12.5 million), long term liabilities of £318.8 million (2009: £312.6 million) and preference share capital and accrued preference share dividends of £179.4 million (2009: £162.3 million). Long term liabilities of £318.8 million (2009: £312.6 million) consist of bank loans of £318.4 million (2009: £311.9 million). Bank loans repayable within 2 to 5 years total £209.5 million, with £108.9 million repayable in more than five years. The first repayment is due in 2015.

TSL Education Group Limited

Directors' Report for the year ended 31 August 2010 (continued)

Directors

The directors during the year and up to the date of the signing of the financial statements were as follows:

	Appointment date	Resignation date
Mr D Aldred		
Mr A Mornington		
Mr B P Gray		30 September 2010
Mr M O'Sullivan		
Ms L Rogers		
Ms S Walter		28 February 2011
Mr W Donoghue	20 January 2010	
Mr T Hussain	20 January 2010	30 June 2010

Employee Involvement

A staff association is in operation comprising elected employee representatives. The meetings provide the framework for the Group's consultative process and representatives provide invaluable input on a wide range of issues. On a biannual basis, the Company holds a meeting for all employees to provide an update on the performance of the business and to discuss key business priorities and strategic initiatives.

Employment of Disabled Persons

The Group values the individual contribution of all its employees and prospective employees from all sectors of the community at large. The Group recognises its social, moral and statutory duty to employ people with disabilities and it will do all that is practicable to meet this responsibility. It is the policy of the Group that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants.

All those involved in recruitment within the group have a responsibility to be open to all candidates based on their skills and expertise and to ensure they discuss special needs with any disabled candidates. In this way recruiters can explore any special accommodations that may be required to ensure that disabled candidates are able to compete fairly in the selection process.

Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities. The Group encourages the training, the career development and the promotion of those disabled persons employed.

Principal Risks and Uncertainties

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

Competitive risk

A key objective of the Group is to drive up the quality of UK education. 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, the TES has a sufficiently well-established position in the market place to defend against potential threats.

Interest rate risk

The Group currently has a high level of debt and changes in interest rates could have a significant impact on the Group's financial performance. To mitigate this risk, the Group has entered into interest rate swap agreements effectively resulting in fixed interest rate charges for the majority of the Group debt.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. Management regularly reviews outstanding receivables and debtor recovery plans. During the previous financial year, credit limits across most of our largest customers were reduced to reduce credit risk. 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.

TSL Education Group Limited

Directors' Report for the year ended 31 August 2010 (continued)

Principal Risks and Uncertainties (continued)

Cash flow/ liquidity risk

The Group has sufficient funds to cover the annual service of financing.

Price risk

Future revenue remains sensitive to changes in advertising rates in the TES.

Directors and Officers Indemnity

The Group maintains liability insurance for its directors and officers and had this in place throughout the year.

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 that basis.

Charitable and Political Donations

The Group did not make any charitable or political donations during the year (2009: £nil).

Environmental Measures

The Group is fully committed to reducing its carbon emissions and play its part in the fight to combat climate change. The 'Switch Off' initiative ensures that computer equipment is shut down and monitors are turned off on a daily basis, whilst the Group also has an automatic 'Lights Off' function across all TSL floors at Red Lion Square. 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 Group prints all its publications on 100% recycled (TES) and Programme for the Endorsement of Forest Certification accredited (THE and TES Magazine) paper. The Group uses biodegradable film for all of its products and encourages paper recycling by the end user through in-paper advertising.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TSL Education Group Limited

Directors' Report for the year ended 31 August 2010 (continued)

Disclosure of Information to Auditors

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

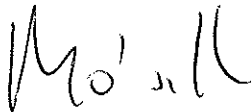
- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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.

By order of the board



M O'Sullivan
Company secretary
9 May 2011

Registration Number: 6141077

TSL Education Group Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TSL EDUCATION GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") of TSL Education Group Limited for the year ended 31 August 2010 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 August 2010 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

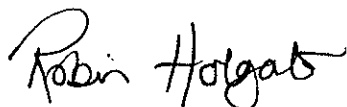
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Robin Holgate (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 10 May 2011

TSL Education Group Limited

Group Profit and Loss Account for the year ended 31 August 2010

	Note	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Turnover	2	69,217	71,661
Cost of sales		<u>(16,240)</u>	<u>(16,664)</u>
Gross Profit		52,977	54,997
Administrative expenses			
Excluding exceptional items		(44,606)	(46,630)
Exceptional items	3	<u>(219,173)</u>	<u>(435)</u>
Administrative expenses including exceptional items		(263,779)	(47,065)
Operating (Loss) / Profit	4	<u>(210,802)</u>	7,932
Net interest payable and similar charges	6	<u>(41,978)</u>	<u>(43,799)</u>
Loss on Ordinary Activities before Tax		(252,780)	(35,867)
Tax on loss on ordinary activities	7	(836)	(231)
Loss for the Financial Year	18	<u><u>(253,616)</u></u>	<u><u>(36,098)</u></u>

The results disclosed above relate entirely to continuing operations.

There are no other recognised gains and losses in the year other than those reflected in the profit and loss account above and therefore no separate statement of total recognised gains and losses is presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

The notes on pages 12 to 29 form part of these financial statements.

TSL Education Group Limited

Group Balance Sheet as at 31 August 2010

	Note	31 August 2010 £'000	31 August 2009 £'000
Fixed Assets			
Intangible assets	9	134,037	371,993
Tangible assets	10	<u>7,448</u>	<u>8,967</u>
		141,485	380,960
Current Assets			
Debtors	12	3,543	4,180
Cash at bank and in hand		<u>28,675</u>	<u>16,324</u>
		32,218	20,504
Creditors: Amounts Falling Due Within One Year	13	<u>(10,599)</u>	<u>(8,017)</u>
Net Current Assets		<u>21,619</u>	<u>12,487</u>
Total Assets Less Current Liabilities		163,104	393,447
Creditors: Amounts Falling Due After More Than One Year	14	<u>(318,837)</u>	<u>(312,608)</u>
Net (Liabilities) / Assets before Preference Share Capital and Accrued Preference Share Dividends		(155,733)	80,839
Preference Share Capital and Accrued Preference Share Dividends	15	<u>(179,365)</u>	<u>(162,321)</u>
Net Liabilities		<u>(335,098)</u>	<u>(81,482)</u>
Capital and Reserves			
Called up share capital	17	250	250
Share premium	18	2,250	2,250
Profit and loss account	18	<u>(337,598)</u>	<u>(83,982)</u>
Total Shareholders' Deficit	19	<u>(335,098)</u>	<u>(81,482)</u>

The financial statements on pages 8 to 29 were approved by the board of directors on 9 May 2011 and were signed on its behalf by:



L Rogers
Director

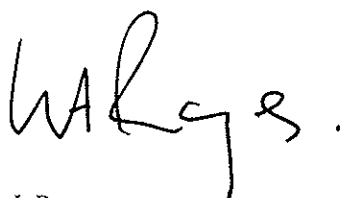
The notes on pages 12 to 29 form part of these financial statements.

TSL Education Group Limited

Company Balance Sheet as at 31 August 2010

	Note	31 August 2010 £'000	31 August 2009 £'000
Fixed Assets			
Investments	11	-	10,941
Current Assets			
Debtors	12	-	120,955
Cash at bank and in hand		-	-
		-	120,955
Creditors: Amounts Falling Due Within One Year			
	13	-	-
Net Current Assets		-	120,955
Total Assets Less Current Liabilities		-	131,896
Preference Share Capital and Accrued Preference Share Dividends	15	(179,365)	(162,321)
Net Liabilities		(179,365)	(30,425)
Capital and Reserves			
Called up share capital	17	250	250
Share premium	18	2,250	2,250
Profit and loss account	18	(181,865)	(32,925)
Total Shareholders' Deficit	19	(179,365)	(30,425)

The financial statements on pages 8 to 29 were approved by the board of directors on 9 May 2011 and were signed on its behalf by:



L Rogers
Director

The notes on pages 12 to 29 form part of these financial statements.

TSL Education Group Limited

Group Cash Flow Statement for the year ended 31 August 2010

	Note	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Operating Activities			
Net cash inflow from operations	23	33,307	27,718
Returns on Investment and Servicing of Finance			
Interest received		104	257
Interest paid		(18,692)	(21,858)
		(18,588)	(21,601)
Taxation			
Corporation tax payment		(64)	-
Net Cash Inflow From Operating Activities		14,655	6,117
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets	10	(1,816)	(2,048)
Contribution received towards tangible fixed assets		-	34
Acquisitions and Disposals			
Cash paid for acquisitions	26	(500)	-
Cash acquired on acquisition	26	12	-
Net cash outflow from acquisitions and disposals		(488)	-
Net Cash Inflow Before Financing Activities		12,351	4,103
Financing Activities			
Draw down of revolver and capex facilities	14, 24	-	2,000
Net Cash Inflow From Financing Activities		-	2,000
Increase in Cash	24, 25	12,351	6,103

The notes on pages 12 to 29 form part of these financial statements.

TSL Education Group Limited

Notes to the Financial Statements for the year ended 31 August 2010

1 Accounting Policies

a) Basis of Preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

A statement of going concern is included in the Directors' Report. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore can continue to adopt the going concern basis in preparing the financial statements.

b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings as listed in note 11. The results of subsidiaries during the year are included in the profit and loss account. All Group transactions, balances, income and expenses are eliminated on consolidation. Uniform accounting policies have been consistently applied across the Group.

c) Revenue Recognition

Turnover is the net amount receivable by the Group in the ordinary course of its business, excluding trade discounts and value added tax. Revenue from circulation is recognised in the week in which the paper is published. Refunds from circulation returns are debited to revenue. Advertising revenue is recognised on a straight line basis over the period that an advert is run. Exhibition income is recognised on a straight line basis over the period when the exhibition occurs. Amounts received in advance of an exhibition are deferred until the period when the exhibition occurs. TES Prime revenue from attraction packages is recognised as performance of the service occurs. TES Prime revenue from selection and search packages is recognised in line with the performance of the service related to each element of the package.

d) 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 a 20-year period being the expected useful economic life, subject to acceleration of write-off where impairment is indicated. Impairment reviews are carried out at the end of the first financial period after acquisition and, thereafter, where there is any indication of impairment.

e) Purchased 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. Under the accounting standard FRS 10 "Goodwill and Intangible assets", goodwill arising on the acquisitions has been capitalised and is being amortised on a straight line basis over a period not exceeding 20 years, being the expected period of benefit. The Group evaluates the carrying value of goodwill in each financial year to determine if there has been impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

1 Accounting Policies (continued)

f) Depreciation

Tangible fixed assets are stated at cost, net of 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. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Provision is made against those assets that, in the opinion of the directors, have a value in use or net realisable value that is lower than their net book value. The value in use is calculated using a discounted cash flow methodology in accordance with applicable Financial Reporting 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.

Assets in the course of construction are not depreciated. When such assets come into use they are transferred to the appropriate fixed asset category and depreciated accordingly.

Other fixed assets are depreciated over their expected useful economic lives or anticipated length of use by the Group in order to write off their cost less estimated residual value. The principal rates, using the straight-line basis, are as follows:

<u>Category</u>	<u>Rates of Depreciation</u>
Fixtures and fittings	20% to 25% per annum
Computer equipment	25% to 100% per annum

g) Fixed Asset Investments

Investments are stated at cost less provision for impairment. Reviews for impairment are carried out by the Group at each balance sheet date and whenever there is any indication that an investment may be impaired. If there is any indication that investments have suffered an impairment loss, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the loss. Impairment losses are recognised immediately in the profit and loss account.

h) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provisions included within these accounts were estimated based on the expected amount of the future obligation. The calculations were not discounted, as the time value of money did not have a material effect on quantifying the provisions.

i) Pensions

Pension contributions, which are made to a defined contribution Group Personal Pension Plan, are charged to the profit and loss account as incurred. These contributions are invested separately from the Group's assets.

j) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

1 Accounting Policies (continued)

k) Leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term. Lease incentives are amortised over the shorter of the period to which the rental reverts to market based rates and the first break clause (if any).

l) Interest Rate Swaps

Interest rate swaps are used to hedge interest rate risks. The interest differential amounts in relation to the next set of contractual payments on the swap are accrued until settlement date and are recognised as an adjustment to interest expense so that the profit and loss account reflects the economic substance of the hedging.

m) Capitalisation of Finance Costs

Group bank loans and preference shares are stated net of unamortised issue costs. These costs are being amortised at constant effective interest rates over the terms of the loans.

n) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

o) Translation of Foreign Currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated to sterling at the year end rate of exchange. All exchange differences arising are reported as part of the profit or loss for the year.

2 Turnover

Substantially all of the Group's turnover, losses and net assets are derived, by both origin and destination, from publishing activities in the United Kingdom.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

3 Exceptional Administrative Expenses

<u>Exceptional Costs</u>	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Administrative expenses		
Debt write off	-	435
Restructuring costs	1,652	-
Provision for impairment of intangible assets (note 9)	217,521	-
	<u>219,173</u>	<u>435</u>

Exceptional costs for the year ended 31 August 2010 related to redundancy costs following a restructuring of the business in response to weaker market conditions of £1.7 million and provision for the impairment of intangible assets (note 9) of £217.5 million.

Exceptional costs for the year ended 31 August 2009 related to debt written off from an advertising agency that went into administration during the year.

4 Operating Profit

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Operating profit is stated after charging:		
Auditor's remuneration		
- other services	120	135
Depreciation of owned tangible assets (note 10)	3,335	2,410
Rentals under operating leases on land and buildings	1,546	1,371
Amortisation of intangible assets (note 9)	20,957	20,949

For the year ended 31 August 2010, the auditors' remuneration from the Company for audit services of £17,000 was borne by the Company's subsidiary undertaking, TSL Education Limited. No amounts were recharged to the Company.

Auditor's remuneration for the Group is included within other services. The total amount for other services of £120,000 includes £70,000 (2009: £64,000) for the auditing of accounts of all Group companies, together with tax advice of £19,000 (2009: £39,000), controls review of £11,000, advice on equity restructure of £15,000 (2009: £nil) and reporting on banking covenants of £5,000 (2009: £5,000). £25,000 was also included in the year ended 31 August 2009 for data protection advice.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

5 Staff Costs

Group	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Wages and salaries	13,496	11,551
Social security costs	1,547	1,390
Other pension costs (note 27)	877	781
	<u>15,920</u>	<u>13,722</u>

The average monthly number of employees, including directors, during the year was made up as follows:

	Year ended 31 August 2010 Number	Year ended 31 August 2009 Number
Editorial	61	67
Distribution	93	88
Digital media	53	32
Resources	7	-
Production	9	8
Administration	45	45
	<u>268</u>	<u>240</u>

The Company had no employees for the year ended 31 August 2010 (2009: nil).

Directors' Remuneration

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Aggregate emoluments (excluding pension contributions)	1,133	921
Compensation for loss of office	266	-
Amounts payable to third parties in respect of directors' services	200	200
Company contributions to defined contribution schemes	73	58
	<u>1,672</u>	<u>1,179</u>
Highest paid director		
Total amount of emoluments	<u>377</u>	<u>377</u>

Company contributions were made during the year under the Group Personal Pension Plan, a defined contribution scheme, in respect of four directors (2009: three directors) of £73,000 (2009: £58,000). No Company contributions were made under the Group Personal Pension Plan in respect of the highest paid director (2009: £nil). No shares were received or receivable by the highest paid director in respect of qualifying services under a long-term incentive scheme (2009: £nil).

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

6 Net Interest Payable and Similar Charges

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Interest receivable and similar income		
Bank interest receivable	129	204
Interest payable and similar charges		
Bank loans and overdrafts – cash interest	(18,316)	(21,643)
Bank loans – rolled-over interest	(5,611)	(5,791)
Bank loans – agency fees	(115)	(115)
Bank loans – facility fees	(100)	(109)
Amortisation of issue costs of bank loans and preference shares	(921)	(915)
Preference share dividends	(17,044)	(15,425)
Other charges	-	(5)
	<u>(42,107)</u>	<u>(44,003)</u>
Net interest payable and similar charges	<u>(41,978)</u>	<u>(43,799)</u>

The agency and facility fees incurred relate to the Group's bank loans.

7 Tax on Loss on Ordinary Activities

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Analysis of tax for the year		
Current tax		
Total current corporation tax	1,168	69
Prior year adjustment	(5)	-
Total current tax	<u>1,163</u>	<u>69</u>
Deferred tax		
Current year – origination and reversal of timing differences	(324)	113
Prior year adjustment	(3)	49
Total deferred tax (note 16)	<u>(327)</u>	<u>162</u>
Tax on loss on ordinary activities	<u>836</u>	<u>231</u>

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

7 Tax on Loss on Ordinary Activities (continued)

Factors affecting current tax charge for the year

The tax assessed for the year is higher (2009: higher) than the standard rate of corporation tax in the UK of 28% (2009: 28%). Accordingly, the Group's profit for this accounting period is to be taxed at 28% and will be taxed at 28% in the future. A reconciliation of the current tax charge for the year, to the tax on profit at the standard rate, is shown below:

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Loss on ordinary activities before tax	(252,780)	(35,867)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	(70,778)	(10,043)
Tax impact of adjustments		
Preference share dividends – for which no tax relief is available	4,772	4,319
Amortisation of intangible assets – for which no tax relief is available	5,868	5,865
Provision for impairment of intangible assets - for which no tax relief is available	60,905	-
Accelerated capital allowance	318	8
Other expenses not deductible for tax	65	58
Utilisation of general provisions	18	(132)
Utilisation of losses from earlier periods	-	(6)
Current tax charge for the year	1,168	69
Prior year adjustment	(5)	-
Current tax charge for the year	1,163	69

8 Loss of the Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as a part of the financial statements. The Company's loss for the year ended 31 August 2010 was £148,940,000 (2009: £15,434,000). The loss for the year includes a £10.9 million provision for the impairment of fixed asset investments (note 11) and a £120.9 million provision for the impairment of amounts owed by Group undertakings (note 12).

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

9 Intangible Assets – Purchased Goodwill

Group	Publishing rights and titles £'000
Cost	
At 1 September 2009	418,722
Additions	522
At 31 August 2010	419,244
Accumulated amortisation	
At 1 September 2009	46,729
Charge for the year	20,957
Provision for impairment (note 3)	217,521
At 31 August 2010	285,207
Net book value	
At 31 August 2010	134,037
At 31 August 2009	371,993

Publishing rights and titles represent amounts paid for TSL Education Holdings Limited. The main trading activities acquired were the titles TES and THE. The additions in the year relate to the acquisition of EnglishTeaching.co.uk Limited and Electronic Blackboard Limited (note 26).

Publishing rights and titles are tested for impairment where appropriate. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment test has been carried out as described below. The impairment test has been performed based on fair value calculations of the recoverable amount of the assets using an income approach. For the income approach, a discounted cash flow analysis was prepared. This is an analysis of the unlevered cash flow projections derived from financial budgets approved by the management team covering a five year period. They reflect management's expectation of revenue growth, operating costs and margin for the business based on past experience. Cash flows beyond the five year period have been extrapolated using an estimated terminal growth rate of 2.2%. This rate does not exceed the average long-term growth rate for the UK. The discount rate applied to the unlevered cash flow projections is based on the post-tax weighted average cost of capital for the Company at 11.5%.

The fair values of the assets have been calculated at year end and were lower than their carrying values. This was a result of a reassessment of cash flow projections over the next five years due to the impact of the current recession. As the fair values were lower than the assets' carrying amounts, the assets have been concluded as being impaired. A provision for impairment at the balance sheet date has been booked as a result. The impairment review remains sensitive to a change in the key assumptions used, most notably the discount rate, the perpetuity growth rate and expected future cash flows. The forecasts are most sensitive to changes in the projected revenue growth rates.

The Group's main revenue driver is the level of teacher turnover in the UK. Teacher turnover has dropped significantly due to the recession and, although the directors expect teacher turnover to return to historical levels in the long term, an impairment charge has been made to reflect the impact on the business.

In the opinion of the directors, TSL's titles have a sufficiently well-established position in the market place to be defended against threats arising from current competitors, potential new entrants and potential technological changes in the industry. The directors believe that the remaining carrying amount fairly reflects the recoverable amount at the balance sheet date.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

9 Intangible Assets – Purchased Goodwill (continued)

Company

The Company had no intangible assets during the year under review (2009: £nil).

10 Tangible Assets

Group

	Assets in the course of construction £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 September 2009	694	10,507	1,741	12,942
Additions	1,022	794	-	1,816
Transfers	(694)	694	-	-
At 31 August 2010	1,022	11,995	1,741	14,758
Accumulated depreciation				
At 1 September 2009	-	3,076	899	3,975
Charge for the year	-	2,928	407	3,335
Disposals	-	-	-	-
At 31 August 2010	-	6,004	1,306	7,310
Net book value				
At 31 August 2010	1,022	5,991	435	7,448
At 31 August 2009	694	7,431	842	8,967

Company

The Company had no tangible fixed assets during the year under review (2009: £nil).

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

11 Fixed Asset Investments

Company

	Subsidiary Undertakings £'000
Cost	
At 31 August 2009 and 31 August 2010	10,941
Provision for impairment	
At 31 August 2009	-
Charge for the year	10,941
At 31 August 2010	<u>10,941</u>
Net book value	
At 31 August 2010	-
	<hr/>
At 31 August 2009	10,941

The balance above represents the Company's investment in TSL Education SPV2 Limited. Teacher turnover has dropped significantly due to the recession and as a result the value in use of the underlying subsidiaries no longer supports the value of the investment. Although the directors expect teacher turnover to return to historical levels in the long term, an exceptional impairment charge has been made in the Company to reflect the impact on the business.

The details of the Company's subsidiary undertakings as at 31 August 2010 are as follows:

	Country of registration	Nature of business	Percentage holding of ordinary shares
Direct subsidiary undertakings			
TSL Education SPV2 Limited	England and Wales	Holding Company	100%
Indirect subsidiary undertakings			
TSL Education SPV3 Limited	England and Wales	Holding Company	100%
TSL Education SPV4 Limited	England and Wales	Holding Company	100%
TSL Education Holdings Limited	England and Wales	Holding Company	100%
TSL Education Acquisition Limited	England and Wales	Holding Company	100%
TSL Education Finance Limited	England and Wales	Holding Company	100%
TSL Education Limited	England and Wales	Publisher	100%
The Times Educational Supplement Limited	England and Wales	Dormant	100%
The Times Higher Education Supplement Limited	England and Wales	Dormant	100%
Educational Exhibitions Limited	England and Wales	Dormant	100%
Nursery World Limited	England and Wales	Dormant	100%
Education Data Surveys Limited	England and Wales	Information Provider	100%
EnglishTeaching.co.uk Limited	England and Wales	Information Provider	100%
Electronic Blackboard Limited	England and Wales	Information Provider	100%

On 12 November 2009, TSL Education Limited acquired EnglishTeaching.co.uk Limited for a cash consideration of £180,000. On 3 December 2009, TSL Education Limited acquired Electronic Blackboard Limited for a cash consideration of £320,000.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

12 Debtors

	Group 31 August 2010 £'000	Company 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2009 £'000
Amounts falling due within one year				
Trade debtors	1,158	-	2,311	-
Deferred taxation (note 16)	272	-	-	-
Amounts owed by Group undertakings	-	120,939	-	120,955
Provision for impairment	-	(120,939)	-	-
Other debtors	477	-	89	-
Prepayments and accrued income	1,533	-	1,512	-
Other tax and social security	103	-	268	-
	<u>3,543</u>	<u>-</u>	<u>4,180</u>	<u>120,955</u>

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand. Teacher turnover has dropped significantly due to the recession and as a result the value in use of the underlying business no longer supports the value of the amounts owed by Group undertakings. Although the directors expect teacher turnover to return to historical levels in the long term, an exceptional impairment charge has been made in the Company to reflect the impact on the business. Other debtors include a loan to TSL Education SPV5 Limited (note 28) of £372,000 (2009: £nil) which is unsecured, interest free and repayable on demand.

13 Creditors: Amounts Falling Due Within One Year

	Group 31 August 2010 £'000	Company 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2009 £'000
Trade creditors	864	-	370	-
Amounts owed to Group undertakings	-	-	-	-
Other creditors	303	-	302	-
Accruals and deferred income	7,657	-	6,762	-
Corporation taxation	1,168	-	69	-
Deferred taxation (note 16)	-	-	55	-
Other tax and social security	607	-	459	-
	<u>10,599</u>	<u>-</u>	<u>8,017</u>	<u>-</u>

Amounts owed to Group undertakings are unsecured, repayable on demand and bear an interest rate of 9% per annum (2009: 9%).

14 Creditors: Amounts Falling Due After More Than One Year

	Group 31 August 2010 £'000	Company 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2009 £'000
Bank loans	318,409	-	311,877	-
Other creditors	428	-	731	-
	<u>318,837</u>	<u>-</u>	<u>312,608</u>	<u>-</u>

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

14 Creditors: Amounts Falling Due After More Than One Year (continued)

Other creditors relate to the deemed rent liability during the rent free period, which is being amortised over the life of the lease. The lease expires on 29 January 2013.

Drawn bank loan facilities: maturity table

	Group 31 August 2010 £'000	Group 31 August 2009 £'000
Amounts repayable:		
In more than two years but not more than five years		
Senior B term loan	212,782	-
Less: unamortised issue costs	(3,270)	-
	<u>209,512</u>	<u>-</u>
In more than five years:		
Senior B term loan	-	212,782
Second lien term loan	22,000	22,000
Mezzanine loan	59,680	56,494
PIK loan	26,754	24,330
Capex facility	2,000	2,000
Less: unamortised issue costs	(1,537)	(5,729)
	<u>108,897</u>	<u>311,877</u>
	<u>318,409</u>	<u>311,877</u>

At 31 August 2010 the Group had drawn non-instalment bank loans of £318.4 million (2009: £311.9 million) net of related unamortised fees of £4.8 million (2009: £5.7 million). These balances represent fully drawn balances on the Group's term and mezzanine credit facilities. The bank loans are secured by fixed and floating charges over certain of the Group's assets.

Senior B term loan

This loan of £195 million was drawn down on 8 June 2007 and is repayable through a single payment on 7 June 2015. The loan bears interest at LIBOR plus a margin of 2.50% per annum.

The loan agreement allowed for an increase in the facility of £15.0 million plus rolled up interest on the payment-in-kind (PIK) facility if certain conditions were met. These conditions were achieved on 5 August 2009, the facility was increased by £15.0 million plus rolled up interest of £2.8 million. The increase in the facility had to be used to repay part of the PIK facility. The increased facility is repayable through a single payment on 7 June 2015. The loan bears interest at LIBOR plus a margin of 2.50% per annum.

Second lien term loan

This loan of £22.0 million was drawn down on 8 June 2007 and is repayable through a single payment on 7 December 2016. The loan bears interest at LIBOR plus a margin of 4.25% per annum.

Mezzanine loan

This loan of £50.0 million was drawn down on 8 June 2007 and is repayable through a single payment on 7 June 2017. The loan bears interest at LIBOR plus a margin of 2.00% per annum; in addition, PIK interest is added to the outstanding capital amount of the loan at a rate of 5.50% per annum.

PIK loan

This loan of £33.0 million was drawn down on 8 June 2007 and is repayable through a single payment on 7 December 2017. The loan bears PIK interest at LIBOR plus a margin of 9%, both of which are added to the outstanding capital amount of the loan.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

14 Creditors: Amounts Falling Due After More Than One Year (continued)

The loan agreement allowed for £15.0 million of the facility plus rolled up interest to be re-paid if certain conditions were met. These conditions were achieved on 5 August 2009, £15.0 million plus rolled up interest of £2.8 million of the facility was repaid. The repayment was financed by an increase in the Senior B term loan of £17.8 million.

Issue costs

Group bank loans are stated net of unamortised issue costs at 31 August 2010 of £4.8 million (2009: £5.7 million). These costs are being amortised at constant effective interest rates over the terms of the loans.

Capex facility

The Group has a £2.0 million facility with its existing lenders, which has been drawn down in full under the terms of this facility. The loan drawn on this facility bears interest at 2.5% above LIBOR and is repayable on 7 June 2015.

15 Preference Share Capital and Accrued Preference Share Dividends

	Group 31 August 2010 £'000	Company 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2009 £'000
Preference share capital	129,704	129,704	129,704	129,704
Accrued preference share dividends	49,661	49,661	32,617	32,617
	<u>179,365</u>	<u>179,365</u>	<u>162,321</u>	<u>162,321</u>

128,397,204 preference shares of £1 each were created on 8 June 2007. These shares are cumulative and redeemable and bear dividends at 10.50% per annum. The preference shares carry no voting rights and rank ahead of the ordinary shares and A ordinary shares in any return of capital. On 8 June 2007, 89,480,977 preference shares were issued at a price of £89.5 million. During the year ended 31 August 2008, the remaining 38,916,227 preference shares were issued at a price of £40.2 million.

Dividends on preference shares can only be paid if the Group achieves certain financial criteria; otherwise, on an annual basis, accrued dividends are compounded. In the opinion of the directors, the Group will not attain the dividend payment financial criteria and accordingly the preference dividend liability has been classified within Creditors: amounts falling due after more than one year.

The preference shares will be redeemed by the Company in the event of either a sale or flotation of the Company. The holders of the preference shares may require the Company to redeem the shares if: (i) the Company has not redeemed the shares in the event of either a sale or flotation; (ii) there has been a resolution for the winding-up of the Company, a resolution for a reduction in the capital of the Company or a resolution varying any of the voting rights attaching to the Preference Shares; or (iii) the Company is in material breach of any of the terms on which banking facilities or bank loans have been made available to the Group.

On redemption, the Company will pay 100% of the issue price and all accruals and / or unpaid amounts of preference dividends.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

16 Deferred Taxation

	Group 31 August 2010 £'000	Company 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2009 £'000
As at the start of the year	(55)	-	107	-
Recognised in the year	324	-	(162)	-
Impact of rate change on opening balance from 28% to 27%	3	-	-	-
As at the end of the year	272	-	(55)	-
Analysis of timing differences:				
Accelerated capital allowances	223	-	(89)	-
Short-term timing differences	49	-	34	-
	272	-	(55)	-

Deferred tax is measured on a non-discounted basis at the tax rates which are expected to apply in the periods in which such timing differences reverse based on tax rates and laws substantively enacted at the balance sheet date. The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in the financial statements. A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. The changes had been substantively enacted at the balance sheet date and, therefore, are included in these financial statements.

17 Called Up Share Capital

The share capital of the Group and Company is shown below.

	Authorised 31 August 2010		Allotted, issued and fully paid 31 August 2010	
	Number	£'000	Number	£'000
Equity				
Ordinary shares of 10p each	662,055	66	662,055	66
A Ordinary Shares of 10p each	1,837,945	184	1,837,945	184
	2,500,000	250	2,500,000	250
	Authorised 31 August 2009		Allotted, issued and fully paid 31 August 2009	
	Number	£'000	Number	£'000
Equity				
Ordinary shares of 10p each	662,055	66	662,055	66
A Ordinary Shares of 10p each	1,837,945	184	1,837,945	184
	2,500,000	250	2,500,000	250

The A Ordinary shares carry the same voting and dividend rights as the Ordinary shares and rank along side the Ordinary shares in any return of capital as if they constituted one class of shares.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

18 Reserves

Group	Share Premium £'000	Profit and Loss Account £'000
At 1 September 2009	2,250	(83,982)
Loss for the financial year	-	(253,616)
At 31 August 2010	<u>2,250</u>	<u>(337,598)</u>
Company	Share Premium £'000	Profit and Loss Account £'000
At 1 September 2009	2,250	(32,925)
Loss for the financial year	-	(148,940)
At 31 August 2010	<u>2,250</u>	<u>(181,865)</u>

19 Reconciliation of Movements in Shareholders' Deficit

	Group 31 August 2010 £'000	Company 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2009 £'000
Opening shareholders' deficit	(81,482)	(30,425)	(45,384)	(14,991)
Loss for the financial year	<u>(253,616)</u>	<u>(148,940)</u>	<u>(36,098)</u>	<u>(15,434)</u>
Closing shareholders' deficit	<u>(335,098)</u>	<u>(179,365)</u>	<u>(81,482)</u>	<u>(30,425)</u>

20 Contingent Liabilities

At 31 August 2010, the Company and the Group had £nil of contingent liabilities (2009: £nil).

21 Capital Commitments

Group

The Group had annual capital commitments as follows:

	31 August 2010 £'000	31 August 2009 £'000
Contracts placed for future capital expenditure not provided in the financial statements	<u>-</u>	<u>400</u>

Company

At 31 August 2010, the Company had £nil of capital commitments (2009: £nil).

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

22 Other Financial Commitments

Group

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

	Land and buildings – operating leases	Other operating leases	Other financial commitments	Land and buildings – operating leases	Other operating leases	Other financial commitments
	31 August 2010 £'000	31 August 2010 £'000	31 August 2010 £'000	31 August 2009 £'000	31 August 2009 £'000	31 August 2009 £'000
Within one year	-	-	-	-	-	-
In two to five years	1,733	-	1,002	1,857	3	1,100
Over five years	-	-	-	-	-	-
	1,733	-	1,002	1,857	3	1,100

Company

At 31 August 2010, the Company had £nil financial commitments under non-cancellable operating leases (2009: £nil).

23 Reconciliation of Operating Profit to Net Cash Inflow

	31 August 2010 £'000	31 August 2009 £'000
Operating (loss) / profit	(210,802)	7,932
Depreciation of owned tangible assets	3,335	2,410
Amortisation of intangible assets	20,957	20,949
Exceptional administrative expenses (note 3)	218,476	435
Change in debtors	940	(547)
Change in creditors	401	(3,461)
Net cash inflow from operations	33,307	27,718

24 Reconciliation of Net Debt

	31 August 2010 £'000	31 August 2009 £'000
Opening net debt	457,874	439,846
Repayment of loans and facilities	-	-
Draw down of revolver and capex facilities	-	2,000
Increase in borrowings from bank loans	-	-
Increase in borrowings from preference shares	17,044	15,425
Rolled-over interest	5,611	5,791
Amortised bank loan and preference share issue costs	921	915
Increase in cash in the year	(12,351)	(6,103)
Net debt at end of year (note 25)	469,099	457,874

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

25 Analysis of Changes in Net Debt

	Cash at bank and in hand	Bank loans	Preference share capital	Accrued preference share dividends	Total
	£'000	£'000	£'000	£'000	£'000
At 1 September 2009	(16,324)	311,877	129,704	32,617	457,874
Net cash inflow before financing activities	(12,351)	-	-	-	(12,351)
Financing movements	-	-	-	-	-
Preference share dividends	-	-	-	17,044	17,044
Rolled-over interest	-	5,611	-	-	5,611
Amortisation of issue costs	-	921	-	-	921
At 31 August 2010	(28,675)	318,409	129,704	49,661	469,099

26 Acquisitions

On 12 November 2009, the Group acquired EnglishTeaching.co.uk Limited for a cash consideration of £180,000, satisfied by the payment of £160,000 of cash and the payment of £20,000 legal fees. Net assets acquired were £6,000, generated goodwill on consolidation of £174,000. Net assets acquired of £6,000 comprised cash of £9,000 and creditors of £3,000.

On 3 December 2009, the Group also acquired Electronic Blackboard Limited for a cash consideration of £320,000, satisfied by the payment of £300,000 of cash and the payment of £20,000 legal fees. Net liabilities acquired were £28,000, generated goodwill on consolidation of £348,000. Net liabilities acquired of £28,000 comprised cash of £3,000, debtors of £7,000 and creditors of £38,000.

27 Pension Costs

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 2010 amounted to £877,000 (2009: £781,000). Out of this amount, £nil was accrued at 31 August 2010 (2009: £nil).

28 Related Party Transactions

The Company has taken advantage of the exemption contained under paragraph 3(c) from the provisions of FRS 8, "Related Party Disclosures", not to disclose related party transactions with other members of its group of companies, which are at least 90% owned.

The Group had the following related party transactions during the year which require disclosure in accordance with FRS 8:

Directors' fees of £200,000 (2009: £200,000) are payable to Charterhouse and are included within Directors' emoluments as set out in note 5. Of these fees, £83,000 was outstanding at 31 August 2010 (2009: £33,000). Annual fees of £200,000 (2009: £200,000) are due quarterly in arrears in return for Charterhouse providing the investor directors to sit on the board and provide management advice.

TSL Education Group Limited

Notes to the Financial Statements (continued) for the year ended 31 August 2010

28 Related Party Transactions (continued)

During the year the Group made a loan to TSL Education SPV5 Limited of £372,000. TSL Education SPV5 Limited is not a member of the TSL Education Group, but both companies have the same ultimate controlling party in Charterhouse General Partners (VIII) Limited. The loan is unsecured, repayable on demand and interest free. At 31 August 2010, £372,000 remained outstanding.

29 Ultimate Controlling Party

The directors consider that the ultimate controlling party of the Company is Charterhouse General Partners (VIII) Limited, a company incorporated in England & Wales, on behalf of the funds under its management. Charterhouse is the investor in the business and an investment agreement governs the running of the Group. Charterhouse is entitled to appoint two persons to the board and provide management advice.

The parent undertaking of both the largest and smallest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, is TSL Education Group Limited, a Company incorporated in England & Wales.

Copies of the consolidated financial statements are available from The Company Secretary, TSL Education Group Limited, 26 Red Lion Square, London WC1R 4HQ.