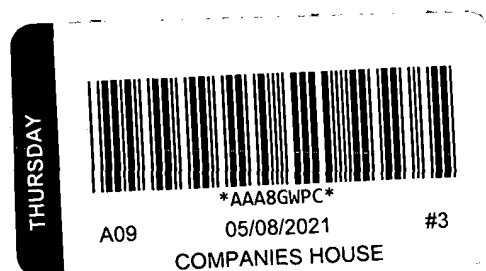


Registered number: 07907042

SPARX LIMITED
Annual Report and Audited Financial Statements
For the Year Ended 31 December 2020



SPARX LIMITED

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SPARX LIMITED

Company Information

Directors	Dr M J Dixon Mr R B Bedlow Mr G Woodcock Mr D S Sandhu Mr S D Lebus Mr C M Hegarty
Company secretary	No company secretary
Registered number	07907042
Registered office	Oxygen House Grenadier Road Exeter Business Park Exeter Devon EX1 3LH
Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR

SPARX LIMITED

Strategic Report For the Year Ended 31 December 2020

Introduction

The directors present their Strategic Report for the year ended 31 December 2020.

Business review

The company's vision is to improve life opportunities for 5+ million learners worldwide by 2030, driven by the mission to improve educational outcomes through research-based technologies that empower educators and motivate students.

This translates into 4 strategic pillars:

- 1) UK schools: creating best-in-class products for secondary schools maths in the UK
- 2) International: expanding into international schools and English medium instruction markets
- 3) Direct to Consumer: launching and scaling a consumer maths offering (Numerise)
- 4) Sustainability: ensuring the organisation is fit for purpose and commercially self-sufficient to deliver the mission and vision

The business model is based around offering best-in-class, evidence-based maths learning platforms, with a UK secondary school offering at the core and propositions developing for international markets and direct to consumer.

In 2020, there has been significant progress against the strategic pillars in an external environment that has rapidly changed due to the COVID-19 pandemic, accelerating the need for digital tools in education as well as evidence of their effectiveness (as shown by the EdTech Evidence Group). Internally, the business continued its evolution from R&D-focussed organisation into scaling the impact and commercialising the products. In August 2020 the company completed a restructure of the business and in December 2020 continued integration with HegartyMaths resulted in the hive-up of trade and net assets of H & A Learning Limited.

Results

The company has prepared audited financial statements for the year ended 31 December 2020. The loss for the year after taxation was £8,103,256 (2019: Loss £9,406,087) which was a favourable variance against budget and anticipated as part of the long-term strategy.

Financial and other key performance indicators

Turnover is a key financial indicator for the company, reflecting the number of schools and students using the company's products. For the year ended 31 December 2020, Sparx recorded a turnover of £568,921 (2019: £124,348). Software licensing revenue accounted for £165,967 (2019: £36,131), with Management charges contributing £402,954 (2019: £88,217). Together with its subsidiaries which are not consolidated, total turnover was £2,050,038 (2019: £537,032) being a significant increase.

SPARX LIMITED

**Strategic Report (continued)
For the Year Ended 31 December 2020**

Principal risks and uncertainties

The principal risks and uncertainties are viewed as follows:

COVID-19

The outbreak of COVID-19 pandemic and resultant changes to both education and working environments continue to create some uncertainty for the business. While the full extent of the impact is not yet known, it creates both risks and opportunities for the business.

Management continues to review its implications on an ongoing basis.

Market

The company's strategy envisages successful scaling across multiple products and propositions. This will require continuing to identify and meet the changing needs of existing and future customers, with ongoing focus on customer feedback and product development acting as mitigations.

Competition

The company is at risk of adverse competitive dynamics, in particular in the case of a major competitor (privately- or government-funded) entering the market and aggressively competing for schools. Continued focus on developing best-in-class products and services are a mitigation against this risk.

Talent

Successful execution of the company's ambitious strategy requires ongoing access to top quality talent at all levels of the organisation. The organisation is proactively aiming to attract and retain the best available talent.

This report was approved by the board on Jul 16, 2021

and signed on its behalf.



D.S. Sandhu (Jul 16, 2021, 11:53 GMT+1).....

Mr D S Sandhu
Director

SPARX LIMITED

Directors' Report For the Year Ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Directors

The directors who served during the year were:

Dr M J Dixon
Mr R B Bedlow
Mr G Woodcock
Mr D S Sandhu
Mr S D Lebus
Mr C M Hegarty (appointed 29 June 2020)

Directors appointed after the year end were:

Mrs J L Jones (appointed 27 January 2021)

Principal activities

The principal activity of the company is that of a provider of learning technology platforms.

Results and dividends

The loss for the year, after taxation, amounted to £8,103,256 (2019 - loss £9,406,087).

Dividends paid in the year were £Nil (2019: £Nil).

Going Concern

The directors believe that the company is well placed to manage its business risks successfully. The directors have confirmation of funding for the company from the ultimate parent company for a period of at least 12 months from the date of approval of the financial statements and therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors have considered the impact of the COVID-19 pandemic on the business and at this stage do not anticipate there to be a significant impact on the long-term activities of the company. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Qualifying third party indemnity provisions

The directors of the company are indemnified under a directors and officers liability insurance policy for losses or advancement of defence costs as a result of a legal action brought for alleged wrongful acts in their capacity as directors and officers of the company. The indemnity was in force during the financial year and at the date of approval of these financial statements.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

SPARX LIMITED

Directors' Report (continued) For the Year Ended 31 December 2020

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This report was approved by the board and signed on its behalf.



D S Sandhu (Jul 16, 2021 11:53 GMT+1)

Mr D S Sandhu
Director

Date: Jul 16, 2021

SPARX LIMITED

Independent Auditors' Report to the Members of SPARX LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Sparx Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report") which comprise: The balance sheet as at 31 December 2020; The profit and loss account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

SPARX LIMITED

Independent Auditors' Report to the Members of SPARX LIMITED

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 December 2020 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 company and its 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 Directors' Responsibilities Statement, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to indirect taxes including PAYE and value added tax, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of balances on the profit and loss account and balance sheet to meet business performance objectives. Audit procedures performed included:

- Carrying out unpredictable procedures, which included additional verification of customers to confirm their existence; and
- Testing journals to identify any entries which credited revenue, expenses or cash and debited unusual entries.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's

SPARX LIMITED

Independent Auditors' Report to the Members of SPARX LIMITED

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 obtained 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Colin Bates (Senior statutory auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date: 29 July 2021

SPARX LIMITED**Profit and Loss Account
For the Year Ended 31 December 2020**

	Note	2020 £	2019 £
Turnover	4	568,921	124,348
		<u>568,921</u>	<u>124,348</u>
Staff costs	7	(7,964,448)	(6,716,925)
Depreciation and amortisation	11,12	(60,009)	(74,958)
Other operating expenses		(2,708,915)	(2,804,189)
Operating loss		<u>(10,164,451)</u>	<u>(9,471,724)</u>
Income from fixed asset investments	9	1,700,000	-
Other interest receivable and similar income		-	1,815
Amounts written off investments	13	(823,555)	-
Loss before tax		<u>(9,288,006)</u>	<u>(9,469,909)</u>
Tax on loss	10	1,184,750	63,822
Loss for the financial year		<u>(8,103,256)</u>	<u>(9,406,087)</u>

The notes on pages 13 to 27 form part of these financial statements.

SPARX LIMITED

**Statement of Comprehensive Income
For the Year Ended 31 December 2020**

	2020	2019
	£	£
Loss for the financial year	(8,103,256)	(9,406,087)
Other comprehensive income	_____	_____
Total comprehensive expense for the year	<u>(8,103,256)</u>	<u>(9,406,087)</u>

The notes on pages 13 to 27 form part of these financial statements.

SPARX LIMITED
Registered number:07907042

Balance Sheet
As at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	4,006,821	-
Tangible assets	12	91,686	121,542
Investments	13	-	5,446,811
		<u>4,098,507</u>	<u>5,568,353</u>
Current assets			
Debtors: amounts falling due within one year	15	1,123,421	204,749
Cash at bank and in hand	16	2,662,990	139,488
		<u>3,786,411</u>	<u>344,237</u>
Creditors: amounts falling due within one year	17	(18,519,613)	(17,343,743)
Net current liabilities		<u>(14,733,202)</u>	<u>(16,999,506)</u>
Total assets less current liabilities		<u>(10,634,695)</u>	<u>(11,431,153)</u>
Creditors: amounts falling due after more than one year	18	(666,667)	(166,667)
Net liabilities		<u>(11,301,362)</u>	<u>(11,597,820)</u>
Capital and reserves			
Called up share capital	19	129,167	113,773
Share premium account		35,441,605	26,805,203
Profit and loss account		(46,872,134)	(38,516,796)
Total equity		<u>(11,301,362)</u>	<u>(11,597,820)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

D.S. Sandhu
D.S. Sandhu (Jul 16, 2021 11:53 GMT+1).....
Mr D S Sandhu
Director

Date: Jul 16, 2021

The notes on pages 13 to 27 form part of these financial statements.

SPARX LIMITED

**Statement of Changes in Equity
For the Year Ended 31 December 2020**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2020	113,773	26,805,203	(38,516,796)	(11,597,820)
Comprehensive expense for the year				
Loss for the year	-	-	(8,103,256)	(8,103,256)
Shares issued during the year	15,394	8,636,402	-	8,651,796
Credit relating to equity-settled share-based payments	-	-	364,353	364,353
Cumulative amortisation in respect of hive up	-	-	(616,435)	(616,435)
Total transactions with owners	15,394	8,636,402	(252,082)	8,399,714
At 31 December 2020	129,167	35,441,605	(46,872,134)	(11,301,362)

The notes on pages 13 to 27 form part of these financial statements.

**Statement of Changes in Equity
For the Year Ended 31 December 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2019	89,000	12,911,100	(29,110,709)	(16,110,609)
Comprehensive expense for the year				
Loss for the year	-	-	(9,406,087)	(9,406,087)
Shares issued during the year	24,773	13,894,103	-	13,918,876
Total transactions with owners	24,773	13,894,103	-	13,918,876
At 31 December 2019	113,773	26,805,203	(38,516,796)	(11,597,820)

The notes on pages 13 to 27 form part of these financial statements.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

1. General information

The company is a private company limited by share capital, incorporated in United Kingdom.

The address of its registered office and principal place of activity is:

Oxygen House
Grenadier Road
Exeter
Devon
EX1 3LH

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

2.2 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Oxygen House Group Limited for the year ended 31 December 2020 and these financial statements may be obtained from Companies House.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on a going concern basis as amounts advanced to the company by related party undertakings will not be recalled in preference to third party creditors, and additional financial support will be provided by Oxygen House Group Limited for a period of at least 12 months, if required, to enable the company to continue trading for the foreseeable future.

The directors have considered the ongoing impact of the COVID-19 pandemic on the business operations and do not anticipate there to be a significant impact on the long-term activities of the company. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.6 Revenue recognition

Turnover represents the revenue received from subscriptions for the use of Sparx Maths, the company's bespoke product and management fees charged to a subsidiary.

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

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.7 Research and development

All expenditure on research is recognised as an expense when it is incurred until it reaches the development phase. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Pensions

Defined contribution pension plan

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

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

2.9 Share based payments

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

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

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

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

2.10 Taxation

During the year the company was awarded a tax credit of £478,286 in relation to the 2017 and 2018 Research and Development claim. This has been recognised in the Profit and Loss Account.

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and Loss Account over its useful economic life.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	10	years
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2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	25%	Straight line
Computer equipment	-	25% - 50%	Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. 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 (or CGU'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 (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Business combinations

An acquisition that results from a group restructure where the entities are under common control are excluded from the provision of Business Combinations and are not subject to fair value adjustments.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and bank balances.

2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.18 Financial instruments

Classification:

The company holds the following financial instruments:

- Short term trade and other debtors and creditors (including inter-group and related undertakings balances)
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement:

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instruments and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or the other consideration expected to be paid or received, after taking account of adjustments.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The most critical accounting policies and estimates in determining the financial condition and results of the company are those requiring a greater degree of subjective or complete judgement. These relate to:

Goodwill

The business considers the carrying value of Goodwill each year, and in performing this review assumptions and estimates are made with respect to the performance and outlook of the investment, the expected growth in customers and the key business risks.

Share-based payments

The fair value of employee share option plans is calculated at the grant date using the Black-Scholes model. The resulting cost is charged to the profit and loss account over the vesting period.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Software licensing	165,967	36,131
Management charges - Intercompany	402,954	88,217
	<u>568,921</u>	<u>124,348</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	516,771	124,348
Rest of the world	52,150	-
	<u>568,921</u>	<u>124,348</u>

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

5. Operating loss

The operating loss is stated after charging:

	2020 £	2019 £
Exchange differences	943	1,718
Depreciation	60,009	74,958
Impairment of fixed asset investment	823,555	-
Share based payment	364,353	-
	<u> </u>	<u> </u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	21,916	22,419
	<u> </u>	<u> </u>

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the parent company.

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	6,915,969	5,694,009
Social security costs	670,325	667,570
Other pension costs	266,338	240,978
Private health insurance	111,816	114,368
	<u>7,964,448</u>	<u>6,716,925</u>

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

	2020 No.	2019 No.
Staff numbers	<u>113</u>	<u>119</u>

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	397,888	281,973
Company contributions to defined contribution pension schemes	16,483	16,625
	<u>414,371</u>	<u>298,598</u>

The highest paid director received remuneration of £247,665 (2019 - £264,473).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,275 (2019 - £16,625).

9. Income from fixed asset investments

	2020 £	2019 £
Dividends received from subsidiaries	1,700,000	-
	<u>1,700,000</u>	<u>-</u>

10. Tax on loss

	2020 £	2019 £
Corporation tax		
Adjustments in respect of previous periods	(478,286)	(63,822)
	<u>(478,286)</u>	<u>(63,822)</u>
Group taxation relief	(706,464)	-
	<u>(1,184,750)</u>	<u>(63,822)</u>
Total current tax	<u>(1,184,750)</u>	<u>(63,822)</u>

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

10. Tax on loss (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(9,288,006)</u>	<u>(9,469,909)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	<u>(1,764,721)</u>	<u>(1,799,283)</u>
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	225,710	31,671
Adjustments to tax charge in respect of prior periods	754,595	-
Short term timing difference leading to an increase (decrease) in taxation	28,530	-
Non-taxable income	(323,000)	-
Deferred tax not recognised	1,488,820	1,767,612
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(888,220)	(63,822)
Group relief	(706,464)	-
Total tax credit for the year	<u><u>(1,184,750)</u></u>	<u><u>(63,822)</u></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

SPARX LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

11. Intangible assets

	Goodwill £
Cost	
Transferred from investments (note 13)	4,623,256
At 31 December 2020	4,623,256
Accumulated amortisation	
Arising on hive up	616,435
At 31 December 2020	616,435
Net book value	
At 31 December 2020	4,006,821
At 31 December 2019	-

SPARX LIMITED**Notes to the Financial Statements
For the Year Ended 31 December 2020****12. Tangible fixed assets**

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2020	64,077	430,830	494,907
Additions	953	22,647	23,600
Company reorganisation (note 14)	1,160	7,098	8,258
Disposals	-	(3,741)	(3,741)
At 31 December 2020	<u>66,190</u>	<u>456,834</u>	<u>523,024</u>
Depreciation			
At 1 January 2020	63,503	309,862	373,365
Charge for the year on owned assets	410	59,599	60,009
Disposals	-	(2,036)	(2,036)
At 31 December 2020	<u>63,913</u>	<u>367,425</u>	<u>431,338</u>
Net book value			
At 31 December 2020	<u>2,277</u>	<u>89,409</u>	<u>91,686</u>
At 31 December 2019	<u>574</u>	<u>120,968</u>	<u>121,542</u>

SPARX LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

13. Investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	5,446,811
Transfer to purchased goodwill (note 11)	(4,623,256)
	<hr/>
At 31 December 2020	823,555
	<hr/>
Accumulated impairment	
On reorganisation (note 14)	823,555
	<hr/>
At 31 December 2020	823,555
	<hr/>
Net book value	
At 31 December 2020	-
	<hr/> <hr/>
At 31 December 2019	5,446,811
	<hr/> <hr/>
Subsidiary undertaking	

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
H&A Learning Ltd	Oxygen House, Grenadier Road, Exeter, EX1 3LH	Ordinary	100%

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

14. Post-acquisition reorganisation

On 31 December 2020 the company acquired the trade and net liabilities of its subsidiary H & A Learning Ltd at book value. The book value upon acquisition was £823,555 as per note 13 - with this being impaired in the year.

	£
Tangible fixed assets	8,258
Assets	270,691
Liabilities	(1,585,584)
Net liabilities	(1,306,635)

The consideration was settled via the intercompany loan account.

15. Debtors: Amounts falling due within one year

	2020	2019
	£	£
Trade debtors	333,153	2,922
Amounts owed by group undertakings	571,029	-
Other debtors	106,678	104,804
Prepayments and accrued income	112,561	97,023
	<u>1,123,421</u>	<u>204,749</u>

The amounts owed by group undertakings are interest free and repayable on demand.

16. Cash at bank and in hand

	2020	2019
	£	£
Cash at bank and in hand	2,662,990	139,488
	<u>2,662,990</u>	<u>139,488</u>

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

17. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	66,892	57,355
Amounts owed to group undertakings	16,231,008	16,895,385
Amounts owed to other related undertakings	403	-
Other taxation and social security	165,807	233,524
Other creditors	201,609	41,531
Accruals and deferred income	1,853,894	115,948
	<u>18,519,613</u>	<u>17,343,743</u>

The amounts due to group and related undertakings are interest free and repayable on demand.

18. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Long term employee benefits	666,667	166,667
	<u>666,667</u>	<u>166,667</u>

As part of the subsidiary acquisition of H&A Learning Ltd in 2019, the company is under obligation to pay £1,500,000 to the sellers for the sale of their shares. The sellers, who are now employees of the company, will receive the full consideration on the third anniversary of the acquisition date.

19. Share capital

	2020 £	2019 £
Authorised, allotted, called up and fully paid		
80,100 (2019 - 80,100) Ordinary shares of £1.00 each	80,100	80,100
4,906,729 (2019 - 3,367,300) Ordinary shares of £0.01 each	49,067	33,673
	<u>129,167</u>	<u>113,773</u>

During the year 1,385,519 ordinary shares of £0.01 were issued to Oxygen House Group Limited for a total consideration of £7,786,617 giving rise to a share premium of £7,772,762. A further 153,947 ordinary shares of £0.01 were issued to an unrelated party for a total consideration of £865,182 giving rise to a share premium of £863,643.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

20. Share based payments

Certain employees of the company have been granted share options. The options granted have a fixed exercise price, are exercisable 4 years after the date of grant and expire 10 years after date of grant. Employees are required to remain in employment.

A reconciliation of share option movements over the year to 31 December 2020 is set out below:

	Weighted average exercise price (£) 2020	Number 2020	Weighted average exercise price (£) 2019	Number 2019
Outstanding at the beginning of the year	5.62	247,222	-	-
Granted during the year		-	5.62	247,222
Outstanding at the end of the year	5.62	247,222	5.62	247,222

21. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £266,338 (2019 - £240,978). Contributions totaling £18,815 (2019 - £22,126) were payable to the fund at the balance sheet date and are included in creditors.

22. Controlling party

In the opinion of the directors, the company's ultimate parent company is Oxygen House Group Limited, incorporated in England and Wales.

The parent of the smallest and largest group in which these financial statements are consolidated is Oxygen House Group Limited.

The address of Oxygen House Group Limited is:
Oxygen House, Grenadier Road, Exeter Business Park, Exeter, EX1 3LH

In the opinion of the directors, the ultimate controlling party is Dr M Dixon.