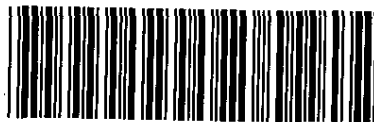


Registered number: 07907042

SPARX LIMITED
Annual Report and Audited Financial Statements
For the Year Ended 31 December 2021

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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
Mrs J L Jones (appointed 27 January 2021)

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 2021

Introduction

The directors present their Strategic Report for the year ended 31 December 2021.

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) New Product Development: Researching, developing, launching and scaling new school facing products
- 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.

The ongoing pandemic during 2021 continued to challenge the educational ecosystem. The need for digital tools accelerated with continued focus on evidence based solutions. Sparx continued to extend its footprint of UK schools as well as international schools.

Results

The company has prepared audited financial statements for the year ended 31 December 2021. The loss for the year after taxation was £4,673,757 (2020: Loss £8,103,256) 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 2021, Sparx Limited recorded a turnover of £2,617,611 (2020: £568,921). Software licensing revenue accounted for £2,616,537 (2020: £165,967). Revenue in 2021 represents the hived up position of all prior subsidiaries, with total turnover of £2,617,611 representing a significant increase over the previous year consolidated position (2020: £2,050,038).

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.

SPARX LIMITED

**Strategic Report (continued)
For the Year Ended 31 December 2021**

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 **14 September 2022** and signed on its behalf.



D S Sandhu (Sep 15 2022 11:30 GMT+1;

Mr D S Sandhu
Director

SPARX LIMITED

Directors' Report For the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors

The directors who served during the year and up to the date of signing were:

Dr M J Dixon
Mr R B Bedlow
Mr G Woodcock
Mr D S Sandhu
Mr S D Lebus
Mr C M Hegarty
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.

Going Concern

The directors believe that the company is well placed to manage its business risks effectively. The directors have confirmation of continued funding from the ultimate parent company for a period of at least 12 months from the date of approval of the financial statements, to enable the company to settle liabilities as they fall due and also confirmation not to seek repayment of the loan funding. The directors 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 business and economic risks, including the COVID-19 pandemic on the business 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.

Results and dividends

The loss for the year, after taxation, amounted to £4,673,757 (2020 - loss £8,103,256).

Dividends paid in the year were £Nil (2020: £Nil).

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 2021

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and Audited 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 financial statements 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).

Under company law, 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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



D S Sandhu (Sep 15, 2022 11:30 GMT+1)

Mr D S Sandhu
Director

Date: 14 September 2022

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 2021 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 Audited Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Profit and Loss Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 on, 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 2021 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 UK tax legislation, 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 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 posting inappropriate journals and management bias in estimates. Audit procedures performed by the engagement team included:

- Testing journals to identify any entries which credited expenses or cash and debited unusual entries;
- Carrying out unpredictable procedures, including verifying the transfer of details to the updated HR system.
- Challenging assumptions and judgments made by management in their significant accounting estimates;
- Discussions with management to enquire any known instances of non-compliance with laws and regulations and fraud: and
- Reading board minutes for evidence of any breaches of regulations.

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.

SPARX LIMITED

Independent Auditors' Report to the Members of SPARX LIMITED

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

Use of this report

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

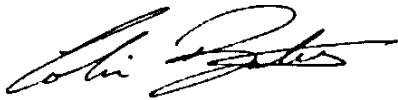
Other required reporting

Companies Act 2006 exception reporting

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

- we have not 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: 23 September 2022

SPARX LIMITED

Profit and Loss Account For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	2,617,611	568,921
		<u>2,617,611</u>	<u>568,921</u>
Staff costs	7	(6,249,981)	(7,964,448)
Depreciation and amortisation		(506,168)	(60,009)
Other operating expenses		(2,054,530)	(2,708,915)
Operating loss	5	(6,193,068)	(10,164,451)
Income from other fixed asset investments	9	288,225	1,700,000
Amounts written off investments		-	(823,555)
Loss before taxation		(5,904,843)	(9,288,006)
Tax on loss	10	1,231,086	1,184,750
Loss for the financial year		(4,673,757)	(8,103,256)

The notes on pages 14 to 28 form part of these financial statements.

SPARX LIMITED

**Statement of Comprehensive Income
For the Year Ended 31 December 2021**

	2021	2020
Note	£	£
Loss for the financial year	(4,673,757)	(8,103,256)
Other comprehensive income		
Other comprehensive income	-	-
Total other comprehensive income for the year	-	-
Total comprehensive expense for the year	(4,673,757)	(8,103,256)

The notes on pages 14 to 28 form part of these financial statements.

SPARX LIMITED
Registered number:07907042

Balance Sheet
As at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	11	3,544,496	4,006,821
Tangible assets	12	58,533	91,686
		<u>3,603,029</u>	<u>4,098,507</u>
Current assets			
Debtors: amounts falling due within one year	14	873,455	1,123,421
Cash at bank and in hand	15	2,451,382	2,662,990
		<u>3,324,837</u>	<u>3,786,411</u>
Creditors: amounts falling due within one year	16	(19,670,072)	(18,519,613)
Net current liabilities		<u>(16,345,235)</u>	<u>(14,733,202)</u>
Total assets less current liabilities		<u>(12,742,206)</u>	<u>(10,634,695)</u>
Creditors: amounts falling due after more than one year	17	-	(666,667)
Net liabilities		<u>(12,742,206)</u>	<u>(11,301,362)</u>
Capital and reserves			
Called up share capital	18	135,317	129,167
Share premium account		38,479,444	35,441,605
Profit and loss account		(51,356,967)	(46,872,134)
Total equity		<u>(12,742,206)</u>	<u>(11,301,362)</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 (Sep 15, 2022 11:30 GMT+1)

Mr D S Sandhu
Director

Date: 14 September 2022

The notes on pages 14 to 28 form part of these financial statements.

SPARX LIMITED**Statement of Changes in Equity
For the Year Ended 31 December 2021**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	129,167	35,441,605	(46,872,134)	(11,301,362)
Comprehensive expense for the year				
Loss for the year	-	-	(4,673,757)	(4,673,757)
Shares issued during the year	6,150	3,037,839	-	3,043,989
Credit relating to equity-settled share-based payments	-	-	188,924	188,924
Total transactions with owners	6,150	3,037,839	188,924	3,232,913
At 31 December 2021	135,317	38,479,444	(51,356,967)	(12,742,206)

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 14 to 28 form part of these financial statements.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

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 Business Park
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 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).

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

2.2 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 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- 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 as at 31 December 2021 and these financial statements may be obtained from Companies House.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.3 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 impact of business and economic risks, including the COVID-19 pandemic on 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.

2.4 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.

2.5 Revenue recognition

Turnover represents the revenue received from subscriptions for the use of Sparx Maths, the company's bespoke product. Revenue is recognised over the the time of the subscription.

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 2021

2. Accounting policies (continued)

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. 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, which range from 3 to 6 years.

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.

2.7 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.

2.8 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.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.9 Taxation

During the year the company was awarded a tax credit of £830,500 in relation to the 2019 and 2020 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.

2.10 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.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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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2.11 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.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.12 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.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 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.

2.16 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 adopt the Sections 11 and 12 of FRS102 in respect of financial instruments.

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 2021

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

Sparx Limited continues to recognise Goodwill at cost less amortisation. 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:

	2021 £	2020 £
Software licensing	2,616,537	165,967
Other	1,074	-
Management charges - Intercompany	-	402,954
	<u>2,617,611</u>	<u>568,921</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	2,498,901	516,771
Rest of the world	118,710	52,150
	<u>2,617,611</u>	<u>568,921</u>

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

5. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Exchange differences	1,104	943
Impairment of fixed asset investment	-	823,555
Amortisation	462,325	-
Depreciation	43,592	60,009
Share based payment	188,924	364,353
	<u>188,924</u>	<u>364,353</u>

6. Auditors' remuneration

	2021 £	2020 £
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	17,344	21,916
	<u>17,344</u>	<u>21,916</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:

	2021 £	2020 £
Wages and salaries	5,396,293	6,915,969
Social security costs	548,174	670,325
Other pension costs	214,261	266,338
Private health insurance	91,253	111,816
	<u>6,249,981</u>	<u>7,964,448</u>

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

	2021 No.	2020 No.
Staff numbers	<u>88</u>	<u>113</u>

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	472,750	397,888
Company contributions to defined contribution pension schemes	10,311	16,483
	<u>483,061</u>	<u>414,371</u>

The highest paid director received remuneration of £258,679 (2020 - £247,665).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,060 (2020 - £12,275).

9. Income from fixed asset investments

	2021 £	2020 £
Dividends received from subsidiaries	(288,225)	(1,700,000)
	<u>(288,225)</u>	<u>(1,700,000)</u>

10. Tax on loss

	2021 £	2020 £
Corporation tax		
Adjustments in respect of previous periods	(830,500)	(478,286)
	<u>(830,500)</u>	<u>(478,286)</u>
Group taxation relief	(400,586)	(706,464)
	<u>(1,231,086)</u>	<u>(1,184,750)</u>
Total current tax	<u>(1,231,086)</u>	<u>(1,184,750)</u>

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Tax on loss (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

	2021 £	2020 £
Loss on ordinary activities before tax	(5,904,843)	(9,288,006)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(1,121,920)	(1,764,721)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	87,842	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	675	225,710
Adjustments to tax charge in respect of prior periods	-	754,595
Short-term timing difference leading to an increase (decrease) in taxation	1,140	28,530
Non-taxable income	(54,763)	(323,000)
Deferred tax not recognised	1,087,026	1,488,820
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(830,500)	(888,220)
Group relief	(400,586)	(706,464)
Total tax charge for the year	(1,231,086)	(1,184,750)

SPARX LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

11. Intangible assets

	Goodwill £
Cost	
At 1 January 2021	4,623,256
At 31 December 2021	4,623,256
Accumulated amortisation	
At 1 January 2021	616,435
Charge for the year on owned assets	462,325
At 31 December 2021	1,078,760
Net book value	
At 31 December 2021	3,544,496
At 31 December 2020	4,006,821

SPARX LIMITED**Notes to the Financial Statements
For the Year Ended 31 December 2021****12. Tangible assets**

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2021	66,190	456,834	523,024
Additions	-	10,691	10,691
Disposals	-	(2,019)	(2,019)
At 31 December 2021	66,190	465,506	531,696
Accumulated depreciation			
At 1 January 2021	63,913	367,425	431,338
Charge for the year on owned assets	1,646	41,946	43,592
Disposals	-	(1,767)	(1,767)
At 31 December 2021	65,559	407,604	473,163
Net book value			
At 31 December 2021	631	57,902	58,533
At 31 December 2020	2,277	89,409	91,686

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	823,555
At 31 December 2021	<u>823,555</u>
Accumulated impairment	
At 1 January 2021	823,555
At 31 December 2021	<u>823,555</u>
Net book value	
At 31 December 2021	<u>-</u>
At 31 December 2020	<u>-</u>

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%

14. Debtors: Amounts falling due within one year

	2021 £	2020 £
Trade debtors	286,599	333,153
Amounts owed by group undertakings	425,486	571,029
Other debtors	75,022	106,678
Prepayments and accrued income	86,348	112,561
	<u>873,455</u>	<u>1,123,421</u>

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

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

15. Cash at bank and in hand

	2021 £	2020 £
Cash at bank and in hand	2,451,382	2,662,990
	<u>2,451,382</u>	<u>2,662,990</u>

16. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	67,666	66,892
Amounts owed to group undertakings	16,149,713	16,231,008
Amounts owed to other participating interests	2,083	403
Other taxation and social security	179,770	165,807
Other creditors	1,340,660	201,609
Accruals and deferred income	1,930,180	1,853,894
	<u>19,670,072</u>	<u>18,519,613</u>

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

Included in Other creditors is £1,166,667 relating to accrued employee benefits. The total liability falls due in September 2022. Further details are set out in Note 17 of the financial statements.

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

	2021 £	2020 £
Long term employee benefits	-	666,667
	<u>-</u>	<u>666,667</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.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

18. Called up share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
80,100 (2020 - 80,100) Ordinary shares of £1.00 each	80,100	80,100
5,521,676 (2020 - 4,906,729) Ordinary shares of £0.01 each	55,217	49,067
	<u>135,317</u>	<u>129,167</u>

During the year 553,453 (2020: 1,385,509) ordinary shares of £0.01 were issued to Oxygen House Group Limited for a total consideration of £2,739,950 (2020: £7,786,617) giving rise to a share premium of £2,734,056 (2020: £7,772,762). A further 61,495 (2020: 153,947) ordinary shares of £0.01 were issued to an unrelated party for a total consideration of £304,399 (2020: £865,182) giving rise to a share premium of £303,783 (2020 £863,643).

19. 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 2021 is set out below:

	Weighted average exercise price (£) 2021	Number 2021	Weighted average exercise price (£) 2020	Number 2020
Outstanding at the beginning of the year	5.62	247,222	5.62	247,222
Granted during the year	-	-	-	-
Outstanding at the end of the year	<u>5.62</u>	<u>247,222</u>	<u>5.62</u>	<u>247,222</u>

20. 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 £215,973 (2020 - £266,338). Contributions totaling £16,633 (2020 - £18,815) were payable to the fund at the balance sheet date and are included in creditors.

SPARX LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2021

21. 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.