

VIRTUAL CLASS LTD

FINANCIAL STATEMENTS

YEAR ENDED

31 JULY 2018



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VIRTUAL CLASS LTD
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VIRTUAL CLASS LTD
COMPANY INFORMATION

| | | |
|------------------------------------|--|--|
| Directors | Allen Atwell David Grimm Lennart Hergel Thomas Hooper Meganne Houghton-Berry Edward Minshull Isabel Newman | |
| Secretary | Lynn Chandler | |
| Registered office | 4 th Floor Frazer House 32-28 Leman Street London E1 8EW | |
| Company registration number | 08260115 (England & Wales) | |
| Country of incorporation | Great Britain | |
| Legal form | Company limited by shares | |
| Auditor | BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA | |
| Bankers | Barclays Bank PLC Leicester NE87 2BB | Co-Operative Bank PLC PO Box 637 SALFORD M5 0JP |
| Solicitors | Taylor Wessing LLP New St Square London EC4A 3TW | |

VIRTUAL CLASS LTD
CONSOLIDATED AND COMPANY
STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2018

Company Number : 08260115

| | Note | GROUP | | COMPANY | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Fixed assets | | | | | |
| Tangible fixed assets | 10 | 205,338 | 220,567 | 42,942 | 15,900 |
| Deferred tax asset | | 658 | - | - | - |
| Investments | 11 | - | - | 194,162 | 161,441 |
| | | 205,996 | 220,567 | 237,104 | 177,341 |
| Current assets | | | | | |
| Debtors | 12 | 829,342 | 703,566 | 785,209 | 599,570 |
| Cash at bank and in hand | | 1,751,905 | 231,340 | 1,467,266 | 174,860 |
| | | 2,581,247 | 934,906 | 2,252,475 | 774,430 |
| Creditors: Amounts falling due within one year | 13 | (1,160,931) | (1,600,403) | (1,077,055) | (1,523,025) |
| Net current assets/(liabilities) | | 1,420,316 | (665,497) | 1,175,420 | (748,595) |
| Total assets less current liabilities | | 1,626,312 | (444,930) | 1,412,524 | (571,254) |
| Creditors: Amounts falling due in over one year | 14 | - | (654,981) | - | (654,981) |
| Deferred taxation | 15 | (8,346) | (3,039) | (8,346) | (3,039) |
| Net assets/(liabilities) | | 1,617,966 | (1,102,950) | 1,404,178 | (1,229,274) |
| Capital and reserves | | | | | |
| Called up share capital | | | | | |
| Ordinary shares | 16 | 390 | 382 | 390 | 382 |
| A1 Shares | 16 | 33,603 | - | 33,603 | - |
| A2 Shares | 16 | 10,612 | 10,612 | 10,612 | 10,612 |
| B Shares | 16 | 6,565 | - | 6,565 | - |
| | | 51,170 | 10,994 | 51,170 | 10,994 |
| Share premium | | 7,794,791 | 2,224,493 | 7,794,791 | 2,224,493 |
| Other reserves | | 116,263 | 448,951 | 116,263 | 448,951 |
| Profit and loss reserve | | (6,344,258) | (3,787,388) | (6,558,046) | (3,913,712) |
| Equity attributable to owners of the parent | | 1,617,966 | (1,102,950) | 1,404,178 | (1,229,274) |

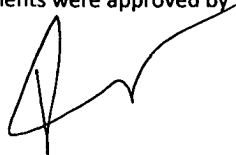
These financial statements have been prepared in accordance with the special provisions applicable to small companies within Part 15 of the Companies Act 2006 relating to small companies.

These financial statements have been delivered to the Registrar in accordance with the special provisions of the Companies Act 2006 applicable to companies subject to the small companies regime.

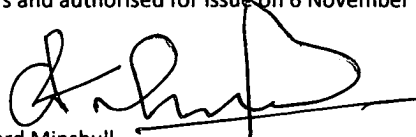
The company's income statement and directors' report have not been delivered to the Registrar of Companies, in accordance with the above special provisions.

These financial statements were approved by the Board of Directors and authorised for issue on 6 November 2018.

Thomas Hooper
Chief Executive



Edward Minshull
Chairman



The accompanying Notes on pages 5 to 14 form an integral part of these financial statements.

VIRTUAL CLASS LTD
CONSOLIDATED AND COMPANY
STATEMENT OF CHANGES IN EQUITY

AS AT 31 JULY 2018

| GROUP | Issued Share Capital | Share Premium | Other Reserves | Retained Earnings | Total Equity |
|---|---------------------------------|--------------------------|---------------------------|------------------------------|-------------------------|
| | £ | £ | £ | £ | £ |
| Balance as at 1 August 2016 | 10,994 | 2,224,493 | 448,951 | (2,853,563) | (169,125) |
| Loss for the year | - | - | - | (919,175) | (919,175) |
| Other comprehensive income for the year | - | - | - | (15,355) | (15,355) |
| Total comprehensive income for the year | - | - | - | (934,530) | (934,530) |
| Credit relating to equity settled share based payments | - | - | - | 705 | 705 |
| Total transactions with owners, recognised directly in equity | - | - | - | 705 | 705 |
| Balance as at 31 July 2017 | 10,994 | 2,224,493 | 448,951 | (3,787,388) | (1,102,950) |
| Loss for the year | - | - | - | (2,546,989) | (2,546,989) |
| Other comprehensive income for the year | - | - | - | (11,089) | (11,089) |
| Total comprehensive income for the year | - | - | - | (2,558,078) | (2,558,078) |
| Issue of shares for cash | 29,712 | 4,640,613 | - | - | 4,670,325 |
| Issue of shares for non-cash consideration | 2 | 27,572 | - | - | 27,574 |
| Conversion of convertible loan notes | 10,462 | 989,538 | - | - | 1,000,000 |
| Elimination of other reserves on conversion of convertible loan notes | - | - | (448,951) | - | (448,951) |
| Capital contribution on conversion convertible loan notes | - | - | 116,263 | - | 116,263 |
| Expenses in connection with share issues and conversion of convertible loan notes | - | (87,425) | - | - | (87,425) |
| Credit relating to equity settled share based payments | - | - | - | 1,208 | 1,208 |
| Total transactions with owners, recognised directly in equity | 40,176 | 5,570,298 | (332,688) | 1,208 | 5,278,994 |
| Balance as at 31 July 2018 | 51,170 | 7,794,791 | 116,263 | (6,344,258) | 1,617,966 |

The accompanying Notes on pages 5 to 14 form an integral part of these financial statements

VIRTUAL CLASS LTD
CONSOLIDATED AND COMPANY
STATEMENT OF CHANGES IN EQUITY

AS AT 31 JULY 2018

| COMPANY | Issued Share Capital | Share Premium | Other Reserves | Retained Earnings | Total Equity |
|---|---------------------------------|--------------------------|---------------------------|------------------------------|-------------------------|
| | £ | £ | £ | £ | £ |
| Balance as at 1 August 2016 | 10,994 | 2,224,493 | 448,951 | (2,822,494) | (138,056) |
| Loss for the year | - | - | - | (1,091,923) | (1,091,923) |
| Total comprehensive income for the year | - | - | - | (1,091,923) | (1,091,923) |
| Credit relating to equity settled share based payments | - | - | - | 705 | 705 |
| Total transactions with owners, recognised directly in equity | - | - | - | 705 | 705 |
| Balance as at 31 July 2017 | 10,994 | 2,224,493 | 448,951 | (3,913,712) | (1,229,274) |
| Loss for the year | - | - | - | (2,645,542) | (2,645,542) |
| Total comprehensive income for the year | - | - | - | (2,645,542) | (2,645,542) |
| Issue of shares for cash | 29,712 | 4,640,613 | - | - | 4,670,325 |
| Issue of shares for non-cash consideration | 2 | 27,572 | - | - | 27,574 |
| Conversion of convertible loan notes | 10,462 | 989,538 | - | - | 1,000,000 |
| Elimination of other reserves on conversion of convertible loan notes | - | - | (448,951) | - | (448,951) |
| Capital contribution on conversion of convertible loan notes | - | - | 116,263 | - | 116,263 |
| Expenses in connection with share issues and conversion of convertible loan notes | - | (87,425) | - | - | (87,425) |
| Credit relating to equity settled share based payments | - | - | - | 1,208 | 1,208 |
| Total transactions with owners, recognised directly in equity | 40,176 | 5,570,298 | (332,688) | 1,208 | 5,278,994 |
| Balance as at 31 July 2018 | 51,170 | 7,794,791 | 116,263 | (6,558,046) | 1,404,178 |

The accompanying Notes on pages 5 to 14 form an integral part of these financial statements.

1 COMPANY INFORMATION

Virtual Class Ltd is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the Company Information page and the nature of the group's operations and its principal activities are set out in the Directors' Report.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102'), and with 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 group management to exercise judgement in applying the group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements have been disclosed in note 4.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of Virtual Class Ltd and all its subsidiary undertakings drawn up to 31 July each year.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Income Statement in these financial statements.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Going concern

Based upon the latest profit and cash flow projections of the cash requirements of the group and the company taking into account the fund raising due to completed in November 2018 and, subject to the expectation that the fund raising next year is successful, the Directors have a reasonable expectation that the group and the company will be able to meet its liabilities as they fall due for the foreseeable future. It is on this basis that the Directors consider it appropriate to prepare the group and company's financial statements on a going concern basis. However, the Directors recognise that unmet future funding requirements present a material uncertainty that may cast significant doubt about the group and the company's ability to continue as a going concern and that, therefore, the group and company may be unable to realise its assets and discharge its liabilities in the normal course of business. However, given the continuing support of existing shareholders and interest from potential investors, the Directors continue to adopt the going concern basis of accounting. The financial statements do not include any adjustments should the group and company not be a going concern.

3 PRINCIPAL ACCOUNTING POLICIES

3.1 *Basis of consolidation*

The consolidated financial information presents the results of the company and its subsidiaries (the group) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full and where necessary, adjustments are made to the financial information of the subsidiary to bring the accounting policies used into line with those adopted by the group.

The company has had the power to govern the financial and operating policies of subsidiary undertakings so as to obtain benefits from their activities from incorporation of each of the subsidiaries.

The financial statements of the subsidiary are prepared to the same reporting date as the Parent Company.

3 PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Foreign currencies

Functional and presentation currency

The individual financial statements of each group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

Transactions in foreign currencies

Transactions denominated in foreign currencies within each entity in the group are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into the functional currency at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise.

Translation of group companies

The year end assets and liabilities of the group's foreign subsidiaries are translated from their functional currency to Sterling (£) using the closing exchange rate. The results of overseas subsidiaries are translated from their functional currency into Sterling (£) using the average rate for the year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising on the translation of foreign subsidiary results are recognised in the statement of comprehensive income for the year rather than through the profit and loss.

3.3 Turnover

Revenue, which is stated net of value added tax, represents revenue earned in respect of services provided in the year. Revenue is recognised based on the proportion of the number of sessions delivered to the number of sessions invoiced for the academic term.

Where amounts have been earned but not invoiced during the year, the amount included in revenue is the proportion of the anticipated net sales earned to date. A corresponding balance is recognised in receivables as accrued revenue.

All revenue is generated in the UK.

3.4 Exceptional items

The group classifies certain one-off charges or credits that have a material impact on the group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the group.

3.5 Depreciation

Depreciation on assets is calculated on a straight-line basis to allocate the cost of each asset less its residual value (based on prices prevailing at the balance sheet date) over its estimated useful life. The estimated useful lives are as follows:

| | |
|------------------------|-----------------------|
| Equipment | 1 - 3 years |
| Fixtures & Fittings | 4 - 5 years |
| Leasehold Improvements | duration of the lease |

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

3.5 Research and development

Expenditure on research and development is written off in the year in which it is incurred.

3.6 Operating lease rentals

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Lease incentives received to enter into operating lease agreements are released to the profit and loss account over the term of the lease on a straight line basis.

Where the Group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from "wear and tear", the provision is accrued as the "wear and tear" occurs.

3 PRINCIPAL ACCOUNTING POLICIES (continued)

3.7 *Employee Benefits*

Pension contributions

The group operates a defined contribution pension scheme for UK employees.

A defined contribution scheme is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. Contributions are recognised as an expense and charged to the profit and loss in the year in which they become payable. Amounts not paid are shown in accruals in the balance sheet. The assets of the pension plan are held separately from the group in independently administered funds.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has 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 accrued at the balance sheet date.

Share based payments

The group provides share based payment arrangements to certain employees.

Equity based arrangements are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that are expected to vest.

3.8 *Government grants*

Grants are included in the statement of financial activities on an accruals basis.

Revenue grants are recognised in the profit and loss account over the period of delivery of the service funded by grant and the expenditure to which the grant relates is incurred. Grants for the delivery of services are included in revenue. Grants for financial support with no specific conditions attached to the assistance are shown as other income. Grants receivable as compensation for specific costs incurred are deducted from those costs.

Grants are only recognised to the extent that the group has complied with any conditions attached to the grant and the amount receivable is determinable.

3.9 *Taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or 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 reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except:

- deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities and the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing difference;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Taxable profit differs from net profit as reported in the profit & loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax balances are not discounted.

3.10 *Investments*

In the Company's financial statements, investments in subsidiary undertakings are held as fixed assets and stated at cost less any provision to reflect impairment in value.

3 PRINCIPAL ACCOUNTING POLICIES (continued)

3.11 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. On acquisition of a business, fair values are attributed to the identifiable assets and liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets and liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be five years.

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

3.12 Impairment of fixed assets

Investments held as fixed assets are tested at least annually (or whenever events or changes in circumstances indicate that carrying value may be impaired) for impairment and carried at cost less accumulated impairment losses. Provisions for any impairment in value are taken to the profit and loss account.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell and value in use.

3.13 Equity instruments

Equity instruments issued by the Company are recorded the fair value of the proceeds received, net of direct issue costs.

3.14 Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Convertible loan stock instruments are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and the fair value assigned to the equity component, representing the embedded option to convert the liability into equity of the Group, is included in capital reserves.

Convertible loan stock instruments are recorded at the proceeds received, net of direct issue costs. Finance charges including direct issue costs are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

4 STATUTORY AUDIT

An audit of the group's financial statements was carried out by BDO LLP as statutory auditor who reported to the group's members on 7 November 2018. The auditor's report was signed by James Fearon as senior statutory auditor and was unqualified. The auditor's report drew attention to the material uncertainty in relation to going concern, which is outlined in more detail in note 2 to these financial statements.

5 KEY ESTIMATES AND JUDGEMENTS

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Items in the financial statements where judgements and estimates have been made include:

- Consideration of whether there are indicators of impairment to the group and company's tangible and intangible fixed assets and whether the useful lives and residual values in determining depreciation and amortisation are appropriate;
- Consideration of whether there are indicators of impairment to the group and company's investments and determining the recoverable amount of the investment;
- Determination of the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies; and
- Estimation of the likely cost of dilapidations that will be incurred based on contractual requirements.

6 LOSS FOR THE YEAR

The group made a loss after tax of £2,546,989 (2017 - £919,175) and the company made a loss after tax of £2,645,542 (2017 – £1,091,923 loss).

7 OPERATING LOSS

7.1 Operating loss

| | Year 31 July 2018 | Year 31 July 2017 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Operating loss is stated after charging: | | |
| Staff costs | 2,775,897 | 1,935,371 |
| Depreciation of tangible fixed assets | 106,015 | 48,839 |
| (Profit)/Loss on disposal of tangible fixed assets | 1,740 | (4,708) |
| Write off of intangibles | 3,672 | - |
| Operating lease commitments in respect of land and buildings | 523,627 | 285,062 |
| Exceptional item included within administration expenses | | |
| - Professional fee investment rounds | 169,427 | - |
| Auditor's remuneration | | |
| - Audit of parent company financial statements & consolidation | 12,553 | 12,276 |
| - Audit of subsidiary | 2,164 | 2,152 |
| - Other services | 6,784 | 11,606 |

7.2 Exceptional item

The company raised £4,670,325 in cash before expenses from existing and new investors during the year. The expenses associated with the investment rounds amounted to £256,852 of which £87,425 has been set off against the share premium arising on issue of the shares and £169,427 has been charged to the profit & loss account as an exceptional item within administrative expenses.

8 EMPLOYEES

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

| | Year 31 July 2018 | Year 31 July 2017 |
|----------------------------------|-------------------------|-------------------------|
| | Number | Number |
| Tutors | 184 | 118 |
| Developers, academic and support | 58 | 46 |
| Management | 5 | 5 |
| | 247 | 169 |

9 DIRECTORS' REMUNERATION AND FEES

Directors' remuneration and fees consists of:

| | Year 31 July 2018 | Year 31 July 2017 |
|---|-------------------------|-------------------------|
| | £ | £ |
| Salaries | 88,633 | 50,000 |
| Fees | 62,000 | 20,000 |
| Payments to defined contribution pension scheme | 528 | 65 |
| | 151,161 | 70,065 |

Director's fees of £8,000 (2017 - £8,000) were charged to the Company by third parties for the services of directors.

10 TANGIBLE FIXED ASSETS

| GROUP | Leasehold Improvements | Office Equipment | Fixtures & Fittings | Total |
|---|-----------------------------------|-----------------------------|------------------------------------|----------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 August 2017 | 70,705 | 134,897 | 81,568 | 287,170 |
| Transfers | 46,038 | (27,042) | (18,996) | - |
| Additions | 9,822 | 74,925 | 15,366 | 100,113 |
| Disposals | - | (26) | (2,320) | (2,346) |
| Foreign exchange translation adjustment | (2,704) | (3,627) | (2,949) | (9,280) |
| At 31 July 2018 | 123,861 | 179,127 | 72,669 | 375,657 |
| Accumulated depreciation | | | | |
| At 1 August 2017 | 5,998 | 52,984 | 7,621 | 66,603 |
| Transfers | 8,389 | (6,018) | (2,371) | - |
| Charge for the year | 43,353 | 48,099 | 14,563 | 106,015 |
| Adjustment for disposals | - | (26) | (580) | (606) |
| Foreign exchange translation adjustment | (262) | (1,174) | (257) | (1,693) |
| At 31 July 2018 | 57,478 | 170,319 | 18,976 | 170,319 |
| Net book value | | | | |
| At 31 July 2018 | 66,383 | 85,262 | 53,693 | 205,338 |
| At 31 July 2017 | 64,707 | 81,913 | 73,947 | 220,567 |
| COMPANY | | | | |
| | | Office Equipment | Fixtures & Fittings | Total |
| | | £ | £ | £ |
| Cost | | | | |
| At 1 August 2017 | | 35,773 | 3,160 | 38,933 |
| Additions | | 36,569 | 6,491 | 43,060 |
| Disposals | | - | (2,320) | (2,320) |
| At 31 July 2018 | | 72,342 | 7,331 | 79,673 |
| Accumulated depreciation | | | | |
| At 1 August 2017 | | 22,033 | 1,000 | 23,033 |
| Charge for the year | | 12,683 | 1,595 | 14,278 |
| Disposal adjustment | | - | (580) | (580) |
| At 31 July 2018 | | 34,716 | 2,015 | 36,731 |
| Net book value | | | | |
| At 31 July 2018 | | 37,626 | 5,316 | 42,942 |
| At 31 July 2017 | | 13,740 | 2,160 | 15,900 |

11 INVESTMENTS

| | Investment in Subsidiary Undertaking |
|------------------------|---|
| | £ |
| Cost | |
| At 1 August 2017 | 161,441 |
| Additions | 52,721 |
| At 31 July 2018 | 214,162 |
| Provision | |
| At 1 August 2017 | - |
| Charge for the year | 20,000 |
| At 31 July 2018 | 20,000 |
| Net Book Value | |
| At 31 July 2018 | 194,162 |
| At 31 July 2017 | 161,441 |

Virtual Class (Poland) Sp. z o.o. was acquired and commenced trading in April 2018. In July 2018 the decision was taken to close, for the foreseeable future, the operations of Virtual Class (Poland) Sp. z.o.o. An initial provision has been made in these accounts to bring the value of the investment down to the net asset value of the subsidiary as at the end of the year. A further provision will be made in the financial statements for the year ending 31 July 2019 once all the costs of closing down the operations of the subsidiary are known.

The Company's subsidiary undertakings are:

| Name | Country of incorporation | Proportion of voting rights and ordinary share capital held | Nature of business |
|-----------------------------------|-----------------------------|--|---------------------------|
| Third Space Global (Pvt) Ltd | Sri Lanka | 100% | On-line tutorial provider |
| Virtual Class (Poland) Sp. z o.o. | Poland | 100% | Information technology |

The registered offices are:

Third Space Global (Pvt) Ltd Bellatrix Building, No. 752/5, Orion City, Dr. Danister De Silva Mawatha, Colombo 9, Sri Lanka.

Virtual Class (Poland) Sp. Z o.o.'s registered office is Aleja Juliusza Słowackiego 7/2, 31-159 Kraków, Poland.

12 DEBTORS

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Trade debtors | 361,754 | 277,039 | 361,754 | 277,039 |
| Amounts due from subsidiary undertakings | - | - | 73,413 | - |
| Other taxes and social security costs | 38,188 | 22,995 | - | - |
| Other debtors | 151,032 | 140,424 | 79,560 | 67,949 |
| Prepayments and accrued income | 278,368 | 263,108 | 270,482 | 254,582 |
| | 829,342 | 703,566 | 785,209 | 599,570 |

All amounts are due within one year.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | GROUP | | COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Trade creditors | 181,515 | 390,178 | 143,025 | 310,596 |
| Amounts due to subsidiary undertakings | - | - | - | 38,581 |
| Other creditors | 15,626 | 16,228 | 3,699 | 1,185 |
| Corporation tax | 8,620 | - | - | - |
| Other taxes and social security taxes | 113,964 | 207,517 | 113,140 | 201,616 |
| Accruals and deferred income | 833,745 | 986,480 | 817,191 | 971,047 |
| | 1,153,470 | 1,600,403 | 1,077,055 | 1,523,025 |

14 CREDITORS: AMOUNTS FALLING DUE IN OVER ONE YEAR

| | GROUP | | COMPANY | |
|-----------------------|-------|---------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Convertible Loan Note | - | 654,981 | - | 654,981 |

£1,000,000 (nominal value) of unsecured Convertible Loan Notes bearing interest at 10% per annum were issued in April 2017. On inception the fair value of the liability component was calculated using a market rate of interest of 15% and the balance recorded in equity.

On 18 August 2017 the Loan Note Holders converted the £1,000,000 (nominal value) of Convertible Loan Notes into 10,462 A1 Shares of £1 at £95.58 per share with the Loan Note Holder waiving their entitlement to interest.

On conversion the fair value of the Convertible Loan Notes amounted to £659,893. On conversion, other reserves reduced by £332,688 being the net impact of a reduction of £448,951 to eliminate the reserve set up for the equity element on of the Convertible Loan Note on issue in April 2017 net of £116,263 reserve set up as a capital contribution on conversion as interest waived and £7,418 was charged to the share premium account for costs associated with the Convertible Loan Notes.

15 DEFERRED TAXATION

Movement on deferred tax account is made as follows:

| | GROUP | | COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Liability as at 1 August 2017 | 3,039 | 3,567 | 3,039 | 3,039 |
| Profit and loss charge/(credit) | 4,649 | (528) | 5,307 | - |
| Net liability as at 31 July 2018 | 7,688 | 3,039 | 8,346 | 3,039 |

Deferred tax balances for financial reporting purposes are analysed as follows:

| | GROUP | | COMPANY | |
|------------------------|--------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Deferred tax liability | 8,346 | 3,039 | 8,346 | 3,039 |
| Deferred tax assets | (658) | - | - | - |
| | 7,688 | 3,039 | 8,346 | 3,039 |

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

| | GROUP | | COMPANY | |
|--------------------------------|--------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Accelerated capital allowances | 8,061 | 3,180 | 8,729 | 3,180 |
| Share based payments | (373) | (141) | (383) | (141) |
| | 7,688 | 3,039 | 8,346 | 3,039 |

15 DEFERRED TAXATION (continued)

On the grounds of prudence as losses have been made since incorporation, no deferred tax asset has been recognised in respect of circa £4,690,000 (2017 - £2,350,000) for the company of taxable losses available to offset against future taxable profits.

Of the £2,325,000 taxable losses at 31 July 2017, circa £170,000 was used during the year by the company receiving a repayment from HMRC for a R&D Tax Credit claim submitted in respect of the year ended 31 July 2016. The company has yet to submit a R&D Tax Credit claim to HMRC for the years ended 31 July 2017 and 2018. Submission of these claims will reduce the taxable losses available to offset against future taxable profits of the company.

16 SHARE CAPITAL

The Company has three classes of shares – Ordinary Shares of 1p; A Shares of £1 and B Shares of £1 which carry equal voting rights and no right to fixed income. The A Shares are sub-divided into A1 and A2 Shares.

| | GROUP AND COMPANY | | | | | | | |
|---|-------------------|------------|---------------|---------------|---------------|---------------|--------------|--------------|
| | Ordinary Shares | | A1 Shares | | A2 Shares | | B Shares | |
| | Number | £ | Number | £ | Number | £ | Number | £ |
| Allotted, called up and fully paid | | | | | | | | |
| At 1 August 2017 | 38,197 | 382 | - | - | 10,612 | 10,612 | - | - |
| August 2017 issues | 115 | 1 | 33,603 | 33,603 | - | - | - | - |
| April 2018 issues | 689 | 7 | - | - | - | - | 6,565 | 6,565 |
| At 31 July 2018 | 39,001 | 390 | 33,603 | 33,603 | 10,612 | 10,612 | 6,565 | 6,565 |

On 18 August 2017 the A Shares of £1 were re-designated as A2 Shares of £1.

On 18 August 2017 the Company issued 23,141 A1 Shares of £1 at £152.34 per share for cash raising £3,525,300 before expenses.

On 18 August 2017 the Company issued 10,462 A1 Shares of £1 at the rate of £95.58 per share on conversion by the Convertible Loan Note holders of £1,000,000 (nominal value) Convertible Loan Notes.

On 18 August 2017 the Company issued 115 Ordinary Shares of 1p at £152.34 in part settlement of fees payable in connection with the fund raising completed by the Company in August 2017.

Expenses associated with the investment round and issue of shares on 18 August amounted to £169,844 of which £152,325 was settled in cash and £17,519 was settled by the issue of 115 Ordinary Shares of 1p. £42,420 of the expenses related to the issue of shares and has been set off against the share premium arising on issue of the shares and £124,865 has been charged to the profit & loss account as an exceptional item.

On 4 April 2018 the Company issued 65 Ordinary Shares of 1p for cash raising £9,902.

On 5 April 2018 the Company issued 394 Ordinary Shares of 1p at £152.34 a share and 6,565 B Shares of £1 at £159.957 a share for cash raising £1,110,139 before expenses.

On 5 April 2018 the Company issued 66 Ordinary Shares of 1p at £152.34 in part settlement of fees payable in connection with the fund raising completed by the Company in April 2018.

Expenses associated with the investment round and issue of shares on 5 April 2018 amounted to £87,008 of which £76,953 was settled in cash and £10,055 was settled by the issue of 66 Ordinary Shares of 1p. £45,005 of the expenses related to the issue of shares and has been set off against the share premium arising on issue of the shares and £42,003 has been charged to the profit & loss account as an exceptional item.

On 9 April 2018 the Company issued 164 Ordinary Shares of 1p at £152.34 a share raising £24,984.

The A and B Shares of £1 are convertible, at the option of the A and B Shareholders, into Ordinary Shares of 1p at the rate of one A or B Share of £1 for one Ordinary Share of 1p.

All shares have attached to them full voting, and dividend rights and do not confer any rights of redemption.

On a return of assets on liquidation or capital reduction or otherwise (except upon the redemption of shares of any class or the purchase by the Company of its own shares), the assets of the Company available for distribution amongst its members after payment of its liabilities are as follows:

Ordinary Shares: this class ranks below A1 Shares, A2 Shares and B Shares in order of priority.

A1 Shares: this class ranks above A2 and Ordinary Shares in order of priority.

A2 Shares: this class ranks below A1 Shares and B Shares but above Ordinary Shares in order of priority.

B Shares: this class ranks above A2 Shares and Ordinary Shares in order of priority.

17 CAPITAL AND OTHER COMMITMENTS

17.1 Capital commitments

As at 31 July 2018 capital commitments were:

| | GROUP | | COMPANY | |
|---|--------------|---------------|--------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Capital expenditure authorised but not contracted for | - | - | - | - |
| Capital expenditure contracted for but not provided for in the financial statements | 4,907 | 40,447 | 4,907 | - |
| | 4,907 | 40,447 | 4,907 | - |

17.2 Lease Commitments

Future minimum lease payments under non—cancellable operating leases for each of the following periods were as follows:

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Payments due: | | | | |
| Not later than one year | 301,774 | 312,365 | 166,501 | 196,560 |
| Later than one year and not later than five years | 73,254 | 188,027 | - | - |
| | 375,028 | 500,392 | 166,501 | 196,560 |

18 RELATED PARTY TRANSACTIONS

Transactions with subsidiary

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

The Company has taken advantage of the exemption conferred by FRS 102 not to disclose transactions related party transactions entered into between the members of the group as both Third Space Global (Pvt) Ltd and Virtual Class (Poland) sp. z.o., the company's only subsidiaries, are wholly owned by the Company.

19 CONTROLLING PARTY

Thomas Hooper, a Director of the Company, holds 17.99% of the issued share capital of the Company.

The Directors in aggregate hold 20.06% of the issued share capital of the Company.

Three institutions with representation on the Board or observer status hold, in aggregate, 49.06% of the issued share capital of the Company.

The Directors, in total, represent 69.12% of the issued share capital of the Company and are deemed the ultimate controlling party although none, individually, are a controlling party.

There are no transactions other than directors' remuneration and fees as disclosed in Note 9 that require disclosure between the controlling party and the Company.