

McGraw-Hill Global Education UK Holdco Limited

Report and Financial Statements

31 December 2014

[Company No. 08414279]

FRIDAY



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COMPANIES HOUSE

McGraw-Hill Global Education UK Holdco Limited

Registered No. 08414279

Directors

D Kraut
D Stafford
P Milano
I White
C Knight

Secretary

TMF Corporate Administration Services Limited

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

McGraw-Hill House
Shoppenhangers Road
Maidenhead
United Kingdom
SL6 2QL

Strategic report

The directors present the Strategic Report, the Directors' Report and financial statements for the year ended 31 December 2014.

Principal activities and review of the business

The company acts as an intermediate holding company.

Principal risks and uncertainties and future developments

The following factors are viewed by the directors as being the company's principal risks and uncertainties that could unfavourably impact operating results in 2015:

- Introduction of new products, services or technologies, for example the transition of the business to a digital platform.
- Copyright and intellectual property rights infringement.
- A change in educational spending.

On behalf of the board



Ian White
Director
30 April 2015

Directors' report

Results and dividends

The profit for the year after taxation was £16,182,031 (2013: £1,768,158). The directors paid an interim dividend during the year of £10,880,000 (2013: £1,768,158) and a dividend in-specie during the year of £5,295,175 (2013: none).

Going concern

No material uncertainties that cast doubt about the ability of the company to continue as a going concern have been identified by the directors. The company's business activities together with the factors likely to affect its future development and performance have been included in the directors' report. The company has the financial resources to manage its business risks successfully in the current economic environment and continue in operational existence for the foreseeable future. Thus we continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served during the year and thereafter were as listed on page 1.

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Georgia Holdings, Inc. has purchased a directors and officers liability insurance policy for the benefit of the company and its directors and such report was in force during the year and is in force as at the date of approving the directors' report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Ian White
Director

30 April 2015

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- 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 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.

Independent auditor's report

to the members of McGraw-Hill Global Education UK Holdco Limited

We have audited the financial statements of McGraw-Hill Global Education UK Holdco Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report

to the members of McGraw-Hill Global Education UK Holdco Limited (*continued*)

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read "Paul Gordon", written over a faint background of the Ernst & Young logo.

Paul Gordon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
30 April 2015

Profit and loss account

for the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i>	<i>2013</i>
		£	£
Administrative expenses		(10,917)	-
Operating loss		<u>(10,917)</u>	-
Income from shares in group undertakings		23,845,175	7,700,000
Interest payable and other charges	4	<u>(7,652,227)</u>	<u>(5,931,842)</u>
Profit on ordinary activities before taxation		16,182,031	1,768,158
Tax on profit on ordinary activities	5	-	-
Profit for the year	10	<u>16,182,031</u>	<u>1,768,158</u>

All activities are continuing operations.

Statement of total recognised gains and losses

for the year ended 31 December 2014

There are no recognised gains or losses attributable to the shareholders of the company for the year ended 31 December 2014 (*2013: none*) other than those disclosed in the profit and loss account above.

Balance sheet

at 31 December 2014

	<i>Notes</i>	<i>2014</i> £	<i>2013</i> £
Non-current assets			
Investments	6	253,625,089	253,625,089
Current assets			
Debtors		17,873	-
Creditors: amounts falling due within one year		(11,017)	-
Creditors: amounts falling due after more than one year	8	(118,631,780)	(118,631,780)
Net assets		<u>135,000,165</u>	<u>134,993,309</u>
Capital and reserves			
Called up share capital	9,10	100	100
Other reserves	10	134,993,209	134,993,209
Profit and loss account	10	6,856	-
Total shareholders' funds	10	<u>135,000,165</u>	<u>134,993,309</u>

The financial statements of McGraw-Hill Global Education UK Holdco Limited, registered number 08414279, were approved by the Board and authorised for issue on 30 April 2015.

They were signed on its behalf by:



Ian White
Director

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements have been prepared for the year ended 31 December 2014.

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice.

Going concern

The financial statements have been prepared on the going concern basis. Further information can be found in the directors' report.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Statement of cash flows

The company is exempt from preparing a statement of cash flows under FRS 1 (revised) as the cash flows of the company are included in the group financial statements of the parent undertaking, McGraw-Hill Global Education Intermediate Holdings, LLC, which are publicly available.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

2. Auditor's remuneration

There is no auditor's remuneration in the company financial statements as it is all borne by McGraw-Hill Education (UK) Limited, a fellow subsidiary undertaking of Georgia Holdings, Inc. The amount borne by McGraw-Hill Education (UK) Limited on behalf of the company was £5,500 (2013: £5,000).

3. Directors' remuneration

The directors' remuneration for 2014 was borne by McGraw-Hill Education (UK) Limited, McGraw-Hill Interamericana De Espana SL and McGraw-Hill Global Education, LLC (2013: McGraw-Hill Education (UK) Limited, McGraw-Hill Interamericana De Espana SL and McGraw-Hill Global Education, LLC) which make no recharge to the company. It is not possible to make an accurate apportionment of the remunerations in respect of this subsidiary.

4. Interest payable and similar charges

	2014	2013
	£	£
On loan notes	7,652,227	5,931,842

Notes to the financial statements

at 31 December 2014

5. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014 £	2013 £
Current tax:		
UK corporation tax on the profit for the year	-	-
Tax charge on profit on ordinary activities	-	-

(b) Factors affecting the tax charge for the year:

	2014 £	2013 £
Profit on ordinary activities before taxation	16,182,031	1,768,158
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 21.5% (2013: 23%)	3,478,028	407,384
Effects of:		
Non-taxable income	(5,125,079)	(1,774,080)
Group relief	1,495,345	1,269,121
Tax losses carried forward	151,706	97,575
	(3,478,028)	(407,384)
Total current tax	-	-

6. Dividends

The aggregate amount of dividends comprises:

	2014 £	2013 £
Interim dividends paid in respect of the current year	10,880,000	1,768,158
In-specie distribution	5,295,175	-
	16,175,175	1,768,158

Notes to the financial statements

at 31 December 2014

7. Investments

	£
Cost	
1 January	253,625,089
At end of year	<u>253,625,089</u>
Net book value	
At 31 December 2014	<u>253,625,089</u>
At 31 December 2013	<u>253,625,089</u>

The companies in which the company's interest at the year end is more than 20% are as follows:

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class and percentage of shares held</i>
Subsidiary undertakings			
McGraw-Hill Global Education UK Holdco II Limited	United Kingdom	Holding company	Ordinary 100%

8. Deferred Taxation

The company has an unrecognised deferred tax asset of £246,594 (2013: £84,472) which relates to losses carried forward. The deferred tax asset on the tax losses has not been recognised due to uncertainty over future utilisation.

9. Creditors: amounts falling due after one year

	2014	2013
	£	£
Loan note	<u>118,631,780</u>	<u>118,631,780</u>

The loan note is repayable on 22 March 2020 in full. Interest is payable on the loan note at 6.3% per annum. The loan note is unsecured.

Notes to the financial statements

at 31 December 2014

10. Issued share capital

		2014	2013
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	100	100	100

11. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Other reserves</i>	<i>Profit and loss reserve</i>	<i>Total shareholder's funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
1 January 2014	100	134,993,209	-	134,993,309
Profit for the year	-	-	16,182,031	16,182,031
Dividends paid	-	-	(16,175,175)	(16,175,175)
At 31 December 2014	<u>100</u>	<u>134,993,209</u>	<u>6,856</u>	<u>135,000,165</u>

12. Related party transactions

The company has taken advantage of the exemption under FRS 8 from disclosure of related party transactions with fellow group undertakings as it is a wholly owned subsidiary and is consolidated into the group financial statements of a parent undertaking.

13. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is McGraw-Hill Global Education Holdings, LLC, a company incorporated in the United States of America.

The company considers its ultimate parent undertaking and controlling party to be Georgia Holdings, Inc., a company incorporated in the United States of America. The parent undertaking of the smallest and largest group of undertakings for which group financial statements were drawn up and of which the company was a member was McGraw-Hill Global Education Intermediate Holdings, LLC, a company incorporated in the United States of America. Copies of the group financial statements of McGraw-Hill Global Education Intermediate Holdings, LLC can be obtained from:

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