Cengage Learning (EMEA) Limited

Annual report

for the year ended 31 March 2015

Registered number: 00903535

Annual report for the year ended 31 March 2015

Contents

Strategic report

The directors present their strategic report on the company for the year ended 31 March 2015.

Review of the business
The principal activity of the company is the provision of high quality content, innovative print and digital teaching and learning solutions, software and associated educational services in the Europe, Middle East and Africa regions through the adaptation of Cengage Learning (US) products and the publication of content and other learning related products developed with non US authors.

Results and performance
The results for the financial period and financial position are set out on pages 8 and 9 and show a profit for the financial year / period after tax of £4,183,000 (2014 - £4,749,000). The shareholders' funds total £26,027,000 (2014 - £21,822,000).

The year ended 31 March 2015 was a positive one for Cengage Learning (EMEA) Limited ("the company"). The change to the financial reporting year-end in 2014 means that direct comparison to the prior period is not possible, however, on a like for like basis, turnover has grown compared to the same period in the prior year and profitability continues at acceptable levels. During the year there has been a review of the pricing of sales with associated companies resulting in agreements with Cengage US to increase the price paid for products purchased from associated companies.

The US Supreme Court's ruling on the Wiley versus Kirtsaeng case in March 2013 effectively legalised the re-import of cheaper international versions of US titles into the USA, leading the company's parent company and main supplier, Cengage Learning Inc, to implement a minimum price on many best-selling products outside of the USA with effect from 30 May 2013 in order to protect the higher margin domestic business ("International Price Floor"). Cengage Learning (EMEA) Limited's policy of negotiating specific exemptions, offering substitutions, digital product, localised product and older editions has proved successful.

To mitigate the impact of the minimum prices on future trading profits, the company continues to monitor its sales, operational and administration groups to ensure that the most efficient operational structure is maintained. This strategy is proving successful.

Business environment
Market conditions remained a challenge. University enrolments in core Western Europe markets remain flat and public spend on education and libraries is subject to budgetary pressures. Economic & political difficulties in countries where Cengage maintains material revenue bases continue to provide a challenge to winning new business.

Key performance indicators (KPIs)
The directors use a range of basic key performance indicators to measure the performance of the business. The main KPI's are set out below.

		Year ended 31 March 2015 (12 months)	Period ended 31 March 2014 (9 months)	Year ended 30 June 2013 (12 months)
Turnover	£'000	48,221	34,075	49,307
Gross margin	%	45.0	55.8	53.0
Earnings before interest, tax, depreciation and amortization	£'000	8,453	9,732	10,812
Digital sales % of total sales	%	30.2	29.1	27.7

Strategic report (continued)

Principal risks and uncertainties

As was evidenced in past years, the company sells into a broad range of countries and has exposure to significant socio-political issues. To the extent government funding either dries up or becomes inaccessible due to debt or civil unrest, the company's efforts to drive sales will be unfavourably impacted.

A further risk is the acceleration of market demand from print to digital. The company is investing considerable time and resource into creating digital products that will appeal to students, librarians and faculty. This remains an area in transition, for the company and the industry, with new competitors and new expectations.

Continuing high prices for US-sourced titles due to the International Price Floor are likely to impact sales revenues unfavourably. To the extent that the company's direct competitors are not subject to such minimum pricing, there is a risk that market share may be lost. The company aims to mitigate this risk by driving the transition from print to digital, negotiating specific Price Floor exemptions and investing in indigenous publishing.

Future developments

The company will continue to invest in its indigenous publishing programme, particularly in digital media and adaptations, which are not subject to the International Price Floor. It will look to improve profit margins through vendor negotiations, consolidation of systems and processes and the cessation of unprofitable lines of business. There will be a renewed focus on the ELT (English Language Teaching) and LR (Library Research) business units, with an investment in customer-facing staff and market-appropriate content.

D L Rae
Director
19 January 2016

Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 March 2015.

Future developments
Likely future developments in the business of the company are discussed in the strategic report

Dividends
The directors do not recommend the payment of a final dividend (2014 - £nil).

Differences between market and balance sheet value of buildings
In the opinion of the directors, the difference between the market value and balance sheet value of buildings is not significant.

Directors
The directors of the company who held office since 1 April 2014 and up to the date of signing the financial statements are named below:

C J J Drinkall	resigned 30 June 2014
C M Bonney	
H A Broich	appointed 30 June 2014
D L Rae	appointed 2 December 2014

Financial risk management
The company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, liquidity risk, credit risk and foreign exchange risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has its own policy, or refers to Cengage group policies, that set out specific guidelines to manage financial risks.

Interest rate risk
The company pays interest on intercompany borrowings at a rate of interest determined by the group. No financial instruments were used by the company during the year, to manage interest rate costs, and therefore no hedge accounting has been applied.

Liquidity risk
The company maintains a mixture of long-term and short-term finance from a fellow group company that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before trading takes place and the amount of exposure to any individual counterparty is monitored and reassessed regularly by the company's management.

Foreign exchange risk
The company is exposed to movements in foreign exchange rates as a result of transactions with a number of foreign suppliers and customers. In particular, the company's operations generate revenues primarily in GBP or the applicable local currency of the customer, but inventory is purchased primarily in United States Dollars. If the company does not effectively hedge such foreign currency exposure, the results of the company will be adversely affected by an increase in the value of the United States dollar, or favourably affected by a decrease in the value of the United States dollar.

The company has a policy in place as regards the use of foreign exchange contracts to manage exposure to market risks arising from changes in foreign currency exchange rates, under which exposures are never hedged if they are less than £5 million per annum in aggregate for each foreign currency.

Policy and practice on payment of creditors
Trade creditors at year / period end represent 55 days (2014: 38 days) of purchases. It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Directors' report (continued)

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Disclosure of information to auditors
Each of the directors, at the date of signing this report, confirms the following:

(i) so far as the directors are aware, there is no relevant audit information of which the auditors are unaware, and

(ii) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

D L Rae
Director
19 January 2016

Registered Office:
Cheriton House, North Way, Andover, Hampshire, SP10 5BE

Independent auditors' report to the members of Cengage Learning (EMEA) Limited

Report on the financial statements

Our opinion

In our opinion, Cengage Learning (EMEA) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 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.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 March 2015;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Independent auditors' report to the members of Cengage Learning (EMEA) Limited (continued)

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Ian Wishart (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
27 January 2016

Profit and loss account

	Note	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Turnover	2	**48,221**	34,075
Cost of sales		**(26,504)**	(15,059)
Gross profit		**21,717**	19,016
Distribution costs		**(853)**	(563)
Administrative expenses		**(15,374)**	(11,954)
Operating profit	3	**5,490**	6,499
Exceptional item: reorganisation	3	**-**	(307)
Other interest receivable and similar income	6	**79**	14
Interest payable and similar charges	7	**(18)**	(34)
Profit on ordinary activities before taxation		**5,551**	6,172
Tax on profit on ordinary activities	8	**(1,368)**	(1,423)
Profit for the financial year / period	20	**4,183**	4,749

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year / period stated above and their historical cost equivalents.

All of the activities of the company are classed as continuing.

Balance sheet

	Note	March 2015 £'000	March 2014 £'000
Fixed assets			
Intangible assets	9	**7,796**	7,391
Tangible assets	10	**1,923**	2,304
		9,719	9,695
Current assets			
Stocks	11	**3,957**	4,153
Debtors – amounts falling due within one year	12	**27,768**	15,589
Debtors – amounts falling due after more than one year	13	**678**	884
Cash at bank and in hand		**3,501**	1,616
		35,904	22,242
Creditors – amounts falling due within one year	14	**(17,059)**	(9,927)
Net current assets		**18,845**	12,315
Total assets less current liabilities		**28,564**	22,010
Creditors – amounts falling due after more than one year	15	**(2,330)**	-
Provisions for liabilities	16	**(207)**	(188)
Net assets		**26,027**	21,822
Capital and reserves			
Called up share capital	19	**-**	-
Share premium account	20	**7,728**	7,728
Capital contribution reserve	20	**7,830**	7,808
Profit and loss account	20	**10,469**	6,286
Total shareholders' funds	21	**26,027**	21,822

The financial statements on pages 8 to 21 were approved by the board of directors on 19 January 2016 and were signed on its behalf by:

D L Rae
Director

Notes to the financial statements

1. Accounting policies

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

Cash flow statement and related party transactions
The company is a wholly owned subsidiary of Cengage Learning UK Holdings Limited and is included in the consolidated financial statements of Cengage Learning UK Holdings Limited, which are publically available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Cengage Learning UK Holdings Limited group or investees of the Cengage Learning UK Holdings Limited group.

Turnover
Turnover represents revenue receivable for the value of goods supplied and services rendered to third parties, net of Value Added Tax, and is stated after deduction of trade discounts and commissions. Turnover is recognised either on despatch of goods in the case of one-off product sales such as books, or proportionately over the subscription period for products and services sold through a subscription. The subscription revenue for certain print publications is recognised on an issue-by-issue basis, where each issue is of equal and determinable value.

In addition, the company sells software via perpetual licences and licences that limit the use of the product to a predetermined contract term. For perpetual licences, revenue is recognised upon installation when the company discharges all of its responsibilities. For annual licences and post-contract support, such as maintenance arrangements, revenue is recognised pro rata over the term of the contract when the service is provided.

Revenue is only recognised when all significant conditions attached to its receipt have been satisfied.

Deferred income
Subscription and service income due in advance of the delivery of services or publications is included in deferred income and as services are rendered or publications are sent to subscribers, the proportionate share is taken to the profit and loss account.

Operating leases
Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Exceptional items
Exceptional items are those significant items which due to their size and nature are separately disclosed to provide a full understanding of financial performance.

Pensions
The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amounts charged against profits represent the contributions payable to the scheme in respect of the accounting period.

Equity based compensation
Certain employees of the company were granted share options and restricted stock in Cengage Learning Holdings II Inc. as compensation for services rendered or to be rendered to the company ("Equity Incentive Plan"). In accordance with FRS20, the fair value of the employee services received in exchange for the grant of the share options and restricted stock is recognised as an expense. The fair value of the share options and restricted stock are measured using the Black Scholes method. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options and restricted stock granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share options and restricted stock that are expected to vest. At each balance sheet date, the company revises its estimates of the number of share options and restricted stock that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Foreign currency translation
Trading activities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at period end rates of exchange. Currency gains or losses arising from translation are included in the profit and loss account.

Intangible assets
Intangible fixed assets are stated at cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Capitalised plate costs are amortised over the shorter of their useful economic life and 5 years. The average economic life is 4 years.

Publishing rights and customer relations are amortised over the shorter of their useful economic life and 20 years. The average economic life is 15 years.

Goodwill represents the excess of the cost of the investment in acquired businesses over values attributed to underlying net tangible assets and publishing rights. Goodwill is amortised over the shorter of its useful economic life and 20 years.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and are depreciated on a straight line basis over their useful economic lives. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

The company capitalises tangible fixed asset costs incurred in acquiring and developing computer software for internal use where the software supports a significant business system and the expenditure leads to the creation of a durable asset in accordance with Financial Reporting Standard 15 "Tangible Fixed Assets".

Software development costs include the following:

- External direct costs of materials and services consumed in developing or obtaining internal-use computer software.
- Payroll and payroll-related costs for employees who are directly associated with the computer software project.
- Upgrades and enhancements to the extent that they result in additional functionality.

Capitalised expenditures relating to computer software development projects are deemed to begin their useful economic life upon completion of the project.

The estimated useful lives for depreciation purposes are as follows:

Freehold buildings	50 years
Equipment, software and motor vehicles	3 - 7 years

Asset retirement obligations
The company recognises the anticipated cost of significant re-instatement of leasehold properties at the end of the lease term in accordance with Financial Reporting Standard 12 "Provisions, Contingent Assets and Contingent Liabilities". This anticipated cost is capitalised on a present value basis and the unwinding of the discount is charged to the profit and loss account over the period of the lease. The associated asset is capitalised within tangible fixed assets, and depreciated in accordance with the accounting policy for the related asset.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Asset impairment
Tangible and intangible fixed assets, including investments and goodwill, are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the assets or by the discounted future earnings from operating the assets. The board are responsible for carrying out impairment reviews.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost comprises the invoiced cost of bought in titles or the external production cost of paper, printing, binding and other direct costs. The method of determining cost is the weighted average method. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Full provision is made for deferred taxation on all timing differences that are not permanent which have arisen but not reversed at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Assets are recognised to the extent they are considered recoverable. Deferred tax is not discounted.

2. Turnover

The company's turnover arises principally in the United Kingdom and in one class of business.

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Turnover by destination		
United Kingdom	**14,964**	10,874
Rest of Europe	**11,876**	8,397
Africa, Middle East and Arab States	**14,844**	9,311
Rest of the World	**6,537**	5,493
	48,221	34,075

Notes to the financial statements (continued)

3. Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Depreciation of tangible fixed assets – owned (note 10)	**535**	435
Amortisation of intangible fixed assets (note 9)	**2,428**	2,798
Services provided by company's auditors		
- fees payable for the audit	**45**	44
- fees payable for other services – tax compliance	**18**	14
Amounts payable under operating leases:		
- land and buildings	**184**	90
Result / loss on disposal of fixed assets	**-**	8

Exceptional items
During the period ended 31 March 2014 the company reorganised its sales, operational and administration groups resulting in severance and related costs of £307,000. There were no exceptional items in the current year.

4. Employee information

The average monthly number of employees (including executive directors) employed by the company during the year / period was:

	Year ended 31 March 2015 Number	Period ended 31 March 2014 Number
By activity		
Sales and marketing	**72**	85
Administration	**40**	42
Editorial and production	**39**	41
Warehouse	**16**	16
	167	184

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Staff costs during the year / period amounted to:		
Wages and salaries	**8,922**	6,496
Exceptional items: severance	**-**	(47)
Equity based payments (note 23)	**22**	-
Social security costs	**930**	732
Other pension costs (note 18)	**331**	244
	10,205	7,425

Notes to the financial statements (continued)

5. Directors' emoluments

	Year ended 31 March 2015 Total	Year ended 31 March 2015 Highest paid director	Period ended 31 March 2014 Total	Period ended 31 March 2014 Highest paid director
	£'000	**£'000**	£'000	£'000
Aggregate emoluments	**257**	**120**	426	231
Pension contributions (defined contribution)	**19**	**4**	42	20
	276	**124**	468	251

During the year / period there were 3 directors (2014 – 2) to whom retirement benefits were accrued under a defined contribution scheme.

6. Other interest receivable and similar income

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Interest receivable from fellow group undertakings	**78**	9
Interest receivable on bank deposits	**1**	5
	79	14

7. Interest payable and similar charges

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Unwinding of discount in provision (note 16)	**18**	13
Interest payable to fellow group undertakings	**-**	21
	18	34

Notes to the financial statements (continued)

8. Tax on profit on ordinary activities

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
United Kingdom corporation tax at 21% (2014 – 23%)		
Current taxation - UK corporation tax on profits of the period	**1,131**	1,252
- adjustments in respect of prior years	**126**	-
Total current taxation	**1,257**	1,252
Deferred taxation at 20% (2014 – 20%)		
- impact of change in tax rate	**-**	135
- origination and reversal of timing differences	**103**	207
- adjustments to previously estimated recoverable amounts	**8**	(171)
Total deferred taxation (note 17)	**111**	171
Tax charge on profit on ordinary activities	**1,368**	1,423

The Finance Bill 2013 was substantively enacted on 2 July 2013 and included legislation to reduce the main rate of corporation tax by 2% from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% with effect from 1 April 2015. The company has assessed the impact of the change in corporation tax rate, and in its opinion the change will not materially impact the deferred tax charge or provision for the year ended 31 March 2015.

The tax assessed for the year / period is higher (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Profit on ordinary activities before taxation	**5,551**	6,172
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014 – 23%)	**1,166**	1,420
Differences attributable to:		
- Accelerated capital allowances	**(75)**	(75)
- Non-deductible amortisation	**108**	84
- Other non-deductible charges	**17**	27
- Loss relief utilised	**(85)**	(204)
- Adjustments in respect of prior periods	**126**	-
Total current tax charge	**1,257**	1,252

Notes to the financial statements (continued)

8. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges:
The standard rate of Corporation Tax in the UK changed to 20% with effect from 1 April 2015. Accordingly, the company's profits will be taxed at 20% in the future.

9. Intangible assets

	Capitalised plate cost £'000	Publishing rights £'000	Customer relations £'000	Goodwill £'000	Total £'000
Cost					
At 1 April 2014	22,655	8,977	79	9,871	41,582
Additions	3,172	-	-	-	3,172
Disposals	(1,938)	(3,256)	-	-	(5,194)
At 31 March 2015	**23,889**	**5,721**	**79**	**9,871**	**39,560**
Accumulated amortisation					
At 1 April 2014	(18,220)	(7,578)	(23)	(8,370)	(34,191)
Charge for the year	(1,886)	(195)	(4)	(343)	(2,428)
Disposals	1,599	3,256	-	-	4,855
At 31 March 2015	**(18,507)**	**(4,517)**	**(27)**	**(8,713)**	**(31,764)**
Net book amount at 31 March 2015	**5,382**	**1,204**	**52**	**1,158**	**7,796**
Net book amount at 31 March 2014	4,435	1,399	56	1,501	7,391

Notes to the financial statements (continued)

10. Tangible assets

	Freehold buildings £'000	Equipment, software and motor vehicles £'000	Total £'000
Cost			
At 1 April 2014	3,829	7,898	11,727
Additions	9	158	167
Disposals	(6)	(329)	(335)
At 31 March 2015	**3,832**	**7,727**	**11,559**
Accumulated depreciation			
At 1 April 2014	(2,455)	(6,968)	(9,423)
Charge for the year	(145)	(390)	(535)
Disposals	5	317	322
At 31 March 2015	**(2,595)**	**(7,041)**	**(9,636)**
Net book amount at 31 March 2015	**1,237**	**686**	**1,923**
Net book amount at 31 March 2014	1,374	930	2,304

11. Stocks

	2015 £'000	2014 £'000
Raw materials and consumables	**39**	19
Work in progress	**-**	7
Finished goods	**3,918**	4,127
	3,957	4,153

There is no material difference between the balance sheet value of stock and its replacement value.

12. Debtors – amounts falling due within one year

	2015 £'000	2014 £'000
Trade debtors	**9,170**	6,799
Amounts owed by group undertakings	**17,091**	7,534
Prepayments and accrued income	**1,487**	1,256
Corporation tax	**20**	-
	27,768	15,589

Amounts owed by group undertakings are unsecured and payable on demand. One of the accounts with a group company amounting to £927,000 at the year end (2014 - £521,000) bears interest at 6.625% above LIBOR, with a LIBOR floor of 1%. Another account with a group company amounting to £14,534,000 (2014 - £6,030,000) bears interest at LIBOR less 0.25%. The remaining balance is interest free.

Notes to the financial statements (continued)

13. Debtors – amounts falling due after more than one year

	2015 £'000	2014 £'000
Prepayments and accrued income	**97**	192
Deferred taxation (note 17)	**581**	692
	678	884

£152,000 (2014: £141,000) of the deferred tax asset is expected to unwind within 12 months.

14. Creditors – amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	**3,247**	917
Amounts owed to group undertakings	**6,149**	681
Corporation tax	**-**	956
Other taxation and social security	**106**	195
Other creditors	**2,079**	2,198
Accruals and deferred income	**5,478**	4,980
	17,059	9,927

Amounts owed to group undertakings are unsecured and repayable on demand and interest free.

15. Creditors – amounts falling due after more than one year

	2015 £'000	2014 £'000
Deferred income	**2,330**	-

16. Provisions for liabilities

	Asset retirement obligation £'000
At 1 April 2014	**188**
Amortisation of discount (note 7)	**18**
Utilisation of provision	**1**
At 31 March 2015	**207**

Asset retirement obligation provision is made over the life of leases for the estimated cost of decommissioning leasehold improvements. This provision is expected to be utilised in more than one year after the balance sheet date.

Notes to the financial statements (continued)

17. Deferred taxation

Deferred tax is provided for in full on certain timing differences. The company does not discount the provision.

The directors consider that it is probable that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

	2015 £'000	2014 £'000
Asset at 1 April 2014 and 1 July 2013	692	863
Deferred tax charge in the profit and loss account	(111)	(171)
Asset at 31 March (note 13)	581	692

	2015 £'000	2014 £'000
In respect of:		
Capital allowances less than depreciation	581	692
Deferred tax asset (note 13)	581	692

18. Pension plans

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amounts charged against profits represent the contributions payable to the scheme in respect of the accounting year / period.

The total defined contribution pension cost for the company was £330,713 (2014 - £243,889). There were no contributions outstanding at the year end (2014 - £ nil).

19. Called up share capital

	2015 £	2014 £
Issued and fully paid:		
At 1 April 2014 and 1 July 2013 172 ordinary shares of £1 each	172	172
At 31 March 2015 and 31 March 2014 172 ordinary shares of £1 each	172	172

Notes to the financial statements (continued)

20. Reserves

	Share premium account £'000	Capital contribution reserve £'000	Profit and loss account £'000
At 1 April 2014	7,728	7,808	6,286
Capital contribution	-	22	-
Profit for the financial year / period	-	-	4,183
At 31 March 2015	7,728	7,830	10,469

21. Reconciliation of movement in shareholders' funds

	2015 £'000	2014 £'000
Profit for the financial year / period	4,183	4,749
Equity settled share based payments (note 23)	22	-
Opening shareholders' funds	21,822	17,073
Closing shareholders' funds	26,027	21,822

22. Operating lease commitments

At 31 March 2015 the company had annual commitments under non-cancellable operating lease commitments expiring as follows:

	2015 Land and buildings £'000	2014 Land and buildings £'000
Within one year	4	14
Within two to five years	-	-
After five years	157	157
	161	171

Notes to the financial statements (continued)

23. Equity based compensation

Certain employees of the company were granted share options and restricted stock in Cengage Learning Holdings II Inc. as compensation for services rendered or to be rendered to the company ("Equity Incentive Plan"). In accordance with FRS20, the fair value of the employee services received in exchange for the grant of the share options and restricted stock is recognised as an expense. The related compensation expense is incurred by the company since the grantees are employees of the company. The share options are issued for no consideration and vest in 25% increments annually over four years. The restricted stock is issued for no consideration and vests in 20% increments annually over five years.

Further disclosure is not provided on the grounds of materiality.

24. Company status

The company's immediate parent company is Cengage Learning UK Holdings Limited ("CLUKH").

CLUKH is the parent of the smallest group undertaking for which consolidated financial statements are drawn up and of which the company is a member. CLUKH is incorporated under the laws of the England and Wales.

Copies of the CLUKH annual report are available from: Cheriton House, North Way, Andover, SP10 5BE.

Cengage Learning Holdings II Inc. ("CLII") is regarded by the Directors of the company as being the company's ultimate parent company and controlling party and is the parent undertaking of the largest group to consolidate these financial statements. Cengage Learning Holdings II Inc. is a Delaware, USA Corporation.

Copies of the CLII annual report are available from the Cengage website at www.cengage.com/investor.

25. Related parties

The company is exempt under the terms of FRS 8 from disclosing related-party transactions with entities that are part of the Cengage Learning UK Holdings Limited group or investees of the Cengage Learning UK Holdings Limited group.

There were no other transactions with related parties during the period other than those with such entities as described above.