

# **Cengage Learning (EMEA) Limited**

Annual report

for the year ended 31 March 2019

Registered number: 00903535



**Annual report for the year ended 31 March 2019**

<b>Contents</b>	<b>Page</b>
Strategic report	2
Directors' report	6
Independent auditors' report to the members of Cengage Learning (EMEA) Limited	8
Statement of comprehensive income for the year ended 31 March 2019	10
Balance sheet as at 31 March 2019	11
Statement of changes in equity for the year ended 31 March 2019	12
Notes to the financial statements	13

## Strategic report

The directors present their strategic report on Cengage Learning (EMEA) Limited ("the company") for the year ended 31 March 2019.

### Review of the business

The principal activity of the company continued to be the provision of high quality content, innovative print and digital teaching and learning solutions, software and associated educational services, archives and databases. These are provided in the Europe, Middle East and Africa regions through the adaptation of Cengage Learning (US) products and the publication of indigenous content and other learning related products developed with local authors.

### Results and performance

The results for the financial year and financial position are set out on pages 10 and 11 and show profit and total comprehensive income of £5,227,000 (2018 - £5,154,000). The shareholders' funds total £22,522,000 (2018 - £26,340,000).

The year ended 31 March 2019 was a successful one for the company. Turnover was lower by 6.6% (2018 – higher 9.1%) compared to the prior year which included a significant non-recurring international contract. Earnings before interest, tax, depreciation & amortization less capital expenditure (a key performance indicator) grew 10.5% (2018 grew 20.1%) due to close control of overheads and capital expenditure. Net profit before tax has decreased by 1.2% (2018 – increase 87.6%). The directors believe that this was another successful year with strong underlying revenue and profit growth considering that prior year results included the successful completion of a significant non-recurring international contract. Overall profitability continues at acceptable levels.

The company closely controls overheads and continues to monitor its sales, operational and administration groups to ensure that the most efficient operational structure is maintained, and that new investments are strategically targeted.

### Business environment

In the majority of our markets, conditions remained a challenge. University enrolments in core Western European markets are increasing, but slowly, and public spend on education and libraries is subject to budgetary pressures. Economic & political difficulties in countries where Cengage Learning (EMEA) Limited 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 KPIs are set out below.

		Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017
Turnover	£'000	55,506	59,404	54,468
Gross profit	%	46	44	36
Earnings before interest, tax, depreciation & amortization less capital expenditure	£'000	7,369	6,671	5,554
Digital sales % of total sales	%	37	32	39

**Strategic report (continued)****Key performance indicators (KPIs) (continued)**

Gross profit percentage improved compared to 2018 as a result of increased sales of higher margin products.

Digital sales include the sale of E Books, provision of content online and other methods of delivering content other than by traditional printed means. The increase in 2019 reflects the non-recurrence of a significant contract in 2018, which was predominantly print-based. Management are satisfied with the long-term progress made on this KPI.

**Principal risks and uncertainties*****Socio Political risk***

The company sells into a broad range of countries and has exposure to significant socio-political issues. To the extent government funding is reduced or becomes inaccessible due to debt or civil unrest, the company's efforts to drive sales will be unfavourably impacted.

***Market development risk***

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.

***Minimum price risk***

Continuing high prices for US-sourced titles due to the International Price Floor are likely to impact turnover 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 mitigates this risk by driving the transition from print to digital, negotiating specific Price Floor exemptions and investing in indigenous publishing.

***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 earns and pays interest on intercompany deposits and 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 short-term finance from a fellow group company that is designed to ensure the company has sufficient available funds for operations and planned expansions. Access to long-term finance from fellow group companies is available if required.

***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.

**Strategic report (continued)****Principal risks and uncertainties (continued)***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 turnover 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.

***Risk that intellectual property and proprietary rights are not adequately protected under current laws***

The company's products are largely comprised of intellectual property content delivered through a variety of media, including textbooks, digital learning solutions and the Internet. The company relies on copyright, trademark and other intellectual property laws to establish and protect its proprietary rights in these products. The company's intellectual property rights in the UK and Europe are well-established. However, the company also conducts business in other countries, in the Middle East and Africa, where the extent of effective legal protection for intellectual property rights is uncertain. Despite copyright and trademark protection, third parties may be able to copy, infringe, illegally distribute, import or resell or otherwise profit from the company's proprietary rights without its authorization. In addition, the lack of Internet-specific legislation relating to intellectual property protection creates an additional challenge for the company in protecting its proprietary rights relating to its online business processes and other digital technology rights. The steps taken by the company to protect its proprietary information may not be adequate to prevent misappropriation of its content or technology. In addition, the company's proprietary rights may not be adequately protected because:

- people may not be deterred from misappropriating its technologies despite the existence of laws or contracts prohibiting it,
- policing unauthorised use of its intellectual property can be difficult, expensive and time-consuming, and the company may be unable to determine the extent of any unauthorized use, and
- the laws of other countries in which the company may market its products may offer little or no effective protection for its proprietary technologies and rights.

The company may also be required to initiate expensive and time-consuming litigation to defend its intellectual property. If there is an increase in the scale of unauthorized copying and redistribution of its products, or if the company were unable to adequately protect and enforce its intellectual property rights, it would adversely impact product sales and reduce revenue, thereby adversely affecting results of operations and financial condition, as well as the company's competitive position.

**Strategic report (continued)**

**Future developments**

On May 1, 2019, the company's ultimate parent company, Cengage Learning Holdings II, Inc. announced an agreement to merge with McGraw-Hill Education, subject to closing conditions including the receipt of regulatory approvals in the United States of America and a variety of other jurisdictions throughout the world, including the United Kingdom.

The global merger announcement included commentary on increased global scale, leading to opportunities for accelerated revenue growth, significant savings and synergies and enhanced financial profile and deleveraging providing a substantial runway for executing on digital and growth strategy.

The realization of these benefits is reliant on the regulatory approval process and the Directors continue to focus on the existing company business while the regulatory approval process continues. Likely developments in the operations of the company and the expected results of operations cannot be reliably projected until the regulatory approval process has reached its conclusion.

On behalf of the board



D L Rae  
**Director**

31 July 2019

## **Directors' report**

The directors present their report and audited financial statements of the company for the year ended 31 March 2019.

### **Future developments**

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

### **Dividends**

An interim dividend of £9,045,000 (2018 - £nil) was paid during the year. The directors do not recommend the payment of a final dividend (2018 - £nil).

### **Directors**

The directors of the company who held office since 1 April 2018 and up to the date of signing the financial statements are named below:

C M Bonney II  
H A Broich  
D L Rae

### **Financial risk management**

The company's approach to financial risk management is discussed in the Strategic report.

### **Overseas branches**

The company operates overseas branches in Dubai and Sweden.

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

**Directors' report (continued)**

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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**

31 July 2019

Registered Office:

Cheriton House, North Way, Andover, Hampshire, SP10 5BE



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

## **Report on the audit of the financial statements**

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 March 2019; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

## **Report on the audit of the financial statements (continued)**

### **Reporting on other information (continued)**

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### *Use of this report*

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

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Kevin Godfrey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors, Southampton  
31 July 2019

**Statement of comprehensive income for the year ended 31 March 2019**

	Note	<b>2019</b> <b>£'000</b>	2018 £'000
<b>Turnover</b>	5	<b>55,506</b>	59,404
Cost of sales		<b>(30,020)</b>	(33,566)
Gross profit		<b>25,486</b>	25,838
Distribution costs		<b>(906)</b>	(914)
Administrative expenses		<b>(18,291)</b>	(18,500)
<b>Operating profit</b>	6	<b>6,289</b>	6,424
Interest receivable and similar income	9	<b>200</b>	165
Interest payable and similar expenses	9	-	(18)
<b>Profit before taxation</b>		<b>6,489</b>	6,571
Tax on profit	10	<b>(1,262)</b>	(1,417)
<b>Profit for the financial year and total comprehensive income</b>		<b>5,227</b>	5,154

All of the above activities relate to continuing operations.

The notes on pages 13 to 28 are an integral part of these financial statements.

## Balance sheet as at 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	11	5,090	5,933
Tangible assets	12	1,627	1,865
		<b>6,717</b>	<b>7,798</b>
<b>Current assets</b>			
Inventories	13	3,949	4,375
Debtors – amounts falling due after more than one year	14	285	321
Debtors – amounts falling due within one year	15	25,301	27,562
Cash at bank and in hand		1,922	1,128
		<b>31,457</b>	<b>33,386</b>
<b>Creditors – amounts falling due within one year</b>	16	<b>(14,954)</b>	<b>(13,996)</b>
<b>Net current assets</b>		<b>16,503</b>	<b>19,390</b>
<b>Total assets less current liabilities</b>		<b>23,220</b>	<b>27,188</b>
 Creditors – amounts falling due after more than one year	17	<b>(685)</b>	<b>(587)</b>
Provisions for liabilities	18	<b>(13)</b>	<b>(261)</b>
<b>Net assets</b>		<b>22,522</b>	<b>26,340</b>
 <b>Capital and reserves</b>			
Called up share capital	21	-	-
Share premium account		7,728	7,728
Capital contribution reserve		7,877	7,877
Retained earnings		6,917	10,735
<b>Total shareholders' funds</b>		<b>22,522</b>	<b>26,340</b>

The notes on pages 13 to 28 are an integral part of these financial statements.

The financial statements on pages 10 to 28 were approved by the board of directors on 31 July 2019 and were signed on its behalf by:



D L Rae  
Director

## Statement of changes in equity for the year ended 31 March 2019

	Note	Called up share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Retained Earnings £'000	Total shareholders' funds £'000
Balance as at 1 April 2017		-	7,728	7,852	5,581	21,161
Profit and total comprehensive income for the financial year		-	-	-	5,154	5,154
Credit relating to equity settled share based payments	8	-	-	25	-	25
Dividend paid		-	-	-	-	-
Total transactions with owners, recognised directly in equity		-	-	25	-	25
Balance at 31 March 2018		-	7,728	7,877	10,735	26,340
Balance at 1 April 2018		-	7,728	7,877	10,735	26,340
Profit and total comprehensive income for the financial year		-	-	-	5,227	5,227
Dividend paid	21	-	-	-	(9,045)	(9,045)
Total transactions with owners, recognised directly in equity		-	-	-	(9,045)	(9,045)
<b>Balance at 31 March 2019</b>		<b>-</b>	<b>7,728</b>	<b>7,877</b>	<b>6,917</b>	<b>22,522</b>

The notes on pages 13 to 28 are an integral part of these financial statements.

**Notes to the financial statements****1. General information**

Cengage Learning (EMEA) Limited ("the company") provides 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 indigenous content and other learning related products developed with local authors.

The company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Cheriton House, North Way, Andover, Hampshire, SP10 5BE.

**2. Statement of compliance**

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

**3. Summary of significant accounting policies**

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

**Basis of preparation**

The financial statements are prepared on the going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

**Going concern**

The company meets its day-to-day working capital requirements through its group financing facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

**Exemptions for qualifying entities under FRS102**

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, under FRS 102 paragraph 1.12(c), from certain financial instrument disclosures, under FRS 102 paragraph 1.12(d) from certain disclosure requirements in respect of share based payments and under FRS 102 paragraph 1.12(e) from disclosure of key management personnel compensation on the basis that its ultimate parent company, Cengage Learning Holdings II Inc., includes equivalent disclosures in its own consolidated financial statements.

**Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

**Sale of goods**

Revenue 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 sold through a subscription. The subscription revenue for certain print publications is recognised on an issue-by-issue basis on publication, where each issue is of equal and determinable value.

**Notes to the financial statements (continued)****3. Summary of significant accounting policies (continued)****Employee benefits**

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

**i. Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

**ii. Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**iii. Annual bonus plan**

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

**iv. Share based payments**

The company participates in a share-based payment arrangement established by a group company and the company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity.

**Foreign currency translation**

The company's functional and preparation currency is the pound sterling.

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

**Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

**i. Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Notes to the financial statements (continued)****3. Summary of significant accounting policies (continued)****Taxation (continued)****ii. Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**Intangible assets**

Intangible fixed assets are stated at cost less accumulated amortisation as detailed below. 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. Amortisation is charged between 3 or 5 years, either on a straight-line basis, on a 40:20:20:20 basis or on a 50:30:20 basis for certain assets. Useful economic life is estimated based on the life of similar assets held in the past.

Publishing rights and customer relations are amortised over the shorter of their useful economic life and 10 years. Amortisation is charged over 10 years on a straight-line basis. Useful economic life is estimated based on the life of similar assets held in the past.

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 10 years. Amortisation is charged over 10 years on a straight-line basis. Useful economic life is estimated based on the life of similar assets held in the past.

The company capitalises intangible 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, which is amortised over 3 years on a straight-line basis.

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. Useful economic life is estimated based on the life of similar assets held in the past.

Where factors, such as changes in market price or declining sales, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Amortisation and impairment of capitalised plate assets is recognised in Cost of sales in the Statement of Comprehensive income. All other amortisation and impairment is recognised in Administrative expenses.



## Notes to the financial statements (continued)

### 3. Summary of significant accounting policies (continued)

#### 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.

##### i. Freehold buildings

Freehold buildings include a freehold warehouses and offices. Freehold buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

##### ii. Equipment and motor vehicles

Equipment and motor vehicles are stated at cost less accumulated depreciation.

##### iii. Depreciation

Depreciation is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

##### iv. Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

##### v. Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Administrative expenses'.

#### Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### i. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

The company has no lease agreements that are not considered to be operating leases.

#### Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

**Notes to the financial statements (continued)****3. Summary of significant accounting policies (continued)****Impairment of non-financial assets (continued)**

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

**Inventories**

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

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.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**Provisions and contingencies****i. Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- The company recognises the anticipated cost of significant re-instatement of certain assets at the end of their life. This anticipated cost is capitalised on a present value basis and the unwinding of the discount is charged to the statement of comprehensive income 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.
- Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- Provision is not made for future operating losses.

**Notes to the financial statements (continued)****3. Summary of significant accounting policies (continued)****Provisions and contingencies (continued)**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Increases in provisions due to passage of time are recognised as finance costs.

**ii. Contingencies**

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

**Financial instruments**

The company has chosen to adopt Section 11 of FRS 102 in respect of financial instruments.

**i. Financial assets**

Basic financial assets, including trade and other debtors, cash and bank balances and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**ii. Financial liabilities**

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Notes to the financial statements (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)**

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**iii. Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

**Share capital**

Ordinary shares are classified as equity.

**Distributions to equity holders**

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

**Related party transactions**

The company discloses transactions with related parties which are not wholly owned with the same group. Under FRS 102 paragraph 1.12(e), it does not disclose transactions with members of the same group that are wholly owned.

**4. Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**a. Critical judgements in applying the entity's accounting policies****i. Capitalisation of internal costs**

The time costs of certain company employees that can be directly attributed to the development of new titles is capitalised as part of capitalised plate cost. The company has calculated the time cost capitalised based on timesheets completed by the employees and the hourly payroll cost of each employee.

**b. Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**i. Sales returns provision**

The company sells printed learning solutions and materials, some of which are returnable according to terms and conditions of specific contracts. As a result, it is necessary to consider the potential level of future returns and the associated provisioning required. When calculating the sales returns provision, management considers the history of prior sales and returns for a specific period, as well as applying assumptions around anticipated future returns.

**ii. Valuation of tangible and intangible assets**

The annual depreciation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment, note 11 for the carrying amount of intangible assets and note 3 for the useful economic lives for each class of asset.

**Notes to the financial statements (continued)****4 Critical accounting judgements and estimation uncertainty (continued)****iii. Inventory provisioning**

The company publishes printed learning solutions and materials which are subject to changing customer demands and their budgetary constraints. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 13 for the net carrying amount of the inventory and associated provision.

**iv. Impairment of debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See notes 14 and 15 for the net carrying amount of the debtors and associated impairment provisions.

**v. Impairment of intangible assets**

The company makes an estimate of future revenues to be generated by individual intangible assets or related asset groups to assess their current carrying value. When assessing impairment of intangible assets, management considers factors including the historical and forecast sales generated by the asset, appropriate discount rates for future cash flows, and sensitivity to changes in assumptions. See note 11 for the net carrying amount of intangible assets and associated impairment.

**5. Turnover**

The company's turnover arises in the following regions:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover by destination</b>		
United Kingdom	<b>19,869</b>	19,285
Rest of Europe	<b>14,776</b>	13,818
Africa, Middle East and Arab States	<b>16,227</b>	20,797
Rest of the World	<b>4,634</b>	5,504
	<b>55,506</b>	59,404

All turnover is derived from the same, single class of business being the provision of high quality content, innovative print and digital teaching and learning solutions, software and associated educational services, archives and databases.

## Notes to the financial statements (continued)

## 6. Operating profit

Operating profit is stated after charging / (crediting):	Note	2019 £'000	2018 £'000
Wages and salaries		10,121	10,564
Social security costs		1,066	1,085
Other pension costs	20	334	323
Staff costs		<u>11,521</u>	<u>11,972</u>
Profit on disposal of tangible assets		(6)	(3)
Bad debt provision write off / (release)		166	(308)
Impairment of intangible assets (included in cost of sales)		239	2,016
Inventory recognised as expense		13,626	14,600
Impairment of inventory (included in cost of sales)		391	255
Operating lease charges		246	257
Foreign exchange (gains) / loss		(205)	352
Audit fees payable to the company's auditors		45	44
Tax compliance fees payable to the company's auditors		<u>14</u>	<u>5</u>

## 7. Employees and directors

## Employees

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

	2019 Number	2018 Number
<b>By activity</b>		
Sales and marketing	110	109
Administration	35	38
Editorial and production	45	43
Warehouse	17	17
	<u>207</u>	<u>207</u>

The employee numbers for 2018 have been restated to show average employee numbers, not fulltime equivalent employee numbers, and to be consistent with 2019.

## Directors

The directors' emoluments were as follows

	2019		2018	
	Total	Highest paid director	Total	Highest paid director
	£'000	£'000	£'000	£'000
Aggregate emoluments	345	345	291	291
Pension contributions (defined contribution)	10	10	10	10
	<u>355</u>	<u>355</u>	<u>301</u>	<u>301</u>

During the year, there was 1 director (2018 – 1) to whom retirement benefits were accruing under a defined contribution scheme. No directors (2018 - nil) exercised share options during the year. No directors (2018 – nil) are accruing benefits under a long-term incentive scheme.

The other directors did not receive any emoluments in respect of their services to the company, as it was considered incidental to their services performed for the wider group.

## Notes to the financial statements (continued)

## 8. 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 FRS 102, the company accounts for the expense based on a reasonable allocation of the parent company's total expense. The company has calculated its allocation of the parent company's total expense based on the number of participating employees in the company compared to the number of participating employees in the group. 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.

## 9. Net interest income

<b>a. Other interest receivable and similar income</b>	<b>Note</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Interest receivable from fellow group undertakings		193	150
Interest receivable on bank deposits		7	15
<b>Total interest receivable and similar income</b>		<b>200</b>	<b>165</b>
<b>b. Interest payable and similar expenses</b>		<b>2019 £'000</b>	<b>2018 £'000</b>
Unwinding of discount in provision	18	-	(18)
<b>Total interest payable and similar expenses</b>		<b>-</b>	<b>(18)</b>
<b>c. Net interest income</b>		<b>2019 £'000</b>	<b>2018 £'000</b>
Interest receivable and similar income		200	165
Interest payable and similar expenses		-	(18)
<b>Net interest income</b>		<b>200</b>	<b>147</b>

**Notes to the financial statements (continued)****10. Tax on profit****a. Tax expense included in statement of comprehensive income**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Current tax:		
- UK corporation tax on profits of the year	<b>1,238</b>	1,268
- Adjustments in respect of prior years	<b>12</b>	105
Total current tax	<b>1,250</b>	1,373
Deferred tax		
- Origination and reversal of timing differences	<b>56</b>	33
- Adjustments in respect of prior year	<b>(44)</b>	11
Total deferred tax	<b>12</b>	44
Tax charge on statement comprehensive income	<b>1,262</b>	1,417

**b. Reconciliation of tax charge**

Tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Profit before taxation	<b>6,489</b>	6,571
Profit multiplied by the standard rate of tax in the UK of 19% (2018 – 19%)	<b>1,233</b>	1,248
Effects of:		
Non-deductible amortisation	<b>61</b>	62
Other non-deductible charges	<b>30</b>	19
Group loss relief utilised	<b>(30)</b>	(28)
Adjustments in respect of prior years	<b>(32)</b>	116
<b>Tax charge for the year</b>	<b>1,262</b>	1,417

**c. Tax rate changes**

The tax rate for the current year is the same as the prior year.

Reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Act 2016 on 6 September 2016. These reduce the main rate to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.



## Notes to the financial statements (continued)

## 11. Intangible assets

	Capitalised plate cost £'000	Publishing rights £'000	Customer relations £'000	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>						
At 1 April 2018	13,700	5,721	79	9,871	589	29,960
Additions	1,735	-	-	-	16	1,751
<b>At 31 March 2019</b>	<b>15,435</b>	<b>5,721</b>	<b>79</b>	<b>9,871</b>	<b>605</b>	<b>31,711</b>
<b>Accumulated amortisation and impairment</b>						
At 1 April 2018	(9,007)	(5,098)	(45)	(9,374)	(503)	(24,027)
Charge for the year	(1,936)	(192)	(6)	(179)	(42)	(2,355)
Impairment	(239)	-	-	-	-	(239)
<b>At 31 March 2019</b>	<b>(11,182)</b>	<b>(5,290)</b>	<b>(51)</b>	<b>(9,553)</b>	<b>(545)</b>	<b>(26,621)</b>
<b>Net book amount at 31 March 2019</b>	<b>4,253</b>	<b>431</b>	<b>28</b>	<b>318</b>	<b>60</b>	<b>5,090</b>
Net book amount at 31 March 2018	4,693	623	34	497	86	5,933

Certain capitalised plate assets were impaired on the basis that future cashflows are deemed insufficient to recover the total investment.

## 12. Tangible assets

	Freehold buildings £'000	Equipment and motor vehicles £'000	Total £'000
<b>Cost</b>			
At 1 April 2018	4,524	2,782	7,306
Additions	5	74	79
Disposals	-	(96)	(96)
<b>At 31 March 2019</b>	<b>4,529</b>	<b>2,760</b>	<b>7,289</b>
<b>Accumulated depreciation</b>			
At 1 April 2018	(2,976)	(2,465)	(5,441)
Charge for the year	(173)	(144)	(317)
Disposals	-	96	96
<b>At 31 March 2019</b>	<b>(3,149)</b>	<b>(2,513)</b>	<b>(5,662)</b>
<b>Net book amount at 31 March 2019</b>	<b>1,380</b>	<b>247</b>	<b>1,627</b>
Net book amount at 31 March 2018	1,548	317	1,865

## Notes to the financial statements (continued)

## 13. Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	34	15
Finished goods	3,915	4,360
	<b>3,949</b>	<b>4,375</b>

There is no significant difference between the replacement cost of raw materials and consumables or finished goods and their carrying amounts.

Inventories are stated after provisions for impairment for obsolete inventory of £2,845,000 (2018: - £3,159,000).

## 14. Debtors – amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred taxation (note 19)	279	291
Prepayments and accrued income	6	30
	<b>285</b>	<b>321</b>

## 15. Debtors – amounts falling due within one year

	2019 £'000	2018 £'000
Trade debtors	8,969	8,559
Amounts owed by group undertakings	15,092	17,681
Corporation tax	-	-
Prepayments and accrued income	1,240	1,322
	<b>25,301</b>	<b>27,562</b>

Amounts owed by group undertakings are unsecured and payable on demand. One of the accounts with a group company amounting to £2,038,000 at the year end (2018 - £1,889,000) bears interest at 6.625% above LIBOR, with a LIBOR floor of 1%. Another account with a group company amounting to £11,824,000 (2018 - £13,752,000) bears interest at LIBOR less 0.25%. The remaining balance is interest free.

Trade debtors are stated after provisions for impairment and returns of £2,405,000 (2018 - £4,164,000).

**Notes to the financial statements (continued)****16. Creditors – amounts falling due within one year**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Trade creditors	<b>2,741</b>	2,126
Amounts owed to group undertakings	<b>2,309</b>	2,792
Corporation tax	<b>756</b>	47
Other taxation and social security	<b>283</b>	63
Other creditors	<b>2,695</b>	2,934
Accruals and deferred income	<b>6,170</b>	6,034
	<b>14,954</b>	13,996

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

**17. Creditors – amounts falling due after more than one year**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Accruals and deferred income	<b>685</b>	587

**18. Provisions for liabilities**

The company had the following provision during the year

	<b>Asset retirement obligation £'000</b>
At 1 April 2018	<b>261</b>
Changes to estimated future costs	<b>(248)</b>
<b>At 31 March 2019</b>	<b>13</b>

An 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.

**19. Deferred taxation**

Deferred tax is provided for in full on certain timing differences.

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.

The company had the following deferred tax asset during the year

	<b>£'000</b>
At 1 April 2018	<b>291</b>
Reductions dealt with in profit or loss	<b>(12)</b>
<b>At 31 March 2019</b>	<b>279</b>

**Notes to the financial statements (continued)****19. Deferred taxation (continued)**

The deferred tax asset consists of the following deferred tax assets:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Accelerated capital allowances	<b>279</b>	291
Deferred tax asset (note 14)	<b>279</b>	291

There are no unused tax losses or tax credits.

The net deferred tax asset expected to reverse in 2019 is £56,000. This relates to the reversal of timing differences on capital allowances.

**20. Post-employment benefits**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.

The total defined contribution pension cost for the company was £334,000 (2018 - £323,000). There were no contributions outstanding at the year end (2018 - £ nil).

**21. Called up share capital**

	<b>2019</b>	2018
	<b>£</b>	£
Issued and fully paid:		
At 1 April 2018 and 1 April 2017 172 ordinary shares of £1 each	<b>172</b>	172
At 31 March 2019 and 31 March 2018 172 ordinary shares of £1 each	<b>172</b>	172

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

**Dividend**

During the year an interim dividend of £52,587 per share (2018 - £nil) was declared and paid.

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Equity - ordinary		
Interim 2019 paid	<b>9,045</b>	-
<b>Total dividends paid</b>	<b>9,045</b>	-

**Notes to the financial statements (continued)****22. Capital and other commitments**

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Not later than one year	<b>182</b>	235
Later than one year and not later than five years	<b>626</b>	649
Later than five years	<b>6,618</b>	6,775
	<b>7,426</b>	7,659

**23. Related parties**

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

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

**24. Controlling parties**

The immediate parent undertaking is Cengage Learning UK Holdings Limited ("CLUKH").

The ultimate parent undertaking is Cengage Learning Holdings II, Inc. ("CLII") and is the parent undertaking of the smallest and largest group to consolidate these financial statements. CLII is a Delaware, USA Corporation.

Copies of the CLII annual report are available from the Cengage website at [www.cengage.com/investor](http://www.cengage.com/investor).