

**lynda.com UK Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2013**

**Registered Number 07426725**

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lynda.com UK Limited  
Annual report and financial statements  
for the year ended 31 December 2013

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# **lynda.com UK Limited**

## **Directors and advisors for the year ended 31 December 2013**

### **Directors**

Lynda Susan Weinman

Bruce Alan Heavin

### **Secretary**

Ovalsec Limited

### **Registered office**

6<sup>th</sup> Floor, One London Wall

London

EC2Y 5EB

United Kingdom

### **Independent Auditors**

PricewaterhouseCoopers LLP

The Portland Building

25 High Street

Crawley

West Sussex

RH10 1BG

### **Registered number**

07426725

## Directors' report for the year ended 31 December 2013

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2013.

### Principal activities

lynda.com UK Limited (the 'Company') is a wholly-owned subsidiary of lynda.com, Inc. whose principal line of business is as an online learning company that provides its subscribers access to a library of video tutorials. The Company's principal activities are providing sales and marketing support, serving as a contact and reference point for pre-sale activities, and providing customer support in the UK for lynda.com, Inc.

In consideration for providing services the parent reimburses the Company for all reasonable operating expenses incurred plus a 5% mark-up on all reimbursable expenses.

### Review of business and future developments

The Company has an inter-company agreement with its parent, lynda.com, Inc., to provide certain services by means of its employees. Under the terms of the agreement, the services provided by lynda.com UK Limited include, but are not limited to, the undertaking of sales and marketing activities in the UK, serving as a contact and reference point for the company's pre-sale activities in the UK, providing customer support in the UK, providing production capacity and services in the UK as needed and other similar services as are agreed by the parties from time to time.

As of the end of December 2013 the Company had 14 employees and expects to add additional employees in 2014. The nature of services to be provided in 2014 is anticipated to be similar to the services provided in 2013.

The Company did not make any political or charitable contributions during the year ended 31 December 2013 (31 December 2012: £nil).

### Results and dividends

The Company's turnover is not generated from the sale of goods or provision of services but rather the receipt of reimbursement for all qualifying expenses incurred during the year plus a 5% mark-up and therefore the Company's turnover has a direct correlation to its operating expenses. The Company's turnover for the year ended 31 December 2013 was £1,528,636 (31 December 2012: £703,643).

Administrative expenses for the year ended 31 December 2013 were £1,455,845 (31 December 2012: £670,136), the majority of which were personnel related.

The Company had profit on ordinary activities before taxation of £72,782 (31 December 2012: £33,457) and profit for the financial year of £56,610 (31 December 2012: £25,941) for the financial year ended 31 December 2013.

The Company did not pay any dividends during the year ended 31 December 2013 (31 December 2012: £nil).

## **Directors' report for the year ended 31 December 2013 (continued)**

### **Directors and their interests**

The names of the current directors are listed on page 1. Both have held office from inception through to the year end and up to the date of this report.

### **Statement of directors' responsibilities**

The directors are responsible for preparing 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

**Directors' report for the year ended 31 December 2013  
(continued)**

**Basis of preparation**

The Directors' report has been prepared in accordance with the small companies regime (Part 15 of the Companies Act 2006). Additional disclosures have been made as the directors feel appropriate and the Company is therefore exempt from the requirement to prepare a Strategic Report.

**By order of the Board**



Lynda Susan Weinman  
**Director**

Date 25 September 2014

Registered number: 07426725

## **Independent auditors' report to the members of lynda.com UK Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by lynda.com UK Limited, comprise:

- the balance sheet as at 31 December 2013;
- 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 their preparation 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.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

**Independent auditors' report to the members of lynda.com UK Limited (continued)**

**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.

**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. 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 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.



Peter Latham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick

29 September 2014

## Profit and loss account for the year ended 31 December 2013

	Note	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Turnover		<b>1,528,636</b>	703,643
<b>Gross profit</b>		<b>1,528,636</b>	703,643
Administrative expenses		<b>1,455,845</b>	670,136
<b>Operating profit</b>	2	<b>72,791</b>	33,507
Interest receivable and similar income		<b>141</b>	50
Interest payable and similar charges		<b>150</b>	100
<b>Profit on ordinary activities before taxation</b>		<b>72,782</b>	33,457
Tax on profit on ordinary activities	6	<b>16,172</b>	7,516
<b>Profit for the financial year</b>		<b>56,610</b>	25,941

All of the above results relate to continuing activities.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

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

# lynda.com UK Limited

## Balance sheet as at 31 December 2013

	Note	31 December 2013 £	31 December 2012 £
<b>Fixed assets</b>			
Tangible assets	7	28,507	27,696
		28,507	27,696
<b>Current assets</b>			
Debtors	8	310,518	45,011
Cash at bank and in hand		38,040	124,336
<b>Current assets</b>		348,558	169,347
<b>Creditors: amounts falling due within one year</b>	9	(258,756)	(159,036)
<b>Net current assets</b>		89,802	10,311
<b>Total assets less current liabilities and net assets</b>		118,309	38,007
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Profit and loss account	11	118,308	38,006
<b>Total shareholders' funds</b>	12	118,309	38,007

The financial statements have been prepared in accordance with the small companies regime of the Companies Act 2006.

The financial statements on pages 7 to 17 were approved by the board of directors on 25 September 2014 and were signed on its behalf by:



Lynda Susan Weinman  
Director

# **lynda.com UK Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2013**

## **1 Accounting policies**

### **Basis of preparation**

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

### **Going concern**

The financial statements are prepared on a going concern basis.

### **Cash flow statement**

The Company has taken advantage of the exemption under Financial Reporting Standard 1 "Cash flow statements" (revised 1996) to prepare a cash flow statement on the grounds that it is a small company.

### **Fixed assets and depreciation**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Fixtures & Fittings	3 - 7 years
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Residual values and useful economic lives are reviewed annually. Any impairment in value is charged to the profit and loss account when it is identified.

### **Taxation**

The provision for income taxes is calculated using the small company tax rate and is applied to income before taxes adjusted for disallowed expenses.

### **Turnover**

Turnover represents the value of operating expenses incurred in the year plus a 5% mark-up, and will be reimbursed by the parent undertaking.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

### **Operating lease commitments**

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

**lynda.com UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2013**

**1 Accounting policies (continued)**

**Expenses and other operating income**

Expenditure is classified within the financial statements according to the nature of the expenditure.

**Share-based payment**

*Equity settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions.

*Cash settled transactions*

There are no cash-settled transactions.

**Pension costs**

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. The assets of the scheme are held separately from those of the Company in an independently administered fund.

**2 Operating profit**

	Year ended 31 December 2013	Year ended 31 December 2012
	£	£
<b>Operating profit is stated after charging:</b>		
Operating lease rentals – land and buildings	112,672	106,062
Operating lease rentals – plant and machinery	1,694	-
Depreciation of tangible fixed assets	11,147	2,402
<b>Services provided by the Company's auditor</b>		
Fees payable for the audit	19,303	16,987
Fees payable for other services – taxation services	4,200	14,760

The lease costs reflect the amounts payable in the year.

**lynda.com UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2013**

**3 Directors' emoluments**

All Directors' emoluments are paid and reported in the parent company lynda.com, Inc. and no recharge is made to the Company. The Directors did not receive any emoluments in respect of their services to the Company.

**4 Employee information**

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

By activity	Year ended 31 December 2013  Number	Year ended 31 December 2012  Number
Selling	13	6

**5 Employee costs**

	Year ended 31 December 2013  £	Year ended 31 December 2012  £
Wages and salaries	958,404	389,116
Social security costs	131,249	48,459
Other pension costs	13,020	1,792
Share-based payments	23,692	-
<b>Staff costs</b>	<b>1,126,365</b>	<b>439,367</b>

**6 Tax on profit on ordinary activities**

	Year ended 31 December 2013  £	Year ended 31 December 2012  £

**lynda.com UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2013**

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
<b>Analysis of tax charge in the year:</b>		
UK corporation tax based on the profit for the year	<b>20,084</b>	7,483
Adjustment in respect of prior years	<b>(3,912)</b>	33
<b>Total current tax</b>	<b>16,172</b>	7,516

The tax charge for the year of £16,172 (2012: £7,516) is higher than (2012: higher than) the standard effective rate of corporation tax in the UK for the year ended 31 December 2013 of 20% (2012: 20%), The differences are explained below:

<b>Profits on ordinary activities before taxation</b>	<b>72,782</b>	33,457
Profit on ordinary activities multiplied by standard rate in the UK at 20%	<b>14,556</b>	6,691
<b>Effects of:</b>		
Adjustment in respect of prior years	<b>(3,912)</b>	33
Expenses not deductible for tax purposes	<b>5,528</b>	792
<b>Total current tax</b>	<b>16,172</b>	7,516

**lynda.com UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2013**

**7 Tangible assets**

	Fixtures and fittings £	Total £
<b>Cost or valuation</b>		
At 1 January 2013	30,098	30,098
Additions	11,958	11,958
<b>At 31 December 2013</b>	<b>42,056</b>	<b>42,056</b>
<b>Depreciation</b>		
At 1 January 2013	2,402	2,402
Charge for the year	11,147	11,147
<b>At 31 December 2013</b>	<b>13,549</b>	<b>13,549</b>
<b>Net book amount:</b>		
<b>At 31 December 2013</b>	<b>28,507</b>	<b>28,507</b>
At 1 January 2013	27,696	27,696

**8 Debtors**

	31 December 2013 £	31 December 2012 £
Amounts owed by group undertakings	252,820	-
Prepayments and accrued income	57,698	45,011
	<b>310,518</b>	<b>45,011</b>

**lynda.com UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2013**

**9 Creditors: amounts falling due within one year**

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	-	45,607
Corporation tax	<b>16,384</b>	7,483
Other taxation and social security	<b>136,056</b>	22,117
Other accruals	<b>106,316</b>	83,829
	<b>258,756</b>	159,036

The Company contributes to employees' personal pension plans. The unpaid contributions at the end of the year included in other accruals above were £1,346 (2012: £1,792).

**10 Called up share capital**

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>£</b>	<b>£</b>
<b>Authorised, allotted, called up and fully paid</b>		
1 Ordinary shares of £1 each	<b>1</b>	<b>1</b>

**11 Reserves**

	<b>Profit and loss account</b>
	<b>£</b>
At 1 January 2013	38,006
Profit for the financial year	<b>56,610</b>
Share-based payments (note 17)	<b>23,692</b>
<b>At 31 December 2013</b>	<b>118,308</b>

**lynda.com UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2013**

**12 Reconciliation of movements in shareholders' funds**

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>£</b>	<b>£</b>
Profit attributable to shareholders	<b>56,610</b>	25,941
Share-based payments (note 17)	<b>23,692</b>	-
<b>Net change in shareholders' funds</b>	<b>80,302</b>	25,941
Total shareholders' funds at 1 January	<b>38,007</b>	12,066
<b>Total shareholders' funds at 31 December</b>	<b>118,309</b>	38,007

**13 Other related party disclosures**

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of lynda.com, Inc.

**14 Contingent liabilities**

There are no contingent liabilities to be reported for lynda.com UK Limited (2012: nil).

**15 Capital and other commitments**

There are no capital or other commitments to be reported for lynda.com UK Limited (2012: nil).

**16 Financial commitments**

As at 31 December 2013 the Company had the following annual commitments under operating leases:	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>£</b>	<b>£</b>
Land and buildings – Less than 1 year	<b>83,704</b>	70,320
Plant and machinery – Between 2 and 5 years	<b>2,903</b>	-
	<b>86,607</b>	70,320

**lynda.com UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2013**

**17 Share based payment**

The Board of Directors of the Company's ultimate parent undertaking, lynda.com, Inc (LDC) established an option plan that includes incentive stock options (ISOs) and nonqualified stock options (NQSOs). During the year ended 31 December 2013 LDC issued NQSOs for LDC's common stock. No options were granted during the year ended 31 December 2012. The option price, number of shares and grant date were determined at the discretion of the Board of Directors of LDC. As long as the option holder performs services for the Company, the options issued to employees vest over forty eight months, with cliff vesting after one year and monthly thereafter. All options are exercisable for a period not to exceed ten years from the date of grant. Except for termination due to death, on termination of services, all unvested options are forfeited at the earliest of 1) ten years from date of grant, 2) three months after termination for any reason other than disability or 3) six months after termination by reason of disability. In the event an optionee terminates due to death, the unvested options are forfeited at the earlier of ten years from date of grant or 12 months after the optionee's death.

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, LDC's NQSOs during the year.

	<b>31 December 2013</b>	31 December 2013
	<b>Number</b>	<b>WAEP</b>
Granted during the year	<b>847,000</b>	\$0.88
Forfeited	<b>(500)</b>	\$0.88
Outstanding at the end of the year	<b>846,500</b>	\$0.88
Exercisable at 31 December	-	-

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2013 is £ 23,692 (2012: £nil).

For the share options outstanding as at 31 December 2013, the weighted average remaining contractual life is 9.76 years (2012: nil years).

**lynda.com UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2013**

**17 Share based payment (continued)**

The fair value of equity settled share options granted under the option plan is estimated as at the date of grant using the Black Scholes model. The following inputs were used in the model.

Weighted average exercise price	\$0.88
Expected volatility	50%
Option life	6.25 years
Risk-free interest rate	1.90%
Expected dividend yield	0%

Expected volatility - LDC's computation of expected volatility is based on the volatility of a sample of publicly traded companies in markets similar to LDC.

Option life - LDC elected for the simplified method for calculating the expected term of the options.

Risk-free interest rate - The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option.

Expected dividend yield - LDC used a zero dividend yield as LDC has never paid dividends and does not plan to pay dividends in the near future.

The range of exercise prices for vested and unvested options outstanding as at 31 December 2013 is as follows:

Exercise price	Date of grant	Exercise period	Number
\$0.88	12 August 2013 – 11 October 2013	10 years after the grant date	846,500
			846,500

**18 Ultimate parent undertaking**

The Company is a wholly owned subsidiary undertaking of its ultimate parent and controlling party, lynda.com, Inc., 6410 Via Real, Carpinteria, CA 93013, USA a company which is incorporated in the USA. The only group in which the results of the Company are consolidated is that headed by lynda.com, Inc.