

Cengage Learning Services Limited

Annual Report and financial statements

For the year ended 30 June 2011

Registered number: 00929655

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Annual report and financial statements for the year ended 30 June 2011

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Directors' report for the year ended 30 June 2011

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2011

Principal activities

The company transferred its trade and assets to Cengage Learning (EMEA) Limited, a fellow group company, on 31 March 2010 and has not traded since this date. The directors anticipate that the company will not trade for the foreseeable future.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Results and dividends

The profit for the financial year amounted to £nil (2010 – £61,921,000). The directors do not recommend the payment of a final dividend (2010 - £nil). These financial statements reflect the payment of an interim dividend of £36.26 (2010 - £nil) per share, totalling £72,524,000 (2010 - £nil).

Directors

The directors of the company who held office since 1 July 2010 and up to the date of signing the financial statements are named below:

C Bonney
J Jones
C Willcome

Financial risk management

The company has ceased to trade and therefore has limited exposure to financial risk.

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,
- 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.

Directors' report for the year ended 30 June 2011 (continued)

Disclosure of information to auditors

Each of the directors, at the date of signing this report confirm the following

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

On behalf of the board



C Bonney
Director

28 October 2011

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

Independent auditors' report to the members of Cengage Learning Services Limited

We have audited the financial statements of Cengage Learning Services Limited for the year ended 30 June 2011 which comprise the profit and loss account, the balance sheet and the related notes. 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).

Respective responsibilities of directors and auditors

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 International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

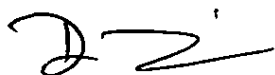
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



David I'Anson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

28 October 2011

Profit and loss account for the year ended 30 June 2011

	Note	2011 £'000	2010 £'000
Turnover	2	-	5,364
Cost of sales		-	(4,398)
Operating profit	3	-	966
Profit on sale of subsidiary	6	-	60,404
Interest receivable and similar income		-	111
Interest payable and similar charges	7	-	(44)
Profit on ordinary activities before tax		-	61,437
Tax on profit on ordinary activities	8	-	484
Profit for the financial year	14	-	61,921

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

All results arise from discontinued operations

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

Balance sheet as at 30 June 2011

	Note	2011 £'000	2010 £'000
Current assets		-	-
Debtors – amounts falling due within one year	10	<u>2,000</u>	<u>74,524</u>
Capital and reserves			
Called up share capital	12	2,000	2,000
Capital contribution reserve	13	-	21,500
Profit and loss account	13	-	51,024
Total shareholders' funds	14	<u>2,000</u>	<u>74,524</u>

The financial statements on pages 5 to 11 were approved by the board of directors on 28 October 2011 and were signed on its behalf by



C Bonney
Director

Notes to the financial statements for the year ended 30 June 2011**1. Accounting policies****Basis of preparation**

The company ceased trading on the 31 March 2010. As a result, under United Kingdom auditing standards, the company is no longer able to present the financial statements on a going concern basis. No adjustments are required or have been made to the financial statements as a result of this change in basis of preparation. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable standards in the United Kingdom. The principal accounting policies that have been applied consistently throughout the year are set out below.

Cash flow statement and related party transactions

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

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

Turnover

Turnover represents revenue receivable and the value of goods supplied and services rendered to customers, net of Value added Tax, and is stated after deduction of trade discounts and commissions. Turnover is recognised either on despatch of goods or when a service is provided.

Operating leases

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

Exceptional items

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

Pension

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

Foreign currency translation

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

Corporation tax

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

Deferred tax

Full provision is made for deferred tax on all timing differences that are not permanent, which have arisen, but not reversed, at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that they are expected to be recoverable out of future profits. Deferred tax is provided for in full on certain timing differences. The deferred tax is not discounted.

Notes to the financial statements for the year ended 30 June 2011 (continued)**2. Turnover**

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

3. Operating profit

Operating profit is stated after charging

	2011 £'000	2010 £'000
Depreciation of tangible fixed assets - owned	-	479
Operating leases		
plant and machinery	-	47
other	-	115
Services provided by company's auditor		
fees payable for audit of the company's financial statements	-	22

The audit fee for the current year was borne by a fellow group company

4. Employee information

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

	2011 Number	2010 Number
By activity		
Selling	-	11
Warehouse	-	23
Administration	-	34
	-	68

	2011 £'000	2010 £'000
Staff costs during the year amounted to		
Wages and salaries	-	2,014
Social security costs	-	215
Other pension cost (note 11)	-	113
	-	2,342

5. Directors' emoluments

	2011 Total £'000	2010 Total £'000
Aggregate emoluments	-	327
Compensation for loss of office	-	30
Pension contributions	-	10
	-	367

There were no directors (2010 – 3) to whom retirement benefits were accruing under a defined contribution scheme for the year

Notes to the financial statements for the year ended 30 June 2011 (continued)

6. Profit on sale of subsidiary

On 30 June 2010, the company's entire investment in Cengage Learning (EMEA) Limited was disposed of to its parent company, Cengage Learning UK Holdings Limited for £74,524,298, resulting in a profit on disposal of £60,404,109

7. Interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable to fellow subsidiary undertakings	-	30
Amortisation of discount on provisions	-	14
	-	44

8. Tax on profit on ordinary activities

The tax credit is based on the results on ordinary activities before taxation and comprises

	2011 £'000	2010 £'000
Deferred taxation charge at 26% (2010 – 28%)		
origination and reversal of timing differences	-	(1)
adjustments to previously estimated recoverable amounts	-	485
Total deferred tax	-	484
Tax on profit on ordinary activities	-	484

The table below reconciles tax calculated at the UK standard rate for corporation tax on the profit on ordinary activities before tax to the actual tax charge recognised in the profit and loss account. The differences were attributed to the following factors

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	-	61,437
Profit on ordinary activities multiplied by the standard rate of corporation tax rate in the UK 28% (2010 – 28%)	-	17,202
Differences attributable to		
Capital disposal to group company	-	(16,913)
Accelerated capital allowances	-	(155)
Other non-deductible charges	-	12
Deferred pension contribution	-	(353)
Losses submitted as group relief	-	207
	-	-

Notes to the financial statements for the year ended 30 June 2011 (continued)

9. Dividends

	2011 £'000	2010 £'000
Equity – Ordinary		
Interim paid £36 26 (2010 £nil) per £1 share	<u>72,524</u>	<u>-</u>

10. Debtors – amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed by parent undertaking	<u>2,000</u>	<u>74,524</u>

Amounts owed by parent undertaking are unsecured, interest free and repayable on demand

11. Pension plan

Defined contribution scheme

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

The total defined contribution pension cost for the company was £nil (2010 - £113,000). There were no contributions outstanding at the year end (2010 - £nil).

12. Called up share capital

	2011 £'000	2010 £'000
Authorised, allotted and fully paid 2,000,100 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

13. Reserves

	Capital contribution reserve £'000	Profit and loss account £'000
At 1 July 2010	21,500	51,024
Dividends (note 9)	(21,500)	(51,024)
At 30 June 2011	<u>-</u>	<u>-</u>

14. Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	-	61,921
Dividends (note 9)	(72,524)	-
Net (reduction) / addition to shareholders funds	<u>(72,524)</u>	<u>61,921</u>
Opening shareholders' funds	74,524	12,603
Closing shareholders' funds	<u>2,000</u>	<u>74,524</u>

Notes to the financial statements for the year ended 30 June 2011 (continued)

15. Company status

The immediate parent company is Cengage Learning UK Holdings Limited

Cengage Learning UK Holdings ("CLUKH") is the parent of the smallest group undertaking for which consolidated financial statements are drawn up and of which the company is a member. CLUKH is incorporated under the laws of the England and Wales.

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

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

Copies of the CLII annual report are available from 200 First Stamford Place, Suite 400, Stamford, CT 06902, USA.