GL Assessment Limited

Directors' report and financial statements

Registered number 1525617

31 December 2011

Contents

Company information

Directors

Adrian Eaglestone
Robert Dargue

Registered Office

9th Floor East
389 Chiswick High Road
London
W4 4AL

Company Secretary

Roxburgh Milkins LLP
Merchants House North
Wapping Road
Bristol
BS1 4RW

Auditor

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities

The principal activities of the Company during the period have continued to be educational and clinical test publishing together with training and consultancy in these areas

Business review

The results for the year are shown in the Profit and Loss Account as set out on page 7

The operating performance during the year saw turnover increase against the previous year to £16 5m from £15 0m

The operating profit for the financial year amounted to £5 6m *(2010 £4 6m)*

Balance sheet

The balance sheet remains strong with net assets of £23 1m *(2010 £17 9m)*

Principal risks

The most significant risk to the company's profitability is the underlying condition of the educational publishing market The board has strategies to manage the risk and remains confident of the continued success of the company

Key Performance Indicators (KPIs)

Management monitor the performance of the operations compared to budget and forecast

KPIs monitored on a daily basis are

- Sales value
- Sales order pipeline

KPIs monitored monthly/weekly are the above plus

- Profit and cash generation
- Product margins
- Labour costs

Future prospects

The directors are confident about the long-term prospects for the Company, which is well established and focussed on the educational market where quality of products and service have an intrinsic value Moreover, the Company's reputation, together with the significant added value provided to customers, further underpins the strength of the business

Careful investment in new product continues to be made where necessary to support or improve the Company's operating performance

Directors' report *(continued)*

Future prospects *(continued)*

The overall qualities of the Company's products and the services, together with the strength of relationships with customers, are anticipated to produce a satisfactory performance in 2012 The results to the date of signing this report are in line with expectations

Dividends

The Directors do not recommend the payment of a dividend *(2010 £nil)*

Directors

The Directors who held office during the year and after the year end were as follows

Adrian Eaglestone
Robert Dargue

No Director had any interest in any contract with the company except as disclosed in these financial statements

Donations

The Company made no political or charitable donations during the year *(2010 £nil)*

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board

A Eaglestone
Director

9th Floor East
389 Chiswick High Road
London
W4 4AL

26 June 2012

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 the affairs of the company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent Auditor's report to the members of GL Assessment Limited

We have audited the financial statements of GL Assessment Limited for the year ended 31 December 2011 set out on pages 7 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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

Independent Auditor's report to the members of GL Assessment Limited *(continued)*

Matters on which we are required to report by exception

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

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

Jeremy Gledhill

Jeremy Gledhill (Senior Statutory Auditor)

For and on behalf of
KPMG Audit Plc (Statutory Auditor)

Chartered Accountants
1 The Embankment
Neville Street
Leeds
West Yorkshire
LS1 4DW

26 June 2012

Profit and loss account
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	2	**16,475**	15,016
Cost of sales		**(4,060)**	(3,818)
Gross profit		**12,415**	11,198
Distribution costs		**(747)**	(742)
Administrative expenses		**(6,029)**	(5,865)
Administrative expenses - recurring		**(6,029)**	(5,659)
- exceptional	4	**-**	(206)
Operating profit	3-4	**5,639**	4,591
Interest receivable and similar income	7	**557**	415
Interest payable and similar charges	8	**(256)**	(485)
Profit on ordinary activities before taxation		**5,940**	4,521
Tax on profit on ordinary activities	9	**(775)**	(566)
Profit for the year	16	**5,165**	3,955

All amounts above relate to continuing operations

The Company has no recognised gains or losses during either the current or previous year other than those recognised in the profit and loss account

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis

Balance sheet
at 31 December 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Intangible assets	*10*		2,384		2,142
			2,384		2,142
Current assets					
Stocks	*11*	725		596	
Debtors	*12*	41,501		32,185	
Cash at bank and in hand		79		37	
		42,305		32,818	
Creditors amounts falling due within one year	*13*	(20,925)		(16,502)	
Net current assets			21,380		16,316
Total assets less current liabilities			23,764		18,458
Provisions for liabilities and charges	*14*		(665)		(524)
Net assets			23,099		17,934
Capital and reserves					
Called up share capital	*15*		10		10
Share premium account	*16*		999		999
Profit and loss account	*16*		22,090		16,925
Shareholders' funds	*17*		23,099		17,934

These financial statements were approved by the board of directors on 26 June 2012 and were signed on its behalf by

A Eaglestone
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

At 31 December 2011, the company was a wholly owned subsidiary of Spire UK Topco Limited, whose consolidated accounts are publicly available The consolidated financial statements of Spire UK Topco Limited, within which this company is included, can be obtained from the address given in note 22 Consequently the Company has taken advantage of the exemption granted by FRS 8 'Related Party Disclosures' and has not disclosed transactions with entities that are part of the Group

Going Concern

The financial statements have been prepared on a going concern basis, as the Directors consider that this is appropriate given the financial position and performance of the Company

Cash flow Statement

In accordance with FRS1 the Company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary undertaking of Spire UK Topco Limited The consolidated financial statements include a consolidated cash flow statement dealing with the cash flows of the Group

Goodwill

Goodwill is stated at cost less amortisation Amortisation is provided on a straight line basis to write off the cost of goodwill over its estimated useful economic life, as follows

Goodwill on company formation	20 years
Goodwill on acquisition of MacMillan Education Assessment and Management List	20 years

These economic lives have been reviewed for impairment in accordance with Financial Reporting Standard 10 ("Goodwill and Intangible Assets") and Financial Reporting Standard 11 ("Impairment of Fixed Assets and Goodwill") The Directors have reviewed the carrying value of goodwill in the period and believe the amounts are recoverable

Tangible fixed assets

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

Land and buildings - 20 years
Fixtures, fittings and equipment - 4 years
Computer, hardware and software - 4 years

Notes *(continued)*

1 Accounting policies *(continued)*

Licence fees

Licence fees are capitalised at their cost and amortised on a straight line basis over the period to which the licence relates

Research and development expenditure

Expenditure on research to identify products which may be developed in the future is charged against the profit and loss account as it is incurred Development costs are stated at the lower of cost and net realisable value and capitalised in the balance sheet in accordance with SSAP 13 where the outcome of these projects is assessed as being reasonably certain as regards viability and technical feasibility Amortisation is provided on a straight line basis over the economic lives of products estimated by the directors to be three years from the date of publication The Directors do not consider that the development costs carried on the balance sheet constitute a realised loss

Pension 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 to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Leases

The rental paid under operating leases is charged to the profit and loss account on a straight line basis over the term of the lease

Stocks

Stocks are stated at the lower of cost and net realisable value

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

2 Turnover

Turnover represents the invoiced amount of goods and services provided during the period, stated net of value added tax Where licences are sold, the associated turnover is recognised over the term of the licence Where online credits are sold, revenue is recognised as the credits are redeemed

Turnover arises from sales originating in the UK to customers predominantly based in the UK

Turnover is attributable to one activity, the publishing of educational, occupational and clinical tests

Notes *(continued)*

3 Notes on the profit and loss account

	2011 £000	2010 £000
Profit on ordinary activities before taxation is stated after charging		
Amortisation of goodwill	**25**	25
Amortisation of development costs	**828**	702
Operating lease rentals	**170**	168

The remuneration of the auditors of £5,000 *(2010 £5,000)* is borne by a fellow group undertaking

4 Exceptional items

	2011 £000	2010 £000
Redundancy costs	**-**	206

Redundancy costs in the prior year related to a restructuring in the Newcastle studio during the year

5 Remuneration of Directors

The remuneration of the Directors has been borne on behalf of the Company by its parent company Granada Learning Limited The remuneration paid to Directors, in respect of qualifying services was £nil *(2010 £nil)*

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 45 *(2010 45)*

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	**1,611**	1,629
Social security costs	**178**	176
Other pension costs	**82**	83
	1,871	1,888

Notes *(continued)*

7 Interest receivable and similar income

	2011 £000	2010 £000
Group undertakings	**557**	415

8 Interest payable and similar charges

	2011 £000	2010 £000
Group undertakings	**256**	485

9 Taxation

	2011 £000	2010 £000
UK Corporation tax		
Current tax on income for the period	**705**	397
Adjustments in respect of prior periods	**29**	129
Total current tax (see below)	**734**	526
Deferred tax		
Origination/reversal of timing differences	**79**	57
Effect of tax rate change	**(38)**	(17)
Tax on profit on ordinary activities	**775**	566

The corporation tax charge for the year is lower *(2010 lower)* to that calculated by applying the standard rate of corporation tax in the UK of 26 49% *(2010 28%)* The differences are set out below

	2011 £000	2010 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**5,940**	4,521
Current tax at 26 49% *(2010 28 %)*	**1,574**	1,266
Effects of		
Timing differences	**(48)**	(4)
Capital allowances for period in excess of depreciation	**(78)**	(59)
Expenses not deductible for tax purposes	**138**	50
Group relief	**(813)**	(809)
Income not taxable for tax purposes	**(68)**	(47)
Adjustment in respect of previous years	**29**	129
	734	526

Notes *(continued)*

10 Intangible fixed assets

	Goodwill £000	Development costs £000	Total £000
Cost			
At beginning of year	1,678	13,125	14,803
Additions	-	1,095	1,095
At end of year	**1,678**	**14,220**	**15,898**
Amortisation and diminution in value			
At beginning of year	1,648	11,013	12,661
Charged in period	25	828	853
At end of year	**1,673**	**11,841**	**13,514**
Net book value			
At 31 December 2011	**5**	**2,379**	**2,384**
At 31 December 2010	30	2,112	2,142

11 Stocks

	2011 £000	2010 £000
Finished goods and goods for resale	**725**	596

12 Debtors

	2011 £000	2010 £000
Amounts owed by group undertakings	**41,472**	32,130
Prepayments and accrued income	**29**	47
Corporation tax	**-**	8
	41,501	32,185

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Amounts owed to group undertakings	**19,305**	15,119
Corporation tax	**209**	-
Accruals and deferred income	**1,411**	1,383
	20,925	16,502

14 Provisions for liabilities and charges

	Dilapidations £'000	Deferred tax £'000	Total £'000
Balance at beginning of year	-	524	524
Charge for the year	100	41	141
Balance at end of year	100	565	665

The current lease at the Swindon offices expires in November 2012 but GL Assessments will extend the lease term for a further five years Thus GL Assessments are building a provision at each balance sheet date to cover the expected cost of dilapidations at the eventual end of the lease term

The elements of deferred taxation are as follows

	2011 £'000	2010 £'000
Accelerated capital allowances	**565**	524

15 Called up share capital

	2011 £	2010 £
Authorised, allotted, called up and fully paid		
10,000 ordinary shares of £1 each	**10,000**	10,000

Notes *(continued)*

16 Statement of reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	999	16,925
Profit for the financial year	-	5,165
At end of year	**999**	**22,090**

17 Reconciliation of movement in shareholders' funds

	2011 £000	2010 £000
Profit for the financial year	**5,165**	3,955
Opening shareholders' funds	**17,934**	13,979
Closing shareholders' funds	**23,099**	17,934

18 Leasing commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 Land and buildings £000	2011 Other £000	2010 Land and buildings £000	2010 Other £000
Operating leases which expire				
Within one year	144	-	11	-
In the second to fifth years inclusive	-	26	156	-
Over five years	-	-	-	-
	144	26	167	-

Notes *(continued)*

19 Pensions

The Company operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £81,482 *(2010 £82,926)* There were no outstanding or prepaid contributions at either the beginning or end of the financial year

20 Related party transactions

The Company has taken advantage of the exemption permitted under Financial Reporting Standard 8 not to disclose details of related party transactions with other wholly owned entities within the group headed by Spire UK Topco Limited

21 Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2011 with other companies in the group headed by Spire UK Topco Limited and the group of companies headed by Crystal UK Topco Limited

The bank has a fixed and floating charge over the assets of the Company to secure the bank loan in Granada Learning Limited

22 Ultimate parent company and parent undertaking of larger group of which the Company is a member

At 31 December 2011 the Company's immediate parent company was Granada Learning Limited, a Company incorporated and registered in England and Wales The Directors consider that VSS Communications Partners IV, L P, a limited partnership registered in the state of Delaware, United States, was the ultimate parent undertaking of the Company at 31 December 2011

The largest and smallest group in which the results of the Company are consolidated is that headed by Spire UK Topco Limited The consolidated accounts of Spire UK Topco Limited are available to the public and may be obtained from the Company Secretary, c/o Roxburgh Milkins LLP, Merchants House North, Bristol, United Kingdom, B21 4RW

23 Subsequent Events

On 15 March 2012, the entire share capital of Spire UK Topco Limited was sold to Assessment Bidco UK Limited The Directors consider that Investcorp Securities Limited is the ultimate parent undertaking of the Company