

McGraw-Hill Education (Denmark) ApS

Galionsvej 37, 1437 København K

CVR no. 29 21 35 50



Annual report 2015

Approved at the annual general meeting of shareholders on

Chairman: 31/5-16

Diana Venø

Diana Venø

EY

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of McGraw-Hill Education (Denmark) ApS for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 24 May 2016
Executive Board:


Nathan James Olson


David Jack Kraut


Christopher Phillip Knight



Independent auditors' report on the financial statements

To the shareholders of McGraw-Hill Education (Denmark) ApS

We have audited the financial statements of McGraw-Hill Education (Denmark) ApS for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Copenhagen, 24 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Lars Hansen
state authorised public accountant



Management's review

Name
Address, Postal code, City

McGraw-Hill Education (Denmark) ApS
Galionsvej 37, 1437 København K

CVR No.
Financial year

29 21 35 50
1 January - 31 December

Executive Board

Nathan James Olson
David Jack Kraut
Christopher Phillip Knight

Auditors

Ernst & Young Godkendt Revisionspartnerselskab
Osvold Helmuhs Vej 4, P O Box 250, 2000 Frederiksberg,
Denmark



Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015 12 months	2014 7 months
	Gross profit	49,096,588	22,881,685
3	Staff costs	-4,446,566	-2,778,835
	Operating profit	44,650,022	20,102,850
	Income/loss from investments in group entities	-83,046	5,120
	Financial income	3,929,833	580,787
	Financial expenses	-22,577	-110,486
	Profit before tax	48,474,232	20,578,271
	Tax for the year	-1,014,180	-1,104,424
	Profit/loss for the period	47,460,052	19,473,847
	Proposed profit appropriation		
	Retained earnings	47,460,052	19,473,847
		47,460,052	19,473,847



Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	ASSETS		
	Current assets		
	Receivables		
	Receivables from group entities	77,757,041	17,663,291
	Other receivables	620,794	1,054,294
		<u>78,377,835</u>	<u>18,717,585</u>
	Cash	6,449,003	2,892,510
	Total current assets	<u>84,826,838</u>	<u>21,610,095</u>
	TOTAL ASSETS	<u>84,826,838</u>	<u>21,610,095</u>
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	125,000	125,000
	Retained earnings	67,242,738	19,782,686
	Total equity	<u>67,367,738</u>	<u>19,907,686</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	123,748	100,000
	Payables to group entities	16,294,457	0
	Income taxes payable	258,923	819,729
	Other payables	781,972	782,680
		<u>17,459,100</u>	<u>1,702,409</u>
	Total liabilities other than provisions	<u>17,459,100</u>	<u>1,702,409</u>
	TOTAL EQUITY AND LIABILITIES	<u>84,826,838</u>	<u>21,610,095</u>

- 1 Accounting policies
- 2 The Company's principal activities
- 6 Contractual obligations and contingencies, etc.
- 7 Related parties



Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2015	125,000	19,782,686	19,907,686
Profit/loss for the year	0	47,460,052	47,460,052
Equity at 31 December 2015	<u>125,000</u>	<u>67,242,738</u>	<u>67,367,738</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of McGraw Hill Education (Denmark) ApS 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act pertaining to B enterprises.

In pursuance of section 43 A of the Danish Financial Statements Act, the Company has chosen to include investments in Group companies by the equity method.

The accounting policies are unchanged compared with last year.

Recognition and measurement in general

Earnings are recognised in the income statement as they are realised, including any value adjustments of financial assets and liabilities. In the income statement all costs, including depreciation, amortisation and write-downs, are also entered.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and reliable measurement of the value of the asset is possible.

Liabilities are entered in the balance sheet when it is probable that future economic benefits will flow out of the Company and reliable measurement of the value of the liability is possible.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below in respect of each individual item.

Recognition and measurement take into account anticipated losses and risks that arise before the time of presentation of the Annual Report and that confirm or invalidate affairs and conditions existing at the balance sheet date.

The carrying amount of intangible and tangible fixed assets is reviewed every year to check for impairments other than as expressed through the ordinary depreciation and amortisation. If an asset has suffered additional impairment, the asset is written down to the lower recoverable value.

Reporting currency

The financial statements are presented in Danish kroner.

Foreign currency translation

Transactions denominated in foreign currencies are translated using the exchange rate ruling on the transaction day. Any exchange differences between the exchange rate ruling on the balance sheet day and the payment day are entered in the income statement under Net financials.

If currency positions have the purpose of hedging future cash flows, the value adjustments are recognised directly in equity.

Receivables, debt and other monetary items in foreign currencies, which are not settled on the balance sheet day, are measured at the exchange rate ruling on the balance sheet day. The differences between the exchange rate ruling on the balance sheet day and the exchange rate ruling at the time of the coming into existence of the receivable or debt are recognised in the income statement under financial income and expenses.

Non-current assets purchased in foreign currencies are translated using the rates prevailing at the transaction date.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of services is recognised in the income statement as the services are delivered if the income can be measured reliably and is expected to be received.

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue from time-limited software licences is accrued and recognised on a straight-line basis over the term of the licence according to the licence agreement in question.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

In pursuance of section 32(1) of the Danish Financial Statements Act, the first item in the Income Statement is the Gross profit. The item Gross profit covers the following items: Net sales, Cost of sales and Other operating income.

Other external expenses

Other external expenses comprise costs for distribution, sales, advertising, administration, premises, bad debts, operating lease costs etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts that concern the financial year. Net financials include interest income and interest expenses, realised and unrealised capital gains and losses on securities, debt and transactions in foreign currency as well as additions and tax allowances regarding corporation tax.

Tax

The Company is jointly taxed with other Group companies. The current corporation tax is divided between the jointly taxed companies pro rata to their taxable incomes. The parent company is the management company for the joint taxation, meaning that it handles the tax payments to the Danish tax authorities.

Being made up of the year's current tax and any changes in the deferred tax of the Company, tax for the year is entered in the income statement with the part which is related to the profit/(loss) for the year, and directly on equity for the part which is related to items directly affecting equity.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Investments in group entities and associates

The relevant proportion of the individual subsidiary's profit/(loss) is recognised in the income statement. Investments in these companies are recognised in the balance sheet at their proportionate share of the companies' equity value.

Subsidiaries with a negative equity value are measured at DKK 0 and any receivables from these companies are written down by the parent company's share of the negative equity value, to the extent they are found to be uncollectible. If the negative equity value exceeds the receivables, the remaining amount is recognised under provisions to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the subsidiary.

Total net revaluations of investments in subsidiaries and Group companies are transferred to the net revaluation reserve according to the equity method under equity. The reserve is reduced by dividend distributions for the parent company and adjusted by other changes in equity in the subsidiaries and the associates.

Newly acquired or established companies are included in the Annual Report from the time of acquisition or establishment. Companies that have been sold or wound up are included until the time of sale or winding-up.

Receivables

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Corporation tax

Current tax liabilities and tax receivables are entered in the balance sheet as tax calculated on the year's taxable income, based on the current tax rate, and adjusted for tax on taxable income for previous years and for taxes paid on account.

Deferred tax is measured by the liability method concerning temporary differences between the carrying value and tax value of assets and liabilities, calculated based on the planned use of the assets and the payment of the liability.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are measured at the value at which the asset is expected to be realisable, either through elimination in tax on future earnings or through offsetting in deferred tax liabilities in the same legal tax unit. Any deferred net tax assets are measured at their net realisable values.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured based on the tax rules and tax rates applicable in pursuance of the legislation in force on the balance sheet date when the deferred tax is expected to become payable as current tax. Any change in deferred tax as a consequence of changes in tax rates are recognised in the income statement.

Liabilities

Liabilities are measured at amortised cost, corresponding to their nominal values.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 The Company's principal activities

The Company's primary activity is to carry on production, trade, services and consultancy activities as well as other activities related therewith.

DKK	2015 12 months	2014 7 months
3 Staff costs		
Wages/salaries	4,346,503	2,767,559
Pensions	2,000	11,276
Other staff costs	98,063	0
	<u>4,446,566</u>	<u>2,778,835</u>

4 Investments

DKK	Legal form	Domicile	Interest	Profit/loss
Subsidiaries				
MHE DK II ApS	ApS	Copenhagen	100.00 %	0

MHE DK II ApS has been liquidated in 2016.

DKK	Profit/loss

DKK	2015	2014
5 Share capital		
The share capital consists of the following:		
125 shares of DKK 1,000.00 each	125,000	125,000
	<u>125,000</u>	<u>125,000</u>

The Company's share capital has remained DKK 125,000 over the past 5 years.

6 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with MHE DK II ApS. The Company is the administration company for the joint taxation. As a group entity, the Company has joint and several unlimited liability for Danish corporation taxes as well as withholding taxes on interest, royalties and dividends. At 31 December 2015. Any subsequent corrections of the taxable income subject to joint taxation may entail that the Company's liability will increase. Subsequent to 31 December 2015, MHE DK II ApS has been liquidated.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Related parties

McGraw-Hill Education (Denmark) ApS' related parties comprise the following:

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent's consolidated financial statements</u>
McGraw-Hill Global Education Intermediate Holdings, LLC	New York	2 Penn Plaza, New York City, New York 10121, USA