

# McGraw-Hill Education (Denmark) ApS

Njalsgade 76, 4., 2300 København S

CVR no. 29 21 35 50

## Annual report 2023/24

Approved at the Company's annual general meeting on 11 October 2024

Chair of the meeting:

.....  
Karol Organisciak

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## Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of McGraw-Hill Education (Denmark) ApS for the financial year 1 April 2023 - 31 March 2024.

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 financial position of the Company at 31 March 2024 and of the results of the Company's operations for the financial year 1 April 2023 - 31 March 2024.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 11 October 2024  
Executive Board:

.....  
Christopher Phillip Knight

.....  
Brian Richter

.....  
Ian Edward White

## Independent auditor's report

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

### Opinion

We have audited the financial statements of McGraw-Hill Education (Denmark) ApS for the financial year 1 April 2023 - 31 March 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2024 and of the results of the Company's operations for the financial year 1 April 2023 - 31 March 2024 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### Emphasis of matter in the financial statements

We draw attention to note 2 to the financial statements, which describes the material uncertainty associated with the outcome of legal proceedings instituted by the Danish tax authorities against the Company.

We have not modified our opinion in respect of this matter.

### Management's responsibilities 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 as Management determines 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, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's 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 and the additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 11 October 2024  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Henrik Pedersen  
State Authorised Public Accountant  
mne35456

Morten Vedel-Ritter  
State Authorised Public Accountant  
mne50639

## Management's review

### Company details

Name	McGraw-Hill Education (Denmark) ApS
Address, Postal code, City	Njalsgade 76, 4., 2300 København S
CVR no.	29 21 35 50
Established	21 December 2005
Registered office	København
Financial year	1 April 2023 - 31 March 2024
Executive Board	Christopher Phillip Knight Brian Richter Ian Edward White
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

## Management's review

### Business review

The Company's primary activity is to provide services and consultancy activities to group related companies.

### Recognition and measurement uncertainties

Material recognition and measurement uncertainties relates to "Deferred tax assets" and "Income taxes receivable", and occurs due to a dispute with the Danish Tax Authorities:

In August 2017, the Danish Tax Authorities initiated an audit of the Company's transfer pricing agreements in the period between 2014-2019. The tax-audit relates to two topics;

- Taxation of Royalty-income
- Exit taxation.

In September 2021 the Danish Tax Authorities released their ruling regarding the royalty income for period 2014-2016 and the Exit-taxation, which stated that both topics was subject to tax.

The company disagrees with ruling from September 2021 by the Danish Tax Authorities and has in December 2021, appealed the ruling to the Danish Tax Appeals Agency and challenged the positions of the Danish Tax Authorities.

In February 2022, the company deposited the full tax claim and paid interest related to the ruling, due to interest charges that apply to the claim during deferral.

As of September 2024, the court date for the appeal have not been set. The company does not expect the appeal to be concluded within a year from 31 March 2024.

#### *Accounts affected by the uncertainties from the tax dispute:*

- Deferred tax assets: As of 31 March 2024, the full deposited tax claims remain unchanged from prior year and amounts to DKK 148.7 million (deposited in February 2022). Recognition and measurement has been made based on the fact that the company's legal counsel assess it to be more likely than not, that the company will obtain a favorable ruling with regards to the appeal.

- Income taxes receivable: In the financial year 2022/23, the company identified and corrected material misstatements related to overstated revenue recognition in prior years. The overstatement of income tax related to these corrections amounted to DKK 26,9 million, which were capitalized within Income taxes receivable. The capitalization of 26,9 million remain unchanged at 31 March 2024. The company has not yet applied the Danish Tax Authorities for reopening of prior year tax filing. Furthermore - within Income taxes receivable - the company has capitalized DKK 7,1 million relating to an objection from the company regarding the ruling of Taxation of Royalty-income.

The outcome of the appeal and the reopening of prior year tax filing is in its nature connected with uncertainty, and recognition and measurement of the above-mentioned accounts, is therefore associated with material uncertainty. Management assess that the appeal of the tax dispute will influent all tax matters mentioned above.

### Financial review

The income statement for 2023/24 shows a loss of DKK 3,023 thousand against a loss of DKK 2,938 thousand last year, and the balance sheet at 31 March 2024 shows equity of DKK 187,939 thousand.

Management assess the result for the year to be unsatisfactory.

The parent company, McGraw-Hill LLC has in October 2023 converted DKK 200 million of the intercompany loan to equity, by issuance of 1 share of nominal DKK 1 and DKK 199,999,999 as share premium.

### Events after the balance sheet date

No events have occurred which materially affected the assessment of the annual report after the balance sheetdate

## Financial statements 1 April 2023 - 31 March 2024

### Income statement

Note	DKK'000	2023/24	2022/23
	Gross profit	6,763	7,161
3	Staff costs	-5,686	-5,880
	Depreciation of property, plant and equipment	-10	-20
	Profit before net financials	1,067	1,261
	Financial expenses	-5,437	-3,861
	Profit/loss before tax	-4,370	-2,600
4	Tax for the year	1,347	-338
	Profit/loss for the period	-3,023	-2,938
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-3,023	-2,938
		-3,023	-2,938

## Financial statements 1 April 2023 - 31 March 2024

### Balance sheet

Note	DKK'000	2023/24	2022/23
	<b>ASSETS</b>		
	Fixed assets		
	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	0	10
		<u>0</u>	<u>10</u>
	Total fixed assets	<u>0</u>	<u>10</u>
	Non-fixed assets		
	Receivables		
	Receivables from group entities	6,467	602
6	Deferred tax assets	149,792	148,732
	Income taxes receivable	35,521	39,918
	Other receivables	1,515	920
		<u>193,295</u>	<u>190,172</u>
	Cash	5,252	4,269
	Total non-fixed assets	<u>198,547</u>	<u>194,441</u>
	<b>TOTAL ASSETS</b>	<u>198,547</u>	<u>194,451</u>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
5	Share capital	125	125
	Retained earnings	187,814	-9,163
	Total equity	<u>187,939</u>	<u>-9,038</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	849	1,153
	Payables to group entities	8,777	201,324
	Other payables	982	1,012
		<u>10,608</u>	<u>203,489</u>
	Total liabilities other than provisions	<u>10,608</u>	<u>203,489</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>198,547</u>	<u>194,451</u>

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 7 Contractual obligations and contingencies, etc.
- 8 Contingent assets
- 9 Related parties

## Financial statements 1 April 2023 - 31 March 2024

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 April 2023	125	-9,163	-9,038
Capital increase	0	200,000	200,000
Transfer through appropriation of loss	0	-3,023	-3,023
Equity at 31 March 2024	125	187,814	187,939

The parent company, McGraw-Hill LLC has in October 2023 converted DKK 200 mio. of the intercompany loan to equity, by issuance of 1 share of nominal DKK 1 and DKK 199,999,999 as sharepremium.

## Financial statements 1 April 2023 - 31 March 2024

### Notes to the financial statements

#### 1 Accounting policies

The annual report of McGraw-Hill Education (Denmark) ApS for 2023/24 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

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.

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

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

##### Gross profit

The items revenue and other external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

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

##### Depreciation

The item comprises depreciation of property, plant and equipment.

## Financial statements 1 April 2023 - 31 March 2024

### Notes to the financial statements

#### 1 Accounting policies (continued)

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
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Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

#### Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

#### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

##### Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

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

Impairment losses 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.

## Financial statements 1 April 2023 - 31 March 2024

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash

Cash comprise bank deposits.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

## Financial statements 1 April 2023 - 31 March 2024

### Notes to the financial statements

#### 2 Recognition and measurement uncertainties

Material recognition and measurement uncertainties relates to "Deferred tax assets" and "Income taxes receivable", and occurs due to a dispute with the Danish Tax Authorities:

In August 2017, the Danish Tax Authorities initiated an audit of the Company's transfer pricing agreements in the period between 2014-2019. The tax-audit relates to two topics;

- Taxation of Royalty-income
- Exit taxation.

In September 2021 the Danish Tax Authorities released their ruling regarding the royalty income for period 2014-2016 and the Exit-taxation, which stated that both topics was subject to tax.

The company disagrees with ruling from September 2021 by the Danish Tax Authorities and has in December 2021, appealed the ruling to the Danish Tax Appeals Agency and challenged the positions of the Danish Tax Authorities.

In February 2022, the company deposited the full tax claim and paid interest related to the ruling, due to interest charges that apply to the claim during deferral.

As of September 2024, the court date for the appeal have not been set. The company does not expect the appeal to be concluded within a year from 31 March 2024.

*Accounts affected by the uncertainties from the tax dispute:*

- Deferred tax assets: As of 31 March 2024, the full deposited tax claims remain unchanged from prior year and amounts to DKK 148.7 million (deposited in February 2022). Recognition and measurement has been made based on the fact that the company's legal counsel assess it to be more likely than not, that the company will obtain a favorable ruling with regards to the appeal.

- Income taxes receivable: In the financial year 2022/23, the company identified and corrected material misstatements related to overstated revenue recognition in prior years. The overstatement of income tax related to these corrections amounted to DKK 26,9 million, which were capitalized within Income taxes receivable. The capitalization of 26,9 million remain unchanged at 31 March 2024. The company has not yet applied the Danish Tax Authorities for reopening of prior year tax filing. Furthermore - within Income taxes receivable - the company has capitalized DKK 7,1 million relating to an objection from the company regarding the ruling of Taxation of Royalty-income.

The outcome of the appeal and the reopening of prior year tax filing is in its nature connected with uncertainty, and recognition and measurement of the above-mentioned accounts, is therefore associated with material uncertainty. Management assess that the appeal of the tax dispute will influent all tax matters mentioned above.

DKK'000	2023/24	2022/23
3 Staff costs		
Wages/salaries	5,217	5,417
Pensions	469	463
	<u>5,686</u>	<u>5,880</u>
Average number of full-time employees	<u>7</u>	<u>7</u>
4 Tax for the year		
Estimated tax charge for the year	0	337
Deferred tax adjustments in the year	-816	1
Tax adjustments, prior years	-531	0
	<u>-1,347</u>	<u>338</u>

## Financial statements 1 April 2023 - 31 March 2024

### Notes to the financial statements

#### 5 Share capital

The parent company, McGraw-Hill LLC has in October 2023 converted DKK 200 million of the intercompany loan to equity, by issuance of 1 share of nominal DKK 1 and DKK 199,999,999 as share premium. The share capital has therefore increased from a nominal amount of DKK 125,000 to a nominal amount of DKK 125,001.

#### 6 Deferred tax

Deferred tax primarily consists of deposits of tax in relation to exit-taxation in the dispute with the Danish tax authorities. As of 31 March 2024, the tax deposit remains unchanged from prior year and amounts to DKK 148.7 million and relates to Exit-taxation. The company does not expect the appeal to be concluded within a year from 31 March 2024. Refer to note 2 for further explanation.

#### 7 Contractual obligations and contingencies, etc.

##### Other financial obligations

##### Other rent liabilities:

DKK'000	2023/24
Rent liabilities	48

Rent liabilities include a rent obligation totalling DKK 48,631. The rent agreement is terminable at any time during the entire rental period with 3 months' written notice.

#### 8 Contingent assets

As previously mentioned in management review and note 2, the Company made corrections of material misstatement from prior year in the annual report 2022/23.

Correction of revenue for the period 1 January - 31 December 2019 were part of the total material misstatement that were corrected. Management have assessed not to recognize receivable income tax related to corrections in the above-mentioned period, as the period is part of the ongoing tax case as mentioned in note 2. Management will however pursue the receivable income tax in respect hereof amounting to DKK 3,262 thousand as of 31 March 2024.

#### 9 Related parties

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
McGraw Hill LLC	8787 Orion Place, Columbus, Ohio, 43240, USA.	Please contact the parent company