Pearson College Limited

Registered Number	07967446
Annual Report and Financial Statements	
For the Year Ended	31 December 2015

Registered address
80 Strand London WC2R 0RL

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COMPANIES HOUSE

Pearson College Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Pearson College Limited (the 'company') for the year ended 31 December 2015

The company has taken exemption from preparing a Strategic Report in accordance with s414B of the Companies Act 2006 relating to small companies

During the year the company transitioned from UK GAAP to FRS 101 Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard The company's parent undertaking Longman Group (Overseas Holdings) Limited was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions There were no material adjustments on the adoption of FRS 101

Dividends
In accordance with the company's articles of association, no dividends will be paid

Directors
The directors who held office during the year and up to the date of signing the financial statements are given below
P Williams (Appointed 1 November 2015)
K Bristow
C Scobie (Appointed 23 January 2015)
C Sheret
S Johnson (Resigned 31 October 2015)
V Lockie (Resigned 23 January 2015)

Qualifying third party indemnity provisions and liability insurance
As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors and officers

Financial risk management
From the perspective of the company, financial risk management is integrated with the financial risk management of the consolidated financial statements of Pearson plc (the "group") and is not managed separately Accordingly, the financial risk management of Pearson plc, which includes that of the company, is discussed in the group's annual report which does not form part of this report

Pearson College Limited

DIRECTORS' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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

In the case of each of the persons who are directors at the time when the report is approved, the following applies

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make him/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

P Williams
Director

16 June 2016

Company registered number
07967446

Pearson College Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARSON COLLEGE LIMITED

Report on the financial statements

Our opinion

In our opinion, Pearson College Limited's financial statements (the "financial statements")

• give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss 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

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise

• the Balance sheet as at 31 December 2015,

• the Profit and loss account and the Statement of comprehensive income for the year then ended,

• the Statement of changes in equity 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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

Opinion on other matters 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

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 from preparing a strategic report We have no exceptions to report arising from this responsibility

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARSON COLLEGE LIMITED

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 International Standards on Auditing (UK and Ireland) ("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

What an audit of financial statements involves

We conducted our audit in accordance with 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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

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

CSchroeder

Catherine Schroeder (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date 16 June 2016

Pearson College Limited

PROFIT AND LOSS ACCOUNT
For the year ended
31 December 2015

Continuing operations	Note	2015 £'000	2014 £'000
Turnover	3	**998**	609
Cost of sales		**(543)**	(398)
Gross profit		**455**	211
Administrative expenses		**(5,492)**	(6,519)
Loss on ordinary activities before taxation	4	**(5,037)**	(6,308)
Tax on loss on ordinary activities	7	**852**	945
Loss for the financial year		**(4,185)**	(5,363)

Pearson College Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended :
31 December 2015

	2015	2014
	£'000	£'000
Loss for the financial year	(4,185)	(5,363)
Total comprehensive expense for the year	(4,185)	(5,363)

Pearson College Limited

BALANCE SHEET
As at:
31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	8	**1,131**	490
Tangible assets	9	**45**	0
Investments	10	**609**	1,402
		1,785	1,892
Current assets			
Debtors	11	**3,870**	1,347
		3,870	1,347
Creditors: amounts falling due within one year	12	**(21,858)**	(15,257)
Net current liabilities		**(17,988)**	(13,910)
Net liabilities		**(16,203)**	(12,018)
Capital and reserves			
Called up share capital	14	**1**	1
Profit and loss account		**(16,204)**	(12,019)
Total shareholders' funds		**(16,203)**	(12,018)

For the year ended 31 December 2015

- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of the financial statements

The financial statements on pages 6 to 31 were approved by the board of directors and authorised for issue on 16 June 2016 They were signed on its behalf by

P Williams
Director

Pearson College Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended
31 December 2015

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2014	1	(6,656)	**(6,655)**
Loss for the financial year	0	(5,363)	**(5,363)**
Total comprehensive expense for the year	0	(5,363)	**(5,363)**
At 31 December 2014	1	(12,019)	**(12,018)**
Loss for the financial year	0	(4,185)	**(4,185)**
Total comprehensive expense for the year	0	(4,185)	**(4,185)**
At 31 December 2015	**1**	**(16,204)**	**(16,203)**

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended
31 December 2015

1
Accounting policies
The principal accounting policies are set out below These policies have been consistently applied to all the years presented

Basis of preparation
Pearson College Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 The address of its registered office is 80 Strand, London WC2R 0RL The nature of the company's principal activities are the education and training for the benefit of the public in the United Kingdom

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council Accordingly, in the year ended 31 December 2015, the company has changed its accounting framework from UK GAAP to FRS 101 (Financial Reporting Standard 101 Reduced Disclosure Framework) as issued by the Financial Reporting Council There were no material adjustments required to restate the prior year financial statements on adoption of FRS 101 in the current year

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the company's accounting policies For areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, see note 2

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101 Where required, equivalent disclosures are given in the group financial statements of Pearson plc

a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of
   (i) paragraph 79(a)(iv) of IAS 1,
   (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment,
   (iii) paragraph 118(e) of IAS 38 Intangible Assets,
b) the requirements of paragraphs 10(d), 16, 38(a) and 111 of IAS 1 Presentation of Financial Statements,
c) the requirements of IAS 7 Statement of Cash Flows,
d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,
e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures, and
f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a

The balance sheet as at 31 December 2014, and the corresponding creditors footnote, includes a revision of £4,286,000 to reclassify an inter-company loan from non-current to current which the company believes better reflects the terms of the arrangement

The company believes that the revision is not material to the set of financial statements taken as a whole

Consolidation
The company is a wholly owned subsidiary of Longman Group (Overseas Holdings) Limited and is included in the consolidated financial statements of Pearson plc which are publically available Consequently the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements

These financial statements are separate financial statements

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended
31 December 2015

Going concern
The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Pearson plc The directors have received confirmation that Pearson plc intends to support the company for the foreseeable future after these financial statements are signed The company is forecasted to be profitable in the medium term

Foreign currency translation
The financial statements are presented in pounds sterling (£) which is also the company's functional currency

Transactions in currencies other than the functional currency are recorded using the exchange rates prevailing at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

Revenue recognition
Revenue represents the invoiced value of services supplied, net of discounts, from the development and administration of qualifications in business and enterprise Revenue is recognised over the period the qualification is delivered by applying the stage of completion basis Revenue that is recognised ahead of billings are shown as accrued income

Current and deferred income tax
Current tax is recognised on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of tax assets and liabilities and their carrying amounts Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Intangible assets
Software - Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the company expects economic benefits from the development Capitalisation in the application development stage begins once the company can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software Internally developed software is amortised on a straight-line basis over its estimated useful life of 5 years

Product development costs that are the direct costs incurred in the development of educational programmes prior to their use Product development costs are regarded as an internally generated current intangible asset and as such are be capitalised and recognised as an asset when it is probable that future economic benefits that are attributable to the asset will flow to the operating company and the cost of the asset can be measured reliably Product development costs, once in use, are amortised and on a straight line basis over their useful life of 5 years

Tangible fixed assets
Tangible fixed assets are stated at historical cost less depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows

Fixtures and fittings - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period

The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount

Impairment of non-financial assets
An impairment loss is recognised to the extent that the carrying value of assets exceeds the recoverable amount The recoverable amount is the higher of the fair value less costs to sell and value in use Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

Investment in subsidiaries
Investments in subsidiaries are held at cost less accumulated impairment losses

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provisions for bad and doubtful debts and anticipated future sales returns

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short-term investments with maturities of three months or less Overdrafts are included in borrowings in current liabilities in the balance sheet

Creditors
Creditors are recognised initially at fair value and subsequently measured at amortised cost

Pensions
The company participates in the Pearson Group Pension Scheme This is a hybrid with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities

The company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme owing to information regarding non-active members and changes to the group structure including acquisitions and disposals There is no contractual agreement or stated policy for charging the net defined benefit cost In accordance with IAS 19 Employee Benefits (2011), the company recognises a cost equal to its contribution payable for the period The sponsoring entity to this scheme is Pearson Services Limited

Share capital
Ordinary shares are classified as equity

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended :
31 December 2015

2

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant Actual results may differ from these estimates The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

Critical judgements in applying the company's accounting policies

The critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies that have the a significant effect on the amounts recognised in the financial statements are

Impairment of intangible assets

The company makes a judgement on the recoverable value of its intangible assets When assessing impairment of the assets, management considers factors including the historic performance, approved budgets and future cash flow projections as well as any operational aspects affecting the recoverable value

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are

Useful economic life

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives based on the future economic benefit of the asset The useful economic lives are re-assessed annually They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and other sales factors See intangible assets note for the carrying amount and for the useful economic lives for each class of assets

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended :
31 December 2015

3
Turnover

	2015	2014
Continuing operations	**£'000**	£'000
Provision of services	**998**	609

Turnover by class of business is as follows	2015	2014
	£'000	£'000
Educational Services	**998**	609

The principal activity of the company continues to be that of integrated educational services The directors view this as one class of business

Turnover by geographical market is as follows	2015	2014
	£'000	£'000
United Kingdom	**998**	609

4

Loss on ordinary activities before taxation

Operating loss is stated after charging/(crediting)	**2015**	2014
	£'000	£'000
Staff costs	**2,566**	2,194
Audit fees payable to the company's auditors		
- Fees payable for the audit	**0**	25
- Prior year audit fee (over)/under accrued	**(25)**	36
Impairment of fixed asset investments	**793**	1,811
Amortisation of intangible product development included in other operating expenses		
- internally generated	**33**	84
Property Rental Costs	**76**	461

Fees paid to the company's auditors, PricewaterhouseCoopers LLP, and its associates for services other than the statutory audit of the company are not disclosed in the company's financial statements since the consolidated financial statement of the company's ultimate parent company, Pearson plc, is required to disclose non-audit fees on a consolidated basis

During 2015 it was determined that audit fees for the statutory audit for 2014 onwards would be charged to another group undertaking No fees have been reflected within operating costs in the current year, and the prior year accrual for audit fees has been reversed in the current year on this basis Audit fees in relation to the company and borne by another group entity for the year ended 31 December 2015 were £30,000 (2014 £25,000 as included in the prior year and reversed in the current year above)

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended :
31 December 2015

5
Staff costs

Staff costs	2015 £'000	2014 £'000
Wages and salaries	**2,064**	1,753
Social security costs	**231**	204
Other pension costs	**272**	237
	2,566	2,194

Average monthly number of persons employed by the company during the year	2015 Number	2014 Number
Production	**5**	5
Selling and distribution	**14**	9
Administration	**13**	9
	31	23

6
Directors' remuneration

The emoluments of the directors are paid by their employing company, another group undertaking The directors' services to this company and to a number of fellow subsidiaries are chiefly of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to their employing company Accordingly, the financial statements include no emoluments in respect of the directors

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended
31 December 2015

7
Tax on loss on ordinary activities

	2015	2014
	£'000	£'000
Current tax		
UK corporation tax on profits/(losses) for the year	803	942
Adjustments in respect of prior years	31	5
Total current tax	834	947
Deferred tax		
Origination and reversal of temporary differences	(11)	(2)
Adjustments in respect of prior years	29	0
Total deferred tax	18	(2)
Total tax on loss on ordinary activities	852	945
UK standard effective rate of corporation tax (%)	20 25	21 50

The credit for the year can be reconciled to the profit in the profit and loss account as follows

	2015	2014
	£'000	£'000
Loss on ordinary activities before tax	5,037	6,308
Tax on loss on ordinary activities at standard UK corporation tax rate of 20 25% (2014 21 50%)	1,020	1,356
Effects of		
Expenses not deductible for tax purposes	65	(27)
Adjustments in respect of prior years	60	5
Change in tax laws and rates	(3)	0
Impairment of investment	(290)	(389)
Total tax credit for the year	852	945

The standard rate of UK corporation tax changed from 21% to 20% with effect from 1 April 2015 Accordingly, the company's profits for this financial year have been taxed at an effective rate of 20 25%

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 The change announced is to reduce the main rate to 17% from 1 April 2020 Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be negligible

8
Intangible assets

	Product Development	Software	Total
		£'000	£'000
Cost			
At 1 January 2015	699	0	699
Additions - internal development	546	0	546
Additions - purchased	0	128	128
At 31 December 2015	**1,245**	**128**	**1,373**
Accumulated Amortisation			
At 1 January 2015	209	0	209
Charge for the year	33	0	33
At 31 December 2015	**242**	**0**	**242**
Net book value			
At 31 December 2014	490	0	490
At 31 December 2015	**1,003**	**128**	**1,131**

Product Development
Costs relating to the development of course material and content The useful economic life is estimated as 5 years Product development includes costs of £808k relating to assets under construction

Software
Software relates to a student information package to aid student registration, invoicing and interfacing The useful economic life is estimated as 5 years

9
Tangible assets

	Fixtures and fittings £'000	Total £'000
Cost or valuation		
At 1 January 2015	0	0
Additions	45	45
At 31 December 2015	**45**	**45**
Accumulated Depreciation		
At 1 January 2015	0	0
At 31 December 2015	**0**	**0**
Net book value		
At 31 December 2014	0	0
At 31 December 2015	**45**	**45**

10 Investments

	2015	2014
	£'000	£'000
Subsidiary undertakings	609	1,402

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended
31 December 2015

10a
Investments - subsidiary undertakings

	£'000
Cost	
At 1 January 2015	4,636
At 31 December 2015	**4,636**
Provision	
At 1 January 2015	3,234
Charge in the year	793
At 31 December 2015	**4,027**
Net book value	
At 31 December 2014	1,402
At 31 December 2015	**609**

Details of subsidiary undertakings

			2015	2014
Subsidiary	**Class of shares held**	**Place of incorporation**	**% held**	% held
Escape Studios Limited	Ordinary and 'A' Ordinary	England and Wales	**100%**	100%

Investments in subsidiaries are stated at cost less provision for impairment

The directors believe that the carrying value of the investment is supported by their underlying assets, as such, the impairment was calculated based on the net asset value of Escape Studios Limited as at 31 December 2015

11
Debtors

	2015	2014
	£'000	£'000
Amounts falling due within one year		
Trade debtors	**1,218**	155
Amounts owed by group undertakings	**2,157**	948
Deferred taxation	**32**	14
Other debtors	**11**	0
Prepayments and accrued income	**452**	230
Total debtors	**3,870**	1,347

Amounts owed by group undertakings are unsecured, interest free and payable on demand

12
Creditors amounts falling due within one year

	2015	2014
	£'000	£'000
Amounts falling due within one year		
Bank loans and overdrafts	**16,505**	7,045
Trade creditors	**73**	157
Amounts owed to group undertakings	**4,678**	7,752
Other creditors	**0**	3
Accruals and deferred income	**602**	300
	21,858	15,257

Amounts owed to group undertakings are unsecured, interest free and payable on demand

Amounts owed to group undertakings as at 31 December 2014 has been revised as described within the basis of preparation in note 1

13
Deferred taxation

Asset	Timing Differences £'000	Total £'000
At 1 January 2015	14	14
Charged to profit and loss	18	18
At 31 December 2015	**32**	**32**

The deferred tax asset ıs a result of accelerated capıtal allowances and tımeıng dıfferences, whıch are expected to be recovered ın the future

14
Called up share capital

	2015	2014
	£'000	£'000
Total share capital	**1**	1

	2015	2014	2015	2014
Ordinary shares £1 each	**No '000s**	No '000s	**£'000**	£'000
Allotted, called up and fully paid	**1**	1	**1**	1

15
Retirement benefit schemes

The company participates in the Pearson Group Pension Scheme This is a hybrid with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities

The company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme owing to information regarding non-active members and changes to the group structure including acquisitions and disposals There is no contractual agreement or stated policy for charging the net defined benefit cost In accordance with IAS 19 (Revised 2011), the company recognises a cost equal to its contribution payable for the year, which in the year ended 31 December 2015 was £272,000 (2014 £237,000) The sponsoring entity to this scheme is Pearson Services Limited and further details are disclosed in the financial statements of that company which are available from the Company Secretary, 80 Strand, London WC2R 0RL

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended .
31 December 2015

16
Contingent liabilities

Bank guarantees

The company participates in an arrangement with HSBC Bank plc whereby the financial statements of Pearson plc and 26 of its subsidiaries, 'the guarantors', are combined, with cleared debit and credit balances being offset for interest calculation purposes In order to comply with banking regulations, each guarantor to this arrangement has provided a multilateral guarantee in respect of the overdraft obligations (but no other debts due to the bank) of each of the other participants Under this arrangement, the net cash position at 31 December 2015 was £2,700,950 (2014 net cash position £4,242,473) The maximum amount of this guarantee is limited to a net overdraft of £50,000,000

At 31 December 2015 the company had an overdraft of £16,504,847 under this arrangement

	2015	2014
Potential liability arising from these guarantee arrangements :	**£'000**	£'000
Parent undertaking and fellow subsidiary undertakings	**33,495**	42,960
Subsidiary undertakings of the company	**0**	0

17
Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries

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Ultimate parent undertaking

The immediate parent undertaking is Longman Group (Overseas Holdings) Limited

The ultimate parent undertaking and controlling party is Pearson plc, incorporated in the UK, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of Pearson plc's consolidated financial statements can be obtained from the Company Secretary at Pearson plc, 80 Strand, London WC2R 0RL

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Explanation of transition to FRS 101

For all periods up to and including the year end 31 December 2014, the company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP) The financial statements for the year ended 31 December 2015 are the first the company has prepared in accordance with FRS 101

Accordingly the company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes

In preparing these financial statements, the company has started from an opening balance sheet as at 1 January 2014, the company's transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101 There were no adjustments made by the company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 'First time adoption of International Financial Reporting Standards'