Pearson College Limited

Registered Number : 07967446

Annual Report and Financial Statements

For the Year Ended : 31 December 2018

Registered address :

80 Strand, London WC2R 0RL

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 2018.

In accordance with the company's Memorandum and Articles, any retained surpluses wheresoever derived should be applied solely towards the promotion of the objects of the company and no portion paid, transferred or distributed directly or indirectly as a dividend, bonus or otherwise to the company's shareholders.

As all surpluses are reinvested by the company, an Income and Expenditure Account has been prepared, showing the deficit, in compliance with Paragraph 4 of Schedule 1 of the Statutory Instrument 2008/409. The balance at the end of each year is added to the company's general reserve.

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

Future developments

The company's strategic aim continues to be to achieve degree-awarding powers, university title and ultimately become one of the UK's leading universities for in-depth industry engagement in learning and teaching.

Pearson College board and Pearson have approved the resources required in order to achieve financial sustainability within the College's face-to-face learning capacity (including experiential and blended provision) and to enable it to continue to enhance that provision.

It continues to be a testing time for British higher education institutions. Their financing is under scrutiny, with the Review of Post-18 Education and Funding, launched by the government in February, seeking answers to questions around choice, access, value for money and skills provision. Additionally the sector is adjusting to an increasingly competitive market in the midst of challenging economic conditions, while Brexit continues to be a source of uncertainty.

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 at least 12 months after these financial statements are signed. The company is forecasted to be in a surplus in the medium term.

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 :
S Macdonald (Executive Director)
P A McGowan (Non-executive Director)
A C Morrison (Non-executive Director)
A S J Moss (resigned 17 April 2018)
R S Farwell (Non-executive Director)
N J Hill (Non-executive Director)
S Jackson (Non-executive Director)
I J Palmer (Executive Director)
R T Stockwell (Executive Director)

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. Pearson Management Services Limited, a related party, also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of the company 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing the financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;
• state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
• make judgements and accounting estimates that are reasonable and prudent; 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 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.

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 Companies Act 2006.

Disclosure of information to auditors

In the case of each director in office at the date the Directors 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
• they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

R T Stockwell
Director
25th September 2019

Company registered number :
07967446

Pearson College Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARSON COLLEGE LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, Pearson College Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss and cashflows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income and expenditure account, the statement of comprehensive income, the cashflow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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, the directors are 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 unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting

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

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.

Brenda Heenan

Brenda Heenan
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

Date: 26 September 2019

Pearson College Limited

INCOME AND EXPENDITURE ACCOUNT
For the year ended :
31 December 2018

		2018	2017
Continuing operations	Note	£'000	£'000
Income	3	7,508	3,906
Cost of sales		(693)	(224)
Gross surplus		6,815	3,682
Administrative expenses		(12,884)	(10,523)
Operating deficit	4	(6,069)	(6,841)
Income from shares in group undertakings		-	412
Deficit before interest and taxation		(6,069)	(6,429)
Interest receivable and similar income	7	-	1
Interest payable and similar charges	7	-	(2)
Deficit before taxation		(6,069)	(6,430)
Tax on deficit	8	1,104	791
Deficit for the financial year		(4,965)	(5,639)

Pearson College Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended :
31 December 2018

	2018	2017
	£'000	£'000
Deficit for the financial year	**(4,965)**	(5,639)
Total comprehensive expense for the year	**(4,965)**	(5,639)

Pearson College Limited

BALANCE SHEET
As at:
31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	9	**2,682**	2,781
Tangible assets	10	**4,423**	3,075
Investments	11	**-**	-
		7,105	5,856
Current assets			
Debtors	12	**7,462**	5,564
Cash at bank and in hand		**-**	28
		7,462	5,592
Creditors: amounts falling due within one year	13	**(24,494)**	(39,923)
Net current liabilities		**(17,032)**	(34,331)
Creditors - amounts falling due after more than one year	13	**(23,445)**	-
Provisions for liabilities	14	**(68)**	-
Net liabilities		**(33,440)**	(28,475)
Capital and reserves			
Called up share capital	15	**1**	1
Accumulated deficit		**(33,441)**	(28,476)
Total shareholders' deficit		**(33,440)**	(28,475)

For the year ended 31 December 2018 :
- 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 7 to 34 were approved by the board of directors and authorised for issue on 25th September 2019. They were signed on its behalf by :

R T Stockwell
Director

Pearson College Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended :
31 December 2018

	Called up share capital	Accumulated deficit	Total shareholders' deficit
	£'000	£'000	£'000
At 1 January 2017	1	(22,837)	(22,836)
Deficit for the financial year	-	(5,639)	(5,639)
Total comprehensive expense for the year	-	(5,639)	(5,639)
At 31 December 2017 and 1 January 2018	1	(28,476)	(28,475)
Deficit for the financial year	-	(4,965)	(4,965)
Total comprehensive expense for the year	-	(4,965)	(4,965)
At 31 December 2018	**1**	**(33,441)**	**(33,440)**

Share capital represents nominal value of shares allotted and called up.
Accumulated deficit account reserve represents accumulated retained earnings.

Pearson College Limited

CASH FLOW STATEMENT
For the year ended :
31 December 2018

	2018	2017
	£'000	£'000
Cash flows from operating activities		
Net cash generated from operations		
Deficit before tax for the financial year	**(6,069)**	(6,430)
Tax received	**791**	1,582
Depreciation	**566**	522
Amortisation of intangible assets	**751**	245
Impairment of subsidiary undertaking	**-**	1,500
Increase in debtors	**(1,515)**	(3,498)
(Decrease)/increase in creditors	**(12,381)**	9,810
Net cash (used in)/generated from operating activities	**(17,856)**	3,731
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,995)**	(142)
Disposal of property, plant and equipment	**78**	-
Transfer of product development to related party	**405**	-
Purchase of intangible assets	**(1,054)**	(1,119)
Acquisition of business	**-**	(1,317)
Investment in subsidiary	-	(1,500)
Net cash used in investing activities	(2,567)	(4,078)
Net decrease in cash and cash equivalents	**(20,423)**	(347)
Cash and cash equivalents at beginning of year	**(160)**	187
Cash and cash equivalents at end of year	(20,583)	(160)

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended :
31 December 2018

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

Basis of preparation
Pearson College Limited (the 'company') is a private company, limited by shares, incorporated and domiciled in the United Kingdom. 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 financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). 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 paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
e) 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 member.
f) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118. 119(a) to (c), 120 to 127 and129 of IFRS 15 Revenue from Contracts with Customers.
g) IFRS 7 Financial Instruments: Disclosures

New accounting standards
The following standards were adopted in 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

Adoption of these standards has not had a material impact on the financial statements.

1
Accounting policies (continued)

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 publicly 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.

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 at least 12 months after these financial statements are signed. The company is forecasted to be in a surplus in the medium term.

Foreign currency translation
The financial statements are presented in pounds sterling (£'000) 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 income and expenditure account.

Income recognition
Income represents the invoiced value of services supplied, net of discounts, from the development and administration of qualifications in business and enterprise. Income is recognised over the period the qualification is delivered by applying the stage of completion basis. Income that is recognised ahead of billings is shown as accrued income in the balance sheet. Income that is recognised as relating to future accounting periods is shown as deferred Income in the balance

Current and deferred income tax
Current tax is recognised at the amounts expected to be paid or recovered based on 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.

1
Accounting policies (continued)

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 can either be direct costs incurred in the development of educational programmes or in the preliminary stages of developing computer software for internal use. Product development costs are regarded as an internally·generated intangible asset and as such are 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, the company has demonstrated its intention to complete and use the software, and the cost of the asset can be measured reliably. Product development costs, once in use, are amortised 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, fittings and equipment - 3 to 5 years
Leasehold improvements - 10 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.

1
Accounting policies (continued)

Pensions
The company participates in The Pearson Pension Plan. 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 Pension Plan 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 period, which in the year ended 31 December 2018 was £396,000 (2017: £308,000). The sponsoring entity to this plan is Pearson Services Limited and further details are disclosed in the accounts of that company which are available from the Company Secretary, 80 Strand,

Share capital
Ordinary shares are classified as equity.

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 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.

3
Income

	2018	2017
Continuing operations	£'000	£'000
Provision of services	7,508	3,906

Income by class of business is as follows:	2018	2017
	£'000	£'000
Educational services	7,508	3,906

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

Income by geographical market is as follows:	2018	2017
	£'000	£'000
United Kingdom	7,508	3,906

4
Operating deficit

Operating deficit is stated after charging/(crediting):

	Note	2018 £'000	2017 £'000
Staff costs	5	**5,016**	3,739
Depreciation of tangible fixed assets:			
- owned	10	**566**	522
Property rental costs		**2,101**	1,505
Amortisation of intangible assets included in other operating expenses:			
- internally generated	9	**659**	223
- other	9	**92**	22
Impairment of fixed asset investments	11	**-**	1,500

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 statements of the company's ultimate parent company, Pearson plc, are required to disclose non-audit fees on a consolidated basis.

Auditors' remuneration has been borne by a fellow group undertaking in the current and preceding period.

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended :
31 December 2018

5
Staff costs

	2018	2017
	£'000	£'000
Wages and salaries	**4,117**	3,016
Social security costs	**503**	415
Other pension costs	**396**	308
	5,016	3,739

	2018	2017
Average monthly number of persons employed by the company during the year	**Number**	Number
Production	**8**	12
Selling and distribution	**50**	44
Administration	**34**	15
	92	71

6
Directors' remuneration

	2018	2017
	£'000	£'000
Aggregate emoluments	**557**	316
Company contributions to defined contribution pension schemes	**72**	41
	628	357

	2018	2017
Highest paid director	**£'000**	£'000
Aggregate emoluments	**252**	115
Defined contribution pension scheme - company contributions during the year	**31**	17

The comparative figures for 2017 includes remuneration for seven months only in respect of directors appointed on 1 June 2017.

7
Interest

	2018	2017
Interest receivable	**£'000**	£'000
Other interest receivable	-	1
Interest receivable and similar income	-	1

	2018	2017
Interest payable	**£'000**	£'000
Interest payable on overdrafts and bank loans	-	(2)
Interest payable and similar expenses	-	(2)

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended :
31 December 2018

8
Tax on deficit

	Note	2018 £'000	2017 £'000
Current tax			
UK corporation tax on deficit for the year		**(1,191)**	(1,008)
Adjustments in respect of prior years		**(34)**	238
Total current tax		**(1,225)**	(770)
Deferred tax			
Origination and reversal of temporary differences		**55**	(26)
Change in rate of tax		**-**	(1)
Adjustments in respect of prior years		**66**	6
Total deferred tax	14	**121**	(21)
Total tax credit on deficit		**(1,104)**	(791)
UK standard effective rate of corporation tax (%)		**19.0**	19.25

The tax credit for the year can be reconciled to the deficit for the financial year in the income and expenditure account as follows:

	2018 £'000	2017 £'000
Deficit before tax	**(6,069)**	(6,430)
Tax on deficit at standard UK corporation tax rate of 19.0% (2017: 19.25%)	**(1,153)**	(1,238)
Effects of:		
Expenses not deductible for tax purposes	**39**	(6)
Non-taxable distribution	**-**	(79)
Adjustments in respect of prior years	**32**	244
Change in tax laws and rates	**(6)**	(1)
Impairment of investment	**-**	289
In respect of share based payments	**(16)**	-
Total tax credit for the year	**(1,104)**	(791)

The standard rate of UK corporation tax decreased to 19% on 1 April 2017 and has remained at this rate. Accordingly, the company's losses for this financial year have been taxed at an effective rate of 19.00% (2017: 19.25%).

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.
Any deferred tax timing differences expected to reverse in the future have been re-measured using the appropriate rates for the periods in which the timing differences are expected to reverse

9
Intangible assets

	Product development	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	3,748	437	4,185
Additions	1,054	-	1,054
Disposals	(405)	-	(405)
Reclassification	100	(97)	3
At 31 December 2018	**4,497**	**340**	**4,837**
Accumulated Amortisation			
At 1 January 2018	1,333	71	1,404
Charge for the year	659	92	751
At 31 December 2018	**1,992**	**163**	**2,155**
Net book value			
At 31 December 2017	2,415	366	2,781
At 31 December 2018	**2,505**	**177**	**2,682**

Product development
Costs relating to the development of educational programmes and content. The useful economic life is estimated as 5 years. The remaining useful life of these assets is between 2 and 5 years. Product development includes costs of £1,015,494 (2017: £522,000) relating to assets under construction which are not amortised.

Software

Software relates to a student information package to aid student registration, invoicing and interfacing. The useful economic life is estimated as 5 years. The remaining useful life of these assets is 3 years.

10
Tangible assets

	Leasehold improvements	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	2,133	1,967	4,100
Additions	-	1,995	1,995
Disposals	(78)	(85)	(163)
Reclassification	(49)	46	(3)
At 31 December 2018	**2,006**	**3,923**	**5,929**
Accumulated Depreciation			
At 1 January 2018	395	630	1,025
Charge for the year	203	363	566
Disposals	(78)	(7)	(85)
At 31 December 2018	**520**	**986**	**1,506**
Net book value			
At 31 December 2017	1,738	1,337	3,075
At 31 December 2018	**1,487**	**2,937**	**4,423**

11
Investments

	2018	2017
	£'000	£'000
Subsidiary undertakings	-	-

11a
Investments - subsidiary undertakings

	£'000
Cost	
At 1 January 2018	6,136
At 31 December 2018	**6,136**
Provision	
At 1 January 2018	6,136
At 31 December 2018	**6,136**
Net book value	
At 31 December 2017	-
At 31 December 2018	**-**

Details of subsidiary undertakings:

			2018	2017
Subsidiary	**Class of shares held**	**Place of incorporation**	**Direct % held**	Direct % held
Escape Studios Limited (in liquidation)*	Ordinary	England and Wales	**100%**	100%

* Registered office: Acre House 11-15 William Road, London, NW1 3ER

Investments in subsidiaries are stated at cost less provision for impairment. On 1 June 2017 all trading activity and net liabilities of Escape Studios Limited were transferred and merged with the business operations of the company.

12
Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Trade debtors	**2,776**	3,709
Amounts owed by group undertakings	**1,374**	0
Deferred taxation (see note 14)	**-**	53
Corporation tax	**1,210**	776
Prepayments and accrued income	**2,102**	1,026
Total debtors	**7,462**	5,564

13
Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Bank loans and overdrafts	**20,583**	187
Trade creditors	**861**	528
Amounts owed to group undertakings	**279**	35,172
Other creditors	**7**	891
Accruals and deferred income	**2,764**	3,145
	24,494	39,923
Amounts falling due after more than one year		
Amounts owed to group undertakings	**23,445**	-
	23,445	-

During the year the intercompany borrowing facility was extended with amounts payable being interest free, unsecured and due in June 2028.

14
Deferred taxation

Asset/(liability)	Note	Timing differences £'000	Total £'000
At 1 January 2017		(43)	(43)
Acquisition of business		75	75
Credit to profit and loss		21	21
At 31 December 2017 and 1 January 2018		53	53
Charge to profit and loss	8	(121)	(121)
At 31 December 2018		(68)	(68)

The deferred tax asset/(liability) is a result of timing differences, which are expected to be recovered in the future.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended :
31 December 2018

15
Called up share capital

	2018	2017
	£'000	£'000
Total share capital	**1**	1

	2018	2017	2018	2017
Ordinary shares £1 each	**No '000s**	No '000s	**£'000**	£'000
Allotted, called up and fully paid	**1**	1	**1**	1

16
Retirement benefit schemes

The company participates in the The Pearson Pension Plan. 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 Pension Plan 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 period, which in the year ended 31 December 2018 was £396,000 (2017: £308,000). The sponsoring entity to this plan is Pearson Services Limited and further details are disclosed in the accounts of that company which are available from the Company Secretary, 80 Strand, London WC2R 0RL.

17
Contingent liabilities

Bank guarantees

The company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and 17 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 2018 was £51,597,127 (2017: net cash position £12,744,968).

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000.

	2018	2017
Potential liability arising from these guarantee arrangements :	**£'000**	£'000
Parent undertaking and fellow subsidiary undertakings	**29,417**	49,813

At 31 December 2018 the company had an overdraft of £20,583,296 under this arrangement.

18

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.

19
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.