

Pearson Loan Finance Unlimited

Registered Number :

5144467

Annual Report and Financial Statements
For the Year Ended :

31 December 2019

Registered Address :

80 Strand, London WC2R 0RL

FRIDAY



A9FA5USO

A05

09/10/2020

#30

COMPANIES HOUSE

Pearson Loan Finance Unlimited

DIRECTORS' REPORT

The directors present their report and the financial statements of Pearson Loan Finance Unlimited (the 'company') for the year ended 31 December 2019.

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

Dividends

During the year a dividend of £847,319,731 was paid (2018: £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

J D Marshall (resigned 1 August 2019)
A J Midgley (resigned 31 July 2020)
S K M Johnson (resigned 24 April 2020)
F E Muir (appointed 1 August 2019)
S M Brennan (appointed 24 April 2020)
L Found (appointed 1 August 2020)

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 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.

Post balance sheet events

Following the global outbreak of COVID-19 and actions taken by the government in March 2020 and subsequently to contain and treat the disease, the directors have considered the impact of the COVID-19 pandemic on its businesses in 2020. The directors do not believe that any of the impacts constitute an adjusting post balance sheet event for the purposes of the 2019 financial statements.

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 United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

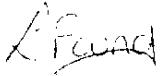
Pearson Loan Finance Unlimited

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities (continued)

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.

On behalf of the board



L Found

Director

14 September 2020

Company registered number :
5144467

Pearson Loan Finance Unlimited

PROFIT AND LOSS ACCOUNT

For the year ended :

31 December 2019

		2019	2018
Continuing operations	Note	£'000	£'000
Operating profit		-	-
Income from shares in group undertakings		802,767	-
Impairment of investments		(802,767)	-
Profit before interest and taxation	2	-	-
Finance income	4	161,711	5,024
Profit before taxation		161,711	5,024
Tax on profit	5	(862)	(309)
Profit for the financial year		160,849	4,715

Pearson Loan Finance Unlimited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended :

31 December 2019

	2019	2018
	£'000	£'000
Profit for the financial year	160,849	4,715
Total comprehensive income for the year	160,849	4,715

Pearson Loan Finance Unlimited

BALANCE SHEET

As at :

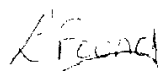
31 December 2019

		2019	2018
	Note	£'000	£'000
Fixed assets			
Investments	7	220	641,207
		220	641,207
Current assets			
Debtors	8	15,452	60,939
Cash at bank and in hand		15	15
		15,467	60,954
Creditors - amounts falling due within one year	9	(314)	(317)
Net current assets		15,153	60,637
Total assets less current liabilities		15,373	701,844
Net assets		15,373	701,844
Capital and reserves			
Called up share capital	10	6	6
Profit and loss account		15,367	701,838
Total shareholders' funds		15,373	701,844

For the year ended 31 December 2019 :

- The directors confirm that the company is entitled to take exemption from the requirement to obtain an audit under section 479A of the Companies Act 2006;
- The members have not required the company to obtain an audit of its accounts in accordance with section 476 of the Companies Act 2006; and
- 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 accounts.

The financial statements were approved by the board of directors and authorised for issue on 14 September 2020. They were signed on its behalf by :



L Found
Director

Pearson Loan Finance Unlimited

STATEMENT OF CHANGES IN EQUITY

For the year ended :

31 December 2019

	Called up share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2018	6	697,123	697,129
Profit for the financial year	-	4,715	4,715
Total comprehensive expense for the year	-	4,715	4,715
At 31 December 2018	6	701,838	701,844
Profit for the financial year	-	160,849	160,849
Total comprehensive income for the year	-	160,849	160,849
Dividends	-	(847,320)	(847,320)
At 31 December 2019	6	15,367	15,373

Share capital represents nominal value of shares allotted and called up.

Profit and loss account reserve represents accumulated retained earnings less dividends paid.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended :

31 December 2019

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 Loan Finance Unlimited is a private unlimited company, incorporated in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL.

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. There were no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements requiring disclosure.

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 accounts of Pearson plc :

- IFRS 7 Financial Instruments: Disclosures
- 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'
- The following paragraphs of IAS 1 Presentation of Financial Statements:
 - (i) paragraph 10(d)
 - (ii) paragraph 16
 - (iii) paragraph 38A
 - (iv) paragraph 111
 - (v) paragraph 134-136
- IAS 7 'Statement of Cash Flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- Paragraph 17 of IAS 24 'Related Party Disclosures'
- 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.

Interpretations and amendments to published standards effective 2019

The following standards were adopted in 2019:

- IFRS 16 Leases

Adoption of this standard has not had a material impact on the financial statements.

A number of other new pronouncements are also effective from 1 January 2019 but they do not have a material impact on the financial statements. Additional disclosure has been given where relevant.

Standards, interpretations and amendments to published standards that are not yet effective

A number of other new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. None of these is expected to have a material impact on the financial statements.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2019

1

Accounting policies (continued)

Consolidation

The company is a wholly owned subsidiary of Pearson plc 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

Following the global outbreak of COVID-19 and actions taken by the government in March 2020 and subsequently to contain and treat the disease, the directors have considered the impact of the COVID-19 pandemic on its businesses in 2020. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

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.

Current 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.

Investment in subsidiaries and associated undertakings

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

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.

Share capital

Ordinary shares are classified as equity.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

2

Profit before interest and taxation

Profit before interest and taxation is stated after charging/(crediting):

2019

2018

£'000

£'000

Investment write down

802,767

-

Fees paid to the group's auditor, PricewaterhouseCoopers LLP, and its associates for non-audit services are not disclosed in the company's accounts since the consolidated accounts of the company's ultimate parent company, Pearson plc, are required to disclose non-audit fees on a consolidated basis.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

3

Directors' emoluments and employee information

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. No one was employed by the company at any time during the year (2018: no one).

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

4

Finance income and costs

	2019	2018
	£'000	£'000
Finance income		
Interest receivable from group companies	1,654	1,628
Net foreign exchange gain	160,058	3,396
Finance income	161,711	5,024

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

5

Taxation

	2019	2018
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	314	309
Adjustments in respect of prior years	548	-
Total current tax	862	309
Total tax on profit	862	309
UK standard effective rate of corporation tax (%)	19	19

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

	2019	2018
	£'000	£'000
Profit before tax	161,711	5,024
Tax on profit at standard UK corporation tax rate of 19.00% (2018: 19.00%)	30,725	954
Effects of:		
Expenses not deductible for tax purposes	152,526	-
Income not taxable for tax purposes	(152,526)	-
Adjustments in respect of prior years	548	-
Non-taxable foreign exchange difference	(30,411)	(645)
Total tax charge for the year	862	309

The current rate of corporation tax is 19%. It had been expected to reduce to 17% effective 1 April 2020 however this was changed to 19% in the 2020 Budget. Although the 19% rate change has now been enacted, it had not been substantively enacted as at the balance sheet date and has therefore not been reflected in these financial statements

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

6

Dividends on equity shares

	2019	2018	2019	2018
	pounds per share	pounds per share	£'000	£'000
Ordinary shares US \$1 each				
Declared and paid during the year:				
Dividend for the year	84,732	-	847,320	-
	84,732	-	847,320	-

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

7

Investments

	Note	2019	2018
		£'000	£'000
Subsidiary undertakings	7a	220	641,207
		220	641,207

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

7a

Investments - subsidiary undertakings

	2019
	£'000
Cost	
At 1 January 2019	641,207
Additions	34
Foreign exchange	161,746
At 31 December 2019	802,987
Provision	
At 1 January 2019	-
Impairment	(802,767)
At 31 December 2019	(802,767)
Net book value	
At 31 December 2018	641,207
At 31 December 2019	220

On 2 May 2019, the company increased its investment in Atkey Finance Limited by £34 000 in exchange for 45,000 ordinary shares at USD 1 each.

On 28 June 2019, the company impaired its investment in Atkey Finance by £802,767,000, reducing its ordinary share capital holding by 1,018,290 ordinary shares at USD 1 each.

On 28 June 2019, the company received \$1,018,390,000 by way of a dividend as part of a share capital reduction in Atkey Finance Limited. As a result the investment held in Atkey Finance Limited has been reduced in line with amount received.

Details of subsidiary undertakings:

		2019	2018
Subsidiary	Registered address	% held	% held
	1st Floor Riverview House, 21/23 City Quay, Dublin D02FP21, Ireland.		
Atkey Finance Limited		100%	100%

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

8

Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	15,452	60,939
	15,452	60,939

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

9

Creditors

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Amounts owed to group undertakings	-	(8)
Corporation tax	(314)	(309)
	(314)	(317)

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

10

Called up share capital

	2019		2018	
	£'000		£'000	
Total share capital	6		6	
	2019	2018	2019	2018
Ordinary shares US \$1 each	No '000s	No '000s	£'000	£'000
Allotted, called up and fully paid	10	10	6	6

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

11

Contingent liabilities

On 25 April 2019 the European Commission published the full decision that the United Kingdom controlled foreign company group financing partial exemption ("FCPE") partially constitutes State Aid. The Group has lodged an appeal. Pearson Loan Finance Unlimited has benefited from the FCPE in 2018 and prior years by approximately £31m. At present no provision is required in respect of this issue.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

12

Post balance sheet events

Following the global outbreak of COVID-19 and actions taken by the government in March 2020 and subsequently to contain and treat the disease, the directors have considered the impact of the COVID-19 pandemic on its businesses in 2020. The directors do not believe that any of the impacts constitute an adjusting post balance sheet event for the purposes of the 2019 financial statements.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

13

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.

Pearson Loan Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2019

14

Ultimate parent undertaking

The immediate parent undertaking is Pearson Overseas Holdings Limited.

The ultimate parent undertaking and controlling party is Pearson plc, 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.