

Pearson Australia Finance Unlimited

Registered Number : 5578463

Annual Report and Financial Statements

For the Year Ended : 31 December 2020

Registered Address :

80 Strand, London WC2R 0RL

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COMPANIES HOUSE

Pearson Australia Finance Unlimited

DIRECTORS' REPORT

The directors present their report and the financial statements of Pearson Australia Finance Unlimited (the 'company') for the year ended 31 December 2020.

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

Going concern

The directors have considered the impact of the COVID-19 pandemic on the business and on trading in future periods. The directors are of the opinion that through a combination of the mitigating actions that the company has put in place and the continued financial support provided by the ultimate parent company, Pearson plc, preparing the financial statements on the going concern basis is appropriate.

On the basis of the position of the overall Pearson plc group the company believes it will be able to continue for the foreseeable future. The Pearson plc group has also reassessed its funding requirements considering the impact of the COVID-19 pandemic on the business. The impact has been modelled under several scenarios to ensure that the likelihood of a prolonged period of disruption has been appropriately considered in assessing the availability of funding to the group and the ability of the group to comply with its banking covenants. Based on this modelling and a review of historical trends in working capital requirements and forecast balance sheets for the next 12 months, the group believes that it will comply with its banking covenants and has sufficient funds available for the group's present requirements.

Directors

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

A J Midgley (resigned 31 July 2020)

S K M Johnson (resigned 24 April 2020)

F E Muir

S M Brennan (resigned 30 July 2021)

L Found (appointed 1 August 2020)

J J T Kelly (appointed 30 July 2021)

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, are discussed in the group's annual report which does not form part of this report.

Pearson Australia Finance Unlimited

DIRECTORS' REPORT (CONTINUED)

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.

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.

Brexit

The UK exited the European Union (EU) on 31 January 2020. Given the prolonged negotiation process during the latter part of 2020, we continued our work to identify and mitigate any potential impact on our principal risks, including supply chain and operations, tax and data privacy, workforce mobility and more. By virtue of that analysis and mitigation planning, we have not seen any impact to the company operations or colleagues because of Brexit, with no material adverse impact on financial results.

By order of the board



L Found
Director
22 September 2021

Company registered number :
5578463

Pearson Australia Finance Unlimited

PROFIT AND LOSS ACCOUNT

For the year ended :

31 December 2020

		2020	2019
	Note	£'000	£'000
Continuing operations			
Profit before interest and taxation		-	-
Interest receivable and similar income	4	5,233	2,593
Interest payable and similar charges	4	-	(1,710)
Profit before taxation		5,233	883
Tax on profit	5	(296)	(485)
Profit for the financial year		4,937	398

Pearson Australia Finance Unlimited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended :

31 December 2020

	2020	2019
	£'000	£'000
Profit for the financial year	4,937	398
Total comprehensive income for the year	4,937	398

Pearson Australia Finance Unlimited

BALANCE SHEET

As at :

31 December 2020

		2020	2019
	Note	£'000	£'000
Current assets			
Debtors (including £72,877,000 (2019: £70,270,000) due after one year)	6	104,961	100,157
		104,961	100,157
Creditors - amounts falling due within one year	7	(137)	(270)
Net current assets		104,824	99,887
Total assets less current liabilities		104,824	99,887
Net assets		104,824	99,887
Capital and reserves			
Called up share capital	8	85,758	85,758
Profit and loss account		19,066	14,129
Total shareholders' funds		104,824	99,887

For the year ended 31 December 2020 :

- 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 22 September 2021.
They were signed on its behalf by :



L Found
Director

Pearson Australia Finance Unlimited

STATEMENT OF CHANGES IN EQUITY

For the year ended :

31 December 2020

	Called up share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2019	85,758	13,731	99,489
Profit for the financial year	-	398	398
Total comprehensive income for the year	-	398	398
At 31 December 2019	85,758	14,129	99,887
Profit for the financial year	-	4,937	4,937
Total comprehensive income for the year	-	4,937	4,937
At 31 December 2020	85,758	19,066	104,824

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

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

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended :

31 December 2020

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 Australia 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 financial statements of Pearson plc :

- IFRS 7 'Financial Instruments: Disclosures'
- Paragraphs 91-99 of IFRS 13 'Fair Value Measurement'
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1,
 - 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 2020

No new standards were adopted in 2020.

A number of other new pronouncements are also effective from 1 January 2020 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 2021 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 Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

1

Accounting policies

Going concern

The directors have considered the impact of the COVID-19 pandemic on the business and on trading in future periods. The directors are of the opinion that through a combination of the mitigating actions that the company has put in place and the continued financial support provided by the ultimate parent company, Pearson plc, preparing the financial statements on the going concern basis is appropriate.

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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.

Amounts owed by group undertakings

Amounts owed by group undertakings generally mature within five years, but can be called upon on short notice or are repayable on demand. Amounts are classified as current if they mature within one year of the balance sheet date or if the company intends to call the loan within one year of the balance sheet date. All other amounts are classified as non-current. The company has assessed and concluded that these loans will be fully recovered. Therefore credit losses are considered to be immaterial.

Share capital

Ordinary shares are classified as equity.

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

2

Operating profit

Fees paid to the group's auditor, PricewaterhouseCoopers LLP, and its associates for non-audit services 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.

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

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 (2019: no one).

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

4

Interest

	2020	2019
	£'000	£'000
Interest receivable and similar income		
Interest receivable from group companies	1,226	2,072
Net foreign exchange gain	3,793	-
Interest receivable from parent companies	214	521
Interest receivable and similar income	5,233	2,593
	2020	2019
	£'000	£'000
Interest payable and similar charges		
Net foreign exchange loss	-	(1,710)
Interest payable and similar charges	-	(1,710)

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

5

Taxation

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	274	493
Adjustments in respect of prior years	22	(8)
Foreign exchange differences arising on settlement/retranslation of tax liabilities		
	296	485
Double tax relief	(137)	(223)
	159	262
Foreign tax	137	223
Total current tax	296	485
Total tax on profit	296	485
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.

	2020	2019
	£'000	£'000
Profit before tax	5,233	883
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	995	168
Effects of		
Non-taxable exchange (gain)/ loss	(721)	325
Adjustments in respect of prior years	22	(8)
Total tax charge for the year	296	485

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 and substantively enacted on 17 March 2020 and has therefore been reflected in these financial statements.

The 2021 Budget in March this year announced an increase in the corporation tax rate to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. As the change to 25% had not been substantively enacted at the reporting date, its effects are not included in these financial statements.

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

6

Debtors

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	32,084	29,887
	32,084	29,887
Amounts falling due in more than one year		
Amounts owed by group undertakings	72,877	70,270
	72,877	70,270
Total debtors	104,961	100,157

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

7

Creditors

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Corporation tax	(137)	(270)
Total creditors	(137)	(270)

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

8

Called up share capital

	2020		2019	
	£'000		£'000	
Total share capital	85,758		85,758	
	2020	2019	2020	2019
Ordinary shares AUS\$1 each	No '000s	No '000s	£'000	£'000
Allotted, called up and fully paid	158,764	158,764	85,758	85,758

Pearson Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

9

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 Australia Finance Unlimited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2020

10

Ultimate parent undertaking

The immediate parent undertaking is *Pearson Strand Finance 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, 60 Strand, London WC2R 0RL*.