

Pearson Education Limited

Registered Number:

00872828

Annual Report and Financial Statements

For the Year Ended:

31 December 2022

Registered address:

80 Strand, London WC2R 0RL

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Pearson Education Limited

STRATEGIC REPORT

The directors present their Strategic Report of Pearson Education Limited (the 'company') for the year ended 31 December 2022.

Business review

The results for the company show a pre-tax loss of £569,000 (2021: pre-tax loss of £19,577,000) for the year.

Revenue has increased from £373,903,000 to £441,627,000 (18.1%) from the prior year, with the increases in Courseware, Assessments and Services revenue.

The company had net assets as at 31 December 2022 of £219,694,000 (2021: £200,619,000).

The company's principal activities are the supply of educational services and resources.

Key performance indicators

From the perspective of the company, the key performance indicators are integrated with the key performance indicators of the consolidated financial statements of Pearson plc ('the Group'). Accordingly, the key performance indicators of Pearson plc, which include those of the company, are discussed in the Group's annual report, which does not form part of this report.

Future developments

We continue to provide educational resources and qualifications that lead to a positive impact on learning. The company anticipates that 2023 revenues will be broadly in line with 2022.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties of the company are integrated with the principal risks of the consolidated financial statements of Pearson plc and, whilst they are considered by the Board, they are not managed separately. Accordingly, the principal risks and uncertainties of Pearson plc, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

Pearson Education Limited

STRATEGIC REPORT (continued)

Section 172 Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties, we have regard to the factors set out above and other factors which we consider relevant to the decision being made. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our stakeholders and the financial markets. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the company's purpose together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable. The Board received reports throughout the year which, in addition to covering our business and financial performance, included papers relating to our regulatory obligations and how we comply with them. The Board also received reports and verbal updates that highlighted emerging themes.

The Board and Senior Management have an active and ongoing programme of stakeholder engagement specific to matters that fall within the remit of the Board. This is made up of both regular formal and informal engagement with certain stakeholder groups (such as the UK Teaching Association, and various Government and regulatory stakeholders). However, the size and spread of both our stakeholders and the Group means that some of our stakeholder engagement takes place at an operational or group level as this helps us to achieve a greater positive impact on environmental, social and other issues, than by working as an individual company. For details on some of the engagement that takes place with the Group's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see pages 26 to 29 of the Pearson plc 2022 Annual Report.

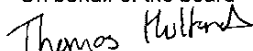
The Board conducts regular strategic deep-dives into key business areas which, in 2022, included presentations from the relevant senior executives and focused on the current performance of each business area, consideration of the marketplaces in which the company operates, and any opportunities identified or areas for development that each business area may be facing.

We delegate authority for day-to-day management of the company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically where the directors consider the company's activities and make decisions. As a part of those meetings the directors receive information in a range of different formats on section 172 matters in order to make informed decisions. For example, each year we make an assessment of the strength of the company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. There were no dividend payments in 2022.

In considering the strategic direction of the company, the Board also considers feedback from engagement with, amongst others, our eight key stakeholder groups, which includes: consumers; employees; investors/shareholders; educational institutions and educators; employers; government and regulators; business partners and institutions; and our communities. As a result of this ongoing feedback, changes are introduced as and when appropriate, and we believe these will result in improvements for stakeholders, as well as promoting the long-term success of the company and enhancing its reputation.

The Board also considers how to embed principles that help deliver long-term success to the company, including adapting to local market needs and cultures (specifically in relation to our international businesses and product lines). Reports on the skills gap, automation and future skills were considered by the Board during 2022 to assist with the implementation of this strategy, acknowledging the changing landscape around education internationally.

On behalf of the board



T R Holford
Director

13 October 2023

Pearson Education Limited

DIRECTORS' REPORT

The Directors present their report and the financial statements of Pearson Education Limited ('the company') for the year ended 31 December 2022.

Directors

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

T R Holford (appointed 16 January 2023)
S E Hague
A Hope (resigned 26 July 2022)
D J Richardson (resigned 30 June 2023)
J Baker (resigned 21 March 2022)
C Rogers (resigned 21 March 2022)
F G Thomas Monk (appointed 21 March 2022)
E J L Symington (appointed 26 July 2022, resigned 16 January 2023)
R R Price (Non-executive, resigned 30 June 2023)
V M M Todd (Non-executive, resigned 6 September 2022)
S A S Dicketts (Non-executive, resigned 30 June 2023)
J Laramy (Non-executive, resigned 30 June 2023)
M E Curnock Cook (Non-executive)
C L Jadhav (appointed 3 July 2023)

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.

Pearson Education Limited

DIRECTORS' REPORT (continued)

Employee and other Stakeholder engagement

The company's key stakeholders include its employees, learners and other customers, suppliers, and regulators, as well as its parent company and fellow subsidiaries within the Group. The views of, and the impact of the company's activities on, those stakeholders are an important consideration for the Board when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Group means that generally our stakeholder engagement best takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the company's employees and other stakeholders so as to encourage the directors to understand the issues to which they must have regard, please see pages 26 to 29; 33 to 35; and 67 to 68 of the Pearson plc 2022 Annual Report.

During the year the Board received information to help it understand the interests and views of the company's key stakeholders and other relevant factors when making decisions. This information was provided in a range of different formats including in reports and presentations on non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement. As a result of this, we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duties to promote success of the company. For additional information into how engagement has influenced our decisions, please see our strategic report.

Education is evolving to meet the changing demands of today's learners. The Group takes into account the emerging themes that have arisen as a result of research and frequent engagement with a variety of stakeholders. As a result, the Group strives to create long-term sustainable growth for its investors and all of its stakeholders by being a driving force in an increasingly Our employees are also integral to the sustainable success of Pearson and the company is a strong advocate of driving employee engagement within the Group. Pearson offers a variety of thriving Employee Resource Groups which have active UK chapters, including, amongst others, Able, Spectrum and Women in Learning and Leadership, which serve to cultivate and celebrate diversity and inclusion in the employee population. Our Employee Engagement Network provided an insight into the various employee perspectives across the Group in 2022. A wider programme of engagement activities with employees was endorsed by the Group for roll-out in 2023. Furthermore, each of the Executive Directors represent an integral part of the company's business and can ensure that employees' feedback is heard at Board level.

Employees

Employee involvement - The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in achieving the company's business goals.

Disabled employees - The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled during their service with the company, the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Pearson Education Limited

DIRECTORS' REPORT (continued)

Corporate Governance Arrangements

The company follows a combination of formal corporate governance codes of practice and arrangements appropriate to its status as an Ofqual-recognised awarding body, as well as being influenced by the UK Corporate Governance Code (by virtue of its UK premium-listed parent company, Pearson plc). Areas that are predominantly governed at group-level in line with the UK Corporate Governance Code include purpose and values, financial controls, risk management and employee engagement. Additionally, the company has its own distinct governance arrangements. While the Board of Directors is responsible, directly or indirectly, for all corporate approvals and decisions by the entity, in 2023, the Board established a Qualifications Committee. This Committee has delegated authority to act on behalf of the Board in relation to overseeing the regulatory requirements of the company as an awarding body.

The pages that follow describe the company's robust hybrid governance arrangements which, for simplicity, we have aligned with the six core themes of the Wates Principles.

Purpose and Leadership

- The company has a clearly defined purpose, which is agreed on an annual basis and referenced in the schedule of matters reserved for the Board and the Terms of Reference for the Qualifications Committee. At its heart, the company's Board and Qualifications Committee are accountable for the governance of Pearson's UK regulated education businesses, including the development and administration of qualifications for schools, colleges, higher education and work-based learning settings, plus educational publishing and technologies to support teaching and learning.

- To ensure engagement with a wide variety of stakeholders, the Qualifications Committee consists of some of the Executive Directors of the Board (to represent internal functions and business areas) and independent members, who bring experience from a wide range of backgrounds, including educational institutions and employers, and provide scrutiny and challenge to the executive management. During 2023, the governance structure of the Board changed and therefore the Board currently consists of Executive Directors and one Non-Executive Director.

- Representatives from Pearson's HR, Government Relations and Corporate Affairs and Legal functions have also regularly attended Board and Qualifications Committee meetings, to bring a range of internal and external stakeholder perspectives to the Board and Qualification Committee's discussions. There is also an open dialogue between the Board, the Qualification Committee and regulators, allowing decisions to be made proactively and in a timely manner when required.

- The company understands that a healthy culture is critical to the company's performance, and is vital to the creation and protection of long-term value. Culture can be defined as a combination of the values, attitudes and behaviours manifested by a company in its operations and relationships with its stakeholders and is a key point of discussion for directors. Culture and employee wellbeing is monitored at Group level but it has also been discussed at Board and Qualification Committee meetings with updates from the HR function.

- Whilst the company's overall strategy is driven by the parent company, the details (i.e. the how, when and where) are developed and refined at Board level and on recommendation of the Qualification Committee, where appropriate. Strategy is discussed throughout the year and the Board and the Qualification Committee ensures that balance is struck between short-term targets or needs, and the longer-term aspirations which may form part of the Group strategy. The Board is responsible for ensuring that its strategy is clearly articulated and implemented throughout the organisation, and that it, along with the company values, supports appropriate behaviours and practices.

Pearson Education Limited

DIRECTORS' REPORT (continued)

Board and Committee Composition

- The Board and the Qualification Committee is led by the Chair, who is responsible for the overall effectiveness of Board and committee meetings, promoting open debate and facilitating constructive discussion. The Chair, supported by the Company Secretary, ensures that all directors and committee members have appropriate information in a timely manner, and that sufficient time is made available for meaningful discussion. There is a separation between the role of the Chair and the Executive Directors, ensuring a balance of power and enabling effective decision-making.

- The company is aware that a balanced Board promotes effective decision-making and supports the delivery of a company's strategy. Therefore the company ensures that the Board is made up of directors with a balance of skills, background and experience. New appointments are always made in line with gaps in this matrix, and with regard to diversity and independence.

Director Responsibilities

- As the company follows a combination of the UK Corporate Governance Code and the governance arrangements that relate to its status as an awarding body, the Directors have a number of policies that work in tangent to promote effective stewardship, delivering long-term value. The key documents relevant to corporate governance and decision-making by the company include:

- the Schedule of Matters Reserved to the Board, which sets out those matters that require Board approval;
- the Standing Committee Terms of Reference, which authorise a committee of Executive Directors and other approved senior employees of the Pearson Group to take certain decisions on behalf of the company, which are primarily routine in nature, for example operational matters or intra-group matters relevant to the company's status as a subsidiary of the Group; and
- the Qualifications Committee Terms of Reference, which authorise a committee comprised of a number of Executive Directors, the Responsible Officer and independent members to carry out certain duties and responsibilities on behalf of the Board in relation to:
 - activities related to the development, delivery, award and standards of the company's qualifications and the company's awarding organisation status;
 - the company's compliance with regulatory requirements including the Ofqual Conditions of Recognition and the similar requirements of the other UK qualification regulators;
 - appeals or malpractice issues relating to the company's qualifications; and
 - risks to the development, delivery, award or standards of qualifications, with escalation to the Board as appropriate, and areas of regulatory or reputational risk related to the company's status as a recognised awarding organisation.

- The Chair, Executive Directors and the Company Secretary periodically review the governance processes (often in line with the Group) to confirm that they remain fit for purpose and consider any initiatives which could strengthen the governance of the company.

- The Board has established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to it is reliable, enabling directors to monitor and challenge the performance of the company, thus allowing the Directors to make informed decisions. To do this, the Board and the Qualifications Committee receive presentations and reports from a broad range of individuals, both internal and, where appropriate, external to the company. These reports contain both qualitative and quantitative information, and the Directors and committee members are able to request additional information to be provided in order to make an informed decision. Reports could contain information that includes, but is not limited to: financial information; KPIs; workforce data; environmental data; and stakeholder feedback.

- Furthermore, the Chair and the Company Secretary ensure that Board and committee papers and supporting information are clear, comprehensive and relevant. Each Board and committee paper is prefaced with a summary, enabling the Directors to quickly determine the discussion point of each matter, and also to summarise what is expected of the Directors for each paper or matter discussed. the Board and committee papers are collated and issued to the Board and Qualifications Committee in a timely manner, to provide efficient time for the papers to be read and matters to be digested.

Pearson Education Limited

DIRECTORS' REPORT (continued)

Opportunity and Risk

- The Board and Qualifications Committee considers and assesses how the company creates and preserves value over the long-term for all areas of the business. The Board and Qualifications Committee also consider, including through feedback from stakeholders, areas of innovation and future opportunities. Future opportunities and decisions of a certain size or risk profile are always considered and approved at Board, Qualifications Committee or executive level and in line with financial and legal protocols governed by the Group's Schedule of Authority.

- The Board has a responsibility for effective risk management, although risk is predominantly monitored and reported through the risk management framework adopted at Group level. As such, Executive Directors of the company participate in an internal reporting process within the Group, which involves internal communication on the identification of risk factors, both internally and externally. Please refer to pages 43-52 in Pearson plc's 2022 Annual Report for further information on the Group's risk management process.

Remuneration

- The Executive Directors are employees of entities within the Pearson Group and, as such, their remuneration is governed by a group-wide set of remuneration principles that govern how people are rewarded, which has been adopted at Group level. For further details as to the Group reward principles and remuneration framework, please see pages 88-119 of the Pearson plc 2022 Annual Report. The remuneration of the Non-Executive Directors and Qualifications Committee members is reviewed on a periodic basis.

Stakeholder Relationships and Engagement

- Dialogue with stakeholders helps the Board and Qualifications Committee to understand the effects of company policies and practices, predict future developments and trends, and to refine strategy. Therefore, the Board and the Qualifications Committee receives an update on each of the business areas (including Assessments & Qualifications, Workforce Skills, Higher Education and English Language Learning) that focuses on different products and services with particular groups of stakeholders. Executive Directors and other members of senior management provide regular updates to the Board and Qualifications Committee on engagement with, and feedback from, these stakeholder groups. Engagement takes place through a wide variety of means such as school and college user groups, dialogue with governmental bodies and regulators, participation in trade associations, and through specially-commissioned research programmes. For additional details on engagement with stakeholders, please see the section on Stakeholder Engagement on pages 26-29 of the Pearson plc 2022 Annual Report.

- Engagement with employees takes place at a Group level as well. For example, our Employee Engagement Network provided an insight into the various employee perspectives across the Group in 2022. A wider programme of engagement activities with employees was endorsed by the Group for roll-out in 2023. For further details, please see page 5 of this report and page 33-35 of the Pearson plc 2022 Annual Report.

Pearson Education Limited

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

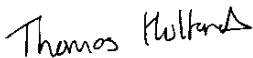
Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework', and United 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.

On behalf of the board



T R Holford
Director
13 October 2023

Company registered number:
00872828

Pearson Education Limited

PROFIT AND LOSS ACCOUNT

For the year ended:

31 December 2022

		2022	2021
		£'000	£'000
Continuing operations	Note		
Turnover	3	441,627	373,903
Cost of sales		(177,318)	(129,847)
Gross profit		264,309	244,056
Administrative expenses		(264,165)	(261,410)
Other operating income		252	65
Operating profit/(loss)	4	396	(17,289)
Income from shares in associated undertakings		1,665	92
Profit/(loss) before interest and taxation		2,061	(17,197)
Interest payable and similar expenses	7	(2,630)	(2,380)
Loss before taxation		(569)	(19,577)
Tax on loss	8	16,745	(7,237)
Profit/(loss) for the financial year		16,176	(26,814)

Pearson Education Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended:

31 December 2022

	2022	2021
	£'000	£'000
Profit/(loss) for the financial year	16,176	(26,814)
Total comprehensive income/(expense) for the year	16,176	(26,814)

Pearson Education Limited

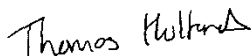
BALANCE SHEET
For the year ended:
31 December 2022

		2022	2021
	Note	£'000	£'000
Fixed assets			
Intangible assets	9	136,460	127,183
Tangible assets	10	7,472	11,903
Investments	11	2,361	2,361
		146,293	141,447
Current assets			
Stocks	12	144,187	133,697
Debtors (including £11,242,000 (2021: £nil) due after more than one year)	13	189,569	196,924
Cash at bank and in hand		2,375	4,535
		336,121	335,156
Creditors - amounts falling due within one year	14	(234,586)	(236,628)
Net current assets		101,536	98,528
Total assets less current liabilities		247,829	239,975
Creditors - amounts falling due after more than one year	14	(18,608)	(25,816)
Provisions for liabilities	15	(9,527)	(13,540)
Net assets		219,694	200,619
Capital and reserves			
Called up share capital	17	90,000	90,000
Share premium account		45,000	45,000
Profit and loss account		81,565	63,037
Other reserves		3,129	2,582
Total shareholders' funds		219,694	200,619

For the year ended 31 December 2022:

- 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 13 October 2023. They were signed on its behalf by:


T R Holford
Director

Pearson Education Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended:

31 December 2022

	Other reserves	Called up share capital	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	3,428	90,000	45,000	87,462	225,890
Loss for the financial year	-	-	-	(26,814)	(26,814)
Total comprehensive expense for the year	-	-	-	(26,814)	(26,814)
Share-based payment transactions	1,531	-	-	-	1,531
Deferred tax on share-based payment transactions	-	-	-	12	12
Shares exercised / lapsed during year	(2,377)	-	-	2,377	-
At 31 December 2021	2,582	90,000	45,000	63,037	200,619
Profit for the financial year	-	-	-	16,176	16,176
Total comprehensive income for the year	-	-	-	16,176	16,176
Share-based payment transactions	2,339	-	-	-	2,339
Current tax on share-based payment transactions	-	-	-	111	111
Deferred tax on share-based payment transactions	-	-	-	449	449
Shares exercised / lapsed during year	(1,792)	-	-	1,792	-
At 31 December 2022	3,129	90,000	45,000	81,565	219,694

Other reserves represents capital contributions from Pearson plc in relation to share-based payment charges.

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

Share premium includes any premium received on the issue of share capital.

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

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

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 Education Limited (the 'company'), is a private company, limited by shares, incorporated in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL.

The financial statements of Pearson Education Limited 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 requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment'
- b) 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'; and
 - (iii) paragraph 118(e) of IAS 38 'Intangible Assets';
- c) the requirements of paragraphs 10(d), 16, 38(A) and 111 of IAS 1 'Presentation of Financial Statements';
- d) paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- e) the requirements of IAS 7 'Statement of Cash Flows';
- f) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- g) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- h) 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;
- i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets';
- j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- k) IFRS 7 'Financial Instruments: Disclosures'; and
- l) the requirements of paragraphs 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

Interpretations and amendments to published standards effective 2022

No new standards were adopted in 2022.

There are no amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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.

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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction and are not re-translated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Revenue recognition

Turnover represents the invoiced value of services supplied, net of discounts, from the development and administration of qualifications in business as well as educational publishing technologies to support teaching and learning. Turnover is recognised on contracts with customers when or as performance obligations are satisfied which is the period or the point in time where control of goods or services transfers to the customer. The transaction price determined is net of sales taxes, rebates and discounts. Variable consideration is measured using the expected value method. Historical experience, current trends, local circumstances and customer-specific funding formulae are considered in estimating and constraining variable consideration. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Customer payments are generally defined in the contract as occurring shortly after invoicing. Where there is a longer payment term offered to a customer through a payment schedule, payment terms are within 12 months and the company has elected to use the practical expedient available in IFRS 15 and not identify a significant financing component on these transactions.

Judgement is applied to determine whether control passes over time and if not, the point in time at which control passes. Where revenue is recognised over time (i.e. over the period the qualification is delivered) judgement is used to determine the method which best depicts the transfer of control.

Turnover that is recognised ahead of billings is shown as accrued income in the balance sheet. Turnover that is recognised as relating to future accounting periods is shown as deferred income in the balance sheet.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

1

Accounting policies (continued)

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

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the net assets acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis. However, under IFRS goodwill is not amortised. Consequently, the company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company has, therefore, invoked a 'true and fair' override in respect of goodwill.

Software - internally developed - 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, economic benefits are expected, 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 between 1 and 8 years.

Other intangibles - acquired - Acquired intangible assets include Intellectual property and trade names. These assets are capitalised on acquisition at cost and amortised over their estimated useful lives of between 5 and 20 years using an amortisation method that reflects the pattern of their consumption.

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. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Plant and machinery 3-20 years

Fixtures and fittings 3-20 years

Leasehold property - over the period of the lease

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.

Investment in subsidiaries

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

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended.

31 December 2022

1

Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made for slow moving and obsolete stock.

Work in progress includes pre-publication assets that represent direct costs incurred in the development of educational programmes and titles prior to their publication. These costs are recognised as work in progress where the title will generate probable future economic benefits and costs can be measured reliably. Pre-publication assets are amortised upon publication of the title over estimated economic lives of five years or less, being an estimate of the expected operating lifecycle of the title, with amortisation taken on a straight line basis.

Impairment of non-financial assets

Investments are tested annually for impairment. An impairment loss is recognised to the extent that the carrying value of the investment 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.

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.

Trade receivables are subject to impairment using the expected credit loss model. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The company reviews its bad debt provision quarterly following a detailed review of receivable balances and historical payment profiles, and assessment of forward looking risk factors.

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.

Creditors

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

Provisions

Provisions are recognised if the company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

1

Accounting policies (continued)

Pensions

The company participates in The Pearson Pension Plan. This is a hybrid plan 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 '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 and further details are disclosed in the financial statements of that company which are available from the Company Secretary, 80 Strand, London WC2R 0RL.

The Superannuation Arrangements of the University of London (SAUL) Scheme is a centralised defined benefit scheme for all qualified employees with the assets held in separate trustee-administered funds. SAUL is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The company, therefore, accounts for its pension costs on a defined contribution basis.

Share-based payments

Options and shares are awarded to the company's employees under Pearson share and option plans. The fair value of options or shares granted is recognised as an employee expense after taking into account the company's best estimate of the number of awards expected to vest. Fair value is measured at the date of grant and is spread over the vesting period of the option or share. The fair value of the options granted is measured using an option model that is most appropriate to the award. The fair value of the shares awarded is measured using the share price at the date of grant unless another method is more appropriate.

Leases

As a lessee

The company assesses whether a contract is or contains a lease at the inception of the contract. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The company recognises a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements except for short-term leases (leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The company applies IAS 36 to determine whether a right-of-use asset is impaired. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the company's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Share capital

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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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:

Incremental borrowing rate

The calculation of lease liabilities requires the company to determine an incremental borrowing rate (IBR) to discount future minimum lease payments. Judgment is applied in determining the components of the IBR used for each lease including risk free rates, the Pearson plc group's borrowing margin and any lease specific adjustments.

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:

Intangible assets

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 accounting policies and intangible assets note for the carrying amount and for the useful economic lives for each class of assets.

Stock

The assessment of the recoverability of pre-publication assets within stock involves a significant degree of judgement based on historical trends and management estimation of future potential sales.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Turnover

	2022	2021
	£'000	£'000
Courseware	140,670	131,959
Assessments	275,687	219,573
Services	25,270	22,371
Turnover	441,627	373,903
Turnover by class of business is as follows:	2022	2021
	£'000	£'000
Educational services	441,627	373,903
Turnover by geographical market is as follows:	2022	2021
	£'000	£'000
United Kingdom	277,088	263,507
Europe, Australia and North America	72,153	43,750
Africa, Asia and Rest of America	92,386	66,646
	441,627	373,903

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

		2022	2021
	Note	£'000	£'000
Staff costs	5	146,983	131,378
Depreciation of tangible fixed assets included in administrative expenses:			
- owned		1,413	1,638
Depreciation of right of use assets		1,108	1,675
Amortisation of intangible assets included in administrative expenses:		1,932	2,455
Loss on disposal of tangible fixed assets included in other administrative expenses		109	338
Net foreign exchange (gains)/losses		(1,178)	4,569

Fees paid to the group's auditor for the year, Ernst & Young 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.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Staff costs

	2022	2021
	£'000	£'000
Staff costs		
Wages and salaries	115,837	104,063
Social security costs	12,707	10,881
Other pension costs	10,031	8,814
Share-based payment costs	2,339	1,531
Provision for loss of office (note 15)	6,069	6,089
	146,983	131,378

	2022	2021
	Number	Number
Average number of persons employed by the company during the year		
Sales and marketing	457	546
Administration	277	276
Operations	1,410	1,224
	2,144	2,046

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Directors' remuneration

	2022	2021
	£'000	£'000
Aggregate emoluments	2,358	1,923
Company contributions to defined contribution pension schemes	166	120
	2,524	2,043

Redundancy costs of £nil in 2022 (2021: £307,000, relating to 2 directors) are included within the aggregate emoluments.

Additional share-based remuneration to the directors in 2022 was £288,000 (2021: £336,000).

	2022	2021
	Number of directors	Number of directors
Directors accruing benefits under defined benefit scheme	2	2
Directors entitled to shares under long-term incentive schemes	8	6

	2022	2021
Highest paid director	£'000	£'000
Aggregate emoluments	675	864
	No.	No.
Share options exercised under long-term incentive scheme (number)	34,252	130,713
Shares received under long-term incentive scheme (number)	62,647	41,023

Some of the company's directors are paid directly by other group companies, and the cost attributable to the company is recharged appropriately. The figures above represent the total emoluments received by the company's directors from the group.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Interest

	2022	2021
	£'000	£'000
Interest payable		
Interest payable to group companies	(2,121)	(1,727)
Interest on lease liabilities	(509)	(653)
Interest payable and similar expenses	(2,630)	(2,380)

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Taxation

	2022	2021
	£'000	£'000
Current tax		
UK corporation tax on loss for the year	(2,641)	(3,142)
Adjustments in respect of prior years	(1,668)	9,019
	(4,309)	5,877
Foreign tax		
Foreign tax	478	28
	478	28
Total current tax	(3,831)	5,905
Deferred tax		
Origination and reversal of temporary differences	3,238	764
Deferred tax on share-based payments	(241)	72
Adjustments in respect of prior years	(4,734)	496
Recognition of deferred tax in respect of losses	(11,177)	-
Total deferred tax	(12,914)	1,332
Total tax on loss	(16,745)	7,237
UK standard effective rate of corporation tax (%)	19	19

The tax (credit)/charge for the year can be reconciled to the loss in the profit and loss account as follows:

	2022	2021
	£'000	£'000
Loss before tax	(569)	(19,577)
Tax on loss at standard UK corporation tax rate of 19% (2021: 19%)	(108)	(3,720)
Effects of:		
Expenses not deductible for tax purposes	223	557
Income not taxable	(407)	(22)
Adjustments in respect of prior years	(6,402)	9,515
Change in tax laws and rates	777	625
Foreign tax	478	28
Share-based payments	(90)	363
Movement in unrecognised deferred tax asset in respect of losses	(11,177)	-
Tax on partnership losses	(39)	(109)
Total tax (credit)/charge for the year	(16,745)	7,237

The current rate of corporation tax is 19% which has been effective since April 2017. The Spring Budget 2021 announced an increase in the corporation tax rate to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and received Royal Assent on 10 June 2021. Deferred tax has now been recognised at the rate expected to be in force at the time of the reversal of the temporary difference (2021: 25%).

In addition to the amount charged in the profit and loss account, the following amounts relating to tax have been recognised directly in equity:

	2022	2021
	£'000	£'000
Current tax		
Current tax on share-based payment transactions	111	-
	111	-
Deferred tax		
Deferred tax on share-based payment transactions	449	12
	449	12
Total tax recognised directly in equity	560	12

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Intangible fixed assets

	Software	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	57,562	118,658	176,220
Additions	12,527	-	12,527
Disposals	(23,897)	-	(23,897)
At 31 December 2022	46,192	118,658	164,850
Amortisation			
At 1 January 2022	49,037	-	49,037
Charge for the year	1,932	-	1,932
Disposals	(22,579)	-	(22,579)
At 31 December 2022	28,390	-	28,390
Net book value			
At 31 December 2021	8,525	118,658	127,183
At 31 December 2022	17,802	118,658	136,460

Goodwill is tested annually for impairment. The recoverable amount is based on fair value less costs of disposal. There are no other intangible assets with indefinite lives.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Tangible fixed assets

	Right-of-use assets		Owned assets			Total
	Land and buildings	Motor vehicles	Land and buildings	Plant and machinery	Fixtures and fittings	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2022	13,584	975	10,495	1,812	3,018	29,884
Additions	-	-	-	780	678	1,458
Disposals	-	(241)	-	(1,053)	(72)	(1,366)
Impairment	-	-	(657)	(42)	(296)	(995)
At 31 December 2022	13,584	734	9,838	1,497	3,328	28,981
Depreciation						
At 1 January 2022	7,690	803	7,795	455	1,238	17,981
Charge for the year	962	146	824	172	417	2,521
Disposals	-	(241)	-	(362)	(72)	(675)
Impairment	1,682	-	-	-	-	1,682
At 31 December 2022	10,334	708	8,619	265	1,583	21,509
Net book value						
At 31 December 2021	5,894	172	2,700	1,357	1,780	11,903
At 31 December 2022	3,250	26	1,219	1,232	1,745	7,472

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Investments

	2022	2021
	£'000	£'000
Subsidiary undertakings	1,981	1,981
Associated undertakings and joint ventures	380	380
	2,361	2,361

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

11a

Investments - subsidiary undertakings

	2022
	£'000
Cost	
At 1 January 2022	6,976
At 31 December 2022	6,976
Provision	
At 1 January 2022	4,995
At 31 December 2022	4,995
Net book value	
At 31 December 2021	1,981
At 31 December 2022	1,981

Details of subsidiary undertakings:

				2022	2021
Subsidiary	Principal activity	Class of shares held	Registered address	% held	% held
Education Resources (Cyprus) Limited	Services	Ordinary	1	100%	100%
Educational Publishers LLP	Services	Ordinary	2	85%	85%

Investments in subsidiaries are stated at cost less provision for impairment.

Registered Address

1 - 195, Archbishop Makariou III Avenue, Neocleous House, Limassol, 3030, Cyprus
2 - 80 Strand, London, WC2R 0RL, England

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

11b

Investments - associated undertakings

	2022
	£'000
Cost	
At 1 January 2022	380
At 31 December 2022	380
Net book value	
At 31 December 2021	380
At 31 December 2022	380

Details of associated undertakings:

			2022	2021
Associated undertaking	Class of shares held	Place of incorp	% held	% held
The Egyptian International Publishing Company - Longman	Ordinary	Egypt	49%	49%

Registered Address

9 Rashdan St., Messaha Square, Dokki, Giza City, Egypt

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Stocks

	2022	2021
	£'000	£'000
Work in progress	49,834	31,791
Finished goods and goods for resale	94,353	101,906
	144,187	133,697

Included within the inventory balance is the estimation of the right to receive goods from contracts with customers via returns (see note 1).

The value of the returns asset is measured at the carrying amount of the assets at the time of sale aligned to the company's normal inventory valuation methodology less any expected costs to recover the asset and any expected reduction in value. Impairment charges against the inventory returns asset were £697,000 in 2022 (2021: £1,856,000). The returns asset all relates to finished goods.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Debtors

	2022	2021
	£'000	£'000
Amounts falling due within one year		
Trade debtors	92,283	81,582
Amounts owed by group undertakings	73,193	98,083
Corporation tax	2,781	3,143
Other debtors	7,371	9,114
Prepayments and accrued income	2,689	5,002
	178,317	196,924
Amounts falling due in more than one year		
Deferred taxation	16 11,242	-
	11,242	-
Total debtors	189,559	196,924

Prepayments and accrued income includes contract assets which are unbilled amounts where sales to be recognised over time has been recognised in excess of customer billings to date.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Creditors

	2022	2021
	£'000	£'000
Amounts falling due within one year		
Lease liabilities	(4,118)	(3,509)
Trade creditors	(41,548)	(46,471)
Amounts owed to group undertakings	(67,180)	(73,728)
Other taxation and social security	(349)	(533)
Other creditors	(6,548)	(4,941)
Accruals and deferred income	(114,842)	(107,446)
	(234,585)	(236,628)
Amounts falling due after more than one year		
Lease liabilities	(5,845)	(10,931)
Accruals and deferred income	(12,763)	(12,763)
Deferred taxation (note 16)	-	(2,122)
	(18,608)	(25,816)
Total creditors	(253,193)	(262,444)

Within the IFRS 16 lease liabilities are £614,000 paid in installments due after five years (2021: £1,558,000).

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Provisions

	Property	Reorganisation	Other	Total
	£'000	£'000	£'000	£'000
At 1 January 2022	(3,783)	(5,694)	(4,063)	(13,540)
Charged to profit and loss account	(59)	(6,375)	(1,214)	(7,648)
Unused amounts reversed to profit and loss account	-	306	3,001	3,307
Utilisation of provision	7	6,071	2,276	8,354
At 31 December 2022	(3,835)	(5,692)	-	(9,527)
				2022
Analysis of total provisions:				£'000
Non-current				(3,782)
Current				(5,745)
				(9,527)

The property provision relates to a) provisions for dilapidations and b) provisions for rentals on properties which are either vacant or let at less than the rentals paid by the company. Provisions are utilised over the length of the lease.

The reorganisation provision relates to costs in association with the planned restructuring of the UK business. Provided costs include staff costs in relation to redundancies due to be utilised within 12 months.

Other provisions relates to profit share and costs associated with warehouse migration, and were fully utilised or released in 2022.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Deferred taxation

	Other temporary differences	Share- based payments plan	Total
Asset/(liability)	£'000	£'000	£'000
At 1 January 2022	(2,605)	483	(2,122)
Credited to profit and loss	12,702	212	12,914
Credited to equity	-	449	449
At 31 December 2022	10,097	1,144	11,241
		2022	2021
		£'000	£'000
Deferred tax assets due after more than 12 months		11,241	-
Deferred tax liabilities due after more than 12 months		-	(2,122)
Total asset/(liability)		11,241	(2,122)
		2022	2021
		£'000	£'000
Total asset/(liability)		11,241	(2,122)

The company has an unprovided deferred tax asset relating to carry forward losses of £nil (2021: £11,177,000).

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Called up share capital

	2022		2021	
	£'000		£'000	
Total share capital	90,000		90,000	

	2022	2021	2022	2021
	No '000s	No '000s	£'000	£'000
Ordinary shares £1 each				
Allotted, called up and fully paid	90,000	90,000	90,000	90,000

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Share-based payments

The company's employees are entitled to shares and options under the following equity-settled employee option and share plans:

Worldwide Save for Shares Plan

The Group has a Worldwide Save for Shares Plan. Under these plans, employees can save a portion of their monthly salary over a period of three years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equal to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan. Options that are not exercised within six months of the end of the savings period lapse unconditionally.

Long-Term Incentive Plan

The plan was first introduced in 2001 and from time to time the plan rules are renewed. The plan consists of restricted shares. The vesting of restricted shares is normally dependent on continuing service over a three to five-year period, and in the case of executive directors and senior management upon the satisfaction of corporate performance targets over a three-year period. These targets may be based on market and/or non-market performance criteria. Restricted shares awarded to executive directors in May 2022, May 2021 and May 2020 vest dependent on relative total shareholder return, return on invested capital and adjusted earnings per share growth. Other restricted shares awarded in 2022, 2021 and 2020 generally vest depending on continuing service over periods of up to four years.

Management Incentive Plan

The plan was introduced in 2017 combining the Group's Annual Incentive Plan and Long-Term Incentive Plan for senior management. The number of shares to be granted to participants is dependent on Group performance in the calendar year preceding the date of grant (on the same basis as the Annual Incentive Plan). Subsequently, the shares vest dependent on continuing service over a three year period, and additionally, in the case of the Pearson Executive Management team, upon satisfaction of non-market based performance criteria as determined by the Remuneration Committee. Restricted shares awarded as part of the 2020 Long-Term Incentive Plan were granted in April 2021. In 2021 this scheme was replaced by the Long-Term Incentive Plan for senior management.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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Retirement benefit schemes

The company participates in The Pearson Pension Plan. This is a hybrid plan 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 'Employee Benefits' (Revised 2011), the company recognises a cost equal to its contribution payable for the period which, in the year ended 31 December 2022, was £9,853,000 (2021: £8,673,000). The sponsoring entity to this scheme 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.

SAUL

The company participates in the Superannuation Arrangements of the University of London ('SAUL'), which is a centralised defined benefit scheme. In the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations. The last available valuation was carried out as at 31 March 2020. This valuation showed the market value of SAUL's assets was £3,612 million (2017: £3,205 million) representing 94% (2017: 102%) of the liability for benefits after allowing for expected future increases in salaries.

It is not possible to identify the company's share of the underlying assets and liabilities of SAUL. Therefore, contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid in accordance with the multi-employer rules of IAS 19 (Revised 2011).

The total pension cost for the company was £178,000 (2021: £141,000) representing the cash contributions to the fund.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2022

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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 2022 was £6,049,575 (2021: net cash position £79,525,979). The maximum amount of this guarantee is limited to a net overdraft of £50,000,000.

Pearson Education Limited

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the year ended:

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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 Education Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

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Ultimate parent undertaking

The immediate parent undertaking is Pearson Education 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.