

Pearson College Limited

Registered Number :

07967446

Annual Report and Financial Statements

For the Year Ended :

31 December 2021

Registered address :

80 Strand, London WC2R 0RL

Pearson College Limited

STRATEGIC REPORT

The directors present their Strategic Report of Pearson College Limited (the 'company') for the year ended 31 December 2021.

Business review

The results for the company show a pre-tax loss of £7,175,000 (2020: £6,484,000) for the year. Revenue has increased by 2.25% from the prior year partly as a result of an increase in short course revenue. This is despite Covid-19 restrictions being in place until Q3. The company has net assets as at 31 December 2021 of £5,494,000 (2020: net liabilities of £34,609,000).

During the year the College entered into a deed of release with its parent entity, Longman Group (Overseas Holdings) Limited in respect of the amounts due to Longman Group (Overseas Holdings) Limited. Immediately prior to the waiver the college owed £45,889,000 to Longman Group (Overseas Holdings) Limited. The deed of release resulted in the College issuing 5,819 shares at £4,537 per share to the Longman Group (Overseas Holdings) Limited, with the remaining balance owed of £19,489,000 being waived as a capital contribution. This capital contribution along with the existing capital contribution of £8,574,000 was transferred to the accumulated deficit.

Key performance indicators

The directors continually review the most appropriate and effective measures of the company's progress towards achieving its strategies and objectives. The following measures are continually monitored:

	2021	2020	Comments
Turnover	£10,218,357	9,993,325	Increase in turnover by 2.25% driven primarily by increase in short course revenue.
Gross profit margin	92%	92%	
Student numbers	1,242	1,188	Based on FTE

Future developments

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

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

The directors continue to explore future possibilities. A strategic decision to restructure under Escape Studios brand was made during FY 2021, to leverage the brand strength and to allow for synergies and more effective management of the operation.

Pearson College Limited

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The board is accountable for the system of risk management of the company. The directors undertake regular assessments of the current principal and emerging risks facing the company and the controls in place to mitigate these risks.

2021 continued to be a testing time for English higher education institutions. Their financing was under scrutiny, with the Review of Post-18 Education and Funding, launched by the government in February 2018 (which sought answers to questions around choice, access, value for money and skills provision), still being unresolved. (This was concluded in February 2022, although the launch of a number of consultations by both the OfS and the DfE in the first half of 2022 have continued the challenges and uncertainties for the sector). Additionally, the sector was adjusting to an increasingly competitive market in the midst of challenging economic conditions, while the impact of Brexit continued to be a source of uncertainty. The impact of COVID- 19 is detailed overleaf.

The company adopts mitigation activities in the form of internal controls and regular internal meetings. These include reporting to the board and monitoring compliance with statutory and regulatory requirements and the College's policies and procedures.

COVID-19

We have continued to monitor COVID-19 developments closely on a day-by-day basis. Our primary focus is on ensuring the safety and well-being of our learners and employees. We have invoked our business continuity plans to help support our learners and teaching remains in place in a virtual capacity.

We have complied with Government guidance and continue to do so. Due to this there were periods of 2021 when students were not permitted to come to the College for face-to-face teaching and other periods where we employed a blended model, allowing fewer students in at any one time to ensure social distancing. Students on courses which require access to specialist equipment were permitted to access the College for socially distanced teaching from 8 March 2021. Other students were permitted to access the College for socially distanced teaching from 21 June 2021. From the start of the 2021 academic year, teaching was back in person as normal for all students. We partnered with the University of London to provide a COVID testing service for any students and staff who were permitted to enter the College and, since 19 May 2021 until the DHSC discontinued the service in 2022, provided free lateral flow test kits to staff and students, to enable them to self-test twice a week. These kits were supplied to us by the DHSC.

The inability to hold face-to-face recruitment events has had an impact on our recruitment of students for a September 2022 start.

On behalf of the board



S Macdonald
Director

28 July 2022

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Pearson College Limited (the 'company') for the year ended 31 December 2021.

Pearson College Limited registered with the Office for Students on 15 October 2018. The financial statements are prepared and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 and under the Regulatory Advice 9: Accounts direction as issued by the Office for Students (OfS 2019.41).

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

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

As permitted by legislation, some of the matters normally included in the Directors' Report, including disclosures relating to future developments, have instead been included in the Strategic Report as the Board considers them to be of strategic importance.

Going concern

COVID-19 continued to cause a degree of uncertainty within the Higher Education Sector the UK and added pressure to all institutions' financial sustainability through what remains to be an uncertain period. Despite that added financial pressure throughout 2021, Pearson College mitigated those risks to protect in-year deficit.

All face-to-face courses were designed to be delivered fully online if necessary. This means that Pearson College was able to rapidly switch to an online mode of delivery when the pandemic started in 2020 and minimise disruption to learning and fee income. This online mode of delivery continued for all students until 8 March 2021. From that date students on courses which required access to specialist equipment were permitted to access the College for socially distanced teaching, in accordance with government guidelines. Other students were permitted to access the College for socially distanced teaching from 21 June 2021. From the start of the 2021 academic year teaching was back in person as normal for all students.

The College has considered the impact of the COVID-19 pandemic on its business and on trading in future periods and its effect on recruitment activities. We recognise that there will be short term impacts on student numbers and therefore fee income recognised in 2022 to 2023. However, 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. The directors have received confirmation that Pearson plc intends to support the company for at least 12 months after these financial statements are signed. In addition, the College has received a renewed legally binding corporate undertaking from its parent company, Longman Group (Overseas Holdings) Limited, to do so.

The directors are aware that Pearson Plc is currently exploring the possibility of transfer of the operation under new ownership. The potential impact of new ownership of the company is that not all future events, conditions or plans for the business can be predicted and this indicates the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

However, the directors have received an unconditional, legally binding undertaking from Longman Group (Overseas Holdings) Limited to support the operation for a minimum of seven years from June 2021. This legally binding undertaking is not extinguished on transfer of the operation to new ownership and therefore the directors are satisfied that preparing the financial statements on a going concern basis is appropriate. Consequently, the financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Dividends

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

DIRECTORS' REPORT (continued)

Directors

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

S Macdonald (Executive Director)
P B Feldman (Non-executive Director)
A C Morrison (Non-executive Director)
Dr G Gates (Non-executive Director)
D Docherty (Non-executive Director)
R S Farwell (Non-executive Director)
I J Palmer (Executive Director)
R T Stockwell (Executive Director)
R M D Price (Non-executive Director)
R M E Kirk (Non-executive Director) (appointed 22 July 2021, resigned 26 May 2022)

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

Information in relation to financial instruments and financial risk management, as required by the Companies Act 2006 (the Act) and by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), are set out in note 19.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with Companies Act 2006.


The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each director in office at the date the Directors Report is approved, the following applies :

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



S Macdonald
Director
28 July 2022

Company registered number :
07967446

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Established in 2012 as a private limited company, Pearson College Limited, trading as Pearson College London, is an institution offering a range of undergraduate and postgraduate degrees and short courses.

Pearson College Limited is a wholly owned subsidiary of Pearson plc, a FTSE 100 company. Pearson College Limited is on the Office for Students register under the approved (fee cap) category.

Industry engagement is at the core of its mission to become one of the UK's leading universities for in-depth industry engagement which helps its students develop the knowledge, intellectual capacity and professional experience they need for their long-term careers. Courses are designed to be academically demanding, industry informed, and to inspire students with a real interest in how their chosen discipline plays a role in the modern professional world.

Governance

Pearson College Limited has the following governing documents:

- Articles of Association
- Terms of Reference of its Committees which form its governance structure including:
 - o Governing Body
 - o Audit Committee
 - o Remuneration Committee
 - o Executive Team
 - o Academic Board and its sub-committees
- Scheme of Delegation
- College policies and procedures

These governing documents were in place throughout the financial year ended 31 December 2021 and up to the date of approval of the College's audited financial statements.

The **Articles of Association** confirm that the Governing Body has ultimate accountability for the College's activities and it is formed of the Directors of Pearson College Limited. The Articles of Association also confirm the College's status as a not-for-profit organisation and are publicly available on the Companies House website (<https://beta.companieshouse.gov.uk/company/07967446>).

The **Governing Body** is ultimately accountable for all the College's activities. It oversees the work of the College and ensures that the academic governance procedures are effectively managed. Its terms of reference are modelled on the precepts of the Committee of University Chairs' Higher Education Code of Governance ("CUC Code"). Its responsibilities have been mapped against this Code and include agreeing the College's mission and strategy, approving the strategic plan and ensuring that this supports the College's mission and reflects the needs and interests of stakeholders while also ensuring that there is an aligned financial plan. The Governing Body is also the principal financial and business authority of the College, with responsibility to ensure proper auditing, and to approve the annual budget and financial statements. The Governing Body met on 5 occasions during the financial year ended 31 December 2021.

The **Audit Committee** is chaired by an external member of the Governing Body and is comprised entirely of external members of Governing Body. It examines risk management control and governance under delegation from the Governing Body and helps the Governing Body discharge its responsibility for adequate and effective risk management, control and governance (including ensuring the probity of the financial statements) and for the economy, efficiency and effectiveness of the College's activities. The Audit Committee met on 4 occasions during the financial year ended 31 December 2021.

The **Remuneration Committee** is chaired by the Deputy Chair of the Governing Body and is also comprised entirely of external members of Governing Body. It is responsible for determining the remuneration (base pay and performance related payments) of the Principal, approving severance payments for the Principal and post-holders that report to the Principal along with any other senior staff (as defined in the OfS Accounts Direction), and for any staff for whom a severance package might exceed an individual amount to be agreed annually by the Remuneration Committee. The Remuneration Committee also maintains oversight of the College's pay policies and practices to ensure that these are fair, lawful and congruent with the College's objectives.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The purpose of the **Executive Team** is to develop, lead on and implement the mission and strategic plan for the College. Its responsibilities include leadership, operational planning and management, risk management, financial planning, resource planning and management, managing stakeholder relationships (including industry partners) and legal obligations.

The Executive Team works with the Governing Body to set the College's mission and strategic plan. It is responsible for implementing that plan and for providing leadership and day-to-day management, guidance, direction, organisational planning, and supervision to the College community. The membership comprises the Principal, Vice-Principals, and Deans of School – in this way all the teams across the College are represented.

The **Academic Board** is the academic authority of the College for all academic matters. This includes oversight of academic management, maintenance and enhancement of academic quality and standards, provision of appropriate learning opportunities for students and the encouragement of a thriving community of scholarship, professionalism and research appropriate to the College's mission, and it has the responsibility of taking suitable measures and action to secure and promote these.

The Academic Board and Executive Team are supported by subcommittees which each have staff and student representation:

- The *Review and Enhancement Committee* (REC) monitors academic standards according to applicable external and internal regulatory frameworks and reviews and makes recommendations for enhancement and improvement in relation to academic quality and the provision of appropriate learning opportunities for students.
- The *Admissions, Progression, Retention and Achievement Committee* (APRAC) supports the Review and Enhancement Committee in the safeguarding of academic standards by monitoring and reviewing the admission of students, their assessment, progression and attainment at the College, making recommendations for enhancement and improvement to College strategies, policies, processes and procedures as appropriate.
- *School Boards* discuss, monitor and review the strategic direction, management and operations of the School and provide a forum for recommendations for the College.
- The *Student Voice Forums* (SVFs) are forums in which learners and staff can communicate and exchange feedback about all aspects of Pearson College including the programme, facilities and student welfare. There are several SVFs, organised according to discipline and level of study. Each is made up of Staff members and Student Experience Associates and deals with concerns at a local level. The SVFs also feed into other committees as appropriate.

Pearson College London is committed to operating in a transparent manner. Its financial statements are publicly available from Companies House and are published on its website. Details of the Governing Body and Executive Team membership are published on the Governance page of the College's website.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Appointment of Directors

The Governing Body has 10 members. One is a student and five are independent external members (or “non-executive directors”), in accordance with the principles of the CUC Code. These external members bring a range of expertise, including significant experience of Higher Education leadership and significant and senior experience in industry. From July 2021 the membership includes the President of the Students Association to represent the student voice.

External members are appointed by the Governing Body, following consideration of CV and letter of application, due diligence enquiries and interview. They are appointed for a term of three years, which can be renewed once for a further three years, subject to approval. These members are appointed as Directors of Pearson College Limited and must therefore meet the general duties of a company director as defined in the Companies Act 2006.

The Governing Body membership also includes certain members of the Executive Team as *ex officio* members, including the Principal, to ensure appropriate communication and understanding between the Executive, who are responsible for the day-to-day management and leadership of the College, and the Governing Body, who have ultimate accountability, by providing a forum for the Governing Body to question, debate and challenge the Executive.

Finally, the Governing Body membership includes one member from the wider Pearson plc (Managing Director, Pearson VUE) to ensure transparency and clear communication between Pearson plc and the College while still preserving the autonomy of the College.

Principal and Accountable Officer

Dr Roxanne Stockwell holds the office of Principal of Pearson College Limited and is also a director. She is the head of the institution and responsible to the Governing Body for the overall management, direction and organisation of the College. She is supported by the Executive Team. The Principal also leads the academic community and has responsibility for assuring standards and the quality of the students’ academic experience. The Principal is the College’s designated Accountable Officer, as defined by the Office for Students.

On 8 July 2022, Vice Principal and Director, Dr Ian Palmer, was appointed interim Accountable Officer due to the Principal returning to Australia for personal reasons and working from a different time zone.

Relationship with the Wider Pearson Group

To ensure both the College’s autonomy and sustainability, involving continuing financial support from Pearson plc, an agreement has been entered into by both parties which makes clear the relationship between Pearson plc and Pearson College Limited and enshrines the principles of the College’s autonomy and academic freedom. It also makes it clear that Governing Body must sign off the budget for the College and that once this has been set, it cannot be changed by Pearson plc, for example, due to the financial performance of other parts of Pearson. In addition, the inclusion of the Managing Director, Pearson VUE, on the Governing Body ensures that Pearson plc has a voice on the Governing Body, but that it is only one out of ten members, half of whom are external both to the College and to the wider Pearson.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Statement of Governing Body responsibilities

In addition to the responsibilities held in their capacity as Directors, by virtue of the Articles of Association, the responsibilities of the Governing Body are set out in the Governing Body Terms of Reference and include:

- To work with the Executive Team to develop the mission and strategy of the College.
- To approve the mission and strategy of the College.
- To approve the strategic plan of the College to ensure that this supports the College's mission and reflects the needs and interests of stakeholders and to ensure that there is an aligned financial plan which enables the College to build towards independent financial sustainability.
- To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the College against the plans.
- To set, monitor and regularly review institutional Key Performance Indicators and to benchmark these against comparable institutions where appropriate.
- To approve fundamental plans and proposals, policies and procedures submitted by the Executive Team.
- To approve a human resources strategy and be the employing authority for all staff in the College.
- To be the principal financial and business authority of the College, ensuring proper auditing, to approve the annual budget and financial statements.
- To appoint (and if necessary dismiss) the head of the College (the Principal), with due consideration given to Pearson plc's views, and to monitor his/her performance.
- To delegate authority of the management functions of the College (academic, corporate, financial, estate and human resource) to the Principal and Executive Team and keep these functions under regular review.
- To satisfy itself that academic governance is operating effectively, recognising and respecting the role of the Academic Board in relation to academic matters as set out in the terms of reference of that board.
- To receive assurance that adequate provision has been made for the general welfare of students.
- To safeguard the reputation and values of the College.
- To ensure that the College meets all its legal and regulatory requirements.
- To ensure the establishment and monitoring of systems of control and accountability including financial and operational control and risk assessment, value for money arrangements and managing conflicts of interests.
- To ensure that Pearson College Students' Association is operated in a fair and democratic manner and is accountable for its budget and financial operations.
- To ensure that the College fulfils its commitment to equality and diversity.
- To act as the College's Board of Directors and ensure that the College's constitution in the form of its Articles of Association is followed.
- To establish and implement processes to monitor and evaluate the performance and effectiveness of the Governing Body and its committees.
- To appoint (and if necessary dismiss) individuals as members of the Governing Body.
- To conduct and review its business in accordance, where appropriate, with best practice in HE corporate governance and the principles of public life.
- To delegate matters to the Executive Team, Academic Board and other committees as appropriate.
- To maintain and protect the principles of academic freedom and freedom of speech.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Review of Effectiveness

In 2018 the Governing Body commissioned an independent consultant to provide a report on the effectiveness of governance structures and processes of Pearson College London. As a result of this review, the College undertook the following steps in 2018:

- Amending the terms of reference of the Academic Board to include the Principal as an *ex officio* member;
- Amending the terms of reference of Governing Body to make explicit its duty to monitor and evaluate the performance and effectiveness of the governing body and its committees;
- Introduction of a single scheme of delegation document.

Further governance changes have been implemented in line with the recommendations of the independent review, namely, the appointment of the Principal as Chair of Academic Board and discontinuation of its independent membership, and the inclusion of the President of the Pearson College Students' Association as an *ex officio* member of Governing Body.

The Governing Body undertakes an annual self-assessment effectiveness review, which is coordinated by the Clerk and Company Secretary to the Governing Body and the responses are collated, analysed and reported to members. The last such review took place in December 2021.

Statement of Internal Control

The Governing Body is responsible for the College's internal controls, supported by the Audit Committee and other sub-committees, as outlined above, and for reviewing the effectiveness of these controls.

The College's system of internal control is an ongoing process designed to manage rather than eliminate the risk of failure to achieve its strategic aims and objectives. It seeks to identify the main risks to the achievement of the College's mission, strategic aims and objectives, and to evaluate and manage those risks effectively. This system was in place for the financial year ended 31 December 2021 and up to the date of approval of the financial statements. There are no significant internal control weaknesses or failures to report.

The following provides a summary of arrangements in place:

- The Governing Body meets at least four times per annum to consider the mission and strategic plan of the College and to monitor performance against those plans;
- The membership of the Governing Body has representation from the Executive Team. The Executive Team meets bi-weekly and has responsibility for operational planning and management, risk management, financial planning, resource planning and management, managing stakeholder relationships (including industry partners) and legal obligations;
- The College has a risk register which is reviewed at each Governing Body meeting, through which the Governing Body is able to evaluate the likelihood and impact of risks becoming a reality. The risk register covers business, operational and compliance risk as well as financial risk;
- The risk register has associated KPIs, which are reviewed regularly at all levels of the committee structure and include benchmarking against the sector;
- The risk register is monitored on an ongoing basis by the Executive Team and the Audit Committee and forms the basis of the Annual Audit Plan;
- The Governing Body has responsibility for approving the College's budget and ensures regularity and propriety in the use of its public funding through the Audit Committee and Remuneration Committee and by receiving a finance report and recruitment update at every meeting from the Finance Director and Director of External Relations respectively, with the opportunity to question and interrogate their reports, to ensure that spending is prudent and as forecast.
- The Audit Committee meets at least twice a year and receives updates on progress against the Annual Audit Plan. In February 2021 it was agreed that this should increase to at least four times a year. The Audit Committee makes an annual report to the Governing Body, detailing the results of external audits, an evaluation of internal controls and proposals for the Annual Audit Plan. The Audit Committee meets with the external auditors to review and scrutinise the draft financial statements before making recommendations for sign-off to the Governing Body.
- The Governing Body receives regular reports from managers on performance and areas of risk within their areas of responsibility, including progress reports on key projects and action plans.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Governing Body is satisfied that there is an effective and ongoing process for identifying, evaluating and managing the College's risks and that this was in place during the financial year ended 31 December 2021 and up to the approval of these financial statements.

Signed on behalf of the Governing Body on 28 July 2022

A handwritten signature in black ink, appearing to read 'S Macdonald', written over a horizontal line.

S Macdonald

Director

Independent auditors' report to the members of Pearson College Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2021; the income and expenditure account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. At the time of signing the financial statements, the directors are aware that Pearson Plc is currently exploring the possibility of transfer of the operation under new ownership and as a result a transfer could potentially conclude within 12 months of the date of the approval of these financial statements. Not all future events, conditions or plans for the business under a change in ownership can be predicted and the existing directors cannot fully assess whether the going concern basis of accounting will remain appropriate after a change in ownership is completed. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

Independent auditors' report to the members of Pearson College Limited (continued)

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to failure to comply with data protection, employment and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated

Independent auditors' report to the members of Pearson College Limited (continued)

management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, inappropriate revenue recognition and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit, and the Audit Committee of the parent entity, including consideration of known or suspected instances of non-compliance with laws and regulation (including data protection legislation) and fraud;
- Identification and testing of significant manual journal entries; and
- Evaluation and, where appropriate, challenging assumptions and judgements made by management in making significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Pearson College Limited (continued)

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects:

- funds from whatever source administered by the company for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England) and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The provider's grant and fee income, as disclosed in the note to the financial statements, has been materially misstated; or
- The provider's expenditure on access and participation activities for the financial year has been materially misstated.

We have no matters to report arising from this responsibility.



Brenda Heenan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
28 July 2022

Pearson College Limited

INCOME AND EXPENDITURE ACCOUNT

For the year ended :

31 December 2021

		2021	2020
	Note	£'000	£'000
Continuing operations			
Income	3	10,218	9,993
Cost of sales		(841)	(796)
Gross surplus		9,377	9,197
Administrative expenses	4	(14,965)	(14,878)
Impairment of intangible assets	4	(1,657)	-
Other income	4	412	-
Operating deficit	4	(6,833)	(5,681)
Finance costs	7	(342)	(803)
Deficit before taxation		(7,175)	(6,484)
Tax on deficit	8	1,307	1,149
Deficit for the financial year attributable to shareholders		(5,868)	(5,335)

Pearson College Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended :

31 December 2021

	2021	2020
	£'000	£'000
Deficit for the financial year	(5,868)	(5,335)
Total comprehensive expense for the year attributable to shareholders	(5,868)	(5,335)

Pearson College Limited

BALANCE SHEET

As at:

31 December 2021

		2021	2020
	Note	£'000	£'000
Non-current assets			
Intangible assets	9	355	2,992
Property, plant and equipment	10	2,482	3,129
Investments	11	-	-
Deferred taxation	15	305	279
		3,142	6,400
Current assets			
Trade and other receivables	12	8,810	5,076
Current tax asset	12	2,210	928
		11,020	6,004
Current liabilities			
Trade and other payables	13	(8,032)	(7,867)
Provisions	14	(636)	-
Net current assets/(liabilities)		2,352	(1,863)
Non-current liabilities			
Trade and other payables	13	-	(39,146)
Net assets/(liabilities)		5,494	(34,609)
Equity			
Called up share capital	16	8	1
Share premium		26,393	-
Other reserves		90	8,651
Accumulated deficit		(20,997)	(43,261)
Total shareholders' funds/(deficit)		5,494	(34,609)

For the year ended 31 December 2021:

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

The financial statements on pages 16 to 48 were approved by the board of directors and authorised for issue on 27 July 2022. They were signed on its behalf by :



S Macdonald
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended :
31 December 2021

	Called up share capital	Share premium	Other reserves	Accumulated deficit	Total shareholders' deficit
	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	1	-	8,637	(37,992)	(29,354)
Deficit for the financial year	-	-	-	(5,335)	(5,335)
Total comprehensive expense for the year	-	-	-	(5,335)	(5,335)
Share-based payment transactions	-	-	79	1	80
Transfers	-	-	(65)	65	-
At 31 December 2020 and 1 January 2021	1	-	8,651	(43,261)	(34,609)
Deficit for the financial year	-	-	-	(5,868)	(5,868)
Total comprehensive expense for the year	-	-	-	(5,868)	(5,868)
Issue of share capital	7	-	-	-	7
Share premium on issue of share capital	-	26,393	-	-	26,393
Share-based payment transactions	-	-	81	1	82
Shares exercised / lapsed during year	-	-	(68)	68	-
Capital contribution on waiver of related party loan	-	-	19,489	-	19,489
Transfer of capital contribution	-	-	(28,063)	28,063	-
At 31 December 2021	8	26,393	90	(20,997)	5,494

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

Share premium represents the premium paid in excess of nominal value.

Other reserves represents capital contributions from Pearson Plc in relation to share based payment charges and fair value movements on long term related party borrowings. The total capital contribution in relation to long term related party borrowings was transferred to accumulated deficit during 2021.

Accumulated deficit account reserve represents accumulated losses.

Pearson College Limited

CASH FLOW STATEMENT

For the year ended :

31 December 2021

		2021	2020
	Note	£'000	£'000
Cash flows from operating activities			
Net cash from operations			
Deficit before tax for the financial year		(7,175)	(6,484)
Depreciation	4	647	768
Amortisation of intangible assets	4	714	811
Impairment of intangible assets	4	1,657	-
Interest on related party loan	7	488	823
Gain on change in cashflows on related party loan	7	(146)	(20)
Share based payment expense		81	79
Reorganisation provision charge	14	636	-
(Increase)/decrease in receivables	12	(3,734)	3,296
Increase/(decrease) in liabilities	13	1,027	(1,014)
Net cash used in operating activities		(5,805)	(1,741)
Cash flows from investing activities			
Transfer of product development to related party	9	734	-
Purchase of intangible assets	9	(468)	(1,271)
Net cash generated from/(used in) investing activities		266	(1,271)
Cash flows from financing activities			
Increase/(decrease) in related party funding received		6,401	(5)
Net increase/(decrease) in cash and cash equivalents		862	(3,017)
Cash and cash equivalents at beginning of year		(2,630)	387
Cash and cash equivalents at end of year		(1,768)	(2,630)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended :
31 December 2021

1

Statement of principal accounting policies

Pearson College Limited (the 'company') is a private company, limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL. The nature of the company's principal activities are the education and training for the benefit of the public in the United Kingdom.

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

As a registered provider of English higher education, additional disclosures have also been presented in accordance with Regulatory Advice 9: Accounts direction, as issued by the Office for Students. These policies and measurement bases have been consistently applied to all the years presented.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS 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.

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand pounds unless otherwise stated.

Interpretations and amendments to published standards effective 2021

No new standards were adopted in 2021.

A number of other new pronouncements are also effective from 1 January 2021 but they do not have a material impact on the financial statements.

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

A number of other new standards and amendments to standards have been issued but are not yet effective and have not yet been endorsed by the UK Endorsement Board. None of these is expected to have a material impact on the financial statements.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors. The company's activities consist solely of the provision of integrated educational services within the United Kingdom, operating as one operating segment under IFRS 8 'Operating Segments' ('IFRS 8').

Consolidation

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

These financial statements are separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended :
31 December 2021**

1

Statement of principal accounting policies (continued)

Going concern

COVID-19 continued to cause a degree of uncertainty within the Higher Education Sector the UK and added pressure to all institutions' financial sustainability through what remains to be an uncertain period. Despite that added financial pressure throughout 2021, Pearson College mitigated those risks to protect in-year deficit.

All face-to-face courses were designed to be delivered fully online if necessary. This means that Pearson College was able to rapidly switch to an online mode of delivery when the pandemic started in 2020 and minimise disruption to learning and fee income. This online mode of delivery continued for all students until 8 March 2021. From that date students on courses which required access to specialist equipment were permitted to access the College for socially distanced teaching, in accordance with government guidelines. Other students were permitted to access the College for socially distanced teaching from 21 June 2021. From the start of the 2021 academic year teaching was back in person as normal for all students.

The College has considered the impact of the COVID-19 pandemic on its business and on trading in future periods and its effect on recruitment activities. We recognise that there will be short term impacts on student numbers and therefore fee income recognised in 2022 to 2023. However, 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. The directors have received confirmation that Pearson plc intends to support the company for at least 12 months after these financial statements are signed. In addition, the College has received a renewed legally binding corporate undertaking from its parent company, Longman Group (Overseas Holdings) Limited, to do so.

The directors are aware that Pearson Plc is currently exploring the possibility of transfer of the operation under new ownership. The potential impact of new ownership of the company is that not all future events, conditions or plans for the business can be predicted and this indicates the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

However, the directors have received an unconditional, legally binding undertaking from Longman Group (Overseas Holdings) Limited to support the operation for a minimum of seven years from June 2021. This legally binding undertaking is not extinguished on transfer of the operation to new ownership and therefore the directors are satisfied that preparing the financial statements on a going concern basis is appropriate. Consequently, the financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Foreign currency translation

The financial statements are presented in pounds sterling (£'000) which is also the company's functional currency.

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

Income recognition

Income represents the invoiced value of services supplied, net of discounts, from the development and administration of qualifications in business and enterprise. Income is recognised 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 formulas 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 first whether control passes over time and if not, then 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. Income that is recognised ahead of billings is shown as accrued income in the balance sheet. Income that is recognised as relating to future accounting periods is shown as deferred Income in the balance sheet.

Grant funding, including recurring funding and research grants from Government sources and grants (including research grants) from non-Government sources are recognised as income when the company is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended :
31 December 2021**

1

Statement of principal accounting policies (continued)

Current and deferred income tax

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

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

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

Intangible assets

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

Product development costs can either be direct costs incurred in the development of educational programmes or in the preliminary stages of developing computer software for internal use. Product development costs are regarded as an internally generated intangible asset and as such are capitalised and recognised as an asset when it is probable that future economic benefits that are attributable to the asset will flow to the operating company, the company has demonstrated its intention to complete and use the software, and the cost of the asset can be measured reliably. Product development costs, once in use, are amortised on a straight line basis over their useful life of 5 years.

Assets under construction are not amortised.

Property, plant and equipment

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

Leasehold improvements - 10 years

Fixtures and fittings - 3 to 5 years

Assets under construction are not depreciated.

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

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

Impairment of non-financial assets

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

Investment in subsidiaries

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

Trade and other receivables

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

Trade receivables and contract assets 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 and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The company reviews its bad debt provision at least twice a year following a detailed review of receivable balances and historical payment profiles, and assessment of forward looking risk factors. See note 12 for further details about trade receivables and contract assets including movements in provisions for bad and doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended :
31 December 2021**

1

Statement of principal accounting policies (continued)

Cash and cash equivalents

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

Liabilities

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

Pensions

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

The company is unable to identify its share of the underlying assets and liabilities of The Pearson Pension Plan owing to information regarding non-active members and changes to the group structure including acquisitions and disposals. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the company recognises a cost equal to its contribution payable for the period, which in the year ended 31 December 2021 was £445,000 (2020: £386,000). The sponsoring entity to this plan 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.

Share capital

Ordinary shares are classified as equity.

Financial instruments

Financial assets

The company measures its trade and other receivables and cash and cash equivalents at amortised cost. Subsequent to initial recognition these assets are carried at amortised cost using the effective interest method and are subject to impairment. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

The financial assets are presented as current assets, except for those with maturities greater than 12 months after the reporting date. These are classified as non-current assets.

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in transaction.

Financial liabilities

The company's financial liabilities comprise trade and other payables, other financial liabilities and related party borrowings.

The company initially recognises its financial liabilities at fair value net of transaction costs where applicable and are subsequently measured at amortised cost using the effective interest method.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability the difference between the carrying amount extinguished and the consideration paid is recognised in profit and loss.

When a financial liability terms are modified and the cash flows of the modified liability are not substantially different and the modification of a financial liability is not accounted for as an extinguishment, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows discounted at the financial liability's original effective interest rate. Any gain or loss arising on modification is recognised in profit and loss.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

2

Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the company's accounting policies

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

Impairment of intangible assets

The company makes a judgement on the recoverable value of its intangible assets. When assessing impairment of the assets, management considers factors including the historic performance, approved budgets and future cash flow projections as well as any operational aspects affecting the recoverable value. Management have also taken into consideration any impact of COVID-19.

Key sources of estimation uncertainty

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

Useful economic life

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

3

Income

	2021	2020
	£'000	£'000
Continuing operations		
Fee income for taught awards (exclusive of VAT)	8,328	8,746
Fee income from non-qualifying courses (exclusive of VAT)	1,441	343
Grant income from the Office for Students	287	862
Fee income for research awards (exclusive of VAT)	-	-
Grant income from other bodies	162	42
Total grant and fee income	10,218	9,993

All income is recognised over time in line with the related qualification.

<i>Income by class of business is as follows:</i>	2021	2020
	£'000	£'000
Educational services	10,218	9,993

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

<i>Income by geographical market is as follows:</i>	2021	2020
	£'000	£'000
United Kingdom	10,218	9,993

<i>Assets and liabilities relating to contracts with customers:</i>	2021	2020
	£'000	£'000
Contract assets - Accrued income	-	1,728
Contract liabilities - Deferred income	(3,989)	(2,316)

<i>Revenue recognised that was included in contract liabilities in the prior year</i>	2021	2020
	£'000	£'000
Fee income for taught awards (exclusive of VAT)	2,316	3,532

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

4

Operating deficit

Operating deficit is stated after charging/(crediting):

		2021	2020
	Note	£'000	£'000
Staff costs	5	7,328	6,095
Depreciation of property, plant and equipment:			
- owned	10	647	768
Property rental costs		1,980	1,980
Amortisation of intangible assets included in other operating expenses:			
- internally generated	9	696	709
- purchased	9	18	102
Impairment of intangible assets included in administrative expenses	9	1,657	-
Impairment of trade receivables	12	266	434
Other income		(412)	-

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

Auditors' remuneration of £58,300 (2020: £57,200) has been borne by a fellow group undertaking in the current and preceding year.

Other income represents proceeds received on the transfer of Apprenticeship Programmes to University of Kent in September 2021.

Access and participation expenditure	2021	2020
	£'000	£'000
Access investment	139	137
Financial support provided to students	245	121
Support for disabled students	-	-
Research and evaluation related to access and participation activities	19	9
	403	267

Included above are amounts totalling £138,000 (2020: £91,000) relating to staff costs which are intrinsic to the delivery of the access and participation activities. These costs are already included in the overall staff costs figures included in note 5.

The company's published access and participation plan can be found at <https://www.pearsoncollegelondon.ac.uk/content/dam/region-core/uk/pearson-college/clean-up/admissions/Access-and-Participation-2020-to-2024-Plan.pdf>. Note that the plan covers the academic years 2020/24 and therefore no direct comparison to the expenditure above can be drawn.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

5

Staff costs

	2021	2020
	£'000	£'000
Wages and salaries	5,518	5,032
Social security costs	648	598
Other pension costs	445	386
Share-based payment costs	81	79
Provision for loss of office (see note 14)	636	-
	7,328	6,095
	2021	2020

Average monthly number of persons employed by the company during the year

	Number	Number
Production	47	31
Selling and distribution	45	44
Administration	50	43
	142	118

The number of staff with a basic salary of over £100,000 per annum (calculated on FTE basis) has been included below:

	2021	2020
<i>Basic salary per annum</i>	Number	Number
£100,000 - £104,999	1	1
£105,000 - £109,999	2	2
£110,000 - £114,999	1	1
£115,000 - £119,999	-	1
£120,000 - £124,999	1	-
£135,000 - £139,999	-	-
£195,000 - £199,999	-	-
£200,000 - £204,999	1	1
	6	6

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

6

Directors' remuneration

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. Staff costs include compensation paid to key management personnel.

The company's 'key management personnel' consist of the following people:

R T Stockwell (Executive Director and Principal)

S Macdonald (Executive Director and Vice Principal)

I J Palmer (Executive Director and Dean)

R S Farwell (Non-executive Director)

A C Morrison (Non-executive Director)

P B Feldman (Non-executive Director)

Dr G Gates (Non-executive Director)

D Docherty (Non-executive Director)

R M D Price (Non-executive Director)

R M E Kirk (Non-executive Director) (appointed 22 July 2021, resigned 26 May 2022)

	2021	2020
	£'000	£'000
Aggregate emoluments	561	548
Company contributions to defined contribution pension schemes	64	63
	625	611

	2021	2020
--	------	------

Share based remuneration to the directors in 2021 was £81,000 (2020: £79,000).

Total remuneration of Principal	£'000	£'000
Basic salary	204	204
Performance related pay and other bonuses	13	20
Share based payment expense	50	48
Defined contribution pension scheme - company contributions during the year	28	27
	295	299

Further information on the share based payment expense is detailed in note 17.

i. The head of the provider's basic salary is 5.51 times the median pay of staff (2020: 5.25 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

ii. The head of the provider's total remuneration is 7.33 times the median total remuneration of staff (2020: 7.45 times), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

The Principal was appointed in 2011 prior to the College being formed. The role was to establish a higher education awards division, and after strategic analysis she proposed the establishment of a college specialising in employer engagement and successfully gained the necessary approval and funding. The required skills and expertise include those necessary for complex strategic analysis, the development and implementation of a business plan for the start-up phase of a new higher education entity, the ability to navigate a complex listed company, and to gain the necessary long term support for the project. The remuneration package was set accordingly and includes Incentives Plans which relate to Pearson Group wide benefits and depend on the performance of Pearson plc as a whole. The benefits are standard when benchmarked across a particular level of seniority within Pearson plc and most elements of the package are applicable to all staff (in varying amounts).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Directors' remuneration (continued)

This was prior to the Governing Body in its current configuration. Since the establishment of the Governing Body in May 2017 the remuneration package of the Principal has been its responsibility. The Governing Body's Remuneration Committee, chaired by the Deputy Chair of the Board of Governors along with three further independent members, was informed of the principles behind the Principal's remuneration package and agreed that for 2021. The Principal was not included in these discussions.

The particular remuneration package for 2021 was informed by a benchmarking exercise both within Pearson plc and across higher education providers with a similar turnover. As a result, the Principal was not awarded the same inflationary consolidated percentage increase as the majority of people working at Pearson plc with effect from 1 January 2021 and instead given a lump sum payment which left the basic salary unchanged. In considering the Principal's eligibility for performance related pay the Committee took account of the achievement of objectives that had been set for the previous year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Finance costs

	2021	2020
	£'000	£'000
Interest receivable		
Gain on change in cashflows on related party loan	146	20
Interest receivable and similar income	146	20
	2021	2020
	£'000	£'000
Interest payable		
Interest payable on related party balances	488	823
Total finance costs	488	823
Net finance costs	342	803

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Tax on deficit

		2021	2020
	Note	£'000	£'000
Current tax			
UK corporation tax on deficit for the year		(1,281)	(928)
Adjustments in respect of prior years		-	112
Total current tax		(1,281)	(816)
Deferred tax			
Origination and reversal of temporary differences		10	(119)
In respect of share based payments		(8)	(4)
Adjustments in respect of prior years		40	(210)
Impact of change in tax rate		(68)	-
Total deferred tax	14	(26)	(333)
Total tax credit on deficit		(1,307)	(1,149)
UK standard effective rate of corporation tax (%)		19.0	19.0

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

	2021	2020
	£'000	£'000
Deficit before tax	(7,175)	(6,484)
Tax on deficit before tax at standard UK corporation tax rate of 19.0% (2020: 19.00%)	(1,363)	(1,232)
Effects of:		
Expenses not deductible for tax purposes	77	179
Adjustments in respect of prior years	40	(98)
Change in tax laws and rates	(68)	-
In respect of share based transactions	7	2
Total tax credit for the year	(1,307)	(1,149)

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 (2020: 19%).

In addition to the amount credited in the income and expenditure account, the following amounts relating to tax have been recognised directly in equity.

	2021	2020
	£'000	£'000
Deferred tax		
Deferred tax on share based payment transactions	1	1
Total tax recognised directly in equity	1	1

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Intangible assets

	Product development	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	5,075	395	5,470
Additions	1,271	-	1,271
Disposals	(1,614)	(17)	(1,631)
At 31 December 2020	4,732	378	5,110
Additions	468	-	468
Transfer to related party	(734)	-	(734)
Impairment	(1,657)	-	(1,657)
At 31 December 2021	2,809	378	3,187
Accumulated Amortisation			
At 1 January 2020	2,666	272	2,938
Charge for the year	709	102	811
Disposals	(1,614)	(17)	(1,631)
At 31 December 2020	1,761	357	2,118
Charge for the year	696	18	714
At 31 December 2021	2,457	375	2,832
Net book value			
At 1 January 2020	2,409	123	2,532
At 31 December 2020	2,971	21	2,992
At 31 December 2021	352	3	355

Product development

Costs relating to the development of educational programmes and content. The useful economic life is estimated as 5 years. The remaining useful life of these assets is between 2 and 5 years. Product development includes costs of £352,000 (2020: £1,272,000) relating to assets under construction which are not amortised.

Included within additions above are capitalised labour costs of £131,000 (2020: £533,000).

During the year product development assets totalling £734,000 were transferred to a related party.

Software

Software relates to a student information package to aid student registration, invoicing and interfacing. The useful economic life is estimated as 5 years. The remaining useful life of these assets is less than 1 year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Property, plant and equipment

	Leasehold improvements	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	3,793	2,096	5,889
Additions	-	-	-
At 31 December 2020	3,793	2,096	5,889
Disposals	-	(240)	(240)
At 31 December 2021	3,793	1,856	5,649
Accumulated Depreciation			
At 1 January 2020	868	1,124	1,992
Charge for the year	378	390	768
At 31 December 2020	1,246	1,514	2,760
Charge for the year	378	269	647
Disposals	-	(240)	(240)
At 31 December 2021	1,624	1,543	3,167
Net book value			
At 1 January 2020	2,925	972	3,897
At 31 December 2020	2,547	582	3,129
At 31 December 2021	2,169	313	2,482

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Investments

		2021	2020
	Note	£'000	£'000
Subsidiary undertakings	11a	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended :
31 December 2021

11a
Investments - subsidiary undertakings

	£'000
Cost	
At 1 January 2020 and 1 January 2021	6,136
Disposals	(6,136)
At 31 December 2020 and 31 December 2021	-
Provision	
At 1 January 2020 and 1 January 2021	6,136
Disposals	(6,136)
At 31 December 2020 and 31 December 2021	-
Net book value	
At 31 December 2020	-
At 31 December 2021	-

Details of subsidiary undertakings:				
			2021	2020
Subsidiary	Class of shares held	Place of incorporation	Direct % held	Direct % held
Escape Studios Limited (dissolved 2 May 2021)*	Ordinary	England and Wales	100%	100%

* Registered office: Evergreen House North, Grafton Place, London, NW1 2DX

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Trade and other receivables

		2021	2020
	Note	£'000	£'000
Amounts falling due within one year			
Trade receivables		7,305	3,325
Amounts owed by group undertakings	21	1,505	22
Prepayments and accrued income		-	1,729
Total trade and other receivables		8,810	5,076
Corporation tax		2,210	928
Total current tax asset		2,210	928
Total receivables		11,020	6,004

Accrued income represents contract assets which are unbilled amounts where revenue recognised over time has been recognised in excess of customer billings to date. The movement in accrued income from 2020 to 2021 reflects the timing of billing and activity during 2021. Impairment charges on accrued income assets are £nil (2020: £nil). The carrying value of the company's trade and other receivables approximates its fair value (see note 19 for further details). Trade receivables are stated net of provisions for bad and doubtful debts.

The movements in the provision for bad and doubtful debts are as follows:

	2021	2020
	£'000	£'000
At beginning of year	753	842
Profit and loss movements	266	434
Utilised	(5)	(523)
At end of year	1,014	753

Concentrations of credit risk with respect to trade receivables are limited due to the company's large number of customers.

The ageing of the company's trade receivables is as follows:

	2021	2020
	£'000	£'000
Within due date	673	2,329
Up to three months past due date	362	187
Three to six months past due date	5,662	809
Six months to one year past due date	608	-
Net trade receivables	7,305	3,325

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Trade and other payables

		2021	2020
	Note	£'000	£'000
Current liabilities			
Bank overdraft		1,768	2,630
Trade payables		943	1,211
Amounts owed to group undertakings	21	707	991
Accruals and deferred income		4,614	3,035
		8,032	7,867
Non-current liabilities			
Amounts owed to group undertakings	21	-	39,146
		-	39,146

The carrying value of the company's trade and other liabilities approximates its fair value (see note 19 for further details).

The movement in deferred income from 2020 to 2021 reflects the timing of billing and activity during 2021 which straddles the year end.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Provisions

	Reorganisation	Total
	£'000	£'000
At 1 January 2021	-	-
Charged to profit and loss account	(636)	(636)
At 31 December 2021	(636)	(636)
		2021
Analysis of total provisions:		£'000
Non-current		-
Current		(636)
		(636)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Deferred taxation

		Timing differences	Total
Asset/(liability)	Note	£'000	£'000
At 1 January 2020		(55)	(55)
Credit to income and expenditure account		333	333
Credited to equity		1	1
At 31 December 2020 and 1 January 2021		279	279
Credit to income and expenditure account	8	25	25
Credited to equity		1	1
At 31 December 2021		305	305

The deferred tax asset (2020: asset) is a result of timing differences, which are expected to be recovered in the future.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

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Called up share capital

	2021	2020
	£'000	£'000
Total share capital	7	1

	2021	2020	2021	2020
	No '000	No '000	£'000	£'000
Ordinary shares £1 each				
Allotted, called up and fully paid	7	1	7	1

On 30 July 2021 the company allotted and issued 5,819 shares at £4,537 per share to its parent Longman Group (Overseas Holdings) Limited, generating share premium of £26,393,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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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:

Save-for-Shares Plans

Since 1994, the Group has operated a Save-As-You-Earn plan for UK employees. In 1998, the Group introduced a Worldwide Save for Shares Plan. Under these plans, employees can save a portion of their monthly salary over periods of three or five years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equivalent 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 2021 and May 2020 vest dependent on relative total shareholder return, return on invested capital and earnings per share growth. Other restricted shares awarded in 2021 and 2020 vest depending on continuing service over periods of up to three 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 Management Incentive Plan were granted in April 2021. In 2021 this scheme has been replaced by the Long-Term Incentive Plan for senior management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Retirement benefit schemes

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

There is no contractual agreement or stated policy for charging the net defined benefit cost. The company is charged an agreed fee for the year by the sponsoring entity. In accordance with IAS 19 (Revised 2011), the company recognises a cost equal to its contribution payable for the period, which in the year ended 31 December 2021 was £445,000 (2020: £386,000). The sponsoring entity to this plan is Pearson Services Limited, consolidated with Pearson plc, further details are disclosed in the financial statements of Pearson plc on pages 194 to 199 which are publicly available.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Financial instruments

The accounting classification of each class of the company's financial assets and financial liabilities, and their carrying values, is as follows:

	2021		2020	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets				
<i>Financial assets at amortised cost</i>				
Cash and cash equivalents	-	-	-	-
Trade receivables	7,305	7,305	3,325	3,325
Accrued income	-	-	1,729	1,729
Amounts owed by group undertakings	1,505	1,505	22	22
	8,810	8,810	5,076	5,076
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Trade payables	943	943	1,211	1,211
Amounts owed to group undertakings	707	707	40,137	40,137
Accruals	624	624	582	582
Bank overdraft	1,768	1,768	2,630	2,630
	4,042	4,042	44,560	44,560

Fair value measurement

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1: inputs are quoted prices in active markets

Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets

Level 3: a valuation using unobservable inputs i.e. a valuation technique

There were no transfers between levels throughout the periods under review.

The fair values of financial instruments closely approximate their carrying values and are categorised as Level 2.

Cash and cash equivalents comprise cash at bank and in hand and have fair values that approximate their carrying amounts due to their short-term nature.

Financial risk management

The company is exposed to liquidity risk and credit risk. The directors oversee the management of these risks. The policies for managing each of these risks are summarised below:

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the directors. The directors manage liquidity risk by continuously monitoring forecast and actual cash flows and by maintaining adequate cash reserves.

The table below summarises the maturity profile of the company's financial liabilities:

	At 31 December 2021				Total £'000
	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	More than 5 years £'000	
Trade and other payables	1,567	-	-	-	1,567
Amount due from related party	707	-	-	-	707
	2,274	-	-	-	2,274

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Financial instruments (continued)

	At 31 December 2020				Total
	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	More than 5 years £'000	
Trade and other payables	1,930	-	-	-	1,930
Amount due to related party	991	-	-	45,965	46,956
	2,921	-	-	45,965	48,886

Credit risk

The company's principal financial assets are cash and cash equivalents, trade receivables, accrued income and amounts owed by group undertakings. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

For trade receivables and accrued income (contract assets) the company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, risk associated with the industry and country in which customers operate may also influence the credit risk. A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. The carrying amounts of financial assets, trade receivables and accrued income represent the maximum credit exposure.

Capital risk management

The company's objective when managing capital is to maintain a flexible capital structure that optimises the cost and availability of capital at acceptable risk.

In the management of capital and in its definition, we include issued capital, long-term debt and cash.

The company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the business.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

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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 2021 was £79,525,979 (2020: net cash position £85,199,369).

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

	2021	2020
Potential liability arising from these guarantee arrangements :	£'000	£'000
Parent undertaking and fellow subsidiary undertakings	48,232	47,370

At 31 December 2021 the company had an overdraft of £1,767,698 (2020: £2,629,550) under this arrangement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2021

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Related party transactions

(a) Transactions with other related parties:

	2021	2020
	£'000	£'000
Sale of goods to related parties	-	104
Management charges from ultimate parent	(313)	(112)
Management charges from related parties	(178)	(342)
Purchases from related parties	(2,025)	(2,025)

(b) Outstanding balances with other related parties

	2021	2020
	£'000	£'000
Pearson plc	758	(83)
Pearson Education Limited	(567)	(763)
Pearson Management Services Limited	(44)	(48)
Pearson Shared Services Limited	727	2
TQ Education and Training Limited	(95)	(95)
Pearson Professional Assessments Limited	(1)	(1)
Pearson Education Inc	20	20

(c) Loans from related parties

	2021	2020
	£'000	£'000
<i>Longman Group (Overseas Holdings) Limited</i>		
At 1 January	(39,146)	(38,348)
Loan advanced	(6,401)	-
Capital injection	26,400	-
Waiver of loan	19,489	-
Group relief	-	905
Interest charged	(488)	(823)
Other movements	-	(900)
Fair value movement	146	20
At 31 December	-	(39,146)

(d) Terms and conditions

Services were sold to other related parties during the year based on the price lists in force and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and at market rates.

During the year the College entered into a deed of release with its parent entity, Longman Group (Overseas Holdings) Limited in respect of the amounts due to Longman Group (Overseas Holdings) Limited. Immediately prior to the waiver the college owed £45,889,000 to Longman Group (Overseas Holdings) Limited. The deed of release resulted in the College issuing 5,819 shares at £4,537 per share to the Longman Group (Overseas Holdings) Limited, with the remaining balance owed of £19,489,000 being waived as a capital contribution. This capital contribution along with the existing capital contribution of £8,574,000 was transferred to the accumulated deficit.

(e) Key management personnel

Key management personnel are deemed to be the directors of the company.

It is the Board of Directors which had responsibility for planning, directing and controlling the activities of the company in 2021. Key management personnel compensation is disclosed in note 6.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

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Ultimate parent undertaking

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

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