

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

Pearson College Limited

DIRECTORS' REPORT

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

Pearson College Limited

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