

Pearson Funding plc

Registered Number: 8422787

Annual Report and Financial Statements

For the Year Ended: 31 December 2024

Registered Address:

80 Strand, London WC2R 0RL

Pearson Funding plc

STRATEGIC REPORT

The directors present their Strategic Report of Pearson Funding plc (the 'company') for the year ended 31 December 2024.

Principal activity and Business model

The company operates as the principal external financing vehicle for its parent, borrowing externally through the issuance of notes in British pounds and Euros.

The company reported a profit before taxation for the year of £29,528,000 (2023: £5,370,000 loss). The increase in profit is mainly attributed to a change in the guarantee fee policy in the year. Guarantee fees are set at a nominal 0.1% rate and charged on an arms length basis. In 2023 these were set with reference to external market rates.

On 5 September 2024, the company completed the issuance of £350m 5.375% per cent. guaranteed notes due 2034 (the 'Education Bond'). The Notes were admitted to trading on the International Securities Market of the London Stock Exchange. The company intends to apply the net proceeds of the Education Bond to finance or refinance projects and expenditures that meet the Eligible Categories set out in Pearson plc's (the 'Group') Social Bond Framework, which was updated in September 2024 and which has been prepared in accordance with the 2023 ICMA Social Bond Principles.

In May 2025, the company's 1.375% Euro Note 2025 (notional amount €300m) matured.

The directors are of the opinion that the current level of activity and the year end financial position are consistent with the expected level of activity in the foreseeable future, taking into consideration that debt maturity and refinancing will take place. It is expected that the company will continue in its role as the principal external financing vehicle for its parent in future periods.

Principal risks and uncertainties

From the perspective of the company, the principal risk facing the company is the ability to maintain interest payments, covenant requirements and repayment of listed debt. This is reliant on the performance of the Group and consequently, the principal risks and uncertainties and financial risk management are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties and financial risk management of Pearson plc, which include those of the company, are discussed in the Group's 2024 Annual Report which does not form part of this report. This includes consideration of the impact of climate change which overall does not represent a principal risk or is assessed to have any material impact on the company.

This Strategic Report contains certain information on financial risk management which is required by legislation to be disclosed in the Directors' Report.

Non-financial information

Given the nature of the business as explained above under the heading 'Principal activity and Business model', policies in relation to environmental, employee, social, respect for human rights, anti-corruption and anti-bribery matters are not relevant to an understanding of the company's development, performance and position.

Pearson Funding plc

STRATEGIC REPORT continued

Section 172 (1) Statement

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

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

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our bondholders and the financial markets. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders, as external market conditions can impact internal financial decisions and outcomes. By considering the company's purpose together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Group means that generally our stakeholder engagement best takes place at an operational or Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on the some of the engagement that takes place with the Group's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see pages 18 to 22 of the Group's 2024 Annual Report.

In considering the strategic direction of the company, the Board also considers feedback from engagement with key stakeholders, including our employees of the Group, customers and suppliers. As a result of this ongoing feedback, changes are introduced as and when appropriate which we believe will result in improvements for stakeholders, as well as promoting the long-term success of the company and enhancing its reputation.

The Board is responsible for setting, approving and overseeing execution of the business strategy and related policies in line with the objectives of the Group. The day-to-day management of the company is undertaken by executives within the Pearson group as the company itself does not have any employees. The Board meetings are held periodically where the directors consider the company's activities and make decisions. As a part of those meetings, the directors receive information in a range of different formats on section 172 matters when making relevant decisions. For example, each year we make an assessment of the strength of the company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. There were no dividend payments in 2024.

Going concern

The principal risk facing the company is the ability to maintain interest payments, covenant requirements and repayment of listed debt. All external debt has a back to back loan with the company's parent, Pearson plc. The bonds are also guaranteed by Pearson plc. Thus, Pearson Funding plc is reliant on the performance of Pearson plc which has access to the resources of the Group.

In assessing the Group's ability to continue as a going concern for the period to 30 June 2026, the Group Board analysed a variety of downside scenarios including a severe but plausible scenario where the Group is impacted by all principal risks in both 2025 and 2026, adjusted for probability weighting, as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The severe but plausible scenario modelled a severe reduction in revenue, profit and free cash flow throughout 2025 to 2026, as well as factoring in the company's debt maturity of €300m due within the going concern assessment period. Based on these procedures and considering the strong balance sheet, the directors of Pearson plc consider that it will be able to continue in operation and to meet its liabilities as they fall due for the period to 30 June 2026.

The company has received a letter of support from Pearson plc for a period of 12 months from the date of these financial statements. On the basis of the company's assessment, including consideration of the position of the overall Group, the directors of the company consider that it will be able to continue in operation and to meet its liabilities as they fall due for the period to 30 June 2026 and accordingly the going concern basis is appropriate.

On behalf of the board

F E Muir
Director
26 June 2025



DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2024.

Dividends

During the year, no dividends on the ordinary shares were paid (2023: £nil). The directors do not recommend the payment of a final dividend (2023: £nil).

Directors

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

J J T Kelly (resigned 2 December 2024)

L Found

F E Muir

Stephen John Porter (appointed 2 December 2024)

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 and reporting

Information of the company's approach to principal risks and uncertainties, including financial risk management, is included in the Strategic Report.

Internal controls and risk management systems relating to financial reporting are embedded with those in operation across the wider Pearson Group. Pearson's senior management meets regularly with business area management to review their business and financial performance against plan and forecast. Major risks relevant to each business area as well as performance against the stated financial and strategic objectives are reviewed in these meetings.

There is an ongoing process to monitor the risks and effectiveness of controls in relation to the financial reporting process including the related information systems. This includes up-to-date Pearson financial policies, formal requirements for finance to certify that they have been in compliance with policies and that the control environment has been maintained throughout the year and analysis of material variances. The Group finance function also monitors and assesses these processes, through a finance compliance function.

DIRECTORS' REPORT continued

Statement of directors' responsibilities in respect of the financial statements

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" ("FRS 101"), and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements of FRS 101 are insufficient to enable users to understand the impact of particular transactions, other event and conditions on the company's financial position and financial performance;
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

Each of the directors, whose names and functions are listed in the Annual Report and Financial Statements confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is 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

F E Muir
Director
26 June 2025



Company registered number:
8422787

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARSON FUNDING PLC

Opinion

We have audited the financial statements of Pearson Funding plc (the "Company") for the year ended 31 December 2024 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11 including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to 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. The principal risk facing the Company is the ability to maintain interest payments, covenant requirements and repayment of debt.

Our evaluation of the Company's going concern assessment and its ability to continue to pay interest, meet covenant requirements and repay debt when it falls due included:

- We confirmed our understanding of management's going concern assessment process and the nature of the Company's relationship with Pearson plc group, of which it is a part.
- We have performed an assessment of the recoverability of intercompany debtor balances in Pearson Funding plc, taking account of the available funds held by Pearson plc.
- We performed our own independent assessment of the going concern risk for Pearson Funding plc.
- We read the Company's debt agreements to understand the covenant requirements and tested to check that no covenants have been breached during the year to 31 December 2023.
- Pearson Funding plc's parent company, Pearson plc, has provided a letter of support to the Company for a period to 30 June 2026. We reviewed the letter of support provided by the parent company to support the Company during the going concern assessment period.

Given Pearson Funding plc's reliance on the letter of support provided by Pearson plc, we considered the ability of Pearson plc to provide this support. Therefore, our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting is based on our assessment of Pearson plc, and its subsidiaries (together "the Group") and included:

- We agreed the 31 December 2024 Group cash and debt balances included in the going concern assessment to the Group's year end balances.
- We read the Group's debt agreements which are in addition to debt held by the Company to confirm availability and to understand the covenant requirements and reperformed management's covenants compliance test to confirm that no covenants have been breached during the year to 31 December 2024. We have also tested management's forecast covenant compliance test to confirm that there is no forecast covenant breach in either the base or severe but plausible downside case scenarios during the going concern assessment period to 30 June 2026.
- For debt amounts that are repayable within the going concern assessment period we have understood the assumptions that management has made in respect of refinancing.
- We checked the logic and arithmetical integrity of management's going concern model that includes the cash forecasts for the going concern assessment period to 30 June 2026.
- We challenged the appropriateness of the assumptions used to calculate the cash forecasts under base and severe but plausible downside case scenarios, including whether the downside scenarios were sufficiently severe, by reference to historical forecasting accuracy and comparison to other evidence obtained during the audit, such as audit procedures on the long range plans which underpin management's goodwill impairment assessments.
- We evaluated the key assumptions by searching for contrary evidence to challenge these assumptions, including third party sector forecasts and analyst expectations. Further, we validated that these cash flow forecasts were consistent with the long-range plan approved by the Pearson's Board.
- We considered the mitigating actions that are within the control of the Group and Group's ability to control these outflows if required.
- We considered the Group's reverse stress testing to identify the magnitude of decline in revenue and operating profit that would lead to the Group utilising all liquidity or breaching a covenant during the going concern assessment period and we have considered the likelihood of such a decline.

We observe that the Group management's base case and severe but plausible downside scenarios, there is sufficient headroom without taking the benefit of any identified mitigations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARSON FUNDING PLC (continued)

Conclusions relating to going concern (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pearson Funding plc's ability to continue as a going concern for the period to 30 June 2026.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to Pearson Funding plc's ability to continue as a going concern.

Overview of our audit approach

Key audit matter	<ul style="list-style-type: none">Valuation of external borrowingsAccounting for intercompany arrangements
Materiality	<ul style="list-style-type: none">Overall materiality of £7.7m which represents 0.5% of total assets

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

The Company has determined that the susceptibility to the risk of climate change on the Company's operation is low due to the nature of business activities being the financing vehicle for its parent, Pearson plc. This is explained under the principal risk and uncertainties on page 2 of the Strategic Report.

In planning and performing our audit we assessed the potential impacts of climate change on the Company's business and any consequential material impact on its financial statements.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARSON FUNDING PLC (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>Valuation of external borrowings (borrowings of £940m, 31 December 2023 borrowings of £607m)</p> <p><i>Refer to the Accounting policies (page 17); and Note 8 of the Financial Statements (page 24)</i></p> <p>The Company operates as a financing vehicle for its parent, Pearson plc, borrowing externally through issuance of notes in British pounds and Euros. External debt represents the largest liability on the balance sheet amounting to £940m as at 31 December 2024 (£607m as at 31 December 2023) which includes a new £350m bond issued in the year. Debt is recognised initially at fair value and then subsequently carried at amortised cost using the effective interest method. We have identified a risk around the valuation of the debt.</p>	<p>We obtained an understanding and evaluated the design of controls over the borrowings process.</p> <p>We confirmed the borrowings to an external exchange listing as at the year-end reporting date. We confirmed the amounts of notes outstanding, and interest paid for the 2025 1.375% €300m notes the 2030 3.750% £350m notes, and the 2034 5.375% £350m notes.</p> <p>We tested the carrying value of external borrowings, including the new 2034 5.375% £350 million bond issued in the year based on the terms in the original prospectus documents and we performed our own independent effective interest rate calculation and compared it to the one used by management.</p> <p>We agreed interest payments made during the year to bank statements and borrowing agreements to verify that the amounts were accurate, recorded in the correct period, and complied with the contractual terms.</p> <p>We reviewed the disclosures in the financial statements.</p>	<p>Based on the procedures performed, we agree that the valuation for the external borrowings is appropriate.</p> <p>Disclosures in Note 8 of the financial statements are appropriate in accordance with the requirements of FRS 101.</p>
<p>Accounting for intercompany arrangements (Interest receivable from group companies of £53m and guarantee fees payable of £0.8m (year ended 31 December 2023 interest receivable from group companies of £47m and guarantee fees payable of £35m)</p> <p><i>Refer to the Accounting policies (page 17).</i></p> <p>The Company operates as a financing vehicle for its parent, Pearson plc. Intercompany loans are in place on which interest is receivable from Pearson plc. Pearson plc also provides a guarantee in relation to the external borrowing for which it charges a fee to the Company.</p> <p>Intercompany arrangements are related party transactions and we have identified a risk around measurement of these transactions on an arm's length basis.</p>	<p>We have obtained an understanding of the intercompany processes and agreements in place.</p> <p>We have performed an independent recalculation of interest receivable from, and guarantee fees payable to, Pearson plc using the rates determined by Pearson plc management.</p> <p>For interest receivable from group companies and guarantee fees payable, we have performed an assessment of both the interest rate and guarantee fee rate set by Pearson plc by comparing those rates to external market rates to assess if they had been determined on an arm's length basis.</p> <p>We have tested the journal entries to validate that the interest receivable and the guarantee fees payable have been appropriately recorded against the respective intercompany balances.</p>	<p>Based on the procedures performed, we agree that the interest receivable from group companies and the guarantee fees payable have been calculated in line with interest rates and guarantee rates determined by Pearson plc. We have assessed management's updated policy for guarantee fees and agree the approach taken to determining the rate used is appropriately reflecting the guarantor relationship and the consistent credit ratings of Pearson plc has and Pearson Funding plc</p> <p>We agree the rates used for interest receivable are reasonable when compared to external market data and consequently we are satisfied that the rates applied are on an arm's length basis.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARSON FUNDING PLC (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £7.7m, which is 0.5% of total assets. We believe that total assets provides us with the most relevant performance measure to the stakeholders of the Company given its nature of operating as a financing vehicle for the Group with loans to Pearson plc.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £3.8m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Directors that we would report to them all uncorrected audit differences in excess of £0.38m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARSON FUNDING PLC (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practices and the Companies Act 2006) and the relevant tax laws and regulations in the UK.
- We understood how Pearson Funding plc is complying with those frameworks by making enquiries of management, and those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through review of Board minutes, as well as consideration of the results of our audit procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur and met with finance and operational management from the Group companies which the Company is part of to understand where they considered there was a susceptibility to fraud. The Company is part of Pearson plc's control framework and therefore for Pearson plc we considered the policies, processes and controls that the Group has established to address the risks identified, including the design of the controls over financial statements closing process. We also considered the controls that the Group has that otherwise prevent, deter, and detect fraud, and how senior management monitors those controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries with those responsible for compliance with laws and regulations and journal entry testing, with a focus on manual journal entries. These procedures were designed to provide reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Financial Statements with all applicable requirements. Any instances of non-compliance with laws and regulations were communicated and considered in our audit approach, if applicable.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARSON FUNDING PLC (continued)

Other matters we are required to address

- Following the recommendation from the Board of Directors we were appointed by the Company at the Annual General Meeting on 29 April 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ended 31 December 2022 to 31 December 2024.

- The audit opinion is consistent with our communications to the Directors of the Company.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ben Marles (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London
26 June 2025

Pearson Funding plc

PROFIT AND LOSS ACCOUNT

For the year ended:

31 December 2024

		2024	2023
Continuing operations	Note	£'000	£'000
Result before interest and taxation		-	-
Interest receivable and similar income	4	52,749	46,571
Interest payable and similar expenses	4	(23,221)	(51,941)
Profit / (loss) before taxation		29,528	(5,370)
Tax on profit / (loss)	5	(7,382)	1,262
Profit / (loss) for the financial year		22,146	(4,108)

Pearson Funding plc

STATEMENT OF COMPREHENSIVE INCOME

For the year ended:

31 December 2024

	2024	2023
	£'000	£'000
Profit / (loss) for the financial year	22,146	(4,108)
Total comprehensive income / (loss) for the year	22,146	(4,108)

Pearson Funding plc

BALANCE SHEET

As at 31 December 2024

		2024	2023
	Note	£'000	£'000
Current assets			
Debtors - including £697,277,000 (2023: £727,062,000) due after one year	6	1,535,173	1,161,007
Creditors - amounts falling due within one year	7	(277,380)	(9,942)
Net current assets		1,257,793	1,151,065
Total assets less current liabilities		1,257,793	1,151,065
Creditors - amounts falling due after more than one year	7	(691,644)	(607,062)
Net assets		566,149	544,003
Capital and reserves			
Called up share capital	9	476,989	476,989
Profit and loss account		89,160	67,014
Total shareholders' funds		566,149	544,003

The notes on pages 16 to 27 are an integral part of these financial statements.

The financial statements on pages 12 to 27 were approved by the board of directors and authorised for issue on 26 June 2025. They were signed on its behalf by :



F E Muir
Director

Pearson Funding plc

STATEMENT OF CHANGES IN EQUITY

For the year ended:

31 December 2024

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2023	476,989	71,122	548,111
Loss for the financial year	-	(4,108)	(4,108)
Total comprehensive loss for the year	-	(4,108)	(4,108)
At 31 December 2023	476,989	67,014	544,003
Profit for the financial year	-	22,146	22,146
Total comprehensive income for the year	-	22,146	22,146
At 31 December 2024	476,989	89,160	566,149

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:
31 December 2024

1

Accounting Policies

The material accounting policies are set out below. These policies and measurement bases have been consistently applied to all the years presented.

Basis of preparation

Pearson Funding plc (the 'company') is a public limited company, limited by shares, incorporated in the United Kingdom and registered and domiciled in England and Wales. The address of its registered office is 80 Strand, London, WC2R 0RL.

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 as applicable to companies using FRS 101 and on a going concern basis.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There were no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements requiring disclosure.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101. Where required, equivalent disclosures are given in the Group financial statements of Pearson plc:

- IFRS 7 'Financial Instruments: Disclosures'
- Paragraphs 91-99 of IFRS 13 'Fair Value Measurement'
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1 'Presentation of Financial Statements':
 - (i) paragraph 10(d)
 - (ii) paragraph 16
 - (iii) paragraph 38A
 - (iv) paragraph 111
 - (v) paragraph 134-136
- IAS 7 'Statement of Cash Flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- Paragraph 17 of IAS 24 'Related Party Disclosures'
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Interpretations and amendments to published standards effective 2024

No new standards were adopted in 2024.

A number of other new pronouncements are effective from 1 January 2024 but they do not have a material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended:
31 December 2024**

1 Accounting Policies continued

Going concern

The principal risk facing the company is the ability to maintain interest payments, covenant requirements and repayment of listed debt. All external debt has a back to back loan with the company's parent, Pearson plc. The bonds are also guaranteed by Pearson plc. Thus, Pearson Funding plc is reliant on the performance of Pearson plc which has access to the resources of the Group.

In assessing the Group's ability to continue as a going concern for the period to 30 June 2026, the Group Board analysed a variety of downside scenarios including a severe but plausible scenario where the Group is impacted by all principal risks in both 2025 and 2026, adjusted for probability weighting, as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The severe but plausible scenario modelled a severe reduction in revenue, profit and free cash flow throughout 2025 to 2026, as well as factoring in the company's debt maturity of €300m due within the going concern assessment period. Based on these procedures and considering the strong balance sheet, the directors of Pearson plc consider that it will be able to continue in operation and to meet its liabilities as they fall due for the period to 30 June 2026.

The company has received a letter of support from Pearson plc for a period of 12 months from the date of these financial statements. On the basis of the company's assessment, including consideration of the position of the overall Group, the directors of the company consider that it will be able to continue in operation and to meet its liabilities as they fall due for the period to 30 June 2026 and accordingly the going concern basis is appropriate.

Foreign currency translation

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

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

Interest

Interest is expensed or credited in the profit and loss account as incurred. Amounts are accrued on a time proportioned basis by reference to the principal outstanding and at the applicable effective interest rate.

Guarantee fees

Guarantee fees are expensed in the profit and loss account as incurred.

Current income tax

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

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income. The company has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Debtors

Debtors are recognised initially at fair value and subsequently at amortised cost. Balances are assessed for potential impairment and recognition of any Expected Credit Loss (or not if considered to be immaterial).

Borrowings

Borrowings are recognised initially at fair value, being proceeds received. Borrowings are subsequently carried at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the profit and loss account over the period of the borrowings using the effective interest method. Accrued interest is included as part of creditors payable within one year.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Audit fees

Fees payable for the audit of these financial statements are borne by a fellow group company and amounted to £60,000 (2023: £52,500) for the current year.

£100,000 was paid to the company's auditors Ernst & Young LLP (2023: £nil), for non-audit services in relation to the issuance of the Education Bond.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Directors' emoluments and employee information

The emoluments of the directors are paid by their employing company, another Group undertaking. The directors' services to this company and to a number of fellow subsidiaries do not constitute a significant portion of their time and therefore their emoluments are deemed to be wholly attributable to their services to their employing company. Accordingly, the financial statements include no emoluments in respect of the directors. No one was employed by the company at any time during the year (2023: no one).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Interest

	2024	2023
	£'000	£'000
Interest receivable and similar income	52,749	46,558
Interest receivable from group companies	52,749	46,558
Net foreign exchange gains	-	13
Interest receivable and similar income	52,749	46,571
	2024	2023
	£'000	£'000
Interest payable and similar expenses	(102)	-
Interest payable to group companies	(102)	-
Guarantee fees	(839)	(35,260)
Interest payable on external borrowings	(22,235)	(16,681)
Net foreign exchange loss	(45)	-
Interest payable and similar expenses	(23,221)	(51,941)

Guarantee fees are set at a nominal 0.1% rate and charged on an arms length basis. In 2023 these were set with reference to external market rates.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Tax on loss

	2024	2023
	£'000	£'000
Current tax		
UK corporation tax on profits/(losses) for the year	7,382	(1,262)
Total current tax	7,382	(1,262)
Total tax charge/(credit) on profit/(loss)	7,382	(1,262)
UK standard effective rate of corporation tax (%)	25.0	23.5

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

	2024	2023
	£'000	£'000
Profit/(loss) before taxation	29,528	(5,370)
Tax on profit/(loss) at standard UK corporation tax rate of 25% (2023: 23.5%)	7,382	(1,262)
Total tax charge/(credit) on profit/(loss)	7,382	(1,262)

The current rate of corporation tax is 25% for the year ended 31 December 2024, for the previous year ended 31 December 2023, the rate was 23.5% reflecting an increase in the corporation tax rate to 25% from 19% with effect from 1 April 2023.

Pearson Funding plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Debtors

	2024	2023
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	837,896	432,704
Taxation recoverable	-	1,241
	837,896	433,945
Amounts falling due in more than one year		
Amounts owed by group undertakings	697,277	727,062
	697,277	727,062
Total debtors	1,535,173	1,161,007

In the prior year taxation recoverable primarily related to amounts owed by group companies due to group relief.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Creditors

		2024	2023
	Note	£'000	£'000
Amounts falling due within one year			
Amounts owed to group undertakings		(5,927)	-
Taxation payable		(7,403)	-
External interest payable on borrowings		(15,513)	(9,942)
1.375% Euro notes 2025 (nominal amount €300m)	8	(248,537)	-
		(277,380)	(9,942)
Amounts falling due after more than one year			
1.375% Euro notes 2025 (nominal amount €300m)	8	-	(260,246)
3.75% GBP notes 2030 (nominal amount £350m)	8	(347,331)	(346,816)
5.375% GBP notes 2034 (nominal amount £350m)	8	(344,313)	-
		(691,644)	(607,062)

Taxation payable primarily relates to amounts owed to group companies due to group relief.

Pearson Funding plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Loans and borrowings

	2024	2023
	£'000	£'000
1.375% Euro notes 2025 (nominal amount €300m)	(248,537)	(260,246)
3.75% GBP notes 2030 (nominal amount £350m)	(347,331)	(346,816)
5.375% GBP notes 2034 (nominal amount £350m)	(344,313)	-
	(940,181)	(607,062)
Maturity of financial liabilities :		
Between one and two years	(248,537)	(260,246)
After five years	(691,644)	(346,816)
	(940,181)	(607,062)

The 1.375% Euro notes were repaid on 6 May 2025. The 3.75% GBP notes are listed on the Global Exchange Market of Euronext Dublin.

On 5 September 2024, the company completed the issuance of £350m 5.375% guaranteed notes, repayable on 12 September 2034 (the 'Education Bond'). The notes were admitted to trading on the International Securities Market of the London Stock Exchange. The company intends to apply the net proceeds of the Education Bond to finance or refinance projects and expenditures that meet the Eligible Categories set out in Pearson plc's (the 'Group') Social Bond Framework, which was updated in September 2024 and which has been prepared in accordance with the 2023 ICMA Social Bond Principles.

The notes are guaranteed by Pearson plc and fees are payable by the company as consideration for this guarantee (Note 4).

Pearson Funding plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Called up share capital

	2024	2023
	£'000	£'000
Total share capital	476,989	476,989

	2024	2023	2024	2023
Ordinary shares £1 each	No '000s	No '000s	£'000	£'000
Allotted, called up and fully paid	476,989	476,989	476,989	476,989

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Pearson Funding plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2024

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Ultimate parent undertaking

The immediate parent undertaking is Pearson plc.

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