

Pearson Professional Assessments Limited
Registered Number :

04904325

Annual Report and Financial Statements
For the Year Ended :

31 December 2024

Pearson Professional Assessments Limited

STRATEGIC REPORT

For the year ended 31 December 2024

The directors present their strategic report of Pearson Professional Assessments Limited (the 'company') for the year ended 31 December 2024

Principal activity and Business model

The company was established in 2003 to deliver driving theory testing services for the Driver and Vehicle Standards Agency and the Driver and Vehicle Agency of Northern Ireland. A network of testing centres, a contact centre and support functions were successfully established and testing commenced in September 2004. The client portfolio has since been increased to include CITB, UKCAT, CIMA, ACCA and others.

2024 saw growth from existing clients such as DVSA, Kaplan and ACCA, as well as the launch of new clients such as Cambridge, Oxford and ICBSE. Movement in foreign exchange rates year on year has led to a decrease in operating profit in 2024.

The company intends to continue providing computer based testing services and extend its client portfolio. The directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

Key performance indicators

A range of key performance indicators (KPIs) are in place, both internally and with clients. The main KPIs cover operational performance against internal standards, performance against contractual requirements and measurement of financial results against targets. All KPIs are regularly reviewed by senior management.

Key performance indicators	2024	2023	Change (%)
Turnover (£000's)	87,819	79,714	10%
Gross Profit (£000's)	29,011	24,898	17%
Operating Profit (£000's)	18,688	22,886	-18%
Profit for the financial year (£000's)	15,354	17,527	-12%
Net Assets (£000's)	54,366	38,272	42%

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties of the company are integrated with the principal risks of Pearson plc (the 'Group') and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

Pearson Professional Assessments Limited

STRATEGIC REPORT (continued) For the year ended 31 December 2024

Section 172 (1) Statement

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

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

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

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 company's employees and other stakeholders so as to encourage the directors to understand the issues to which they must have regard, please see pages 18-22, 38-40 and 84-85 of the Pearson plc 2024 Annual Report.

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

We delegate authority for day-to-day management of the company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically where the directors consider the company's activities and make decisions. As a part of those meetings the directors receive information in a range of different formats on section 172 matters 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 (2023: £nil).

On behalf of the Board:

M Poyiadgi
Director

17 September 2025

Company registered number
04904325



Pearson Professional Assessments Limited

DIRECTORS' REPORT

The directors present their report and financial statements of Pearson Professional Assessments Limited for the year ended 31 December 2024.

Directors

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

G A Gates

M Poyiadgi

S R Peterson (resigned 28 February 2025)

E J L Symington (appointed 28 February 2025)

Qualifying third party indemnity provisions and liability insurance

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. Pearson Management Services Limited, a related party, also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of the company and its directors and officers.

Financial risk management

From the perspective of the company, financial risk management is integrated with the financial risk management of the consolidated financial statements of the Group and is not managed separately. Accordingly, the financial risk management of the Group, which includes that of the company, is discussed in the Group's annual report which does not form part of this report.

Employee and other stakeholder engagement

The company's key stakeholders include its employees, learners and other customers, suppliers, and regulators, as well as its parent company and fellow subsidiaries within the Group. The views of, and the impact of the company's activities on, those stakeholders are an important consideration for the Board when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Group means that generally our stakeholder engagement best takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the company's employees and other stakeholders so as to encourage the directors to understand the issues to which they must have regard, please see pages 18-22, 38-40, and 84-85 of the Pearson plc 2024 Annual Report.

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

Education is evolving to meet the changing demands of today's learners. The Group takes into account the emerging themes that have arisen as a result of research and frequent engagement with a variety of stakeholders. As a result, the Group strives to create long-term sustainable growth for its investors and all of its stakeholders by being a driving force in an increasingly digital world. Furthermore, the directors are frequently involved in discussions and actions that aim to influence governmental and other policies for the better, striving to improve educational systems for future generations.

Pearson Professional Assessments Limited

DIRECTORS' REPORT (continued)

Employee and other stakeholder engagement (continued)

Our employees are also integral to the sustainable success of Pearson and the company is a strong advocate of driving employee engagement within the Group. Pearson offers a variety of thriving Employee Resource Groups which have active UK chapters, including, amongst others, Able, Spectrum and Women in Learning and Leadership, which serve to cultivate and celebrate diversity and inclusion in the employee population. Our Employee Engagement Network provided an insight into the various employee perspectives across the Group in 2024. A wider programme of engagement activities with employees was endorsed by the Group for roll-out in 2025.

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the 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.

On behalf of the board

M Poyiadgi
Director

17 September 2025

Company registered number :
04904325



Pearson Professional Assessments Limited

PROFIT AND LOSS ACCOUNT

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

		2024	2023
Continuing operations	Note	£'000	£'000
Turnover	3	87,819	79,714
Cost of sales		(58,808)	(54,816)
Gross profit		29,011	24,898
Administrative expenses		(10,374)	(2,023)
Other income		51	11
Operating profit	4	18,688	22,886
Interest receivable and similar income	7	2,895	2,782
Interest payable and similar expenses	7	(894)	(2,580)
Profit before taxation		20,689	23,088
Tax on profit	8	(5,335)	(5,561)
Profit for the financial year		15,354	17,527

Pearson Professional Assessments Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended :

31 December 2024

	2024	2023
	£'000	£'000
Profit for the financial year	15,354	17,527
Total comprehensive income for the year	15,354	17,527

Pearson Professional Assessments Limited

BALANCE SHEET

As at:

31 December 2024

		2024	2023
	Note	£'000	£'000
Fixed assets			
Intangible assets	9	406	141
Tangible assets	10	16,151	15,578
		16,557	15,719
Current assets			
Debtors (including amounts falling due after more than one year £2,154,000 (2023: £1,791,000))	11	88,815	60,272
Cash at bank and in hand		2,861	8,789
		91,676	69,061
Creditors: amounts falling due within one year	12	(37,326)	(33,586)
Provisions for liabilities	13	(4,416)	(2,977)
Net current assets		49,934	32,498
Total assets less current liabilities		66,491	48,217
Creditors: amounts falling due after more than one year	12	(10,205)	(6,783)
Provisions for liabilities	13	(1,920)	(3,162)
Net assets		54,366	38,272
Capital and reserves			
Profit and loss account		53,349	37,263
Other reserves		1,017	1,009
Total shareholders' funds		54,366	38,272

For the year ended 31 December 2024:

- The directors confirm that the company is entitled to take exemption from the requirement to obtain an audit under section 479A of the Companies Act 2006;
- The members have not required the company to obtain an audit of its accounts in accordance with section 476 of the Companies Act 2006; and
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of the accounts.

The financial statements were approved by the board of directors and authorised for issue on 17 September 2025. They were signed on its behalf by :

M Poyiadgi
Director



Pearson Professional Assessments Limited

STATEMENT OF CHANGES IN EQUITY

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

	Other reserves	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2023	765	19,343	20,108
Profit for the financial year	-	17,527	17,527
Share-based payment transactions	597	-	597
Current tax on share-based payment transactions	-	81	81
Deferred tax on share-based payment transactions	-	(41)	(41)
Shares exercised/lapsed in year	(353)	353	-
At 31 December 2023	1,009	37,263	38,272
Profit for the financial year	-	15,354	15,354
Total comprehensive income for the year	-	15,354	15,354
Share-based payment transactions	520	-	520
Current tax on share-based payment transactions	-	59	59
Deferred tax on share-based payment transactions	-	161	161
Shares exercised/lapsed in year	(512)	512	-
At 31 December 2024	1,017	53,349	54,366

Other reserves represents capital contributions from Pearson plc in relation to share-based payment charges.
Profit and loss account reserve represents accumulated retained earnings less dividends paid.

Pearson Professional Assessments Limited

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 have been consistently applied to all the years presented.

Basis of preparation

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

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. 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.

Prior year comparatives have been reclassified, where necessary, on a basis consistent with the current year.

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

- a) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment'
- b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'; and
 - (iii) paragraph 118(e) of IAS 38 'Intangible Assets';
- c) the requirements of paragraphs 10(d), 16, 38(A) and 111 of IAS 1 'Presentation of Financial Statements';
- d) paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- e) the requirements of IAS 7 'Statement of Cash Flows';
- f) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- g) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- h) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets';
- j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118. 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- k) IFRS 7 'Financial Instruments: Disclosures'; and
- l) the requirements of paragraphs 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

Interpretations and amendments to published standards effective 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.

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

1

Accounting policies (continued)

Foreign currency translation

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

Transactions in currencies other than the functional currency are recorded using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction and are not re-translated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Revenue recognition

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

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

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

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

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

1

Basis of accounting (continued)

Current and deferred income tax

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

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

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

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 exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

Intangible assets

Software - internally developed - internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the company expects economic benefits from the development. Capitalisation in the application development stage begins once the company can reliably measure the expenditure attributable to the software development, economic benefits are expected, and has demonstrated its intention to complete and use the software. Internally developed software is amortised on a straight-line basis over its estimated useful life of between 3 and 10 years.

Tangible assets

Tangible fixed assets are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

- Plant and Equipment are depreciated over 3 to 10 years;
- Assets under construction are not depreciated; and
- Fixtures and fittings are depreciated over the period of the associated property lease, which is in the range of 5 to 10 years.

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.

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

1

Basis of accounting (continued)

Trade and other receivables

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short-term investments with maturities of three months or less.

Creditors

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

Provisions

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

Pensions

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

The company is unable to identify its share of the underlying assets and liabilities of The Pearson Pension Plan owing to information regarding non-active members and changes to the group structure including acquisitions and disposals. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 'Employee Benefits' (2011), the company recognises a cost equal to its contribution payable for the period. The sponsoring entity to this scheme is Pearson Services Limited.

Share-based payments

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

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

1

Basis of accounting (continued)

Leases

As a lessee

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

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

Share capital

Ordinary shares are classified as equity.

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :
31 December 2024

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 following are 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 and that have the most significant effect on the amounts recognised in the financial statements :

Dilapidation provision

A dilapidation provision has been established in respect of the company's leased buildings. The provision is based on costs incurred from prior site closures to establish a per square foot estimate of likely future costs. This is applied across the square footage of each site to establish the overall provision. The provision is updated annually to reflect inflation and other changes. Where sites are relocated, a new provision is established over the period of the lease.

Incremental borrowing rate

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

Key sources of estimation uncertainty

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

Dilapidation provision

Future costs of dilapidation works may vary and are monitored to identify any potential changes in such costs.

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2024

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Turnover

Turnover by geographical market is as follows:

	2024	2023
	£'000	£'000
United Kingdom	77,611	49,210
Rest of Europe	2,337	4,546
Middle East	7,460	20,545
Rest of World	411	5,413
	87,819	79,714

The company's activities consist of one class of business, namely the provision of computer based testing services.

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2024

4

Operating profit

Operating profit is stated after charging/(crediting):

	2024	2023
	£'000	£'000
Staff costs (note 5)	23,207	19,351
Depreciation of tangible fixed assets:		
- owned	2,171	1,793
Depreciation of right of use assets	3,644	3,443
Amortisation of intangible assets included in administrative expenses	112	128
Net foreign exchange (gains)/losses	(1,426)	(5,037)

Fees paid to the group's auditor for the year, Ernst & Young LLP, and its associates for non-audit services are not disclosed in the company's accounts since the consolidated accounts of the company's ultimate parent company, Pearson plc, are required to disclose non-audit fees on a consolidated basis.

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2024

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Staff costs

	2024	2023
Staff costs	£'000	£'000
Wages and salaries	19,559	16,958
Taxation and social security costs	2,396	1,796
Other pension costs	732	-
Share-based payment costs	520	597
	23,207	19,351

2024 2023

Average number of persons employed by the company during the year	Number	Number
Delivery of testing services	826	808
Selling and administration	25	13
	851	821

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2024

6

Directors' remuneration

	2024	2023
	£'000	£'000
Aggregate emoluments	942	752
Aggregate emoluments (excluding shares) receivable under long-term incentive schemes	160	61
Company contributions to defined contribution pension schemes	65	-
	1,167	813

No directors accrued benefits under defined benefit schemes in the year (2023: none).

	2024	2023
	£'000	£'000
Highest paid director		
Aggregate emoluments	523	448
Defined contribution pension scheme - company contributions during the year	35	-
Aggregate emoluments (excluding shares) receivable under long-term incentive schemes	111	47
	669	495

	Number	Number
Share options exercised under long-term incentive scheme (number)	22,604	11,800
Shares received under long-term incentive scheme (number)	20,879	24,938

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Interest

	2024	2023
Interest receivable and similar income	£'000	£'000
Interest receivable from group companies	2,895	2,782
Interest receivable and similar income	2,895	2,782
	2024	2022
Interest payable and similar expenses	£'000	£'000
Interest on lease liabilities	(734)	(614)
Guarantee fees	(160)	(1,966)
Interest payable and similar expenses	(894)	(2,580)

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NOTES TO THE FINANCIAL STATEMENTS continued

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Tax on profit

	2024	2023
	£'000	£'000
Current tax		
UK corporation tax on profit for the financial year	5,432	4,716
Adjustments in respect of prior years	104	(7)
	5,536	4,709
Foreign tax		
Foreign tax	-	357
	-	357
Total current tax	5,536	5,066
Deferred tax		
Origination and reversal of temporary differences	(161)	445
Adjustments in respect of prior years	(41)	50
Total deferred tax	(202)	495
Total tax on profit	5,334	5,561
UK standard effective rate of corporation tax (%)	25.0	23.5

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

	2024	2023
	£'000	£'000
Profit before taxation	20,689	23,088
Profit before tax multiplied by the standard UK corporation tax rate of 25% (2023: 23.5%)	5,172	5,425
Effects of:		
Expenses not deductible for tax purposes	103	61
Foreign tax	-	-
In respect of share based payments	(2)	5
Effect of corporation tax rate change on deferred tax	-	27
Adjustments in respect of prior years	63	43
Total tax charge	5,336	5,561

The current rate of corporation tax is 25% for the year ended 31 December 2024 reflecting an increase in the corporation tax rate to 25% from 19% with effect from 1 April 2023. Deferred tax has been recognised at the rate expected to be in force at the time of the reversal of the temporary difference (2023: 25%).

In addition to the amount charged in the income statement, the following amounts relating to tax have been recognised directly in equity:

	2024	2023
	£'000	£'000
Current tax		
Share-based payments	(59)	(81)
	(59)	(81)
Deferred tax		
Share-based payments	(161)	41
	(161)	41
Total income tax recognised directly in equity	(219)	(40)

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NOTES TO THE FINANCIAL STATEMENTS continued

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Intangible assets

	Software	Total
	£'000	£'000
Cost		
At 1 January 2024	748	748
Additions	377	377
Disposals	(191)	(191)
At 31 December 2024	934	934
Accumulated Amortisation		
At 1 January 2024	607	607
Charge for the year	112	112
Disposals	(191)	(191)
At 31 December 2024	528	528
Net book value		
At 31 December 2023	141	141
At 31 December 2024	406	406

NOTES TO THE FINANCIAL STATEMENTS continued

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Tangible assets

	Owned Assets			Right of Use Assets		Total
	Plant and equipment	Fixtures and fittings	Assets under construction	Land and buildings	Motor Vehicles	
	£'000	£'000	£'000	£'000	£'000	
Cost or valuation						
At 1 January 2024	3,644	5,366	2,015	21,749	78	32,852
Additions	-	-	792	7,173	24	7,989
Disposals	(606)	(912)	-	(425)	(12)	(1,955)
Impairment	(901)	-	(954)	-	-	(1,855)
Transfers	562	188	(750)	-	-	-
At 31 December 2024	2,699	4,642	1,103	28,497	90	37,031
Accumulated depreciation						
At 1 January 2024	1,644	2,797	-	12,799	34	17,274
Charge for the year	1,001	1,170	-	3,626	18	5,815
Disposals	(606)	(912)	-	(296)	(11)	(1,825)
Impairment	(384)	-	-	-	-	(384)
At 31 December 2024	1,655	3,055	-	16,129	41	20,880
Net book value						
At 31 December 2023	2,000	2,569	2,015	8,950	44	15,578
At 31 December 2024	1,044	1,587	1,103	12,368	49	16,151

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Debtors

		2024	2023
	Note	£'000	£'000
Amounts falling due within one year			
Trade debtors		21,056	16,566
Amounts owed by group undertakings		61,426	36,619
Other debtors		1,744	3,333
Prepayments and accrued income		2,435	1,963
		86,661	58,481
Amounts falling due in more than one year			
Deferred taxation	14	2,154	1,791
		2,154	1,791
Total debtors		88,815	60,272

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NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Creditors

	2024	2023
	£'000	£'000
Amounts falling due within one year		
Lease liabilities	(2,094)	(1,937)
Trade creditors	(1,966)	(1,415)
Amounts owed to group undertakings	(10,254)	(8,168)
Corporation tax	(7,101)	(5,161)
Other taxation and social security	(386)	(352)
Other creditors	(294)	(1,756)
Accruals and deferred income	(15,231)	(14,797)
	(37,326)	(33,586)
Amounts falling due after more than one year		
Lease liabilities	(10,205)	(6,783)
	(10,205)	(6,783)
Total creditors	(47,531)	(40,369)

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Provisions for liabilities

	Dilapidations	Total
	£'000	£'000
At 1 January 2024	(6,139)	(6,139)
Charged to profit and loss account	(302)	(302)
Released to profit and loss account	105	105
At 31 December 2024	(6,336)	(6,336)
	2024	2023
Analysis of total provisions:	£'000	£'000
Non-current	(1,920)	(3,162)
Current	(4,416)	(2,977)
	(6,336)	(6,139)

Dilapidations - The dilapidations provision is the current best estimate of the cost of bringing certain premises, held under operating leases, back to their original state as required by the lease agreement. The provision is estimated and recognised over the term of the original lease. The associated cost is recognised as an operating item in the profit and loss account. The provision will be utilised when a property is vacated or properties require repair.

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Deferred taxation

	Other temporary differences	Share based payment plan	Accelerated capital allowances	Total
Asset	£'000	£'000	£'000	£'000
At 1 January 2024	1,071	283	437	1,791
(Charged)/credited to profit and loss	34	14	154	202
Charged to equity	-	161	-	161
At 31 December 2024	1,105	458	591	2,154
			2024	2023
			£'000	£'000
Deferred tax assets receivable after more than 12			2,154	1,791
Total deferred taxation			2,154	1,791

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

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Called up share capital

	2024	2023
	£	£
Total share capital	1	1

	2024	2023	2024	2023
	No	No	£	£
Ordinary shares £1 each				
Allotted, called up and fully paid	1	1	1	1

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
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Share-based payments

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

Worldwide Save for Shares Plan

The Group has a Worldwide Save for Shares Plan. Under this plan, employees can save a portion of their monthly salary over periods of three years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price 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 2022 vest dependent on relative total shareholder return (FTSE 100), net return on invested capital and adjusted earnings per share, and the May 2024 and May 2023 awards vest based on relative total shareholder return (FTSE 100 and S&P 500, excluding certain sectors), return on capital, adjusted earnings per share and strategic measures. Other restricted shares awarded in 2024, 2023 and 2022 generally vested depending on continuing service over periods of up to five years.

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

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Retirement benefit schemes

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

The company is unable to identify its share of the underlying assets and liabilities of The Pearson Pension Plan owing to information regarding non-active members and changes to the group structure including acquisitions and disposals. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the company recognises a cost equal to its contribution payable for the year. 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 193 to 198 which are available at <https://plc.pearson.com/en-GB/investors/performance/results-reports-presentations>.

Pearson Professional Assessments Limited

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 16 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 2024 was £57,607,318 (2023: net cash position £18,506,710). The maximum amount of this guarantee is limited to a net overdraft of £50,000,000 (2023: £50,000,000).

Pearson Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

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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 Professional Assessments Limited

NOTES TO THE FINANCIAL STATEMENTS continued

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Ultimate parent undertaking

The immediate parent undertaking is Pearson Overseas Holdings Limited.

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