

**Pearson Shared Services Limited**

Registered Number :

04623186

Annual Report and Financial Statements

For the Year Ended :

31 December 2021

Registered address :

80 Strand, London WC2R 0RL

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COMPANIES HOUSE

## **Pearson Shared Services Limited**

### **STRATEGIC REPORT**

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

#### **Business review**

The company provides support services to the various businesses within Pearson plc including technology, accounting and other support services. The company's primary objectives are reducing costs, driving efficiencies in support services, delivering technological developments, sustaining or improving services and minimising risk.

The company generated a loss for the financial year of £2,546,000 (2020: loss £7,602,000).

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**

From the perspective of the company, the key performance indicators are integrated with the key performance indicators of the consolidated financial statements of Pearson plc ('the Group') and are not managed separately. Accordingly, the key performance indicators 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.

#### **Future developments**

The external commercial environment is expected to remain competitive in 2022 as in 2021. However, it is expected that the company will maintain its current level of performance in the future, in line with group results and expectations.

#### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties of the company are integrated with the principal risks of the consolidated financial statements of 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.

#### **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 company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. 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, as well as highlighting any emerging themes.

**STRATEGIC REPORT (continued)**

**Section 172 (1) Statement (continued)**

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 16 to 19 of the Pearson plc 2021 Annual Report.

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 2021 (2020: £nil).

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

On behalf of the board



R M W Kearton  
Director

23 September 2022

**DIRECTORS' REPORT**

The directors present their report and the financial statements of Pearson Shared Services Limited for the year ended 31 December 2021.

**Directors**

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

R M W Kearton

A Manchola Vanegas (resigned 1 October 2021)

D J Feavearyear (appointed 1 October 2021)

**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, are 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 16-19 and 86-87 of the Pearson plc 2021 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 the Board has received an overview of engagement with stakeholders which allows us to understand the nature of the 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, specifically in relation to Diversity, Equity and Inclusion matters please see our Strategic Report.

Furthermore, 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.

**DIRECTORS' REPORT (continued)**

**Employee and other stakeholder engagement (continued)**

Our employees are also integral to the sustainable success of Pearson. The company is a strong advocate of driving employee engagement within the Group by means of Pearson's Employee Engagement Network, which has established a feedback mechanism between the Board of Pearson plc and the workforce, providing an insight into the various employee perspectives across the Group. In addition, each of the Executive Directors represent an integral part of the company's business and can ensure that employees' feedback is heard at Board level. Pearson also offers a variety of thriving Employee Resource Groups which have active chapters, including, amongst others, Able, Spectrum and Gender Equity in Leadership and Learning, which serve to cultivate and celebrate diversity and inclusion in the employee population.

**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 maintaining an effective channel of communication. The company also encourages the involvement of employees by means of an Employee Engagement Network that meets every quarter to share the views on timely topics, discuss issues of importance to staff, and provide feedback that the Board considers in its business and deliberations.

**Statement of directors' responsibilities**

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

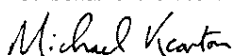
Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards comprising Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



R M W Kearton

23 September 2022

Company registered number :  
04623186

**Pearson Shared Services Limited**

**PROFIT AND LOSS ACCOUNT**

For the year ended :

**31 December 2021**

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Continuing operations			
Turnover	3	<b>105,014</b>	151,671
<b>Gross profit</b>		<b>105,014</b>	151,671
Administrative expenses		<b>(105,532)</b>	(151,631)
<b>Operating (loss)/profit</b>	4	<b>(518)</b>	40
Interest payable and similar charges	7	<b>(6,044)</b>	(3,691)
<b>Loss before taxation</b>		<b>(6,562)</b>	(3,651)
Tax on loss	8	<b>4,016</b>	(3,951)
<b>Loss for the financial year</b>		<b>(2,546)</b>	(7,602)

**Pearson Shared Services Limited**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended :**

**31 December 2021**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss for the financial year</b>	<b>(2,546)</b>	<b>(7,602)</b>
<b>Total comprehensive expenditure for the year</b>	<b>(2,546)</b>	<b>(7,602)</b>

**Pearson Shared Services Limited**

**BALANCE SHEET**

As at :

**31 December 2021**

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Intangible assets	9	<b>123,473</b>	134,652
Tangible assets	10	<b>1,584</b>	3,132
		<b>125,057</b>	137,784
<b>Current assets</b>			
Debtors	11	<b>35,411</b>	48,938
Cash at bank and in hand		<b>5,718</b>	4,487
		<b>41,129</b>	53,425
<b>Creditors - amounts falling due within one year</b>	12	<b>(136,198)</b>	(159,038)
<b>Net current liabilities</b>		<b>(95,069)</b>	(105,613)
<b>Total assets less current liabilities</b>		<b>29,988</b>	32,171
<b>Provisions for liabilities</b>	13	<b>-</b>	(128)
<b>Net assets</b>		<b>29,988</b>	32,043
<b>Capital and reserves</b>			
Called up share capital	15	<b>60,000</b>	60,000
Profit and loss account		<b>(30,702)</b>	(28,610)
Other reserves		<b>690</b>	653
<b>Total shareholders' funds</b>		<b>29,988</b>	32,043

For the year ended 31 December 2021:

- 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 23 September 2022.

They were signed on its behalf by:

*Michael Kearton*

R M W Kearton  
Director



**Pearson Shared Services Limited**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended :**

**31 December 2021**

	<b>Called up share capital</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2020	60,000	750	(21,514)	<b>39,236</b>
Loss for the financial year	-	-	(7,602)	<b>(7,602)</b>
Total comprehensive expense for the year	-	-	(7,602)	<b>(7,602)</b>
Share-based payment transactions	-	394	-	<b>394</b>
Deferred tax on share-based payment transactions	-	-	15	<b>15</b>
Shares exercised / lapsed during year	-	(491)	491	-
<b>At 31 December 2020</b>	<b>60,000</b>	<b>653</b>	<b>(28,610)</b>	<b>32,043</b>
Loss for the financial year	-	-	(2,546)	<b>(2,546)</b>
<b>Total comprehensive expense for the year</b>	-	-	(2,546)	<b>(2,546)</b>
Share-based payment transactions	-	488	-	<b>488</b>
Deferred tax on share-based payment transactions	-	-	3	<b>3</b>
Shares exercised / lapsed during year	-	(451)	451	-
<b>At 31 December 2021</b>	<b>60,000</b>	<b>690</b>	<b>(30,702)</b>	<b>29,988</b>

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended :

31 December 2021

### 1

#### Accounting policies

The principal accounting policies are set out below. These policies have been consistently applied to all the years presented.

#### Basis of preparation

Pearson Shared Services Limited is a private limited 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.

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 accounts 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) the requirements of IAS 7 'Statement of Cash Flows';
- e) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- f) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- g) 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;
- h) 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';
- i) IFRS 7 'Financial Instruments: Disclosures'; and
- j) paragraphs 91-99 of IFRS 13 'Fair Value Measurement'.

#### Interpretations and amendments to published standards effective 2021

No new standards were adopted in 2021.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS continued**

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

**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**

Revenue represents the invoiced value of services for support supplied, net of value added tax and trade discounts. Revenue is recognised when the amount can be reliably measured and when it is probable that future economic benefits will flow to the company. 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.

Judgement is applied to determine first whether control passes over time and if not, then the point in time at which control passes. Where revenue is recognised over time 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.

**Current and deferred income tax**

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

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

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

**Intangible assets**

Software - Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the company expects economic benefits from the development. Capitalisation in the application development stage begins once the company can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Software is amortised on a straight-line basis over its estimated useful life of between 5 and 10 years.

Intellectual Property - These assets are capitalised on acquisition at cost and amortised over their estimated useful lives of between 5 and 20 years using an amortisation method that reflects the pattern of their consumption.

**NOTES TO THE FINANCIAL STATEMENTS continued**

For the year ended :

31 December 2021

**1**

**Accounting policies (continued)**

**Tangible fixed assets**

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

Plant and machinery: 3 to 7 years

Fixtures and fittings: 7 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.

**Other receivables**

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

**Trade payables**

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

**Cash and cash equivalents**

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

**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.

**Creditors**

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

**Pensions**

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

The company is unable to identify its share of the underlying assets and liabilities of The Pearson Pension Plan owing to information regarding non-active members and changes to the group structure including acquisitions and disposals. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 Employee Benefits (2011), the company recognises a cost equal to its contribution payable for the period. The sponsoring entity to this scheme is Pearson Services Limited and further details are disclosed in the financial statements of that company which are available from the Company Secretary, 80 Strand, London WC2R 0RL.

**Share-based payments**

Options and shares are awarded to the company's employees under Pearson plc 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.

**Share capital**

Ordinary shares are classified as equity.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

**2**

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in note 1, 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**

There are no 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.

**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 detailed below:

***Intangible assets***

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

**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

For the year ended :

**31 December 2021**

**3**

**Turnover**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Continuing operations		
Provision of services	<b>105,014</b>	151,671
	<b>105,014</b>	151,671

No revenue was derived from exchanges of goods or services (2020: £nil).

Turnover by geographical market is as follows:	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	<b>63,421</b>	70,423
North America	<b>41,593</b>	81,248
	<b>105,014</b>	151,671

**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

**4**

**Operating (loss)/profit**

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

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Staff costs	5	<b>19,713</b>	19,006
Depreciation of tangible fixed assets:			
- owned		<b>2,282</b>	3,636
Amortisation of intangible assets included in other operating expenses		<b>38,089</b>	40,460
Net foreign exchange (gains)/losses		<b>(170)</b>	(56)

Fees paid to the group's auditor for the year, PricewaterhouseCoopers 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 Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

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**Staff costs**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs</b>		
Wages and salaries	<b>15,688</b>	15,147
Social security costs	<b>1,959</b>	1,971
Other pension costs	<b>1,578</b>	1,494
Share-based payment costs	<b>488</b>	394
	<b>19,713</b>	19,006

	<b>2021</b>	<b>2020</b>
		<b>(restated)</b>
<b>Average number of persons employed by the company during the year</b>	<b>Number</b>	<b>Number</b>
Administration	<b>172</b>	187
	<b>172</b>	187



**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

**6**

**Directors' remuneration**

The directors' services to this company and to a number of fellow subsidiaries are chiefly of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to their parent company.

**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

**7**

**Interest**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest payable and similar charges</b>		
Interest payable to group companies	<b>6,044</b>	3,691
<b>Interest payable and similar charges</b>	<b>6,044</b>	3,691

**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

For the year ended :

31 December 2021

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**Taxation**

	2021	2020
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on losses for the year	(364)	(1,568)
Adjustments in respect of prior years	-	5,650
<b>Total current tax</b>	<b>(364)</b>	<b>4,082</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(789)	886
Impact of change in tax laws and rates	(2,816)	(949)
Deferred tax on share-based payments	(51)	2
Adjustments in respect of prior years	4	(70)
<b>Total deferred tax</b>	<b>(3,652)</b>	<b>(131)</b>
<b>Total tax (credit)/charge on loss</b>	<b>(4,016)</b>	<b>3,951</b>
<b>UK standard effective rate of corporation tax (%)</b>	<b>19</b>	<b>19</b>

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

	2021	2020
	£'000	£'000
<b>Loss for the year</b>	<b>(6,562)</b>	<b>(3,651)</b>
Tax on loss at standard UK corporation tax rate of 19% (2020: 19%).	(1,247)	(694)
Effects of:		
Expenses not deductible for tax purposes	1	-
Adjustments in respect of prior years	4	5,580
Change in tax laws and rates	(2,816)	(949)
Share-based payments	42	14
<b>Total tax (credit)/charge for the year</b>	<b>(4,016)</b>	<b>3,951</b>

The current rate of corporation tax is 19% which has been effective since April 2017. The Spring Budget 2021 announced an increase in the corporation tax rate to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and received Royal Assent on 10 June 2021. Deferred tax has now been recognised at the rate expected to be in force at the time of the reversal of the temporary difference (2020: 19%).

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

	2021	2020
	£'000	£'000
<b>Deferred tax</b>		
Share-based payments	3	15
<b>Total income tax recognised directly in equity</b>	<b>3</b>	<b>15</b>

**NOTES TO THE FINANCIAL STATEMENTS continued**

For the year ended :

**31 December 2021**

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**Intangible fixed assets**

	<b>Assets under construction</b>	<b>Content development</b>	<b>Software</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 January 2021	1,782	159	296,131	298,072
Additions	21,102	6,981	-	28,083
Disposals	-	(12)	(210)	(222)
Transfers	(12,967)	-	12,095	(872)
Impairment	-	(94)	-	(94)
<b>At 31 December 2021</b>	<b>9,917</b>	<b>7,034</b>	<b>308,016</b>	<b>324,967</b>
<b>Amortisation</b>				
At 1 January 2021	-	-	163,420	163,420
Charge for the year	-	324	37,765	38,089
Disposals	-	-	(15)	(15)
<b>At 31 December 2021</b>	<b>-</b>	<b>324</b>	<b>201,170</b>	<b>201,494</b>
<b>Net book value</b>				
At 31 December 2020	1,782	159	132,711	134,652
<b>At 31 December 2021</b>	<b>9,917</b>	<b>6,710</b>	<b>106,846</b>	<b>123,473</b>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2021

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Tangible fixed assets

	Assets under construction	Plant and machinery	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 January 2021	-	24,124	1,003	25,127
Additions	-	-	-	-
Disposals	(83)	(8,719)	(263)	(9,065)
Transfers	83	789	-	872
<b>At 31 December 2021</b>	<b>-</b>	<b>16,194</b>	<b>740</b>	<b>16,934</b>
<b>Depreciation</b>				
At 1 January 2021	-	21,087	908	21,995
Charge for the year	-	2,214	68	2,282
Disposals	-	(8,664)	(263)	(8,927)
<b>At 31 December 2021</b>	<b>-</b>	<b>14,637</b>	<b>713</b>	<b>15,350</b>
<b>Net book value</b>				
At 31 December 2020	-	3,037	95	3,132
<b>At 31 December 2021</b>	<b>-</b>	<b>1,557</b>	<b>27</b>	<b>1,584</b>

**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

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**Debtors**

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>			
Amounts owed by group undertakings		<b>14,853</b>	28,639
Deferred taxation	14	<b>11,893</b>	8,238
Corporation tax		<b>441</b>	1,568
Other debtors		<b>1,237</b>	1,533
Prepayments and accrued income		<b>6,987</b>	8,960
		<b>35,411</b>	48,938

**NOTES TO THE FINANCIAL STATEMENTS continued****For the year ended :****31 December 2021****12****Creditors**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Trade creditors	<b>(3,607)</b>	(5,689)
Amounts owed to group undertakings	<b>(123,209)</b>	(143,692)
Other taxation and social security	<b>(4,441)</b>	(4,458)
Other creditors	<b>(3,141)</b>	(2,829)
Accruals and deferred income	<b>(1,800)</b>	(2,370)
	<b>(136,198)</b>	(159,038)

**NOTES TO THE FINANCIAL STATEMENTS continued**

For the year ended :

**31 December 2021**

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**Provisions**

	<b>Restructuring</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January 2021	(128)	(128)
Charged to profit and loss account	-	-
Unused amounts reversed to profit and loss account	82	82
Utilisation of provision	46	46
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>

The restructuring provision related to costs in respect of the group's reorganisation project.



Pearson Shared Services Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2021

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Deferred taxation

	Share schemes	Other timing differences	Total
Asset	£'000	£'000	£'000
At 1 January 2021	108	8,130	8,238
Amounts credited to the profit and loss	51	3,601	3,652
Credited to equity	3	-	3
<b>At 31 December 2021</b>	<b>162</b>	<b>11,731</b>	<b>11,893</b>
	Note	2021	2020
		£'000	£'000
<b>Total asset</b>	11	<b>11,893</b>	<b>8,092</b>

**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

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**Called up share capital**

	<b>2021</b>		<b>2020</b>	
	<b>£'000</b>		<b>£'000</b>	
<b>Total share capital</b>	<b>60,000</b>		<b>60,000</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Ordinary shares £1 each</b>	<b>No '000s</b>	<b>No '000s</b>	<b>£'000</b>	<b>£'000</b>
Allotted, called up and fully paid	<b>60,000</b>	60,000	<b>60,000</b>	60,000

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

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**Share-based payments**

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

*Worldwide Save for Shares Plan*

Since 1994, the Group has operated a Save-As-You-Earn plan for UK employees. In 1998, the Group introduced a Worldwide Save for Shares Plan. Under these plans, employees can save a portion of their monthly salary over periods of three or five years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equivalent to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan. Options that are not exercised within six months of the end of the savings period lapse unconditionally.

*Long-Term Incentive Plan*

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

*Management Incentive Plan*

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

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

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**Retirement benefit schemes**

The company participates in The Pearson Pension Plan. This is a hybrid 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 period, which in the year ended 31 December 2021 was £1,578,000 (2020: £1,494,000). The sponsoring entity to this plan is Pearson Services Limited and further details are disclosed in the accounts of that company which are available from the Company Secretary, 80 Strand, London WC2R 0RL.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

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**Contingent liabilities**

**Bank guarantees**

The company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and 17 of its subsidiaries, 'the guarantors', are combined, with cleared debit and credit balances being offset for interest calculation purposes. In order to comply with banking regulations, each guarantor to this arrangement has provided a multilateral guarantee in respect of the overdraft obligations (but no other debts due to the bank) of each of the other participants. Under this arrangement, the net cash position at 31 December 2021 was £79,525,979 (2020: net cash position £85,199,369).

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

**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

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**Related party transactions**

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

**Pearson Shared Services Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2021**

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**Ultimate parent undertaking**

The immediate and 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.