

Pearson Funding Five plc

Registered Number:

8422787

Annual Report and Financial Statements

For the Year Ended:

31 December 2018

Registered Address:

80 Strand, London WC2R 0RL



STRATEGIC REPORT

The directors present their Strategic Report of Pearson Funding Five plc (the 'company') for the year ended 31 December 2018.

Principal activity and Business review

The company operates as a financing vehicle for its parent, borrowing externally through the issuance of notes in US dollars and Euros. During the year, the company redeemed a significant proportion of its Euro borrowings, resulting in lower interest payable compared to 2017.

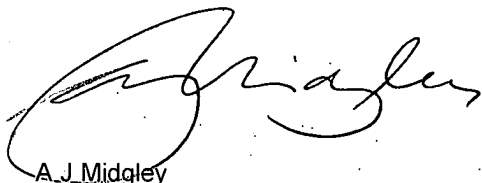
The directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

Principal risks and uncertainties

From the perspective of the company, the principal risk facing the company is the ability to maintain interest payments and repayment of listed debt. This is reliant on the performance of the group and consequently, the principal risks and uncertainties and financial risk management are integrated with the principal risks of the consolidated financial statements of Pearson plc (the 'group') and are not managed separately. Accordingly, the principal risks and uncertainties and financial risk management of Pearson plc, which include those of the company, are discussed in the group's annual report which does not form part of this report.

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

On behalf of the board



A.J. Midgley

Director

17 June 2019

Pearson Funding Five plc

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

Future developments

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.

Directors

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

A J Midgley
J J T Kelly
S K M Johnson

Qualifying third party indemnity provisions and liability insurance

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

Financial risk management and reporting

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

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

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

Post balance sheet events

On 15 March 2019 the company made a tender offer in respect of its €500m 1.875% notes, due 2021. The company redeemed €55,443,000 of the notes, with €194,557,000 remaining due in 2021.

DIRECTORS' REPORT continued

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 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 these financial statements, the directors are required to:

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

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the board



A. J. Midgley
Director
17 June 2019

Company registered number:
8422787

Pearson Funding Five plc

Independent auditors' report to the members of : Pearson Funding Five plc

Report on the audit of the financial statements

Opinion

In our opinion, Pearson Funding Five plc's financial statements:

- give a true and fair view of the state of the company's affairs at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet at 31 December 2018; the Profit and Loss Account, the Statement of Comprehensive Income and, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. Our opinion is consistent with our reporting to the Board of Directors.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



- Overall materiality: £5.6 million (2017: £9.5 million), based on 1% of external net debt.
- We performed a full scope audit.
- External debt

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Pearson Funding Five plc

Independent auditors' report to the members of Pearson Funding Five plc continued

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with tax regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management and the directors including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of the effectiveness of management's controls designed to prevent and detect irregularities; and
- Identifying and testing significant manual journal entries and reviewing assumptions and judgements made by management in making significant accounting estimates.

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

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

External debt (see notes 7 and 8)

The company operates as a financing vehicle for its parent, borrowing externally through the issuance of notes in US dollars and Euros.

The company held £568 million of external debt at 31 December 2018 (2017: £958 million) having redeemed €450m of bonds in 2018. £299 million is redeemable between two and five years with the remaining £269 million redeemable after five years.

Given the levels of external debt held, any movements in the period are significant and could give rise to material fluctuations in the amount of interest recorded.

How our audit addressed the key audit matter

We have reviewed debt agreements to confirm the balances and associated interest charges are calculated and disclosed appropriately, including the debt maturity profile.

We have confirmed the amounts of external debt to third party sources.

We have vouched redemptions in the period to cash repaid.

We have recalculated the remaining carrying value of debt by re-performing amortised cost calculations.

We have reviewed financial statement disclosures to ensure sufficient detail is included in relation to debt arrangements and their maturity profile.

No issues have arisen during the procedures performed.

Pearson Funding Five plc
Independent auditors' report to the members of Pearson Funding Five plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We performed a full scope audit of the company's financial statements. We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£5.6 million (2017: £9.5 million).
How we determined it	1% of external net debt.
Rationale for benchmark applied	

We believe that the carrying value of external debt held by the entity is the most suitable measure given the purpose of the entity is to raise and hold externally raised debt. Using this balance sheet measure is a generally accepted auditing benchmark for this type of entity.

We agreed with the directors that we would report to them misstatements identified during our audit above £0.28 million (2017: £0.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Pearson Funding Five plc

Independent auditors' report to the members of Pearson Funding Five plc continued

Other required reporting

Companies Act 2006 exception reporting

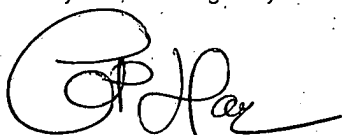
Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the directors, we were appointed by the directors on 27 February 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2013 to 31 December 2018.



Giles Hannam (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

17 June 2019

Pearson Funding Five plc

PROFIT AND LOSS ACCOUNT

For the year ended:

31 December 2018

		2018	2017
Continuing operations	Note	£'000	£'000
Result before interest and taxation		0	0
Interest receivable and similar income	4	18,760	33,844
Interest payable and similar expenses	4	(15,038)	(28,874)
Profit before taxation		3,722	4,970
Tax on profit	5	(706)	7,843
Profit for the financial year		3,016	12,813

Pearson Funding Five plc

STATEMENT OF COMPREHENSIVE INCOME

For the year ended:

31 December 2018

	2018	2017
	£'000	£'000
Profit for the financial year	3,016	12,813
Total comprehensive income for the year	3,016	12,813

Pearson Funding Five plc

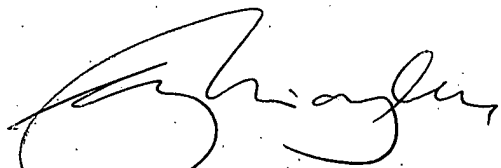
BALANCE SHEET

As at 31 December 2018

		2018	2017
	Note	£'000	£'000
Current assets			
Debtors - including £568.2m (2017: £957.6m) due after one year	6	1,021,234	1,407,681
Creditors - amounts falling due within one year	7	(26,079)	(26,151)
Net current assets		995,155	1,381,530
Total assets less current liabilities		995,155	1,381,530
Creditors - amounts falling due after more than one year	7	(568,194)	(957,585)
Net assets		426,961	423,945
Capital and reserves			
Called up share capital	9	367,000	367,000
Profit and loss account		59,961	56,945
Total shareholders' funds		426,961	423,945

The notes on pages 14 to 26 are an integral part of these financial statements.

The financial statements on pages 10 to 26 were approved by the board of directors and authorised for issue on 17 June 2019. They were signed on its behalf by:



A J Midgley
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended:

31 December 2018

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2017	367,000	44,132	411,132
Profit for the financial year	0	12,813	12,813
Total comprehensive income for the year	0	12,813	12,813
At 31 December 2017	367,000	56,945	423,945
Profit for the financial year	0	3,016	3,016
Total comprehensive income for the year	0	3,016	3,016
At 31 December 2018	367,000	59,961	426,961

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:
31 December 2018

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Accounting policies

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

Basis of preparation

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

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

These financial statements are separate financial statements.

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

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

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

New accounting standards

The following standards were adopted in 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

Adoption of these standards has not had a material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

1 Accounting policies continued

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currency translation

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

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

Interest

Interest is expensed or credited in the profit and loss account as incurred.

Guarantee fees

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

Current income tax

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

Debtors

Debtors are recognised initially at fair value and subsequently at amortised cost.

Borrowings

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

Share capital

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

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Operating profit

Fees payable for the audit of these financial statements are borne by a fellow group company and amounted to £5,000 (2017: £5,000) for the current year.

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

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

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Directors' emoluments and employee information

The emoluments of the directors are paid by their employing company, another group undertaking. The directors' services to this company and to a number of fellow subsidiaries are chiefly of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to their employing company. Accordingly, the financial statements include no emoluments in respect of the directors. No one was employed by the company at any time during the year (2017: no one).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

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Interest

	2018	2017
	£'000	£'000
Interest receivable and similar income		
Interest receivable from group companies	18,760	32,463
Net foreign exchange profit / (loss)	0	1,381
Interest receivable and similar income	18,760	33,844

	2018	2017
	£'000	£'000
Interest payable and similar expenses		
Interest payable to group companies	(525)	(230)
Guarantee fees	(3,188)	(5,876)
Net foreign exchange (loss) / profit	(936)	0
Interest payable on external borrowings	(10,389)	(22,768)
Interest payable and similar expenses	(15,038)	(28,874)

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

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Tax on profit

	2018	2017
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	707	957
Adjustments in respect of prior years	(1)	(8,800)
Total current tax	706	(7,843)
Total tax charge/(credit) on profit	706	(7,843)
 UK standard effective rate of corporation tax (%)	 19	 19.25

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

	2018	2017
	£'000	£'000
Profit before taxation	3,722	4,970
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.25%)	707	957
Effects of:		
Adjustments in respect of prior years	(1)	(8,800)
Total tax charge/(credit) for the year	706	(7,843)

The standard rate of UK corporation tax decreased to 19% on 1 April 2017 and has remained at this rate. Accordingly, the company's profits for this financial year have been taxed at an effective rate of 19.00% (2017: 19.25%).

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

In 2017 the adjustment in respect of prior years arose primarily as a result of the company receiving payments in excess of the statutory tax rate from other group companies as a result of allocations by Pearson plc under the Worldwide Debt Cap rules.

Pearson Funding Five plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

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Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	453,041	450,096
	453,041	450,096
Amounts falling due in more than one year		
Amounts owed by group undertakings	568,193	957,585
	568,193	957,585
Total debtors	1,021,234	1,407,681

On 15 August 2017, Pearson plc repaid US\$405,824,000 of its US\$500m loan, repayable 2023 to support the company's tender offer in respect of its US\$500m 3.25% notes, due 2023.

On 29 January 2018, Pearson plc repaid €250,000,000 of its €500m loan, repayable 2021 to support the company's tender offer in respect of its €500m 1.875% notes, due 2021.

On 29 January 2018, Pearson plc repaid €200,000,000 of its €500m loan, repayable 2025 to support the company's tender offer in respect of its €500m 1.375% notes, due 2025.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

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Creditors

		2018	2017
	Note	£'000	£'000
Amounts falling due within one year			
Amounts owed to group undertakings		(19,962)	(15,671)
Corporation tax		(707)	(957)
External interest payable on borrowings		(5,410)	(9,523)
		(26,079)	(26,151)
Amounts falling due after more than one year			
2021 1.875% €500m notes	8	(224,659)	(443,892)
2023 3.25% \$500m notes	8	(73,945)	(69,801)
2025 1.375% €500m notes	8	(269,590)	(443,892)
		(568,194)	(957,585)

On 15 August 2017, the company made a tender offer in respect of its US\$500m 3.25% notes, due 2023. The company redeemed US\$405,824,000 of the notes, with US\$94,176,000 remaining due in 2023.

On 29 January 2018, the company made a tender offer in respect of its €500m 1.875% notes, due 2021. The company redeemed €250,000,000 of the notes, with €250,000,000 remaining due in 2021.

On 29 January 2018, the company made a tender offer in respect of its €500m 1.375% notes, due 2025. The company redeemed €200,000,000 of the notes, with €300,000,000 remaining due in 2025.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

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Loans and borrowings

	2018	2017
	£'000	£'000
2021 1.875% €500m notes	(224,659)	(443,892)
2023 3.25% \$500m notes	(73,945)	(69,801)
2025 1.375% €500m notes	(269,590)	(443,892)
	(568,194)	(957,585)
Maturity of financial liabilities :		
Between two and five years	(298,604)	(443,892)
After five years	(269,590)	(513,693)
	(568,194)	(957,585)

The notes are listed on the London Stock Exchange. The notes are guaranteed by Pearson plc and fees charged at 0.5% are payable by the company as consideration for this guarantee (Note 4).

Pearson Funding Five plc

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended:
31 December 2018

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Called up share capital

	2018		2017	
	£'000		£'000	
Total share capital	367,000		367,000	

	2018	2017	2018	2017
	No '000s	No '000s	£'000	£'000
Ordinary shares £1 each				
Allotted, called up and fully paid	367,000	367,000	367,000	367,000

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2018

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Post balance sheet events

On 15 March 2019 the company made a tender offer in respect of its €500m 1.875% notes, due 2021. The company redeemed €55,443,000 of the notes, with €194,557,000 remaining due in 2021.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2018

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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.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

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Ultimate parent undertaking

The immediate parent undertaking is Pearson plc.

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