

**Pearson Dollar Finance plc**  
Registered Number :

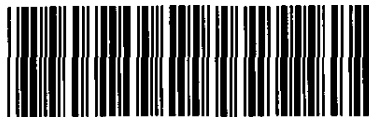
5111013

Annual Report and Financial Statements  
For the Year Ended :

31 December 2017

Registered Address :  
80 Strand, London WC2R 0RL

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**Pearson Dollar Finance plc**

**STRATEGIC REPORT**

The directors present their Strategic Report of Pearson Dollar Finance plc (the 'company') for the year ended 31 December 2017.

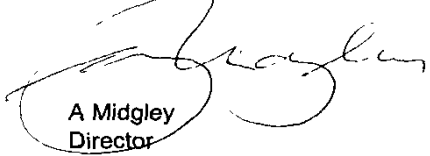
**Business review**

The company is an investment holding company. 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 risks and uncertainties of the company 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 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.

On behalf of the Board



A Midgley  
Director

26 June 2018

## Pearson Dollar Finance plc

### DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

#### 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

S J Ellis (resigned 9 January 2017)

K Proffitt (resigned 13 March 2017)

S K M Johnson (appointed 13 March 2017)

J J T Kelly (appointed 9 January 2017)

#### 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. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors and officers.

#### Financial risk management

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

#### 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', 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, comprising 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



A Midgley  
Director

26 June 2018

Company registered number :  
5111013

**Pearson Dollar Finance plc**

**PROFIT AND LOSS ACCOUNT**

For the year ended :

**31 December 2017**

		2017	2016
	Note	\$'000	\$'000
Continuing operations			
<b>Profit before interest and taxation</b>		<b>0</b>	<b>0</b>
Interest receivable and similar income	4	40,877	31,085
<b>Profit before taxation</b>		<b>40,877</b>	<b>31,085</b>
Tax on profit	5	(8,729)	832
<b>Profit for the financial year</b>		<b>32,148</b>	<b>31,917</b>

Pearson Dollar Finance plc

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended :

31 December 2017

	2017	2016
	\$'000	\$'000
<b>Profit for the financial year</b>	<b>32,148</b>	<b>31,917</b>
<b>Total comprehensive income for the year</b>	<b>32,148</b>	<b>31,917</b>

**Pearson Dollar Finance plc**

**BALANCE SHEET**

As at :

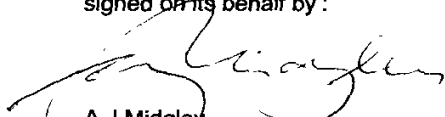
31 December 2017

	2017	2016
Note	\$'000	\$'000
<b>Current assets</b>		
Debtors (including \$350,000,000 (2016: \$350,000,000) due after one year)	6 1,825,887	1,791,295
Cash at bank and in hand	249	249
	<b>1,826,136</b>	<b>1,791,544</b>
<b>Creditors - amounts falling due within one year</b>	7 <b>(8,197)</b>	<b>(5,753)</b>
<b>Net current assets</b>	<b>1,817,939</b>	<b>1,785,791</b>
<b>Total assets less current liabilities</b>	<b>1,817,939</b>	<b>1,785,791</b>
<b>Net assets</b>	<b>1,817,939</b>	<b>1,785,791</b>
<b>Capital and reserves</b>		
Called up share capital	8 1,735,624	1,735,624
Profit and loss account	82,315	50,167
<b>Total shareholders' funds</b>	<b>1,817,939</b>	<b>1,785,791</b>

For the year ended 31 December 2017 :

- 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 26 June 2018. They were signed on its behalf by :



A J Midgley  
Director

**Pearson Dollar Finance plc**

**STATEMENT OF CHANGES IN EQUITY**

For the year ended :

31 December 2017

	Called up share capital	Profit and loss account	Total
	\$'000	\$'000	\$'000
At 1 January 2016	1,735,624	18,250	1,753,874
Profit for the financial year	0	31,917	31,917
<i>Total comprehensive income for the year</i>	0	31,917	31,917
At 31 December 2016	1,735,624	50,167	1,785,791
Profit for the financial year	0	32,148	32,148
<b>Total comprehensive income for the year</b>	0	32,148	32,148
<b>At 31 December 2017</b>	<b>1,735,624</b>	<b>82,315</b>	<b>1,817,939</b>

**Pearson Dollar Finance plc**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended :  
31 December 2017**

**1**

**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 Dollar Finance plc is a public 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. 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) paragraphs 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.



**Consolidation**

The company is a wholly owned subsidiary of Pearson plc and is included in the consolidated financial statements of Pearson plc which are publicly available. Consequently the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

**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 US dollars (\$) 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 income**

Interest income is recognised in the profit and loss account as it is earned.

**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.

**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.

**Share capital**

Ordinary shares are classified as equity.

**Pearson Dollar Finance plc**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :  
31 December 2017**

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**Operating profit**

Fees paid to the group's auditor, PricewaterhouseCoopers LLP, and its associates for non-audit services 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.

**Pearson Dollar Finance plc**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2017**

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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 (2016: no one).

Pearson Dollar Finance plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2017

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Interest

	2017	2016
	\$'000	\$'000
Bank interest receivable	3	1
Interest receivable from parent company	40,874	31,084
<b>Interest receivable and similar income</b>	<b>40,877</b>	<b>31,085</b>

Pearson Dollar Finance plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2017

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Taxation

	2017	2016
	\$'000	\$'000
<b>Current tax</b>		
UK corporation tax on profits / (losses) for the year	7,869	6,217
Adjustments in respect of prior years	0	(5,752)
Foreign exchange difference arising on settlement / retranslation of tax liabilities	860	(1,297)
<b>Total current tax</b>	<b>8,729</b>	<b>(832)</b>
<b>Total tax on profit</b>	<b>8,729</b>	<b>(832)</b>
<b>UK standard effective rate of corporation tax (%)</b>	<b>19.25</b>	<b>20</b>

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

	2017	2016
	\$'000	\$'000
<b>Profit before tax</b>	<b>40,877</b>	<b>31,085</b>
Tax on profit at standard UK corporation tax rate of 19.25% (2016: 20%)	7,869	6,217
Effects of:		
Adjustments in respect of prior years	0	(5,752)
Foreign exchange difference arising on settlement / retranslation of tax liabilities	860	(1,297)
<b>Total tax charge for the year</b>	<b>8,729</b>	<b>(832)</b>

The standard rate of UK corporation tax changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this financial year have been taxed at an effective rate of 19.25% (2016 : 20%).

The prior year adjustment for 2016 arises primarily as a result of the company receiving a payment for the benefit of group relief from a fellow subsidiary at a rate above the statutory tax rate.

Pearson Dollar Finance plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2017

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Debtors

	2017	2016
	\$'000	\$'000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	1,475,887	1,441,295
	<b>1,475,887</b>	<b>1,441,295</b>
<b>Amounts falling due in more than one year</b>		
Amounts owed by group undertakings	350,000	350,000
	<b>350,000</b>	<b>350,000</b>
<b>Total debtors</b>	<b>1,825,887</b>	<b>1,791,295</b>

Amounts falling due after more than one year from group undertakings are unsecured. During the year the interest was charged at US\$ 6 month LIBOR + 85 basis points.

Pearson Dollar Finance plc

**NOTES TO THE FINANCIAL STATEMENTS continued**  
For the year ended :  
31 December 2017

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Creditors

	2017	2016
	\$'000	\$'000
<b>Amounts falling due within one year</b>		
Corporation tax	(8,197)	(5,753)
<b>Total creditors</b>	<b>(8,197)</b>	<b>(5,753)</b>

Pearson Dollar Finance plc

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2017

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Called up share capital

	2017	2016
	\$'000	\$'000
<b>Total share capital</b>	<b>1,735,624</b>	<b>1,735,624</b>

	2017	2016	2017	2016
	No '000s	No '000s	\$'000	\$'000
<b>Ordinary shares \$1 each</b>				
Allotted, called up and fully paid	1,735,600	1,735,600	1,735,600	1,735,600

	2017	2016	2017	2016
	No '000s	No '000s	\$'000	\$'000
<b>Ordinary share £1 each</b>				
Allotted, called up and fully paid	50	50	24	24



**Pearson Dollar Finance plc**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2017**

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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 2017 was £12,774,968 (2016: net cash position £29,979,622). The maximum amount of this guarantee is limited to a net overdraft of £50,000,000.

	2017	2016
<b>Potential liability arising from these guarantee arrangements :</b>	<b>£'000</b>	<b>£'000</b>
Parent undertaking and fellow subsidiary undertakings	50,000	50,000
Subsidiary undertakings of the company	0	0

**Pearson Dollar Finance plc**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2017**

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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 Dollar Finance plc**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended :**

**31 December 2017**

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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.