

## Principal subsidiaries

The principal operating subsidiaries at 31 December 2011 are listed below. They operate mainly in the countries of incorporation or registration. The investments are in equity share capital and they are all 100% owned.

Country of incorporation or registration

### Pearson Education

Pearson Education Inc.	US
Pearson Education Ltd	England
Edexcel Ltd*	England
NCS Pearson Inc.	US

### FT Group

The Financial Times Ltd	England
Mergermarket Ltd	England

### The Penguin Group

Penguin Group (USA) Inc.	US
The Penguin Publishing Co Ltd	England
Dorling Kindersley Holdings Ltd*	England

\* Direct investment of Pearson plc.

The company has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements. A complete list of subsidiary and associated undertakings will be included in the next Pearson plc annual return filed with the Registrar of Companies.

## Five year summary

All figures in £ millions	2007	2008	2009	2010	2011
<b>Sales</b>					
North American Education	1,667	2,002	2,470	2,640	2,584
International Education	735	866	1,035	1,234	1,424
Professional	226	244	275	333	382
<b>Education</b>	<b>2,628</b>	<b>3,112</b>	<b>3,780</b>	<b>4,207</b>	<b>4,390</b>
<b>FT Group</b>	<b>344</b>	<b>390</b>	<b>358</b>	<b>403</b>	<b>427</b>
<b>Penguin</b>	<b>846</b>	<b>903</b>	<b>1,002</b>	<b>1,053</b>	<b>1,045</b>
<b>Continuing</b>	<b>3,818</b>	<b>4,405</b>	<b>5,140</b>	<b>5,663</b>	<b>5,862</b>
Discontinued	511	414	484	296	–
<b>Total sales</b>	<b>4,329</b>	<b>4,819</b>	<b>5,624</b>	<b>5,959</b>	<b>5,862</b>
<b>Adjusted operating profit</b>					
North American Education	273	303	403	469	493
International Education	92	135	141	171	196
Professional	27	36	43	51	66
<b>Education</b>	<b>392</b>	<b>474</b>	<b>587</b>	<b>691</b>	<b>755</b>
<b>FT Group</b>	<b>56</b>	<b>74</b>	<b>39</b>	<b>60</b>	<b>76</b>
<b>Penguin</b>	<b>74</b>	<b>93</b>	<b>84</b>	<b>106</b>	<b>111</b>
<b>Continuing</b>	<b>522</b>	<b>641</b>	<b>710</b>	<b>857</b>	<b>942</b>
Discontinued	112	121	148	81	–
<b>Total adjusted operating profit</b>	<b>634</b>	<b>762</b>	<b>858</b>	<b>938</b>	<b>942</b>
<b>Operating margin – continuing</b>	<b>13.7%</b>	<b>14.6%</b>	<b>13.8%</b>	<b>15.1%</b>	<b>16.1%</b>
<b>Adjusted earnings</b>					
Total adjusted operating profit	634	762	858	938	942
Net finance costs	(85)	(88)	(97)	(85)	(52)
Income tax	(145)	(178)	(194)	(215)	(199)
Non-controlling interest	(32)	(36)	(44)	(17)	1
<b>Adjusted earnings</b>	<b>372</b>	<b>460</b>	<b>523</b>	<b>621</b>	<b>692</b>
Weighted average number of shares (millions)	796.8	797.0	799.3	801.2	800.2
<b>Adjusted earnings per share</b>	<b>46.7p</b>	<b>57.7p</b>	<b>65.4p</b>	<b>77.5p</b>	<b>86.5p</b>

All figures in £ millions	2007	2008	2009	2010	2011
<b>Cash flow</b>					
Operating cash flow	684	796	913	1,057	983
Operating cash conversion	108%	104%	106%	113%	104%
Operating free cash flow	533	631	723	904	772
Operating free cash flow per share	66.9p	79.2p	90.5p	112.8p	96.5p
Total free cash flow	407	631	723	904	772
Total free cash flow per share	51.1p	79.2p	90.5p	112.8p	96.5p
<b>Net assets</b>	<b>3,874</b>	<b>5,024</b>	<b>4,636</b>	<b>5,605</b>	<b>5,962</b>
<b>Net debt</b>	<b>973</b>	<b>1,460</b>	<b>1,092</b>	<b>430</b>	<b>499</b>
<b>Return on invested capital (gross basis)</b>					
Total adjusted operating profit	634	762	858	938	942
Cash tax paid	(61)	(89)	(103)	(85)	(151)
<b>Return</b>	<b>573</b>	<b>673</b>	<b>755</b>	<b>853</b>	<b>791</b>
Average invested capital	6,423	7,337	8,504	8,315	8,731
Return on invested capital	8.9%	9.2%	8.9%	10.3%	9.1%
<b>Dividend per share</b>	<b>31.6p</b>	<b>33.8p</b>	<b>35.5p</b>	<b>38.7p</b>	<b>42.0p</b>

## Corporate and operating measures

### Sales – underlying and constant exchange rate movement

Sales movement for continuing operations excluding the impact of acquisitions and disposals and movements in exchange rates.

All figures in £ millions	2011
Underlying increase	59
Portfolio changes	262
Exchange differences	(122)
<b>Total sales increase</b>	<b>199</b>
Underlying increase	1%
Constant exchange rate increase	6%

### Adjusted income statement

Reconciliation of the consolidated income statement to the adjusted numbers presented as non-GAAP measures in the financial statements.

All figures in £ millions	2011								
	Statutory income statement	Discontinued operations	Other net gains and losses	Acquisition costs	Amortisation of acquired intangibles	Other net finance income/ costs	Tax amortisation benefit	Tax loss recognition	Adjusted income statement
Operating profit	1,226	–	(435)	12	139	–	–	–	942
Net finance costs	(71)	–	–	–	–	19	–	–	(52)
<b>Profit before tax</b>	<b>1,155</b>	<b>–</b>	<b>(435)</b>	<b>12</b>	<b>139</b>	<b>19</b>	<b>–</b>	<b>–</b>	<b>890</b>
Income tax	(199)	–	19	(4)	(44)	(5)	34	–	(199)
<b>Profit for the year</b>	<b>956</b>	<b>–</b>	<b>(416)</b>	<b>8</b>	<b>95</b>	<b>14</b>	<b>34</b>	<b>–</b>	<b>691</b>
Non-controlling interest	1	–	–	–	–	–	–	–	1
<b>Earnings</b>	<b>957</b>	<b>–</b>	<b>(416)</b>	<b>8</b>	<b>95</b>	<b>14</b>	<b>34</b>	<b>–</b>	<b>692</b>

## Adjusted income statement continued

	2010								
All figures in £ millions	Statutory income statement	Discontinued operations	Other net gains and losses	Acquisition costs	Amortisation of acquired intangibles	Other net finance income/ costs	Tax amortisation benefit	Tax loss recognition	Adjusted income statement
Operating profit	743	81	(2)	11	105	–	–	–	938
Net finance costs	(73)	–	–	–	–	(12)	–	–	(85)
<b>Profit before tax</b>	<b>670</b>	<b>81</b>	<b>(2)</b>	<b>11</b>	<b>105</b>	<b>(12)</b>	<b>–</b>	<b>–</b>	<b>853</b>
Income tax	(146)	(31)	(1)	(4)	(35)	3	36	(37)	(215)
<b>Profit for the year from continuing operations</b>	<b>524</b>	<b>50</b>	<b>(3)</b>	<b>7</b>	<b>70</b>	<b>(9)</b>	<b>36</b>	<b>(37)</b>	<b>638</b>
Profit for the year from discontinued operations	776	(50)	(731)	–	5	–	–	–	–
<b>Profit for the year</b>	<b>1,300</b>	<b>–</b>	<b>(734)</b>	<b>7</b>	<b>75</b>	<b>(9)</b>	<b>36</b>	<b>(37)</b>	<b>638</b>
Non-controlling interest	(3)	–	(12)	–	(2)	–	–	–	(17)
<b>Earnings</b>	<b>1,297</b>	<b>–</b>	<b>(746)</b>	<b>7</b>	<b>73</b>	<b>(9)</b>	<b>36</b>	<b>(37)</b>	<b>621</b>

## Adjusted operating profit – underlying and constant exchange rate movement

Operating profit movement excluding the impact of acquisitions, disposals and movements in exchange rates.

All figures in £ millions	2011
Underlying increase	62
Portfolio changes	39
Exchange differences	(16)
<b>Total adjusted operating profit increase</b>	<b>85</b>
Underlying increase	7%
Constant exchange rate increase	12%

## Corporate and operating measures continued

### Free cash flow per share

Operating cash flow for continuing and discontinued operations before tax and finance charges, divided by the weighted average number of shares in issue.

All figures in £ millions	2011	2010
Adjusted operating profit	942	938
Cash conversion	104%	113%
Operating cash flow	983	1,057
Operating tax paid	(151)	(85)
Net operating finance costs paid	(60)	(68)
<b>Total operating free cash flow</b>	<b>772</b>	<b>904</b>
Non operating tax paid	–	–
<b>Total free cash flow</b>	<b>772</b>	<b>904</b>
Weighted average number of shares in issue (millions)	800.2	801.2
Operating free cash flow per share	96.5p	112.8p
<b>Total free cash flow per share</b>	<b>96.5p</b>	<b>112.8p</b>

### Return on invested capital

All figures in £ millions	Net invested capital		Gross invested capital	
	2011	2010	2011	2010
Total adjusted operating profit	942	938	942	938
Amortisation of acquired intangibles	(139)	(113)	–	–
Operating tax paid	(151)	(85)	(151)	(85)
<b>Return</b>	<b>652</b>	<b>740</b>	<b>791</b>	<b>853</b>
Average goodwill and other intangibles	5,680	5,362	7,684	7,341
Average net operating assets	1,047	974	1,047	974
<b>Average invested capital</b>	<b>6,727</b>	<b>6,336</b>	<b>8,731</b>	<b>8,315</b>
<b>Return on invested capital</b>	<b>9.7%</b>	<b>11.7%</b>	<b>9.1%</b>	<b>10.3%</b>

Return on invested capital is calculated using two methods:

Gross basis – total adjusted operating profit less operating cash tax paid expressed as a percentage of average gross invested capital. Gross invested capital includes the original unamortised goodwill and intangibles.

Net basis – total adjusted operating profit less intangible amortisation and operating cash tax paid expressed as a percentage of average net invested capital. Net invested capital includes the carrying value (after amortisation) of goodwill and intangibles.

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## Shareholder information

Pearson ordinary shares are listed on the London Stock Exchange and on the New York Stock Exchange in the form of American Depositary Receipts.

### Corporate website

The investors' section of our corporate website [www.pearson.com/investors](http://www.pearson.com/investors) provides a wealth of information for shareholders. It is also possible to sign up to receive email alerts for reports and press releases relating to Pearson at [www.pearson.com/investors/announcements/email-alerts](http://www.pearson.com/investors/announcements/email-alerts)

### Shareholder information online

Equiniti provides a range of shareholder information online. You can check your holding and find practical help on transferring shares or updating your details at [www.shareview.co.uk](http://www.shareview.co.uk). For more information, please contact our registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0871 384 2233\* or, for those shareholders with hearing difficulties, textphone number 0871 384 2255\*.

### Information about the Pearson share price

The company's share price can be found on our website at [www.pearson.com](http://www.pearson.com). It also appears in the financial columns of the national press.

### Payment of dividends to mandated accounts

Should you elect to have your dividends paid through BACS, this can be done directly into a bank or building society account, with the tax voucher sent to the shareholder's registered address. Equiniti can be contacted for information on 0871 384 2043\*.

### Dividend reinvestment plan (DRIP)

The DRIP gives shareholders the right to buy the company's shares on the London stock market with their cash dividend. For further information, please contact Equiniti on 0871 384 2268\*.

### Individual Savings Accounts (ISAs)

Equiniti offers ISAs in Pearson shares. For more information, please go to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing) or call customer services on 0845 300 0430\*.

### Share dealing facilities

Equiniti offers telephone and internet services for dealing in Pearson shares. For further information, please contact their telephone dealing helpline on 08456 037 037 (weekdays only) or, for online dealing, log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing). You will need your shareholder reference number as shown on your share certificate.

A weekly postal dealing service is also available through Equiniti. Please telephone 0871 384 2248\* for details or log on to [www.shareview.co.uk](http://www.shareview.co.uk) to download a form.

### ShareGift

Shareholders with small holdings of shares, whose value makes them uneconomic to sell, may wish to donate them to ShareGift, the share donation charity (registered charity number 1052686). Further information about ShareGift and the charities it has supported may be obtained from their website, [www.ShareGift.org](http://www.ShareGift.org) or by contacting them at 17 Carlton House Terrace, London SW1Y 5AH.

### American Depositary Receipts (ADRs)

Pearson's ADRs are listed on the New York Stock Exchange and traded under the symbol PSO. Each ADR represents one ordinary share. For enquiries regarding registered ADR holder accounts and dividends, please contact The Bank of New York Mellon, PO Box 358516, Pittsburgh, PA 15252-8516, telephone 1 866 259 2289 (toll free within the US) or 001 201 680 6825 (outside the US). Alternatively, you may e-mail [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com), or log on to [www.bnymellon.com/shareowner](http://www.bnymellon.com/shareowner). Voting rights for registered ADR holders can be exercised through The Bank of New York Mellon, and for beneficial ADR holders (and/or nominee accounts) through your US brokerage institution. Pearson will file with the Securities and Exchange Commission a Form 20-F.

\*Calls to these numbers are charged at 8p per minute from a BT landline. Other provider costs may vary. Lines open 8.30am to 5.30pm Monday to Friday.



### Share register fraud: protecting your investment

Pearson does not contact its shareholders directly to provide recommendation advice and neither does it appoint third parties to do so. As required by law, our shareholder register is available for public inspection but we cannot control the use of information obtained by persons inspecting the register. Please treat any approaches purporting to originate from Pearson with caution.

For more information, please log on to our website at [www.pearson.com/investors/shareholder-information/boiler-room-scams](http://www.pearson.com/investors/shareholder-information/boiler-room-scams) and [www.pearson.com/shareholderfaqs](http://www.pearson.com/shareholderfaqs)

### Tips on protecting your shares

- › Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation
- › Inform our registrar, Equiniti promptly when you change address
- › Be aware of dividend payment dates and contact the registrar if you do not receive your dividend cheque or better still, make arrangements to have the dividend paid directly into your bank account
- › Consider holding your shares electronically in a CREST account via a nominee

### 2012 Financial calendar

Ex-dividend date	4 April
Record date	10 April
Last date for dividend reinvestment election	13 April
Annual General Meeting	27 April
Payment date for dividend and share purchase date for dividend reinvestment	4 May
Interim results	27 July
Payment date for interim dividend	14 September

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### Pearson plc

Registered number 53723 (England)