

PEARSON PLC
Form 20-F
April 25, 2008

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON April 25, 2008

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
or
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the fiscal year ended December 31, 2007
or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the transition period from to
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report
If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act). Yes No

**Commission file number 1-16055
PEARSON PLC**

(Exact name of Registrant as specified in its charter)

England and Wales

(Jurisdiction of incorporation or organization)

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London, England WC2R 0RL

(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
*Ordinary Shares, 25p par value	New York Stock Exchange
American Depositary Shares, each Representing One Ordinary Share, 25p per Ordinary Share	New York Stock Exchange

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the SEC.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock at the close of the period covered by the annual report:

Ordinary Shares, 25p par value 808,028,141

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer", in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing

US GAAP International financial Reporting Standards as Issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes

No

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INTRODUCTION

In this Annual Report on Form 20-F (the Annual Report) references to Pearson , the Company or the Group are references to Pearson plc, its predecessors and its consolidated subsidiaries, except as the context otherwise requires.

Ordinary Shares refer to the ordinary share capital of Pearson of par value 25p each. ADSs refer to American Depositary Shares which are Ordinary Shares deposited pursuant to the Deposit Agreement dated March 21, 1995, amended and restated as of August 8, 2000 among Pearson, The Bank of New York as depositary (the Depositary) and owners and holders of ADSs (the Deposit Agreement). ADSs are represented by American Depositary Receipts (ADRs) delivered by the Depositary under the terms of the Deposit Agreement.

We have prepared the financial information contained in this Annual Report in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) which in respect of the accounting standards applicable to the Group do not differ from IFRS as adopted by the European Union (EU). Unless we indicate otherwise, any reference in this Annual Report to our consolidated financial statements is to the consolidated financial statements and the related notes, included elsewhere in this Annual Report.

We publish our consolidated financial statements in sterling. We have included, however, references to other currencies. In this Annual Report:

references to sterling , pounds , pence or £ are to the lawful currency of the United Kingdom,

references to euro or are to the euro, the lawful currency of the participating Member States in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Commission, and

references to US dollars , dollars , cents or \$ are to the lawful currency of the United States.

For convenience and except where we specify otherwise, we have translated some sterling figures into US dollars at the rate of £1.00 = \$1.98, the noon buying rate in The City of New York for cable transfers and foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes on December 31, 2007, the last business day of 2007. We do not make any representation that the amounts of sterling have been, could have been or could be converted into dollars at the rates indicated. On March 31, 2008 the noon buying rate for sterling was £1.00 = \$1.99.

FORWARD-LOOKING STATEMENTS

You should not rely unduly on forward-looking statements in this Annual Report. This Annual Report, including the sections entitled Item 3. Key Information Risk Factors , Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects , contains forward-looking statements that relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terms such as may , will , should , expect , intend , plan , anticipate , believe , estimate , predict , potential , continue or the negative of these comparable terminology. Examples of these forward-looking statements include, but are not limited to, statements regarding the following:

operations and prospects,

growth strategy,

funding needs and financing resources,

expected financial position,

market risk,

currency risk,

US federal and state spending patterns,

debt levels, and

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general market and economic conditions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In evaluating them, you should consider various factors, including the risks outlined under Item 3. Key Information Risk Factors, which may cause actual events or our industry's results to differ materially from those expressed or implied by any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**Selected consolidated financial data**

Following the publication of SEC Release No 33-8879 Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP, the Group no longer provides a reconciliation between IFRS and U.S. GAAP.

The tables below shows selected consolidated financial data under IFRS as issued by the IASB. The selected consolidated profit and loss account data for the years ended December 31, 2007, 2006 and 2005 and the selected consolidated balance sheet data as at December 31, 2007 and 2006 have been derived from our audited consolidated financial statements included in Item 18. Financial Statements in this Annual Report.

The selected consolidated financial information should be read in conjunction with Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and the related notes appearing elsewhere in this Annual Report. The information provided below is not necessarily indicative of the results that may be expected from future operations.

For convenience, we have translated the 2007 amounts into US dollars at the rate of £1.00 = \$1.98, the noon buying rate in The City of New York for cable transfers and foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes on December 31, 2007.

	Year Ended December 31					
	2007	2007	2006	2005	2004	2003
	\$	£	£	£	£	£
(In millions, except for per share amounts)						
IFRS information:						
Consolidated Income Statement data						
Total sales	8,241	4,162	3,990	3,662	3,340	3,510
Total operating profit	1,137	574	522	497	359	386
Profit after taxation from continuing operations	667	337	444	319	232	239
Profit for the financial year	614	310	469	644	284	275
Consolidated Earnings data per share						
Basic earnings per equity share(1)	\$ 0.70	35.6p	55.9p	78.2p	32.9p	31.7p

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Diluted earnings per equity share(2)	\$ 0.70	35.6p	55.8p	78.1p	32.9p	31.7p
Basic earnings from continuing operations per equity share(1)	\$ 0.77	39.0p	52.7p	37.5p	26.4p	27.2p
Diluted earnings from continuing operations per equity shares	\$ 0.77	39.0p	52.6p	37.4p	26.3p	27.2p
Dividends per ordinary share	\$ 0.63	31.6p	29.3p	27.0p	25.4p	24.2p
Consolidated Balance Sheet data at period end						
Total assets (non-current assets plus current assets)	14,438	7,292	7,213	7,600	6,578	6,736
Net assets	7,671	3,874	3,644	3,733	3,014	3,161
Long-term obligations(3)	(3,328)	(1,681)	(1,853)	(2,500)	(2,403)	(1,982)
Capital stock	400	202	202	201	201	201
Number of equity shares outstanding (millions of ordinary shares)	808	808	806	804	803	802

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Notes:

- (1) Basic earnings per equity share is based on profit for the financial period and the weighted average number of ordinary shares in issue during the period.
- (2) Diluted earnings per equity share is based on diluted earnings for the financial period and the diluted weighted average number of ordinary shares in issue during the period. Diluted earnings comprise earnings adjusted for the tax benefit on the conversion of share options by employees and the weighted average number of ordinary shares adjusted for the dilutive effect of share options.
- (3) Long-term obligations comprise any liabilities with a maturity of more than one year, including medium and long-term borrowings, derivative financial instruments, pension obligations and deferred income tax liabilities.
- (4) The results of Government Solutions (disposed in February 2007), Les Echos (disposed in December 2007) and Data Management (disposed in February 2008) have been included in discontinued operations for all years presented.

Dividend information

We pay dividends to holders of ordinary shares on dates that are fixed in accordance with the guidelines of the London Stock Exchange. Our board of directors normally declares an interim dividend in July or August of each year to be paid in September or October. Our board of directors normally recommends a final dividend following the end of the fiscal year to which it relates, to be paid in the following May or June, subject to shareholders' approval at our annual general meeting. At our annual general meeting on April 25, 2008 our shareholders will be asked to approve a final dividend of 20.5p per ordinary share for the year ended December 31, 2007.

The table below sets forth the amounts of interim, final and total dividends paid in respect of each fiscal year indicated, and is translated into cents per ordinary share at the noon buying rate in the city of New York on each of the respective payment dates for interim and final dividends. The final dividend for the 2007 fiscal year will be paid on May 9, 2008.

Fiscal year	Interim (Pence per ordinary share)	Final	Total	Interim	Final	Total
				(Cents per ordinary share)		
2007	11.1	20.5	31.6	22.4	40.6*	63.0
2006	10.5	18.8	29.3	20.0	31.4	51.4
2005	10.0	17.0	27.0	17.8	29.8	47.6
2004	9.7	15.7	25.4	17.4	26.4	43.8
2003	9.4	14.8	24.2	15.6	25.5	41.1

* As the 2007 final dividend had not been paid by the filing date, the dividend was translated into cents using the noon buying rate for sterling at December 31, 2007.

Future dividends will be dependent on our future earnings, financial condition and cash flow, as well as other factors affecting the Group.

Exchange rate information

The following table sets forth, for the periods indicated, information concerning the noon buying rate for sterling, expressed in dollars per pound sterling. The average rate is calculated by using the average of the noon buying rates in the city of New York on each day during a monthly period and on the last day of each month during an annual period. On December 31, 2007, the noon buying rate for cable transfers and foreign currencies as certified

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by the Federal Reserve Bank of New York for customs purposes for sterling was £1.00 = \$1.98. On March 31, 2008 the noon buying rate for sterling was £1.00 = \$1.99.

Month	High	Low
March 2008	\$ 2.03	\$ 1.98
February 2008	\$ 1.99	\$ 1.94
January 2008	\$ 1.99	\$ 1.95
December 2007	\$ 2.07	\$ 1.98
November 2007	\$ 2.11	\$ 2.05
October 2007	\$ 2.08	\$ 2.03

Year Ended December 31	Average rate
2007	\$ 2.01
2006	\$ 1.84
2005	