

PEARSON PLC  
Form 6-K  
July 26, 2010

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

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of July 2010

**PEARSON plc**  
(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant's name into English)

**80 Strand  
London, England WC2R 0RL  
44-20-7010-2000**  
(Address of principal executive office)

Indicate by check mark whether the Registrant files or will file annual reports  
under cover of Form 20-F or Form 40-F:

Form 20-F  X

Form 40-F

Indicate by check mark whether the Registrant by furnishing the information  
contained in this Form is also thereby furnishing the information to the

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Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes

No X

This Report includes the following documents:

1. A press release from Pearson plc announcing Interim Results

**26 July 2010**

**PEARSON 2010 INTERIM RESULTS (unaudited)**

**STRONG GROWTH IN ALL BUSINESSES; FULL YEAR OUTLOOK UPGRADED**

- **Strong organic growth.** Sales up 9% at constant exchange rates with rapid growth in digital services.
- **All businesses performing well.** First-half operating profits doubled at Education, the FT Group and Penguin with good underlying progress also helped by phasing. Adjusted continuing operating profits up 79% to £178m; adjusted EPS of 16.6p (7.9p in 2009).
- **Interim dividend raised** by 7% to 13.0p.
- **Shift to services and developing economies accelerating.** Sale of stake in Interactive Data expected to close in the next few weeks. Process of reinvestment under way with acquisitions of Melorio in vocational training and SEB's *sistemas* in Brazil.

**Full year outlook upgraded.** Market conditions remain uncertain and growth is still expected to slow in the second half on tougher comparables. Even so, Pearson expects to achieve adjusted earnings of approximately 70p per share for the full year (65.4p in 2009), even after earnings impact from sale of Interactive Data.

Marjorie Scardino, chief executive, said: *“The 2010 finish line isn’t yet in sight, but this is as good a start to our year as I’ve seen. That boosts our confidence in the full year, enabling us to brighten our outlook and raise our guidance. We’ve invested consistently in global and digital education and information and that’s helping every part of Pearson grow strongly, even in uncertain markets. We’re also able to accelerate that change as we part company with Interactive Data and put the proceeds to work in the world’s leading learning company.”*

£ millions	Half year 2010	Half year 2009	Headline growth	CER growth	Underlying growth	Full year 2009
<b>Business performance</b>						
Sales	2,342	2,149	9%	9%	7%	5,140
Adjusted operating profit	178	84	--	79%	79%	710
Adjusted profit before tax	203	111	--			761
Adjusted earnings per share	16.6p	7.9p	--			65.4p
Free cash flow	(165)	(284)	42%			723
Net debt	1,746	1,860	6%			1,092
<b>Statutory results</b>						
Sales	2,342	2,149	9%			5,140
Operating profit	128	41	--			619
Profit before tax	94	(7)	--			523
Basic earnings per share	11.5p	3.5p	--			53.2p
Cash /generated from operations	(32)	(147)	--			1,012
Dividend per share	13.0p	12.2p	7%			35.5p

Throughout this announcement:

- Growth rates are stated on a constant exchange rate (CER) basis unless otherwise stated. Where quoted, underlying growth rates exclude both currency movements and portfolio changes.
- Interactive Data is treated as a discontinued business and sales, operating profit and growth rates are stated on a continuing business basis, excluding Interactive Data from both 2009 and 2010. In the first half of 2010, Interactive Data contributed revenues of £256 m (2009: £249m) and adjusted operating profit of £70 m (2009: £74m) and for the 2009 full year it contributed £484m of revenues and £148m of adjusted operating profit.
- The 'business performance' measures are non-GAAP measures and reconciliations to the equivalent statutory heading under IFRS are included in notes to the attached condensed consolidated financial statements 2, 3, 4, 5, 7 and 16.

## OUTLOOK

At this early stage in the year, there is much to be cautious about. Pearson generates only a small proportion of its profits in the first half; we face tougher comparables as we go through the year; and the macroeconomic environment remains very uncertain.

Still, we expect Pearson to remain resilient. The key features of our markets in the year to date are:

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- Healthy trading conditions in our major growth markets – US higher education, educational assessment, international education, digital learning. The momentum of our education company remains strong with underlying sales growth of 7% in the first half.
- Some improvement in cyclical markets that were weak in 2009. Our US School publishing business and FT advertising returned to growth in the first half of 2010 and Mergermarket benefited from an improvement in renewal rates. However, with public sector funding still under severe pressure (both in the US and around the world) and corporate confidence still fragile, we remain cautious about the prospects for sustained recovery in these markets.
- We continue to see – and to be in the vanguard of – the structural changes in our markets towards digital delivery, personalisation, subscription services and mobile devices. Digital revenues account for around a quarter of Pearson's total sales in 2009, excluding Interactive Data, and continue to grow rapidly across all parts of Pearson.

In the context of those market conditions, we are encouraged by our good financial and competitive performance in the first half of 2010. In the first half we benefited from favourable phasing patterns in education and Penguin but we also continued to benefit from our sustained organic investment in content, technology and developing markets. For the full year we continue to expect to gain share in the US School, Higher Education and International Education markets; to sustain healthy renewal rates and margins at the FT Group; and to post another good competitive performance in the consumer publishing industry.

As a result of our strong business performance, we now expect that Pearson will generate adjusted earnings of approximately 70p per share in 2010, even after the sale of our stake in Interactive Data (which is now expected to complete in the next few weeks). This guidance assumes that the current rate of £1:\$1.54 prevails in the second half.

**Interest and tax.** In 2010, we expect our interest charge to adjusted earnings to be broadly level with 2009. We expect our P&L tax charge to be in the 25% to 27% range and our cash tax rate to be similar to 2009.

**Exchange rates.** Pearson generates approximately 60% of its sales in the US. Excluding Interactive Data, a 5 cent move in the average £:\$ exchange rate for the full year (which in 2009 was £1:\$1.57) has an impact of approximately 1.2p on adjusted earnings per share. The average rate during the first half of 2010 was £1:1.52 (£1:\$1.49 in H109) and the closing rate at the end of June was £1:\$1.50 (£1:\$1.65 at the end of June 2009).

### For more information:

Luke Swanson / Simon Mays-Smith / Charles Goldsmith + 44 (0) 20 7010 2310

Pearson's results presentation for investors and analysts will be audiocast live today from 0900 (BST) and available for replay from 1200 (BST) via [www.pearson.com](http://www.pearson.com). High resolution photographs for the media are available from our website [www.pearson.com](http://www.pearson.com).

### overview

Pearson's sales at constant exchange rates increased by 9% in the first half of the year and adjusted operating profit increased by 79% to £178m. Adjusted earnings per share increased to 16.6p, from 7.9p in 2009. Free cash flow was £(165m), reflecting our normal first half outflow ahead of our key trading periods.

Currency movements decreased sales by £6m and added £17m to operating profit. This was largely the result of translation effects of the US dollar against sterling compared to the same period last year. At the operating profit level, transaction foreign exchange contributed to these gains. We generated approximately 60% of our sales and profits in US dollars.

Our statutory results show an increase in operating profit to £128m (£41m in 2009). Statutory profit before tax was £94m (a loss of

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£7m in 2009). Statutory earnings for the period show a profit of £92m (£28m in 2009).

Our net debt, which reaches a seasonal peak around the half-year and is mainly dollar denominated, was £1,746m (£1,860m in 2009) at 30 June. The year-on-year decrease reflects improved cash flow offset in part by currency movements.

The board has declared an interim dividend of 13p per share, a 7% increase on 2009, reflecting this strong start to the year and its confidence in the full year outlook.

£ millions	Half year 2010	Half year 2009	Headline growth	CER growth	Underlying growth	Full year 2009
<b>Sales</b>						
North American Education	1,017	943	8%	10%	10%	2,470
International Education	504	446	13%	11%	3%	1,035
Professional	136	132	3%	5%	5%	275
FT Group	192	176	9%	10%	7%	358
Penguin	493	452	9%	7%	7%	1,002
<b>Total continuing</b>	<b>2,342</b>	<b>2,149</b>	<b>9%</b>	<b>9%</b>	<b>7%</b>	<b>5,140</b>
Discontinued*	256	249	3%	4%	--	484
<b>Total</b>	<b>2,598</b>	<b>2,398</b>	<b>8%</b>	<b>9%</b>	<b>7%</b>	<b>5,624</b>
<b>Adjusted operating profit</b>						
North American Education	51	12	--	--	--	403
International Education	36	23	57%	16%	13%	141
Professional	17	14	21%	21%	21%	43
FT Group	30	14	--	--	--	39
Penguin	44	21	--	56%	56%	84
<b>Total continuing</b>	<b>178</b>	<b>84</b>	<b>--</b>	<b>79%</b>	<b>79%</b>	<b>710</b>
Discontinued*	70	74	(5%)	(4%)	--	148
<b>Total</b>	<b>248</b>	<b>158</b>	<b>57%</b>	<b>43%</b>	<b>79%</b>	<b>858</b>

\* Interactive Data

### NORTH AMERICAN EDUCATION

£ millions	Half year 2010	Half year 2009	Headline growth	CER growth	Underlying growth	Full year 2009
<b>Sales</b>	<b>1,017</b>	943	8%	10%	10%	2,470
<b>Adjusted operating profit</b>	<b>51</b>	12	--	--	--	403

North American Education is Pearson's largest business, with 2009 sales of £2.5bn and operating profit of £403m. Building on our roots as a leading publisher of educational materials and provider of assessment services, we have made significant investments and change to transform Pearson into a world-leading provider of learning technologies for students and enterprise technologies for educational institutions. These technology services - including eCollege, PowerSchool, the MyLabs and Edustructures - are the backbone of our strategy to help educators raise student performance and institutions to become more effective.

Key highlights in the first half of 2010 include:

#### Higher Education (43% of North American Education sales in 2009; 21% of Pearson)

- The US Higher Education publishing market grew 12.2% in the first five months of the year, according to the Association of American Publishers with the industry benefiting from healthy enrolment growth and good demand for instructional materials and Pearson gaining from its lead in technology and customisation.

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- Pearson's pioneering 'MyLab' digital learning, homework and assessment programmes again grew strongly with student registrations up 40% to almost 3.2m in North America. Evaluation studies show that the use of the MyLab programmes can significantly improve student test scores and institutional productivity ( [http://www.mymathlab.com/sites/default/files/makingthegrade\\_v3.pdf](http://www.mymathlab.com/sites/default/files/makingthegrade_v3.pdf) ).
- CourseConnect, our suite of customisable online courses with interactive and rich media learning materials and assessment tools, saw rapid growth in usage with volumes rising to 0.5m, up almost 40% over 2009.
- eCollege, our online learning management system, increased fully online enrolments by 48% to 2.4m. Renewal rates remain high at 95% by value and usage grew strongly.

### **Assessment and Information (25% of North American Education sales in 2009; 12% of Pearson)**

- We renewed two important contracts during the period, extending our long-standing relationships with the College Board to administer the SATs and with the Texas Education Agency to administer state-wide student assessments.
- Pearson delivered at the end of June, approximately one month late, results for the first year of its new school testing program in Florida. Following independent validation of the results, Pearson is confident in the validity of the results but has accepted responsibility for delays in the reporting, is in discussions over compensation to the state under the terms of its contract, and has included a related charge in the first-half results. Pearson has initiated a thorough review of the Florida testing programme and is making a series of recommendations to the state's Department of Education to improve test administration and reporting for 2011.
- We continue to achieve strong growth in secure online testing; in the year-to-date we have delivered 8.9 million secure online tests, up 88% over 2009.
- Our Assessment for Learning division, which provides 'formative' assessments (to help teachers assess their students in the classroom and tailor instruction accordingly), secured contracts in Boston and Duval County, Florida.
- PowerSchool and Chancery, our student information systems, continued to achieve rapid growth and now cover 11 million US students, up 9% over 2009.

### **School Curriculum (24% of North American Education sales in 2009; 12% of Pearson)**

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- The US School publishing market grew 5.3% in the first five months of the year, according to the Association of American Publishers. State budgets continue to be under pressure but the industry returned to growth, benefiting from the stronger new adoption opportunity this year (total opportunity of \$800m in 2010 against \$500m in 2009). Pearson expects to take an estimated 29% of new adoptions competed for and 28% of the total new adoption market – despite a weak performance in elementary reading in Texas – and is performing well in the open territories with our enVisionMATH programme.
- Pearson's digital programmes continued to produce share gains, including 65% market share in high school math in Florida. We are piloting an adaptation of the hugely successful MyMathLab for the school market. enVisionMATH ([www.envisionmath.com](http://www.envisionmath.com)), our integrated print-and-digital elementary math programme, continued to sell well in adoption states and across the open territories.

Evaluation studies show that students using enVisionMATH show significant and accelerating improvement in math computation, problem solving, vocabulary and communication (<http://bit.ly/c9EAaY>).

- Poptropica ([www.poptropica.com](http://www.poptropica.com)) is the largest virtual world for young children in the US with average monthly unique visitors growing by almost 50% to 8.6m from more than 100 countries and speaking more than 70 languages.

### INTERNATIONAL EDUCATION

£ millions	Half year		Headline growth	CER growth	Underlying growth	Full year
	2010	2009				
<b>Sales</b>	<b>504</b>	446	13%	11%	3%	1,035
<b>Adjusted operating profit</b>	<b>36</b>	23	57%	16%	13%	141

Pearson is the world's leading education company and outside North America our International Education sales have almost doubled and profits increased close to three-fold over the past five years. Our strategy is to combine educational content, assessment, technologies and related services to help educational institutions become more effective and their students more successful. We expect to benefit from a series of powerful long-term global trends: increasing public and private spending on education (despite current pressures on public spending in developed markets); growing participation rates in elementary, secondary and higher education; the demand for assessment to provide measures of achievement; the growing technology infrastructure in educational institutions; and the rise of English and other international languages.

On 22 July 2010, Pearson announced a strategic partnership with Sistema Educacional Brasileiro (SEB) to provide services to its educational institutions and to acquire its school learning systems ("sistema") business for R\$888m (\$497m; £326m). A sistema is an integrated learning system incorporating curriculum design, teacher support and training, print and digital content, technology platforms, assessment and other services. SEB's four sistemas – COC, Dom Bosco, Pueri Domus and NAME – serve more than 450,000 students across both private and public schools.

Key highlights in the first half of 2010 include:

#### Global

- 'MyLab' digital learning, homework and assessment programmes were used internationally by more than 280,000 students, up almost 40% on 2009, and are now sold in more than 200 countries worldwide.

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- Our eCollege learning management system won new contracts in Vietnam and Colombia. Our Fronter learning management system continued to grow strongly with approximately 6.3m students in more than 8,500 schools, colleges and universities around the world.
- Pearson Learning Solutions, which combines products and services from across Pearson to deliver a systematic approach to improving student performance, won new contracts in South Africa, Malta, Vietnam and the UK.

### **UK (36% of International Education sales in 2009; 7% of Pearson)**

- BTEC, our flagship vocational qualification, attracted more than 1.1 million student registrations, up 24% on 2009. Registrations for our NVQ work-based learning qualification grew 14% to 126,000, and we introduced the BTEC Apprenticeship to serve the work-based learning market.
- We expect to mark more than five million A/AS Level and GCSE and Diploma scripts this year, with more than 90% now marked onscreen. Pearson marked and delivered 2.4 million tests in six weeks for the National Curriculum Tests at Key Stage 2.
- In the UK secondary school market, we saw good market share gains, particularly in English, supported by our high quality print and digital learning materials and Penguin Classics.

### **Continental Europe (22% of International Education sales in 2009; 5% of Pearson)**

- We performed strongly in new adoptions in Italy, with further market share gains in English Language Teaching in primary and across the curriculum in secondary. Our recently launched digital secondary science programme, Linx, built around content from our North American science programmes customised for the Italian market, performed particularly strongly.
- In the Netherlands, we are collaborating with five leading community colleges to develop online communities for International Business students. We are providing the Fronter online learning platform, digital content, Edexcel qualifications and supporting services.

### **Africa and the Middle East (12% of International Education sales in 2009; 2% of Pearson)**

- In South Africa, our assessment business won its first Systemic Assessment tender to roll out assessments for Grade 9 students in Literacy and Numeracy, in the Western Cape province.



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- Pearson won new national contracts in Ethiopia, to supply Biology, Physics and English learning materials for Senior Secondary Grades 9 to 12. In Zimbabwe, we were awarded a contract by UNICEF to deliver 13.5 million textbooks to children in Grades 1-7 in mathematics, environmental science, English, Shona and Ndebele.

### Asia (21% of International Education sales in 2009; 4% of Pearson)

- In China, Wall Street English continues to perform strongly with rapid revenue growth and enrolments of 38,000, up 9% on 2009. We continued to invest behind the future growth of the company, opening new centres, launching an alumni programme and WSE University, and developing our Professional English course.
- In India, our IndiaCan vocational training joint venture with Educomp ([www.indiacan.com](http://www.indiacan.com)) grew rapidly through increasing enrolments, geographic expansion and the launch of new programmes.

### Latin America (9% of International Education sales in 2009; 2% of Pearson)

- In Mexico, our strong performance was led by our new integrated Reading/Writing/Science English programme for bilingual primary schools, developed with content from our US School curriculum business.
- In Brazil, we saw strong growth supported by our provision of custom publishing services to for-profit universities in the higher education market, as well as the growth of digital content and services.
- In Colombia, we continue to deliver our professional development solution for public school teachers, and are in the process of training almost 8,000 teachers across the country both in the classroom and online.

## PROFESSIONAL

£ millions	Half year	Half year	Headline	CER	Underlying	Full year
	2010	2009	growth	growth	growth	2009
<b>Sales</b>	<b>136</b>	132	3%	5%	5%	275
<b>Adjusted operating profit</b>	<b>17</b>	14	21%	21%	21%	43

Our Professional education business is focused on testing and certifying adults to become professionals and on publishing and other learning programmes for professionals in business and technology. Over the past five years, we have increased operating profit from £2m in 2005 to £43m in 2009. We expect these businesses to benefit from rising demand for work-related skills and qualifications in both developed and developing markets and from close connections with professional content and customers in other parts of Pearson.

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Key highlights in the first half of 2010 include:

- Pearson acquired Melorio plc, one of the UK's leading vocational training groups, for a net £93m. The acquisition supports Pearson's vocational education strategy by combining Melorio's training delivery skills with Pearson's complementary strengths in educational publishing, technology and assessments.

### Professional testing (69% of Professional Education sales in 2009; 4% of Pearson)

- We continued to see good growth in VUE where we administered more than 4m tests in the first half of the year, up 7% on 2009, with particularly strong growth in the IT and Professional assessments partially offset by US Regulatory assessments.
- So far this year, Pearson VUE has won a number of new contracts to deliver computer based tests in Saudi Arabia, Egypt and Bahrain, covering medical students and finance professionals. Key contract renewals include the Colorado Division of Insurance, the Board of Certified Safety Professionals and the ifs School of Finance.

### Professional publishing (31% of Professional Education sales in 2009; 2% of Pearson)

- Our Professional publishing business continued to face challenging trading conditions in the retail market and again published fewer print titles compared to the previous year, as expected, offset in part by our increasing focus on the breadth of our publishing and range of revenue streams, from online retail through digital subscriptions.
- We launched a customer resource centre that included video tutorials, podcasts, and book excerpts from top Lightroom authors including Martin Evening, David duChemin and Scott Kelby, to coincide with the launch of Adobe's Photoshop Lightroom 3.

## FINANCIAL TIMES GROUP

£ millions	Half year	Half year	Headline	CER	Underlying	Full year
	2010	2009	growth	growth	growth	2009
<b>Sales</b>	<b>192</b>	176	9%	10%	7%	358
<b>Adjusted operating profit</b>	<b>30</b>	14	--	--	--	39

*Note: On 4 May 2010, Interactive Data Corporation announced that it had agreed to be acquired by Silver Lake and Warburg Pincus. Pearson, which owns approximately 61% of Interactive Data, announced that it had provided approval as a shareholder for the transaction. The transaction is expected to close in the next few weeks and Interactive Data is reported as a discontinued business in these results.*

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The FT Group is a leading provider of essential information in attractive niches of the global business information market. These include insight, news and analysis through the Financial Times, FT.com, Mergermarket and the Economist, and indices through FTSE. In recent years, The FT Group has significantly shifted its business towards digital and subscription revenues. In 2009 digital services accounted for 36% of FT Group revenues (excluding Interactive Data), up from 13% in 2000; in 2009 advertising accounted for 45% of FT Group revenues, down from 74% in 2000. Key highlights from the first half of 2010 include:

### Financial Times

- Strong growth in the FT's digital readership including: digital subscriptions up 27% to 149,000 and more than 1,000 direct corporate licences; registered users up 77% to 2.5m; and almost 250,000 downloads of the FT's new iPad app, winner of an Apple Design Award. Across print and online, the FT's average daily audience reached 1.9 million.
- After weak advertising markets in 2009, our advertising revenues returned to growth in the first half of 2010 although the visibility for advertising revenues is poor and the outlook remains uncertain.
- Launched **MandateWire US**, extending the reach of this successful European brand into new markets; and acquired **Medley Global Advisors**, a premier provider of macro policy intelligence, extending the FT's subscription services for the world's top investment banks, hedge funds and asset managers.

### Mergermarket

- **Mergermarket** benefited from an improvement in market conditions, supporting a recovery in renewal rates and growth in new business revenues. An increase in global merger and acquisition activity benefited Mergermarket and dealReporter; continued volatility in debt markets helped sustain the strong performance of DebtWire.
- The launch of **MergerID**, which provides a secure online environment for principals and professionals to post and view M&A opportunities globally, has received 10,000 transaction matches and has now secured over 2,500 active users in more than 1,200 companies across the globe.

### Joint ventures

- **The Economist**, in which Pearson owns a 50% stake, increased global weekly circulation by 2.2% to 1.42 million (for the July-December 2009 ABC period); total annual online visits increased to 104m, up 12% on 2009.
- **FTSE**, our 50% owned joint-venture with the London Stock Exchange, increased revenues by 20% and acquired the remaining 50% of FXI, FTSE's joint venture with Xinhua Finance in China.

### PENGUIN

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£ millions	Half year		Headline growth	CER	Underlying	Full year
	2010	Half year 2009		growth	growth	2009
<b>Sales</b>	<b>493</b>	452	9%	7%	7%	1,002
<b>Adjusted operating profit</b>	<b>44</b>	21	--	56%	56%	84

Penguin is one of the most famous brands in book publishing, known around the world for the quality of its publishing and its consistent record of innovation. Over the past five years, Penguin's sales have increased at an annual average rate of 2% and profits at 5%. In the early part of 2010 Penguin has grown well ahead of the industry in its major markets and produced a substantial profit improvement: the result of a strategy of targeted and sustained investment in publishing, digital change and reorganisation. First-half highlights include:

### Global

- A strong and consistent publishing performance across imprints and territories produced market share gains in the US, UK and Australia, our three largest markets.
- Penguin profits benefited from a series of organisational changes made in 2009 at Penguin UK and Dorling Kindersley to strengthen publishing, accelerate the transition to digital, reduce costs and shift design and production to lower-cost markets. Penguin's first-half results also benefited from a stronger market and publishing schedule in comparison with the first half of 2009.
- Continued investment in global publishing, with the launch of the Portfolio and Razorbill imprints in the UK, and in developing markets with the imminent launch of Portuguese Penguin Classics in Brazil in addition to Mandarin and Korean editions.

### Digital

- eBook sales grew threefold on the previous year. 15,700 eBook titles are now available across multiple platforms.
- We continue to extend our reach to new audiences, most recently with the launch of Apple's iBookstore and iPad where, in the US, Penguin's *Winnie-the-Pooh* was the only book pre-loaded onto the device.

### Publishing performance

- We performed strongly in adult publishing across the globe with bestselling titles including: Kathryn Stockett's *The Help*, Charlaine Harris' new Sookie Stackhouse novel *Dead in the Family* and Michael Pollan's *Food Rules* in the US; Andrew Rawnsley's *The End of the Party*, Peter Andre's *My World* and Paul Hoffman's *The Left Hand of God* (boosted by its accompanying iPhone app) in the UK; and Bryce Courtenay's *The Story of Danny Dunn* and Michelle Bridges' *Crunch Time Cookbook* in Australia.

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- We continue to see a very strong performance from our children's publishing around the world with bestselling titles including: John Grisham's first ever children's title *Theodore Boone: Kid Lawyer*, and Richelle Mead with *Spirit Bound*, in the US; and Rick Riordan (*Percy Jackson* series) and Jeff Kinney (*Diary of a Wimpy Kid*) in the UK. Brands such as Peppa Pig, Spot and Club Penguin continue to perform strongly in the UK.
- Dorling Kindersley had a particularly good first half with a notable contribution from our partnership with Lego.
- A strong second half publishing list is led by major new books in the US, including titles by Tom Clancy, Patricia Cornwell, Ken Follett, Nora Roberts, Ron Chernow and Barbra Streisand. Penguin UK's list includes new titles by Stephen Fry, Michael McIntyre, John Le Carre, Eoin Colfer and Niall Ferguson.

### ENDS

*Except for the historical information contained herein, the matters discussed in this press release include forward-looking statements that involve risk and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These risks and uncertainties include international, national and local conditions, as well as competition. They also include other risks detailed from time to time in the company's publicly-filed documents, including the company's Annual Report. The company undertakes no obligation to update publicly any forward looking statement, whether as a result of new information, future events or otherwise.*

## FINANCIAL REVIEW

### Operating result

On a headline basis, sales for the six months to 30 June 2010 increased by £193m or 9% from £2,149m in 2009 to £2,342m in 2010 and total adjusted operating profit from continuing operations increased by £94m or 112% from £84m in 2009 to £178m in 2010.

On an underlying basis sales grew by 7% in 2010 compared to 2009 and adjusted operating profit from continuing operations grew by 79%. Our underlying measures exclude the effects of exchange and portfolio changes. In the first half of 2010, currency movements decreased sales by £6m and increased adjusted operating profit from continuing operations by £17m while portfolio changes increased sales by £44m but had no effect on adjusted operating profit from continuing operations.

Statutory operating profit (from continuing operations) increased by £87m from £41m in 2009 to £128m in 2010. Statutory operating profit includes the charge for intangible amortisation but does not include the contribution from discontinued operations.

## **Net finance costs**

Net finance costs reported in our adjusted earnings comprise net interest payable and net finance costs relating to employee benefit plans. Net interest payable for the first six months of 2010 was £39m, down from £41m for the first six months of 2009. This fall is due to two main factors: a reduction in interest rates on the floating portion of our US dollar debt and lower average levels of net debt. Finance charges relating to post-retirement plans were £6m in both 2009 and 2010.

Included in the statutory definition of net finance costs are foreign exchange and other gains and losses. These are excluded from adjusted earnings as they represent short-term fluctuations in market value and are subject to significant volatility. These other gains and losses may not be realised in due course as it is normally the intention to hold the related instruments to maturity. In the six months to June 2010 there was an £11m gain from these items whilst in the six months to June 2009 there was no net effect from these items.

## **Taxation**

Taxes on income in the period are accrued using the tax rates that would be applicable to expected annual earnings. The reported tax rate on statutory earnings for the six months to 30 June 2010 was 27%. This reflects the overall mix of profits projected for the full year and the tax rates expected to apply to those profits. The effective tax rate on our adjusted earnings for the six months to 30 June 2010 was 26%; this rate is lower than the statutory rate as it includes the benefit of tax deductions attributable to amortisation of goodwill and intangibles. This benefit more accurately aligns the adjusted tax charge with the expected medium-term rate of cash tax payment.

## **Discontinued operations**

On 4 May 2010, Interactive Data Corporation announced that it had agreed to be acquired by Silver Lake and Warburg Pincus. As the owner of 61% of Interactive Data, Pearson expects to receive proceeds of approximately \$2bn when the transaction completes in the second half of the year. The results of Interactive Data have been included as discontinued operations in these financial statements.

## **Minority interests**

Minority interests comprise mainly the 39% share of Interactive Data Corporation.

## **Dividends**

The dividend accounted for in the six months to June 2010 is the final dividend in respect of 2009 of 23.3p. An interim dividend of 13.0p was approved by the Board in July 2010 and will be accounted for in the second half of 2010.

## **FINANCIAL REVIEW** *continued*

## Pensions

Pearson operates a variety of pension plans. Our UK Group plan is by far the largest and includes a significant defined benefit section. We have some smaller defined benefit sections in the US and Canada but, outside the UK, most of our companies operate defined contribution plans.

The charge to profit in respect of worldwide pensions and post-retirement benefits (including Interactive Data) amounted to £53m in the first six months of 2010 compared to £48m in the first six months of 2009. Of the charge, £47m (2009 half year: £42m) is reported as a charge in operating profit and £6m (2009 half year: £6m) is reported as an expense in net finance costs. The overall deficit on the UK Group plan of £189m at the end of 2009 became a deficit of £290m at 30 June 2010. This is due primarily to lower discount rates used to value liabilities but also reflects lower than expected investment returns coupled with a rise in short term inflation.

## Principal risks and uncertainties

We conduct regular reviews to identify risk factors which may affect our business or financial performance. Our internal audit function facilitates risk reviews with each business, shared service operations and corporate functions, identifying measures to mitigate these risks. The principal risks and uncertainties have not changed from those detailed in the 2009 Annual Report.

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months to 30 June 2010

<i>all figures in £ millions</i>	note	2010 half year	2009 half year	2009 full year
<b>Continuing operations</b>				
<b>Sales</b>	2	<b>2,342</b>	2,149	5,140
Cost of goods sold		(1,112)	(1,048)	(2,382)
<b>Gross profit</b>		<b>1,230</b>	1,101	2,758
<b>Operating expenses</b>		<b>(1,117)</b>	(1,075)	(2,169)
<b>Share of results of joint ventures and associates</b>		<b>15</b>	15	30
<b>Operating profit</b>	2	<b>128</b>	41	619
Finance costs	3	(54)	(64)	(122)
Finance income	3	20	16	26
<b>Profit / (loss) before tax</b>	4	<b>94</b>	(7)	523
Income tax	5	(25)	5	(146)
<b>Profit / (loss) for the period from continuing operations</b>		<b>69</b>	(2)	377
<b>Discontinued operations</b>				
<b>Profit for the period from discontinued operations</b>	8	<b>35</b>	46	85
<b>Profit for the period</b>		<b>104</b>	44	462
<b>Attributable to:</b>				
Equity holders of the Company		<b>92</b>	28	425
Minority interest		<b>12</b>	16	37

**Earnings per share from continuing and discontinued operations** (in pence per share)

Basic	6	<b>11.5p</b>	3.5p	53.2p
Diluted	6	<b>11.4p</b>	3.5p	53.1p

**Earnings per share from continuing operations** (in pence per share)

Basic	6	<b>9.0p</b>	0.0p	47.0p
Diluted	6	<b>9.0p</b>	0.0p	47.0p

The accompanying notes to the condensed consolidated financial statements form an integral part of the financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the six months to 30 June 2010

<i>all figures in £ millions</i>	<b>2010 half year</b>	2009 half year	2009 full year
Profit for the period	<b>104</b>	44	462
Net exchange differences on translation of foreign operations	<b>270</b>	(514)	(388)
Actuarial losses on retirement benefit obligations	<b>(122)</b>	(146)	(302)
Net increase in fair values of proportionate holding arising on stepped acquisition	-	-	18
Taxation on items charged to other comprehensive income	<b>38</b>	50	91
<b>Other comprehensive income / (expense) for the period</b>	<b>186</b>	(610)	(581)
<b>Total comprehensive income / (expense) for the period</b>	<b>290</b>	(566)	(119)
<b>Attributable to:</b>			
Equity holders of the Company	<b>258</b>	(546)	(127)
Minority interest	<b>32</b>	(20)	8

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the six months to 30 June 2010

<i>all figures in £ millions</i>	Equity attributable to equity holders of the company					Total	Minority Interest	Total Equity
	Share Capital	Share Premium	Treasury shares	Translation reserve	Retained earnings			
	<b>2010 half year</b>							
<b>Equity balance at 1 January 2010</b>	203	2,512	(226)	227	1,629	<b>4,345</b>	291	<b>4,636</b>
Total comprehensive income	-	-	-	250	8	<b>258</b>	32	<b>290</b>
Equity settled transactions	-	-	-	-	20	<b>20</b>	-	<b>20</b>
	-	-	-	-	-	-	-	-



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Tax on equity settled transactions								
Issue of ordinary shares under share option schemes	-	5	-	-	-	5	-	5
Purchase of treasury shares	-	-	(49)	-	-	(49)	-	(49)
Release/cancellation of treasury shares	-	-	152	-	(152)	-	-	-
Changes in minority shareholdings	-	-	-	-	-	-	8	8
Dividends	-	-	-	-	(187)	(187)	(7)	(194)
<b>Equity balance at 30 June 2010</b>	<b>203</b>	<b>2,517</b>	<b>(123)</b>	<b>477</b>	<b>1,318</b>	<b>4,392</b>	<b>324</b>	<b>4,716</b>

2009 half year

Equity balance at 1 January 2009	202	2,505	(222)	586	1,679	4,750	274	5,024
Total comprehensive income	-	-	-	(478)	(68)	(546)	(20)	(566)
Equity settled transactions	-	-	-	-	20	20	-	20
Tax on equity settled transactions	-	-	-	-	-	-	-	-
Issue of ordinary shares under share option schemes	-	3	-	-	-	3	-	3
Purchase of treasury shares	-	-	(18)	-	-	(18)	-	(18)
Release of treasury shares	-	-	1	-	(1)	-	-	-
Changes in minority shareholdings	-	-	-	-	-	-	11	11
Dividends	-	-	-	-	(176)	(176)	(4)	(180)
Equity balance at 30 June 2009	202	2,508	(239)	108	1,454	4,033	261	4,294

2009 full year

Equity balance at 1 January 2009	202	2,505	(222)	586	1,679	4,750	274	5,024
Total comprehensive income	-	-	-	(359)	232	(127)	8	(119)
Equity settled transactions	-	-	-	-	37	37	-	37
Tax on equity settled transactions	-	-	-	-	6	6	-	6
Issue of ordinary shares under share option schemes	1	7	-	-	-	8	-	8
Purchase of treasury shares	-	-	(33)	-	-	(33)	-	(33)
Release of treasury shares	-	-	29	-	(29)	-	-	-
Put option over minority interest	-	-	-	-	(23)	(23)	-	(23)
Changes in minority shareholdings	-	-	-	-	-	-	24	24
Dividends	-	-	-	-	(273)	(273)	(15)	(288)
Equity balance at 31 Dec 2009	203	2,512	(226)	227	1,629	4,345	291	4,636

**CONDENSED CONSOLIDATED BALANCE SHEET**

as at 30 June 2010

<i>all figures in £ millions</i>	note	<b>2010 half year</b>	2009 half year	2009 full year
Property, plant and equipment		<b>353</b>	386	388
Intangible assets	14	<b>5,242</b>	4,935	5,129
Investments in joint ventures and associates		<b>34</b>	23	30
Deferred income tax assets		<b>474</b>	417	387

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Financial assets – Derivative financial instruments	<b>156</b>	121	112
Other financial assets	<b>65</b>	61	62
Other receivables	<b>133</b>	130	112
<b>Non-current assets</b>	<b>6,457</b>	6,073	6,220