

PEARSON PLC
Form 20-F
March 25, 2011

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON March 25, 2011

**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, 2010
or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the transition period from to
or
- 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

**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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(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 American Depositary Shares, each Representing One Ordinary Share, 25p per Ordinary Share	New York Stock Exchange 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 812,677,377

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 = \$1.54, 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, 2010, the last business day of 2010. 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 February 28, 2011 the noon buying rate for sterling was £1.00 = \$1.62.

The Group consists of three major worldwide businesses, Pearson Education, The FT Group ("FT") and the Penguin Group ("Penguin"). See Item 4. Information on the Company Overview of operating divisions.

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,

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US federal and state spending patterns,

debt levels, and

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 table 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, 2010, 2009 and 2008 and the selected consolidated balance sheet data as at December 31, 2010 and 2009 have been derived from our audited consolidated financial statements included in Item 18. Financial Statements in this Annual Report.

The results of the Interactive Data business (disposed in July 2010) have been included in discontinued operations for all the years to 2010. The results of the Data Management business (disposed in February 2008) have been included in discontinued operations for all years to 2008. The results of Government Solutions (disposed in February 2007) and Les Echos (disposed in December 2007) have been included in discontinued operations for all the years to 2007.

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 2010 amounts into US dollars at the rate of £1.00 = \$1.54, 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, 2010.

	Year Ended December 31					
	2010	2010	2009	2008	2007	2006
	\$	£	£	£	£	£
	(In millions, except for per share amounts)					
Consolidated Income Statement data						
Total sales	8,721	5,663	5,140	4,405	3,818	3,658
Total operating profit	1,144	743	619	564	484	440
	807	524	377	344	274	405

Profit after taxation from continuing operations						
Profit for the financial year	2,002	1,300	462	323	310	469
Consolidated Earnings data per share						
Basic earnings per equity share(1)	\$ 2.49	161.9p	53.2p	36.6p	35.6p	55.9p
Diluted earnings per equity share(2)	\$ 2.49	161.5p	53.1p	36.6p	35.6p	55.8p
Basic earnings from continuing operations per equity share(1)	\$ 1.02	66.0p	47.0p	42.9p	34.1p	50.6p
Diluted earnings from continuing operations per equity share(2)	\$ 1.01	65.9p	47.0p	42.9p	34.1p	50.5p
Dividends per ordinary share	\$ 0.60	38.7p	35.5p	33.8p	31.6p	29.3p
Consolidated Balance Sheet data at period end						
Total assets (non-current assets plus current assets)	16,429	10,668	9,412	9,896	7,292	7,213
Net assets	8,632	5,605	4,636	5,024	3,874	3,644
Long-term obligations(3)	(4,344)	(2,821)	(3,051)	(2,902)	(1,681)	(1,853)
Capital stock	313	203	203	202	202	202
Number of equity shares outstanding (millions of ordinary shares)	813	813	810	809	808	806

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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.

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 28, 2011 our shareholders will be asked to approve a final dividend of 25.7p per ordinary share for the year ended December 31, 2010.

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 2010 fiscal year will be paid on May 6, 2011.

Fiscal year	Interim (Pence per ordinary share)	Final	Total	Interim	Final	Total
				(Cents per ordinary share)		
2010	13.0	25.7	38.7	20.3	39.6*	59.9
2009	12.2	23.3	35.5	19.8	34.3	54.1
2008	11.8	22.0	33.8	21.6	33.2	54.8
2007	11.1	20.5	31.6	22.4	39.9	62.3
2006	10.5	18.8	29.3	20.0	31.4	51.4

* As the 2010 final dividend had not been paid by the filing date, the dividend has been translated into cents using the noon buying rate for sterling at December 31, 2010.

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

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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, 2010 the noon buying rate for cable transfers and foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes for sterling was £1.00 = \$1.54. On February 28, 2011 the noon buying rate for sterling was £1.00 = \$1.62.

Month	High	Low
February 2011	\$ 1.62	\$ 1.60
January 2011	\$ 1.60	\$ 1.55
December 2010	\$ 1.59	\$ 1.54
November 2010	\$ 1.63	\$ 1.56
October 2010	\$ 1.60	\$ 1.57