

Statement of Directors' responsibilities in respect of the financial statements

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the consolidated financial statements in accordance with UK-adopted international accounting standards. In preparing the consolidated financial statements, the Directors have also elected to comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards as issued by IASB). The Directors have elected to prepare the individual Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

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 Group and company and of the profit or loss of the Group for that period.

In preparing the consolidated financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable UK-adopted international accounting standards and IFRS Accounting Standards as issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

In preparing the company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- 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 safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Governance report, confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRS Accounting Standards as issued by the IASB, give a true and fair view of the assets, liabilities and financial position of the Group, and of the profit of the Group.
- The company financial statements, which have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, give a true and fair view of the assets, liabilities and financial position of the company, and of the profit of the company.
- The Strategic report includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement has been approved by the Board on 12 March 2026 and signed on its behalf by:

Sally Johnson
Chief Financial Officer

Independent Auditor's Report to the members of Pearson plc

Opinion

In our opinion:

- Pearson plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pearson plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2025 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2025	Balance sheet as at 31 December 2025
Consolidated statement of comprehensive income for the year ended 31 December 2025	Statement of changes in equity for the year ended 31 December 2025
	Related notes 1 to 11 to the financial statements including material accounting policy information
Consolidated balance sheet as at 31 December 2025	

Group	Parent company
Consolidated statement of changes in equity for the year ended 31 December 2025	
Consolidated cash flow statement for the year ended 31 December 2025	
Related notes 1 to 37 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, UK adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the group's financial statement close process, we confirmed our understanding of management's going concern assessment process to understand and challenge the key assumptions made in their assessment.
- We assessed the appropriateness of the duration of the going concern assessment period to 30 June 2027 and considered the existence of any significant events or conditions beyond this period based on our procedures on the group's long-range plan and knowledge arising from other areas of the audit.
- We agreed the 31 December 2025 cash and debt balances included in the going concern assessment to the group's year end balances.

- We read the group's debt agreements to confirm availability and to understand the covenant requirements and reperformed management's covenant compliance test to confirm that no covenants have been breached during the year to 31 December 2025. We have also tested management's forecast covenant compliance test to confirm that there is no forecast covenant breach in either the base or severe but plausible downside case scenarios during the going concern assessment period to 30 June 2027.
- We checked the logic and arithmetical integrity of management's going concern model that includes the cash forecasts for the going concern assessment period to 30 June 2027.
- We challenged the appropriateness of the assumptions used to calculate the cash forecasts under base and severe but plausible downside case scenarios, including whether the downside scenarios were sufficiently severe, by reference to historical forecasting accuracy and comparison to other evidence obtained during the audit, such as audit procedures on the long range plans which underpin management's goodwill impairment assessments.
- We evaluated the key assumptions by searching for contrary evidence to challenge these assumptions, including third party sector forecasts and analyst expectations. Further, we validated that these cash flow forecasts were consistent with the long range plan approved by Pearson's Board.
- We considered the mitigating actions that are within the control of the group and evaluated the group's ability to control these outflows if required.
- We considered the group's reverse stress testing to identify the magnitude of decline in revenue and operating profit that would lead to the group utilising all liquidity or breaching a covenant during the going concern assessment period and we have challenged the likelihood of such a decline.
- We reviewed the group's going concern disclosures included in the Annual Report, in note 1(b) to the financial statements, to assess that they were accurate and in conformity with the reporting standards.

We observe that in management's base case and severe but plausible downside scenarios, there is sufficient headroom without taking the benefit of any identified mitigations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 30 June 2027.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 3 components. We also performed specified audit procedures on two accounts for 2 additional components. We performed central procedures on financial statement line items as detailed in the "Tailoring the scope" section below.
Key audit matters	<ul style="list-style-type: none"> • Fraud risk in revenue recognition • Valuation of acquired intangible assets of eDynamic Holdings LP • Valuation of United Kingdom (UK) Group Pension Plan defined benefit obligation • Investment in subsidiaries impairment reversal (Parent Company)
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £25.8m which represents 5% of adjusted Profit before tax, excluding intangible charges.

An overview of the scope of the parent company and group audits

Tailoring the scope

In the current year our audit scoping reflects the requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which we base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the group financial statements, we considered our understanding of the group and its business environment, the applicable financial framework, the group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that audit procedures on the total group balances would be performed for goodwill, acquired intangible assets, other financial assets, finance income, finance costs, income tax expense, equity, intercompany, current and deferred income tax assets and liabilities, defined benefit plan liability and related OCI amounts, financial liabilities (borrowings), financial assets and liabilities (derivative financial instruments).

We then identified 5 of the components of the group as individually relevant due to materiality or financial size of the component relative to the group. We then identified a further 3 of the components as individually relevant to the group based on the materiality of specific accounts relative to the group.

For the above 8 individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group's significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the group's significant financial statement account balances.

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We then considered whether the remaining group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements. We selected 2 further components of the group to include in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the 10 components selected, we designed and performed audit procedures on the entire financial information of 5 components ("full scope components"), some of which were performed centrally as described above. For a further 3 components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components"). For the remaining components, we performed specified audit procedures to obtain evidence for one or more relevant assertions over two significant financial statement account balances.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report.

All audit work performed for the purposes of the audit was undertaken by the group audit team.

The group operates finance shared service centres in Belfast and Manila, the outputs of which are included in the financial information of the reporting components they service and therefore they are not separate reporting components.

The audit procedures performed at the finance shared service centres were performed by the group audit team which included staff members from EY teams in Belfast and Manila. Senior members of the Belfast audit team visited the London-based team during the year. The Senior Statutory Auditor visited both Belfast and Manila locations, and another senior member of the London-based team visited the Manila location.

Climate change

Stakeholders are increasingly interested in how climate change will impact Pearson plc. The group has determined that the most significant future impacts from climate change on their operations will be from physical risks in the long term. These risks are explained on page 45-49 in the required Task Force on Climate-related Financial Disclosures. They have also explained their climate commitments on page 43. All of these disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

The group has explained in note 1c to the financial statements how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. The impact on the group's significant judgements and estimates relating to climate change are included in note 1c.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of physical and transition climate risk, their climate commitments, the effects of material climate risks disclosed on page 47 and the impact on the significant judgements and estimates as disclosed in note 1c. We have considered whether the impact of climate change has been appropriately reflected in asset values and associated sensitivity disclosures, this primarily being impairment assessments following the requirements of UK-adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB). As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on group financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p>Fraud risk in revenue recognition (revenues of £3,577 million, 2024 £3,552 million)</p> <p>Refer to the Audit Committee's Report (page 114); Accounting policies (page 180); and note 3 of the consolidated financial statements (page 185)</p> <p>Given revenue is a key performance indicator, both in communication of the group's results and for management incentives, we have identified a risk of management override of controls through inappropriate topside manual journal entries or adjustments recorded by management to revenue.</p> <p>The risk is consistent with the prior year.</p>	<p>We obtained an understanding of, and evaluated the design and tested the operating effectiveness of controls over the group's material revenue and financial statement close processes.</p> <p>The audit of topside manual journals included central testing of the consolidation and close-process adjustments, testing any journals that had an entry impacting revenue and obtaining corroborative evidence.</p> <p>We have understood each significant revenue stream and considered for each individual process where management override of controls is more likely to occur. We have determined that the fraud risk procedures were targeted on the potential for recording fictitious manual journals to revenue by management, particularly near the year-end, to achieve the target profit or delay recognition of revenue if targets have been met. Our testing of these manual journals and adjustments involved tracing these back to underlying source documentation, to evaluate the appropriateness, completeness and accuracy of the postings.</p> <p>We performed journal entry procedures, which included:</p> <ul style="list-style-type: none"> • A search for journals that had been posted by key management personnel; • A search for journals with unusual pairings, namely between revenue accounts to fixed assets or debt accounts, and; • An analysis of the business rationale for all journal entries to revenue posted in January 2026 with an effective date of 2025 (i.e. impacting 2025 financial statements) to identify potential unusual back posting activity that could indicate management override;

Key observations communicated to the Audit Committee

Revenue for the year to 31 December 2025 has been recognised in accordance with IFRS 15: Revenue from Contracts with Customers.

How we scoped our audit to respond to the risk

We performed testing over revenue recognition in 4 full scope components and 2 specific scope components, which covered 81% of the risk amount.

All audit work performed to address this risk was undertaken by the group audit team.

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Risk	Our response to the risk
<p>Valuation of acquired intangible assets of eDynamic Holdings LP (Valuation of acquired intangible assets of £71 million)</p> <p>Refer to the Audit Committee Report (page 116); Accounting policies (page 175); and Note 30 of the consolidated financial statements (page 220).</p> <p>During the year, Pearson acquired eDynamic Holdings LP ('eDL') for cash consideration of £168 million.</p> <p>The valuation of acquired intangible assets requires specialised skills since it involves complex judgement due to the estimation uncertainty and the application of valuation techniques built, in part, on assumptions around the future performance of the acquired business. Changes in certain of these assumptions can have a material effect on the valuation of acquired intangible assets.</p> <p>We focused our procedures on the most significant elements of the valuation, which principally consisted of customer relationships, with a value of approximately £71 million. The significant assumptions that are most sensitive for the valuation of these assets are revenue growth rates, forecasted profit margins, and discount rate.</p> <p>The risk is new compared to the prior year.</p>	<p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Group's process to identify and value intangible assets, including their use of an external valuation specialist.</p> <p>We assessed the independence and expertise of management's external valuation specialist.</p> <p>We assessed the valuation methodology applied by management, with the assistance of EY valuation specialists, to validate that they were appropriate.</p> <p>We tested the reasonableness of the most significant assumptions by testing the historical revenue performance and retention rates, reviewing pipeline information, market study reports and revenue contracts and performing sensitivity analysis over these key assumptions. In addition, we involved our EY valuation specialists to assist us with independently testing and deriving an appropriate discount rate range.</p> <p>We evaluated the adequacy of the business combination disclosures in note 30 with respect to the requirements in IFRS 3.</p>
<p>Key observations communicated to the Audit Committee</p>	
<p>Based on our procedures performed, the valuation of the acquired eDL intangibles is acceptable and the methodology used is in accordance with IFRS 3 Business Combinations.</p> <p>We agree that the disclosures in Note 30 of the consolidated financial statements provide the detail required by IFRS 3.</p>	
<p>How we scoped our audit to respond to the risk</p>	
<p>We performed audit procedures over the consolidated balance, covering 100% of the risk amount.</p> <p>All audit work performed to address this risk was undertaken by the group audit team.</p>	

Risk	Our response to the risk
<p>Valuation of United Kingdom (UK) Group Pension Plan defined benefit obligation (Defined benefit obligation of £2,480 million, 2024 £2,443 million)</p> <p>Refer to the Audit Committee's Report (page 116); Accounting policies (page 180); and note 25 of the consolidated financial statements (page 211)</p> <p>Calculating the present value of the UK Group Pension Plan defined benefit pension obligation is complex and requires the involvement of actuarial specialists due to the highly judgemental nature of actuarial assumptions, including discount rates, price inflation and mortality rates, and the application of IAS 19, Employee Benefits, on those assumptions used in the valuation and measurement process.</p> <p>The present value of the UK defined benefit pension obligation is very sensitive to changes in these assumptions.</p> <p>The risk is consistent with the prior year.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that address the measurement and valuation of the UK defined benefit pension obligation.</p> <p>We performed audit procedures that included evaluating the methodology used by management's independent actuary for the significant actuarial assumptions, discount rates, price inflation and mortality rates.</p> <p>We involved our actuarial specialists to assist with our audit procedures specific to the valuation and measurement of the defined benefit obligation.</p> <p>We compared the actuarial assumptions used by management to historical trends, current investment conditions, market practice and the requirements of the accounting standard.</p> <p>We assessed the individual impact that changes in the key assumptions (discount rate, price inflation and mortality rate) at year end has on the total benefit pension obligation. As part of this evaluation, we compared management's selected discount rate and price inflation to an independently developed range.</p> <p>To evaluate the mortality rate assumption, we compared the information with recent publicly available mortality base tables, and whether a consistent approach to developing the mortality assumption was applied against prior year.</p>
<p>Key observations communicated to the Audit Committee</p> <p>Based on our procedures performed, we conclude that management's valuation and measurement of the UK Group Pension Plan defined benefit obligation is in line within our independently developed range of outcomes and the methodology used is in line with the requirements of IAS 19.</p>	
<p>How we scoped our audit to respond to the risk</p> <p>We performed audit procedures over the consolidated balance, covering 100% of the risk amount.</p> <p>All audit work performed to address this risk was undertaken by the group audit team.</p>	

Independent Auditor's Report *continued*

Risk	Our response to the risk
<p>Investments in subsidiaries impairment reversal (Parent Company) (Investments in subsidiaries of £7,198 million, 2024 £6,695 million)</p> <p>Refer to the Audit Committee's Report (page 115); Accounting policies (page 227); and note 2 of the company financial statements (page 228).</p> <p>The company holds investments in subsidiaries amounting to £7,198m at 31 December 2025 (2024: £6,695m). Investments in subsidiaries are accounted for at cost less provision for impairment in the company balance sheet. Investments are tested for impairment or impairment reversal if such indicators exist. If such indicators exist, the recoverable amounts of investments in subsidiaries are estimated in order to determine the extent of any impairment loss or reversal, if any. Any such impairment loss or reversal is recognised in the income statement.</p> <p>An impairment reversal indicator was identified in connection with one of Pearson plc's investments in subsidiaries due to a sustained improvement in financial performance and an impairment reversal of £464m was recorded in the parent company income statement.</p> <p>We concluded that the risk related to measuring the recoverable amount of the subsidiary due to:</p> <ul style="list-style-type: none"> • The judgement in the method used to allocate a proportion of the Group's value in use to the investment. • The estimation in respect of the future cash flows used to calculate the value in use. <p>The risk has increased compared to the prior year.</p>	<p>We evaluated management's assessment that an impairment reversal indicator had been identified by considering external factors such as the group's market capitalisation compared to when the impairment was recorded and internal factors such as completion of strategic reviews.</p> <p>We assessed whether the method used to allocate a proportion of the group's value in use was a reasonable basis and also considered the sensitivity of the impairment reversal amount to alternative allocation methods.</p> <p>We validated that the group value in use that was proportioned was consistent with other areas of our group audit such as goodwill impairment.</p> <p>We performed our own independent calculation of the valuation of the recoverable amount of the investment holding company.</p> <p>We compared the disclosures in the parent company financial statements against the requirements of FRS101 "Reduced Disclosure Framework".</p>
<p>Key observations communicated to the Audit Committee</p> <p>We are satisfied that the £464m impairment reversal is appropriate and the disclosure, including sensitivity analysis meets the requirements of FRS101.</p>	
<p>How we scoped our audit to respond to the risk</p> <p>We tested the entire impairment reversal and all audit work performed to address this risk was undertaken by the group audit team.</p>	

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provided a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £25.8 million (2024: £25.7 million), which is 5% (2024: 5%) of adjusted Profit before tax, excluding intangible charges. We believe that adjusted Profit before tax, excluding intangible charges is the appropriate basis since it is earning-based and excludes certain non-recurring items.

We determined materiality for the Parent Company to be £57.8 million (2024: £55.9 million), which is 1% (2024: 1%) of net assets.

Starting basis

- Profit before tax – £457 million

Adjustments

- Add: £87 million product development impairment
- Add: £3 million other net gains and losses
- Less: £7 million other net finance income
- Less: £25 million property charges

Materiality

- Adjusted Profit before tax £515 million (materiality basis)
- Materiality of £25.8 million (5% of materiality basis)

During the course of our audit, we reassessed initial materiality and updated it for actual 2025 results, which resulted in a small decrease.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of an improvement in the group's overall control environment, our judgement was that performance materiality was 75% (2024: 50%) of our planning materiality, namely £19.3 million (2024: £12.8 million). We have set performance materiality at this percentage to reduce to an appropriately low level the probability that the aggregate of uncorrected and corrected misstatements exceeds materiality.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.3 million (2024: £1.3 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report pages 1 to 156, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

Independent Auditor's Report *continued*

- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 157;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 69;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meet its liabilities set out on page 69;
- Directors' statement on fair, balanced and understandable set out on page 104;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 109; and
- The section describing the work of the audit committee set out on page 105.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 157, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK-adopted International Accounting Standards, IFRS accounting standards as issued by the International Accounting Standards Board (IASB), the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the countries in which the group operates.
- We understood how Pearson plc is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the General Counsel. We corroborated our enquiries through reading of Board minutes and papers provided to the Audit Committee and observation in Audit Committee meetings, as well as consideration of the results of our audit procedures across the group.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur and met with finance and operational management from various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential to influence management to manage earnings or influence the perception of analysts. We have determined that there is a fraud risk on revenue recognition referred to in the Key audit matters section. We considered the policies, processes and controls that the group has established to address the risks identified, including the design of controls over each significant revenue stream and the financial statement close process. We also considered the controls that the group has that otherwise prevent, deter and detect fraud, and how senior management monitors those controls.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations including where necessary using our forensic and other relevant specialists. Our procedures included reading any correspondence with regulators, making enquiries of management's specialists, and journal entry testing, with a focus on manual journal entries, consolidation journals and journal entries indicating large or unusual transactions using data analytics. We based this testing on our understanding of the business, enquiries of management, including internal audit and other advisors, the Company Secretary and reading relevant reports. We performed specific searches derived from forensic investigations experience and leveraged our data analytics platform in performing our testing. We have also reviewed the whistleblowing reports issued during the year.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the company on 29 April 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 31 December 2022 to 31 December 2025.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Marles (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 March 2026

Consolidated income statement

Year ended 31 December 2025

All figures in £ millions	Notes	2025	2024	2023
Continuing operations				
Sales	2,3	3,577	3,552	3,674
Cost of goods sold	4	(1,717)	(1,741)	(1,839)
Gross profit		1,860	1,811	1,835
Operating expenses	4	(1,351)	(1,265)	(1,322)
Other net gains and losses	4	(3)	(7)	(16)
Share of results of joint ventures and associates	12	1	2	1
Operating profit	2	507	541	498
Finance costs	6	(98)	(112)	(81)
Finance income	6	48	81	76
Profit before tax		457	510	493
Income tax	7	(121)	(75)	(113)
Profit for the year		336	435	380
Attributable to:				
Equity holders of the company		335	434	378
Non-controlling interest		1	1	2
Earnings per share attributable to equity holders of the company during the year (expressed in pence per share)				
• basic	8	51.4p	64.5p	53.1p
• diluted	8	50.7p	63.5p	52.7p

Consolidated statement of comprehensive income

Year ended 31 December 2025

All figures in £ millions	Notes	2025	2024	2023
Profit for the year		336	435	380
Items that may be reclassified to the income statement				
Net exchange differences on translation of foreign operations		(193)	(35)	(177)
Currency translation adjustment disposed	31	-	-	(122)
Attributable tax	7	-	2	-
Items that are not reclassified to the income statement				
Fair value (losses)/gains on other financial assets	15	(7)	(2)	1
Attributable tax	7	-	-	-
Remeasurement of retirement benefit obligations	25	10	5	(85)
Attributable tax	7	(3)	(2)	20
Other comprehensive expense for the year	29	(193)	(32)	(363)
Total comprehensive income for the year		143	403	17
Attributable to:				
Equity holders of the company		143	402	16
Non-controlling interest		-	1	1

Consolidated balance sheet

As at 31 December 2025

All figures in £ millions	Notes	2025	2024
Assets			
Non-current assets			
Property, plant and equipment	10	210	216
Investment property	10	91	77
Intangible assets	11	3,009	3,026
Investments in joint ventures and associates	12	8	12
Deferred income tax assets	13	58	52
Financial assets – derivative financial instruments	16	14	20
Retirement benefit assets	25	518	491
Other financial assets	15	125	141
Income tax assets	7	–	4
Trade and other receivables	22	105	125
		4,138	4,164
Current assets			
Intangible assets – product development	20	822	947
Inventories	21	66	74
Trade and other receivables	22	1,082	1,030
Financial assets – derivative financial instruments	16	2	31
Income tax assets	7	15	103
Cash and cash equivalents (excluding overdrafts)	17	333	543
		2,320	2,728
Assets classified as held for sale		–	–
Total assets		6,458	6,892
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	18	(1,419)	(1,157)
Financial liabilities – derivative financial instruments	16	(2)	(4)
Deferred income tax liabilities	13	(89)	(63)
Retirement benefit obligations	25	(36)	(41)
Provisions for other liabilities and charges	23	(12)	(13)
Other liabilities	24	(76)	(83)
		(1,634)	(1,361)

All figures in £ millions	Notes	2025	2024
Current liabilities			
Trade and other liabilities	24	(1,043)	(1,054)
Financial liabilities – borrowings	18	(62)	(315)
Financial liabilities – derivative financial instruments	16	(1)	(54)
Income tax liabilities	7	(47)	(32)
Provisions for other liabilities and charges	23	(8)	(23)
		(1,161)	(1,478)
Liabilities classified as held for sale		–	–
Total liabilities		(2,795)	(2,839)
Net assets			
		3,663	4,053
Equity			
Share capital	27	158	166
Share premium	27	2,658	2,649
Treasury shares	28	(9)	(7)
Capital redemption reserve		49	41
Fair value reserve		(21)	(14)
Translation reserve		184	376
Retained earnings		629	827
Total equity attributable to equity holders of the company		3,648	4,038
Non-controlling interest		15	15
Total equity		3,663	4,053

These financial statements have been approved for issue by the Board of Directors on 12 March 2026 and signed on its behalf by

Sally Johnson

Chief Financial Officer

Pearson plc

Registered number: 00053723

Consolidated statement of changes in equity

Year ended 31 December 2025

All figures in £ millions	Equity attributable to equity holders of the company									Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total			
At 1 January 2025	166	2,649	(7)	41	(14)	376	827	4,038	15	4,053	
Profit for the year	-	-	-	-	-	-	335	335	1	336	
Other comprehensive (expense)/income	-	-	-	-	(7)	(192)	7	(192)	(1)	(193)	
Total comprehensive (expense)/income	-	-	-	-	(7)	(192)	342	143	-	143	
Equity-settled transactions ¹	-	-	-	-	-	-	29	29	-	29	
Taxation on equity-settled transactions	-	-	-	-	-	-	(1)	(1)	-	(1)	
Issue of ordinary shares under share option schemes	-	9	-	-	-	-	-	9	-	9	
Buyback of equity	(8)	-	-	8	-	-	(347)	(347)	-	(347)	
Purchase of treasury shares	-	-	(63)	-	-	-	-	(63)	-	(63)	
Release of treasury shares	-	-	61	-	-	-	(61)	-	-	-	
Dividends	-	-	-	-	-	-	(160)	(160)	-	(160)	
At 31 December 2025	158	2,658	(9)	49	(21)	184	629	3,648	15	3,663	

1. Equity-settled transactions are presented net of withholding taxes that the Group is obligated to pay on behalf of employees. The payments to the tax authorities are accounted for as a deduction from equity for the shares withheld.

The capital redemption reserve reflects the nominal value of shares cancelled in the Group's share buyback programme. The fair value reserve arises on revaluation of other financial assets. The translation reserve includes exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments.

All figures in £ millions	Equity attributable to equity holders of the company									Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total			
At 1 January 2024	174	2,642	(19)	33	(12)	411	745	3,974	14	3,988	
Profit for the year	-	-	-	-	-	-	434	434	1	435	
Other comprehensive (expense)/income	-	-	-	-	(2)	(35)	5	(32)	-	(32)	
Total comprehensive (expense)/income	-	-	-	-	(2)	(35)	439	402	1	403	
Equity-settled transactions ¹	-	-	-	-	-	-	37	37	-	37	
Taxation on equity-settled transactions	-	-	-	-	-	-	11	11	-	11	
Issue of ordinary shares under share option schemes	-	7	-	-	-	-	-	7	-	7	
Buyback of equity	(8)	-	-	8	-	-	(204)	(204)	-	(204)	
Purchase of treasury shares	-	-	(33)	-	-	-	-	(33)	-	(33)	
Release of treasury shares	-	-	45	-	-	-	(45)	-	-	-	
Dividends	-	-	-	-	-	-	(156)	(156)	-	(156)	
At 31 December 2024	166	2,649	(7)	41	(14)	376	827	4,038	15	4,053	

Consolidated statement of changes in equity *continued*

Year ended 31 December 2025

All figures in £ millions	Equity attributable to equity holders of the company									Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total			
At 1 January 2023	179	2,633	(15)	28	(13)	709	881	4,402	13	4,415	
Profit for the year	-	-	-	-	-	-	378	378	2	380	
Other comprehensive (expense)/income	-	-	-	-	1	(298)	(65)	(362)	(1)	(363)	
Total comprehensive (expense)/income	-	-	-	-	1	(298)	313	16	1	17	
Equity-settled transactions	-	-	-	-	-	-	40	40	-	40	
Taxation on equity-settled transactions	-	-	-	-	-	-	1	1	-	1	
Issue of ordinary shares under share option schemes	-	9	-	-	-	-	-	9	-	9	
Buyback of equity	(5)	-	-	5	-	-	(304)	(304)	-	(304)	
Purchase of treasury shares	-	-	(35)	-	-	-	-	(35)	-	(35)	
Release of treasury shares	-	-	31	-	-	-	(31)	-	-	-	
Dividends	-	-	-	-	-	-	(155)	(155)	-	(155)	
At 31 December 2023	174	2,642	(19)	33	(12)	411	745	3,974	14	3,988	

Consolidated cash flow statement

Year ended 31 December 2025

All figures in £ millions	Notes	2025	2024	2023
Cash flows from operating activities				
Profit before tax		457	510	493
Net finance costs		50	31	5
Depreciation and impairment – PPE, investment property and assets held for sale		54	77	90
Amortisation and impairment – software		112	117	123
Amortisation and impairment – acquired intangible assets		41	41	46
Other net gains and losses		3	5	13
Product development capital expenditure		(285)	(284)	(300)
Amortisation and impairment – product development		364	291	284
Share-based payment costs		39	44	40
Change in inventories		5	15	9
Change in trade and other receivables		(104)	32	(24)
Change in trade and other liabilities		35	(99)	(20)
Change in provisions for other liabilities and charges		(19)	(1)	(61)
Other movements		(21)	32	(16)
Net cash generated from operations		731	811	682
Interest paid		(73)	(65)	(60)
Tax paid		(2)	(119)	(97)
Net cash generated from operating activities		656	627	525
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	30	(167)	(39)	(171)
Acquisition of joint ventures and associates		–	–	(5)
Purchase of investments		(5)	(7)	(8)
Purchase of property, plant and equipment and investment property		(29)	(33)	(30)
Purchase of intangible assets		(105)	(91)	(96)
Disposal of subsidiaries, net of cash disposed	31	8	(7)	(38)

All figures in £ millions	Notes	2025	2024	2023
Proceeds from disposal of investments		–	–	7
Proceeds from disposal of property, plant and equipment		3	6	5
Lease receivables repaid including disposals		18	18	15
Interest received		33	20	20
Dividends received		1	2	–
Net cash used in investing activities		(243)	(131)	(301)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	27	9	7	9
Buyback of equity	27	(352)	(318)	(186)
Settlement of share-based payments	28	(72)	(40)	(35)
Proceeds from borrowings		1,017	1,265	285
Repayment of borrowings		(974)	(921)	(285)
Repayment of lease liabilities		(77)	(78)	(84)
Dividends paid to company's shareholders	9	(160)	(156)	(154)
Net cash used in financing activities		(609)	(241)	(450)
Effects of exchange rate changes on cash and cash equivalents		(14)	(21)	(8)
Net (decrease)/increase in cash and cash equivalents		(210)	234	(234)
Cash and cash equivalents at beginning of year		543	309	543
Cash and cash equivalents at end of year	17	333	543	309

Notes to the consolidated financial statements

General information

Pearson plc ('the company'), its subsidiaries and associates (together 'the Group') are international businesses covering educational courseware, assessments and services.

The company is a public limited company incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL.

The company has its primary listing on the London Stock Exchange and is also listed on the New York Stock Exchange.

These consolidated financial statements were approved for issue by the Board of Directors on 12 March 2026.

1a. Accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of preparation

These consolidated financial statements have been prepared on the going concern basis (see note 1b) and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. The consolidated financial statements have also been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). These standards are collectively referred to as IFRS in these financial statements.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

These accounting policies have been consistently applied to all years presented, unless otherwise stated.

1. Interpretations and amendments to published standards effective 2025 – No new standards were adopted in 2025.

A number of other new pronouncements are effective from 1 January 2025 but they do not have a material impact on the consolidated financial statements. Additional disclosure has been given where relevant.

2. Standards, interpretations and amendments to published standards that are not yet effective – The following new accounting standards and amendments to new accounting standards have been issued but are not yet effective and unless otherwise indicated, have been endorsed:

- Annual improvements to IFRS – Volume 11;
- Amendments to IFRS 9 and IFRS 7 – 'Contracts referencing nature-dependent electricity';
- Amendments to IFRS 9 and IFRS 7 – 'Classification and measurement of financial instruments';
- IFRS 18 'Presentation and disclosure in financial statements'; and
- IFRS 19 'Subsidiaries without public accountability: disclosures (not yet endorsed).

IFRS 18 will replace IAS 1 'Presentation of financial statements' for the period beginning 1 January 2027. The main new requirements in the standard will be a change in presentation of the income statement with new categories and new sub-totals, management-defined performance measures being presented in a single note in the financial statements, the cash flow statement using the operating profit sub-total as the starting point, and certain other changes to how information is grouped in the financial statements. The Group is still assessing the impact of the new standard.

The Group is currently assessing the impact of the remaining changes to other standards, interpretations and amendments. The Group does not plan to early adopt any of the above new accounting standards or amendments. The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

3. Critical accounting assumptions and judgements – The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

All assumptions and estimates constitute management's best judgement at the date of the financial statements, however, in the future, actual experience may deviate from these estimates and assumptions.

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates have a significant risk of resulting in material adjustments to the carrying value of assets and liabilities within the consolidated financial statements are:

- Intangible assets: acquired intangible assets;
- Taxation; and
- Employee benefits: pensions.

The key judgements and key areas of estimation are set out below, as well as in the relevant accounting policies and in the notes to the accounts where appropriate.

1a. Accounting policies *continued*

KJ Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions. See notes 7 and 33.
- The Group is eligible to receive the surplus associated with the UK Group Pension Plan in recognising a pension asset. See note 25.

KE Key areas of estimation

- The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance. See notes 11 and 30.
- The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations. See notes 7 and 33.
- The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity. See note 25.

The Group has assessed the impact of the uncertainty presented by the volatile macro-economic and geo-political environment on the financial statements, specifically considering the impact on key judgements and significant estimates along with other areas of increased risk as follows:

- Financial instruments and hedge accounting; and
- Translation methodologies.

No material accounting impacts relating to the areas assessed above were recognised in the year. The Group will continue to monitor these areas of increased judgement, estimation and risk.

Consolidation

1. Business combinations – The acquisition method of accounting is used to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred in the operating expenses line of the income statement. Identifiable assets acquired and identifiable liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination of fair values often requires significant judgements and the use of estimates, and, for material acquisitions, the fair value of the acquired intangible assets is determined by an independent valuer. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 30).

See the 'Intangible assets' policy for the accounting policy on goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Management exercises judgement in determining the classification of its investments in its businesses, in line with the following:

2. Subsidiaries – Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3. Transactions with non-controlling interests – Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. Any surplus or deficit arising from disposals to a non-controlling interest is recorded in equity. For purchases from a non-controlling interest, the difference between consideration paid and the relevant share acquired of the carrying value of the subsidiary is recorded in equity.

Notes to the consolidated financial statements *continued*

1a. Accounting policies *continued*

Consolidation *continued*

4. Joint ventures and associates – Joint ventures are entities in which the Group holds an interest on a long-term basis and has rights to the net assets through contractually agreed sharing of control. Associates are entities over which the Group has significant influence but not the power to control the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Ownership percentage is likely to be the key indicator of investment classification; however, other factors, such as Board representation, may also affect the accounting classification. Judgement is required to assess all of the qualitative and quantitative factors which may indicate that the Group does, or does not, have significant influence over an investment. Investments in joint ventures and associates are accounted for by the equity method and are initially recognised at the fair value of consideration transferred.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves.

The Group's share of its joint ventures' and associates' results is recognised as a component of operating profit as these operations form part of the core business of the Group and are an integral part of existing wholly-owned businesses. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in these entities.

Foreign currency translation

1. Functional and presentation currency – Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the company's functional and presentation currency.

2. Transactions and balances – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

3. Group companies – The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet;
- Income and expenses are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The principal overseas currency for the Group is the US dollar. The average rate for the year against sterling was \$1.32 (2024: \$1.28; 2023: \$1.25) and the year-end rate was \$1.35 (2024: \$1.25; 2023: \$1.27).

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Buildings (freehold):	20–50 years
Buildings (leasehold):	over the period of the lease
Plant and equipment:	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

Investment property

Properties that are no longer occupied by the Group and which are held for operating lease rental are classified as investment property. Investment property assets are carried at cost less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment.

1a. Accounting policies *continued*

Intangible assets

1. Goodwill – For the acquisition of subsidiaries made on or after 1 January 2010, goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. For the acquisition of subsidiaries made from the date of transition to IFRS to 31 December 2009, goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. These calculations require the use of estimates in respect of forecast cash flows and discount rates and management judgement in respect of cash-generating unit (CGU) and cost allocation. Goodwill is allocated to aggregated CGUs for the purpose of impairment testing. The allocation is made to those aggregated CGUs that are expected to benefit from the business combination in which the goodwill arose. Where there are changes to CGUs, goodwill is reallocated to the new CGUs and aggregation of CGUs using a relative value method.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Acquired software – Software separately acquired for internal use is capitalised at cost. Software acquired in material business combinations is capitalised at its fair value, with the valuation being determined with the support of a third-party specialist. The assets are assessed for impairment triggers on an annual basis or when triggering events occur. Acquired software is amortised on a straight-line basis over its estimated useful life of between three and eight years.

3. Internally developed software – Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the Group expects economic benefits from the development. Capitalisation in the application development stage begins once the Group can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortised on a straight-line basis over its estimated useful life of between three and ten years. The assets are assessed for impairment triggers on an annual basis or when triggering events occur.

4. Acquired intangible assets – Acquired intangible assets include customer lists, contracts and relationships, trademarks and brands, publishing rights, content, technology and software rights. These assets are capitalised on acquisition at cost and included in intangible assets. Intangible assets acquired in material business combinations are capitalised at their fair value as determined with the support of a third-party specialist. Intangible assets are amortised over their estimated useful lives of between two and twenty years, using an amortisation method that reflects the pattern of their consumption. The assets are assessed for impairment triggers on an annual basis or when triggering events occur.

5. Product development assets – Product development assets represent direct costs incurred in the development of educational programmes and titles prior to their publication. These costs are recognised as current intangible assets where the title will generate probable future economic benefits and costs can be measured reliably.

Product development assets relating to content are amortised upon publication of the title over estimated economic lives of seven years or less, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation taken in the earlier years. Product development assets relating to product platforms are amortised over ten years or less, being an estimate of the expected useful life. Amortisation is included in the income statement in cost of goods sold.

The assessment of the useful economic life and the recoverability of product development assets involves judgement and is based on historical trends and management estimation of future potential sales.

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. The carrying amount of product development assets is set out in note 20.

The investment in product development assets has been disclosed as part of net cash generated from operating activities in the cash flow statement.

Other financial assets

Other financial assets are non-derivative financial assets classified and measured at estimated fair value.

Marketable securities and cash deposits with maturities of greater than three months are classified and subsequently measured at fair value through profit and loss (FVTPL). They are remeasured at each balance sheet date by using market data and the use of established valuation techniques. Any movement in the fair value is immediately recognised in finance income or finance costs in the income statement.

Notes to the consolidated financial statements *continued*

1a. Accounting policies *continued*

Investments in the equity instruments of other entities are classified and subsequently measured at fair value through other comprehensive income (FVOCI) where the investment meets the definition of equity from the perspective of the issuer. Changes in fair value are recorded in equity in the fair value reserve via other comprehensive income. On subsequent disposal of the asset, the net fair value gains or losses are reclassified from the fair value reserve to retained earnings. Any dividends received from equity investments classified as FVOCI are recognised in the income statement unless they represent a return of capital.

Investments in funds which have a limited life and those investment which do not meet the criteria to be classified as FVOCI are classified and subsequently measured at fair value through profit and loss (FVTPL). Changes in fair value are included within finance income or finance costs within the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method or an approximation thereof, such as the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made for slow-moving and obsolete stock.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

Short-term deposits and marketable securities with maturities of greater than three months do not qualify as cash and cash equivalents and are reported as financial assets. Movements on these financial assets are classified as cash flows from financing activities in the cash flow statement where these amounts are used to offset the borrowings of the Group or as cash flows from investing activities where these amounts are held to generate an investment return.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Ordinary shares purchased under a buyback programme are cancelled and the nominal value of the shares is transferred to a capital redemption reserve.

Borrowings

Borrowings are recognised initially at fair value, which is proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. Accrued interest is included as part of borrowings.

Where a debt instrument is in a fair value hedging relationship, an adjustment is made to its carrying value in the income statement to reflect the hedged risk.

Where a debt instrument is in a net investment hedge relationship, gains and losses on the effective portion of the hedge are recognised in other comprehensive income.

Derivative financial instruments

Derivatives are recognised at fair value and remeasured at each balance sheet date. The fair value of derivatives is determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models.

For derivatives in a hedge relationship, the currency basis spread is excluded from the designation as a hedging instrument.

Changes in the fair value of derivatives are recognised immediately in finance income or costs. However, derivatives relating to borrowings and certain foreign exchange contracts are designated as part of a hedging transaction.

1a. Accounting policies *continued*

The accounting treatment is summarised as follows:

Typical reason for designation	Reporting of gains and losses on effective portion of the hedge	Reporting of gains and losses on disposal
Net investment hedge		
The derivative creates a foreign currency asset or liability which is used to hedge changes in the value of a subsidiary which transacts in that currency.	Recognised in other comprehensive income.	On the disposal of foreign operations or subsidiaries, the accumulated value of gains and losses reported in other comprehensive income is transferred to the income statement.
Fair value hedges		
The derivative transforms the interest profile on debt from fixed rate to floating rate. Changes in the value of the debt as a result of changes in interest rates and foreign exchange rates are offset by equal and opposite changes in the value of the derivative. When the Group's debt is swapped to floating rates, the contracts used are designated as fair value hedges.	Gains and losses on the derivative are reported in finance income or finance costs. However, an equal and opposite change is made to the carrying value of the debt (a 'fair value adjustment') with the benefit/cost reported in finance income or finance costs. The net result should be a zero charge on a perfectly effective hedge.	If the debt and derivative are disposed of, the value of the derivative and the debt (including the fair value adjustment) are reset to zero. Any resultant gain or loss is recognised in finance income or finance costs.
Non-hedge accounted contracts		
These are not designated as hedging instruments. Typically, these are short-term contracts to convert debt back to fixed rates or foreign exchange contracts where a natural offset exists.	Recognised in the income statement. No hedge accounting applies.	

Taxation

Current tax is recognised at 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.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided in respect of the undistributed earnings of subsidiaries, associates and joint ventures other than where it is intended that those undistributed earnings will not be remitted in the foreseeable future.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the estimates in relation to the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax provisions when it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement of the application of tax legislation and best estimates of future settlement amounts (see note 7). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the consolidated financial statements *continued*

1a. Accounting policies *continued*

Deferred tax assets and liabilities require management judgement and estimation in determining the amounts to be recognised. In particular, when assessing the extent to which deferred tax assets should be recognised, judgement is used when considering the timing of the recognition and estimation is used to determine the level of future taxable income together with any future tax planning strategies (see note 13).

Employee benefits

1. Pensions – The retirement benefit asset and obligation recognised in the balance sheet represent the net of the present value of the defined benefit obligation and the fair value of plan assets at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liability.

When the calculation results in a potential asset, the recognition of that asset is limited to the asset ceiling – that is the present value of any economic benefits available in the form of refunds from the plan or a reduction in future contributions. Management uses judgement to determine the level of refunds available from the plan in recognising an asset.

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity (see note 25).

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The service cost, representing benefits accruing over the year, is included in the income statement as an operating cost. Net interest is calculated by applying the discount rate to the net defined benefit obligation and is presented as finance costs or finance income.

Obligations for contributions to defined contribution pension plans are recognised as an operating expense in the income statement as incurred.

2. Other post-retirement obligations – The expected costs of post-retirement medical and life assurance benefits are accrued over the period of employment, using a similar accounting methodology as for defined benefit pension obligations. The liabilities and costs relating to significant other post-retirement obligations are assessed annually by independent qualified actuaries.

3. Share-based payments – The fair value of options or shares granted under the Group's share and option plans is recognised as an employee expense after taking into account the Group's best estimate of the number of awards expected to vest. Fair value is measured at the date of grant and is spread over the vesting period of the option or share.

The fair value of the options granted is measured using an option model that is most appropriate to the award. The fair value of shares awarded is measured using the share price at the date of grant unless another method is more appropriate. Any proceeds received are credited to share capital and share premium when the options are exercised. Where options or shares are net settled in respect of withholding tax obligations, these are accounted for as equity settled transactions. Payments to local tax authorities are accounted for as a deduction from equity for the shares withheld.

Provisions

Provisions are recognised if the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

Revenue recognition

Revenue is recognised in order to depict the transfer of control of promised goods and services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. This process begins with the identification of our contract with a customer, which is generally through a master services agreement, customer purchase order, or a combination thereof. Within each contract, judgement is applied to determine the extent to which activities within the contract represent distinct performance obligations to be delivered and the total amount of transaction price to which we expect to be entitled.

The transaction price determined is net of sales taxes, rebates and discounts, and after eliminating sales within the Group. Where a contract contains multiple performance obligations such as the provision of supplementary materials or online access with textbooks, revenue is allocated on the basis of relative standalone selling prices. Where a contract contains variable consideration, estimation is required to determine the amount to which the Group is expected to be entitled.

1a. Accounting policies *continued*

Revenue is recognised on contracts with customers when or as performance obligations are satisfied, which is the period or the point in time where control of goods or services transfers to the customer. Judgement is applied to determine first whether control passes over time and if not, then the point in time at which control passes. Where revenue is recognised over time, judgement is used to determine the method which best depicts the transfer of control. Where an input method is used, estimation is required to determine the progress towards delivering the performance obligation.

If a contract with a customer is modified (change of scope, price or both), management uses judgement to determine whether changes to existing rights and obligations should be accounted for as a separate contract or as an adjustment to the existing contracts. Adjustments to existing contracts are either accounted for prospectively or through a cumulative catch up adjustment.

Revenue from the sale of books is recognised net of a provision for anticipated returns. This provision is based primarily on historical return rates, customer buying patterns and retailer behaviours including stock levels. If these estimates do not reflect actual returns in future periods then revenue could be understated or overstated for a particular period. When the provision for returns is remeasured at each reporting date to reflect changes in estimates, a corresponding adjustment is also recorded to revenue.

The Group may enter into contracts with another party in addition to our customer. In making the determination as to whether revenue should be recognised on a gross or net basis, the contract with the customer is analysed to understand which party controls the relevant good or service prior to transferring to the customer. This judgement is informed by facts and circumstances of the contract in determining whether the Group has promised to provide the specified good or service or whether the Group is arranging for the transfer of the specified good or service, including which party is responsible for fulfilment, has discretion to set the price to the customer and is responsible for inventory risk. On certain contracts, where the Group acts as an agent, only commissions and fees receivable for services rendered are recognised as revenue. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in revenue.

Income from recharges of freight and other activities which are incidental to the normal revenue-generating activities is included in other income.

Additional details on the Group's revenue streams are also included in note 3.

Leases

1. The Group as a lessee – The Group assesses whether a contract is or contains a lease at the inception of the contract. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group applies IAS 36 to determine whether a right-of-use asset is impaired. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Management uses judgement to determine the lease term where extension and termination options are available within the lease.

2. The Group as a lessor – When the Group is an intermediate lessor, the head lease and sublease are accounted for as two separate contracts. The head lease is accounted for as per the lessee policy above. The sublease is classified as a finance lease or operating lease by reference to the right-of-use asset arising from the head lease. Where the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance subleases are recognised as receivables at the amount of the Group's net investment in the leases discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the discount rate used in the head lease.

Notes to the consolidated financial statements *continued*

1a. Accounting policies *continued*

Dividends

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the company's shareholders. Interim dividends are recorded when paid.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or meets the criteria to be classified as held for sale.

When applicable, discontinued operations are presented in the income statement as a separate line and are shown net of tax.

Assets and liabilities held for sale

Assets and liabilities are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. No depreciation is charged in respect of non-current assets classified as held for sale. Amounts relating to non-current assets and liabilities held for sale are classified as discontinued operations in the income statement where appropriate.

Trade receivables

Trade receivables are stated at fair value after provision for bad and doubtful debts. Provisions for bad and doubtful debts are based on the expected credit loss model. The 'simplified approach' is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses. A provision for anticipated future sales returns is included within trade and other liabilities (also see Revenue recognition policy).

1b. Going concern

In assessing the Group's ability to continue as a going concern for the period to 30 June 2027, the Board reviewed management's five-year plan, which was used as the base case. The review included available liquidity throughout the period and headroom against the Group's two main covenants, which require net debt to EBITDA to be a maximum of four times and interest cover to be at least three times.

At 31 December 2025, the Group had available liquidity of c.£1.3bn, comprising central cash balances and the undrawn element of its \$1.8bn Revolving Credit Facilities maturing June 2028 and February 2029 but which have options to extend maturity to 2030. Significant liquidity and covenant headroom was observed throughout the assessment period in this base model.

A severe but plausible scenario was analysed, where the Group is impacted by all principal risks in both 2026 and 2027, in the period under assessment, adjusted for probability weighting as well as other significant risks. The net impact of the risks modelled was to reduce free cashflow during the 18 month going concern period by 41%. Even under a severe downside case, the company would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment. That is, even before modelling the mitigating effect of actions that management would take if these downside risks were to crystallise.

A reverse stress test was performed to identify the reduction in profit required to exhaust liquidity at 30 June 2027. The model showed that significant profit declines in excess of the severe but plausible scenario were required in both 2026 and 2027 to exhaust liquidity or breach covenants, the likelihood of which was assessed as remote.

The Directors have confirmed that there are no material uncertainties that cast doubt on the Group's going concern status and that they have a reasonable expectation that the Group has adequate resources to continue in operational existence beyond 30 June 2027. The consolidated financial statements have therefore been prepared on a going concern basis.

1c. Climate change

The Group has assessed the impacts of climate change on the Group's financial statements, including our commitment to achieving a 50% reduction in greenhouse gas (GHG) emissions across our operations and supply chain by 2030, and achieve a 90% reduction in GHG emissions across our value chain and meet our science-based (SBTi approved) net zero target by 2050, and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgements or estimates at 31 December 2025, or the assessment of going concern for the period to June 2027 and the Group's viability over the next five years. Specifically, we have considered the following areas:

- The physical and transition risks associated with climate change; and
- The actions the Group is taking to meet its carbon reduction and net zero targets.

As a result, the Group has assessed the impacts of climate change on the financial statements, and in particular, on the following areas:

- The impact on the Group's future cash flows, and the resulting impact that such adjustments to our future cash flows would have on the outcome of the annual impairment testing of our goodwill balances (see note 11 for further details), the recognition of deferred tax assets and our assessment of going concern;
- The carrying value of the Group's assets, in particular the recoverable amounts of inventories, product development assets, intangible assets and property, plant and equipment; and
- Any changes to our estimates of the useful economic lives of product development assets, intangible assets and property, plant and equipment.

2. Segment information

There are five main global business units, which are each considered separate operating segments for management and reporting purposes, as these are reported separately to the Group's chief operating decision-maker, the Pearson Executive Management team. These five business units are Assessment & Qualifications, Virtual Learning, English Language Learning, Higher Education and Enterprise Learning and Skills.

In January 2025, the Group announced that Workforce Skills would evolve to become Enterprise Learning and Skills, incorporating our IT Pro business which was previously within Higher Education. Comparative figures have been restated to reflect the move between segments, resulting in £45m of sales, £12m of adjusted operating profit and £3m of amortisation, depreciation and impairment being transferred from Higher Education to Enterprise Learning and Skills for the year ended 31 December 2024 and £49m of sales, £14m of adjusted operating profit and £3m of amortisation, depreciation and impairment for the year ended 31 December 2023.

The International Courseware local publishing businesses, which were under strategic review, were previously being managed as a separate business unit, known as Strategic Review. However, following the disposal of the final local courseware publishing businesses in 2023 (see note 31), there are no longer any reported results for the Strategic Review business unit.

The following describes the principal activities of the five main operating segments:

- Assessment & Qualifications – Pearson Professional Assessments, US Student Assessment, Clinical Assessment, UK GCSE and A Levels and International academic qualifications and associated courseware including the English-speaking Canadian and Australian K-12 businesses, and PDRi;
- Virtual Learning – Virtual Schools and Online Program Management (up to the point of disposal in 2023);
- English Language Learning – Pearson Test of English, Institutional Courseware and English Online Solutions;
- Enterprise Learning & Skills – Vocational qualifications, GED, TalentLens, Faethm, Credly, Pearson College (up to the point of disposal in 2023) and Enterprise content and training; and
- Higher Education – US, Canadian and International Higher Education Courseware businesses.

The Pearson Executive Management team evaluates and allocates resources to operating segments, and evaluates the performance of each of its operating segments on the basis of adjusted operating profit, which is considered to be the segment measure.

	Sales			Adjusted operating profit		
	2025	2024	2023	2025	2024	2023
Assessment & Qualifications	1,604	1,591	1,559	361	368	350
Virtual Learning	511	489	616	81	66	76
English Language Learning	405	420	415	50	50	47
Enterprise Learning & Skills ¹	282	271	269	29	20	6
Higher Education ¹	775	781	806	93	96	96
Strategic Review	-	-	9	-	-	(2)
Total	3,577	3,552	3,674	614	600	573

1. Comparative amounts have been restated to reflect the move between operating segments.

A reconciliation of the operating segments' measure of profit to profit for the year is provided below:

	2025	2024	2023
Adjusted operating profit	614	600	573
Cost of major reorganisation	-	2	-
Product development impairment	(87)	-	-
Property charges	25	-	(11)
Intangible charges	(42)	(41)	(48)
UK pension discretionary increases	-	(13)	-
Other net gains and losses	(3)	(7)	(16)
Operating profit	507	541	498
Finance costs	-	-	6
Finance income	6	(98)	(112)
	6	48	81
Profit before tax	457	510	493
Income tax	7	(121)	(75)
Profit for the year	336	435	380

Notes to the consolidated financial statements *continued***2. Segment information** *continued*

There were no material inter-segment sales in either 2025, 2024 or 2023. Corporate costs are allocated to business segments on an appropriate basis depending on the nature of the cost and therefore the total segment result is equal to the Group operating profit.

Other segment disclosures are as follows:

All figures in £ millions	Amortisation, depreciation, and impairment		
	2025	2024	2023
Assessment & Qualifications	186	196	196
Virtual Learning	53	64	76
English Language Learning	51	56	58
Enterprise Learning & Skills ¹	32	30	28
Higher Education ¹	249	180	182
Strategic Review	-	-	3
Total	571	526	543

1. Comparative amounts have been restated to reflect the move between operating segments.

Adjusted operating profit is shown in the previous tables as it is the key financial measure used by management to evaluate the performance of the Group. The measure also enables investors to more easily, and consistently, track the underlying operational performance of the Group and its business segments over time by separating out those items of income and expenditure relating to acquisition and disposal transactions, certain property charges, major reorganisation programmes and certain other items that are also not representative of underlying performance, which are explained below and reconciled within this note.

Cost of major reorganisation – In 2025, there were no costs of major reorganisation. In 2024, there was a release of £2m relating to amounts previously accrued. In 2023, there were no costs of major reorganisation. The costs of these reorganisation programmes are significant enough to exclude from the adjusted operating profit measure so as to better highlight the underlying performance.

Product development impairment charges – In 2025, these relate to the impairment of product development assets as a result of courseware platform convergence (see note 20). There were no such amounts in 2024 or 2023.

Property charges – In 2025, there was gain of £25m, relating to reversals of impairments of property assets that were previously impaired through property charges. In 2024, there were no property charges. In 2023, charges of £11m related to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 reorganisation programmes.

Intangible charges – These represent amortisation relating to intangibles acquired through business combinations. These amortisation charges are excluded as they reflect past acquisition activity and do not necessarily reflect the current year performance of the Group. Intangible amortisation charges in 2025 were £42m compared to a charge of £41m in 2024. This is due to increased amortisation from recent acquisitions partially offset by decreased amortisation from assets reaching the end of their useful economic lives. In 2023, intangible charges were £48m. In all three years, there were no impairment charges.

Other net gains and losses – These represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets and are excluded from adjusted operating profit in order to show the performance of the Group on a more comparable basis year-on-year. Other net gains and losses also includes costs related to business closures and acquisitions. Other net gains and losses in 2025 relate to the gain on disposal of Copp Clark, a business in our Higher Education division, a fair value gain relating to a previous disposal and costs relating to current and prior year acquisitions and disposals. Other net gains and losses in 2024 relate to costs related to prior year acquisitions and disposals, which were partially offset by a gain on the partial disposal of our investment in an associate. In 2023, they relate to the gain on the disposal of the POLS business and gains related to the release of accruals and a provision related to historical acquisitions, offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions.

UK pension discretionary increases – Charges in 2024 relate to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis. There were no such awards in 2025 or 2023.

2. Segment information *continued*

Adjusted operating profit should not be regarded as a complete picture of the Group's financial performance. For example, adjusted operating profit includes the benefits of major reorganisation programmes but excludes the significant associated costs, and adjusted operating profit excludes costs related to acquisitions, and the amortisation of intangibles acquired in business combinations, but does not exclude the associated revenue. The Group's definition of adjusted operating profit may not be comparable to other similarly titled measures reported by other companies. The Group operates in the following main geographic areas:

All figures in £ millions	Sales			Non-current assets	
	2025	2024	2023	2025	2024
UK	510	487	450	516	505
Other European countries	126	120	130	157	160
US	2,400	2,444	2,504	2,287	2,310
Canada	68	68	83	182	174
Asia Pacific	354	313	386	165	169
Other countries	119	120	121	11	13
Total	3,577	3,552	3,674	3,318	3,331

Sales are allocated based on the country in which the customer is located. This does not differ materially from the location where the order is received. The geographical split of non-current assets is based on the subsidiary's country of domicile. This is not materially different to the location of the assets. Non-current assets comprise investment property, property, plant and equipment, intangible assets and investments in joint ventures and associates.

3. Revenue from contracts with customers

The tables in notes 2 and 3 show revenue from contracts with customers disaggregated by operating segment, geography and business model. These disaggregation categories are appropriate as they represent the key groupings used in managing and evaluating underlying performance of each of the businesses. The categories also reflect groups of similar types of transactional characteristics, among similar customers, with similar accounting conclusions.

In 2025, the Group has changed how it disaggregates revenue to better align with the current business model and how revenue is managed by the CODM. All comparative disclosures have been represented.

The following table analyses the Group's revenue streams by business model.

All figures in £ millions	2025						Total
	Assessment & Qualifications	Virtual Learning	English Language Learning	Enterprise Learning & Skills	Higher Education	Strategic Review	
Services	1,174	511	186	202	-	-	2,073
Software	229	-	47	69	627	-	972
Print	201	-	172	11	148	-	532
Total	1,604	511	405	282	775	-	3,577

All figures in £ millions	2024 ¹						Total
	Assessment & Qualifications	Virtual Learning	English Language Learning	Enterprise Learning & Skills	Higher Education	Strategic Review	
Services	1,150	489	193	193	-	-	2,025
Software	209	-	49	61	605	-	924
Print	232	-	178	17	176	-	603
Total	1,591	489	420	271	781	-	3,552

1. Comparative amounts have been restated to reflect the move between operating segments and the change in revenue disaggregation categories.

Notes to the consolidated financial statements *continued*

3. Revenue from contracts with customers *continued*

All figures in £ millions							2023 ¹
	Assessment & Qualifications	Virtual Learning	English Language Learning	Enterprise Learning & Skills	Higher Education	Strategic Review	Total
Services	1,120	616	194	187	6	-	2,123
Software	202	-	45	65	595	-	907
Print	237	-	176	17	205	9	644
Total	1,559	616	415	269	806	9	3,674

1. Comparative amounts have been restated to reflect the move between operating segments and the change in revenue disaggregation categories.

The following is a description of the nature of the Group's performance obligations within contracts with customers broken down by revenue stream, along with judgements and estimates made within each of those revenue streams.

Services

Revenue is generated by the provision of services for which human and physical resources are a critical and material component for performance and delivery. Key revenue streams by segment are as follows:

- Assessment & Qualifications – Pearson Professional Assessment, US Student Assessment and UK & International Qualifications;
- Virtual Learning – Pearson Virtual Schools (Partner schools) and Online Program Management (up to the point of disposal in 2023);
- English Language Learning – Pearson Test of English (PTE); and
- Enterprise Learning & Skills – UK & International Vocational Qualifications.

Revenue for Services is recognised over time as performance against the obligations occurs. The method for assessing the extent of performance against the obligations, and the related revenue recognition method, varies depending upon the revenue stream.

Where revenue is generated from transactions delivering assessments directly to end users, such as Pearson Professional Assessments and PTE, Pearson's main obligation to the customer involves test delivery and scoring. Test delivery and scoring are defined as a single performance obligation delivered over time whether the test is subsequently manually scored or digitally scored on the day of the assessment. Revenue is recognised when the performance obligation has been completed.

Where revenue is generated from multi-year contractual arrangements related to large-scale assessment delivery, such as US Student Assessment and UK & International Qualifications, a variety of service activities are performed such as test administration, delivery, scoring, operational services and programme management. These services are not treated as distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as one comprehensive performance obligation. Agreements may span multiple years, however, the contract duration has been determined to be each testing cycle based on contract structure, including clauses regarding termination.

Within each testing cycle, the transaction price may contain both fixed and variable amounts. Variable consideration within these transactions primarily relates to expected testing volumes to be delivered in the cycle. The assumptions, risks and uncertainties inherent to long-term contract accounting can affect the amounts and timing of revenue and related expenses reported. Variable consideration is measured using the expected value method, except where amounts are contingent upon a future event's occurrence, such as performance bonuses. Such event-driven contingency payments are measured using the most likely amount approach. In estimating and constraining variable consideration, historical experience, current trends and local market conditions are considered. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Revenue is recognised over time, based on the extent of progress towards completion of the performance obligation, as the customer is benefiting through a continuous transfer of control to the customer. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services provided. A percentage of completion method, calculated using the proportion of the total estimated costs incurred to date, is used to recognise the transfer of control of services as these services are not provided evenly throughout the testing cycle and involve varying degrees of effort during the contract term.

3. Revenue from contracts with customers *continued*

Where revenue is generated from multi-year contractual arrangements related to large-scale educational service delivery to academic institutions, such as Pearson Virtual Schools, a variety of services are provided such as programme development, student acquisition, education and platform technology, instructional services and various support services. These services are not treated as distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as one comprehensive performance obligation. Agreements may span multiple years, however, the contract duration has been determined to be each academic period based on the structure of contracts, including clauses regarding termination.

Within each academic period, the transaction price may contain both fixed and variable amounts which require estimation during the academic period. Estimation is required where consideration is based upon average enrolments or other metrics which are not known at the start of the academic year. Variable consideration is measured using the expected value method. Historical experience, current trends, local circumstances and customer specific funding formulas are considered in estimating and constraining variable consideration. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Revenue is recognised over time, based on the extent of progress towards completion of the performance obligation, as the customer is benefiting through a continuous transfer of control to the customer. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services provided. Within the comprehensive service obligation, the timing of services occurs relatively evenly over each academic period and, as such, time elapsed is used to recognise the transfer of control to the customer on a straight-line basis.

For all Services contracts, contract losses are determined to be the amount by which estimated total costs of the contract exceed the estimated total revenue that will be generated, any such losses on contracts are recognised in the period in which the loss first becomes foreseeable. In addition, customer payments are defined in the contract through a payment schedule which may result in revenue being deferred or accrued. Where there is a delay between the rendering of services and payment, or vice versa, the length of time between payment and delivery of the performance obligations is generally short-term in nature or the reason for early payment relates to reasons other than financing. For these reasons and the use of the practical expedient on short-term financing, significant financing components are not recognised within Services transactions.

Software

Revenue is generated from the provision of a service that is largely performed and delivered by technology, or from the sale of product that is primarily delivered digitally. This includes digital courseware, digital learning products (including Certiport) and digital clinical products.

Revenue from the sale of digital courseware, learning and clinical products is recognised on a straight-line basis over the contract period, unless hosted by a third party or representative of a downloadable product, in which case Pearson has no ongoing obligation and recognises revenue when control transfers as the customer is granted access to the digital product.

Revenue from the sale of 'off-the-shelf' software is recognised on delivery or on installation of the software where that is a condition of the contract. In certain circumstances, where installation is complex, revenue is recognised when the customer has completed their acceptance procedures.

While payment for software can occur at the start of the arrangements, the length of time between payment and delivery of the performance obligations is generally short-term in nature or the reason for early payment relates to reasons other than financing. For these reasons and the use of the practical expedient on short-term financing, significant financing components are not recognised within Software transactions.

Notes to the consolidated financial statements *continued*

3. Revenue from contracts with customers *continued*

Print

Revenue is generated from the sale of physical products including printed courseware and clinical assessment physical products.

Revenue from the sale of physical products is recognised at a point in time when control passes. This is generally at the point of shipment when title passes to the customer, when the Group has a present right to payment and the significant risks and rewards of ownership have passed to the customer. Revenue from physical books sold through the direct print rental method is recognised over the rental period, as the customer is simultaneously receiving and consuming the benefits of this rental service through the passage of time.

In determining the transaction price, variable consideration exists in the form of discounts and anticipated returns. Discounts reduce the transaction price on a given transaction. A provision for anticipated returns is made based primarily on historical return rates, customer buying patterns and retailer behaviours including stock levels. If these estimates do not reflect actual returns in future periods then revenue could be understated or overstated for a particular period. Variable consideration as described above is determined using the expected value approach. The sales return liability at the end of 2025 was £19m (2024: £27m; 2023: £31m).

Print products may be sold separately or purchased together with software and / or services in bundled packages. The goods and services included in bundled arrangements are generally considered distinct performance obligations and the transaction price is allocated between the distinct performance obligations on the basis of their relative standalone selling prices. For the purposes of revenue disaggregation disclosures, bundles which include print products are categorised as Print.

Contract balances

Transactions within the Software revenue stream generally entail customer billings at or near the contract's inception and accordingly Software deferred income balances are primarily related to subscription performance obligations to be delivered over time.

Transactions within the Services revenue streams generally entail customer billings over time based on periodic intervals, progress towards milestones or enrolment census dates. As the performance obligations within these arrangements are delivered over time, the extent of accrued income or deferred income will ultimately depend upon the difference between revenue recognised and billings to date.

Refer to note 22 for opening and closing balances of accrued income. Refer to note 24 for opening and closing balances of deferred income. Revenue recognised during the period from changes in deferred income was driven primarily by the release of revenue over time from the items described above.

The Group capitalises incremental costs to obtain contracts with customers where it is expected these costs will be recoverable. Incremental costs to obtain contracts with customers are considered those which would not have been incurred if the contract had not been obtained. For the Group, these costs relate primarily to sales commissions and royalty payments. The Group has elected to use the practical expedient as allowable by IFRS 15 whereby such costs will be expensed as incurred where the expected amortisation period is one year or less. Where the amortisation period is greater than one year, these costs are amortised over the contract term on a systematic basis consistent with the transfer of the underlying goods and services within the contract to which these costs relate, which will generally be on a rateable basis. The Group does not recognise any material costs to fulfil contracts with customers except those governed by other accounting standards.

Remaining transaction price

The Group engages in contracts which span multiple periods, the aggregate amount of the transaction price which is allocated to unsatisfied or partially unsatisfied performance obligations is £980m (2024: £876m; 2023: £934m), of which £389m (2024: £391m; 2023: £368m) has been recognised on the balance sheet as deferred income. In 2025, £853m of the remaining transaction price is expected to be recognised as revenue during 2026, £100m during 2027 and £27m thereafter. The equivalent comparative amounts for 2024 are £775m, £73m and £28m, and for 2023 are £796m, £110m and £28m.

4. Operating expenses

All figures in £ millions	2025	2024	2023
By function:			
Cost of goods sold	1,717	1,741	1,839
Operating expenses			
Distribution costs	38	43	47
Selling, marketing and product development costs	525	510	549
Administrative and other expenses	733	754	767
Reorganisation costs	-	(2)	-
Product development impairment	87	-	-
Other income	(32)	(40)	(41)
Total net operating expenses	1,351	1,265	1,322
Other net gains and losses	3	7	16
Total	3,071	3,013	3,177

Other income includes freight income and sublet income. Included in administrative and other expenses are research and efficacy costs of £8m (2024: £6m; 2023: £8m).

Other net gains and losses in 2025 relate to the gain on disposal of Copp Clark, a business in our Higher Education division, a fair value gain relating to a previous disposal and costs relating to current and prior year acquisitions and disposals. In 2024, they relate to costs related to prior year acquisitions and disposals, partially offset by a gain on the partial disposal of our investment in an associate. In 2023, other net gains and losses relate to the gain on the disposal of the Pearson Online Learning Services business and gains related to the release of accruals and a provision related to historical acquisitions, offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions.

Cost of major reorganisation – In 2025, there were no costs of major reorganisation. In 2024, there was a release of £2m relating to amounts previously accrued. In 2023, there were no costs of major reorganisation. The costs of these reorganisation programmes are significant enough to exclude from the adjusted operating profit measure so as to better highlight the underlying performance.

Product development impairment charges – In 2025, these relate to the impairment of product development assets as a result of courseware platform convergence (see note 20). There were no such amounts in 2024 or 2023.

In 2025, a gain of £25m relates to reversals of impairments of property assets that were previously impaired through property charges, and are included within administrative and other expenses. There are no such amounts in 2024. In 2023, charges of £11m relating to impairments of property assets arising from the impact of updates to assumptions made during the 2022 and 2021 reorganisation programmes which are included within administrative and other expenses.

All figures in £ millions	Notes	2025	2024	2023
By nature:				
Royalties expensed		162	162	164
Other product costs		354	371	393
Employee benefit expense	5	1,423	1,411	1,467
Contract labour		29	56	70
Employee-related expense		47	53	60
Promotional costs		126	113	146
Depreciation and impairment of property, plant and equipment and investment property and assets held for sale ¹	10	54	77	90
Amortisation and impairment of intangible assets – product development	20	364	291	284
Amortisation and impairment of intangible assets – software	11	112	117	123
Amortisation and impairment of intangible assets – other	11	41	41	46
Property and facilities		68	70	82
Technology and communications		218	215	215
Professional and outsourced services		424	395	443
Other general and administrative costs		92	72	43
Costs capitalised ²		(414)	(398)	(424)
Other net gains and losses		3	7	16
Other income		(32)	(40)	(41)
Total		3,071	3,013	3,177

1. Includes £3m (2024: £nil; 2023: £nil) of impairment reversals in respect of assets held for sale.

2. Costs capitalised relate primarily to employee costs.

Notes to the consolidated financial statements *continued*

4. Operating expenses *continued*

During the year the Group obtained the following services from the Group's auditors:

All figures in £ millions	2025	2024	2023
The audit of parent company and consolidated financial statements	7	7	8
The audit of the company's subsidiaries	2	2	2
Total audit fees	9	9	10
Audit-related and other assurance services	-	-	-
Other non-audit services	-	-	-
Total other services	-	-	-
Total non-audit services	-	-	-
Total¹	9	9	10

Reconciliation between audit and non-audit service fees is shown below:

All figures in £ millions	2025	2024	2023
Group audit fees including fees for attestation under section 404 of the Sarbanes-Oxley Act	9	9	10
Non-audit fees	-	-	-
Total	9	9	10

1. Includes fees in connection with the interim review, UK-required preliminary announcement procedures and elements of the controls audit required under Section 404 of the Sarbanes Oxley Act. In total this amounted to £1m in each of the years presented.

In 2025, 2024 and 2023, the external auditor performed several permitted other non-audit services. In all years the fees rounded to £nil.

5. Employee information

All figures in £ millions	Notes	2025	2024	2023
Employee benefit expense				
Wages and salaries (including termination costs)		1,203	1,188	1,252
Social security costs		113	100	107
Share-based payment costs	26	39	42	37
Retirement benefits – defined contribution plans	25	41	41	45
Retirement benefits – defined benefit plans	25	27	40	26
Total		1,423	1,411	1,467

In 2025, there were no additional share-based payment costs (2024: £2m; 2023: £3m) in respect of remuneration for post-acquisition services for recent acquisitions included in other net gains and losses in the income statement.

The details of the emoluments of the Directors of Pearson plc are shown in the report on Directors' remuneration.

Average number employed	2025	2024	2023
Employee numbers			
UK	2,830	2,798	3,045
Other European countries	675	681	633
US	9,336	9,258	10,125
Canada	306	315	398
Asia Pacific	3,081	3,111	3,257
Other countries	834	861	902
Total	17,062	17,024	18,360

6. Net finance costs

All figures in £ millions	Notes	2025	2024	2023
Interest payable on financial liabilities at amortised cost and associated derivatives		(51)	(48)	(34)
Interest on lease liabilities	34	(20)	(22)	(23)
Interest on deferred and contingent consideration		(1)	(2)	(4)
Fair value movements on investments held at fair value	15	(7)	(11)	-
Net foreign exchange losses		(7)	(3)	-
Interest on provisions for uncertain tax positions		(3)	(7)	-
Fair value movement on derivatives		(9)	(19)	(20)
Finance costs		(98)	(112)	(81)
Interest receivable on financial assets at amortised cost		14	25	16
Interest on lease receivables	34	3	4	4
Net finance income in respect of retirement benefits	25	25	21	26
Fair value movements on investments held at fair value	15	-	-	13
Net foreign exchange gains		-	-	3
Interest on provisions for uncertain tax positions		-	5	4
Fair value movement on derivatives		6	26	10
Finance income		48	81	76
Net finance costs		(50)	(31)	(5)

Net movement in the fair value of hedges is further explained in note 16. Derivatives not in a hedge relationship include fair value movements in the interest rate and cross-currency interest rate swaps.

7. Income tax

All figures in £ millions	Notes	2025	2024	2023
Current tax				
Charge in respect of current year		(108)	(132)	(105)
Adjustments in respect of prior years		(6)	60	20
Total current tax charge		(114)	(72)	(85)
Deferred tax				
In respect of temporary differences		(9)	8	(11)
Other adjustments in respect of prior years		2	(11)	(17)
Total deferred tax charge	13	(7)	(3)	(28)
Total tax charge		(121)	(75)	(113)

The adjustments in respect of prior years in 2025 is primarily due to movements in provisions for tax uncertainties. In 2024, the difference is primarily driven by the State Aid provision release (see page 192 for further details), with 2024 and 2023 also being impacted by revising the previous year's reported tax provision to reflect the tax returns subsequently filed.

Notes to the consolidated financial statements *continued***7. Income tax *continued***

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK tax rate as follows:

All figures in £ millions	2025	2024	2023
Profit before tax	457	510	493
Tax calculated at UK rate (2025: 25%; 2024: 25%; 2023: 23.5%)	(114)	(127)	(116)
Effect of overseas tax rates	(3)	(1)	(1)
Effect of UK rate change	-	-	(1)
Net (expense)/income not subject to tax	(5)	3	(3)
Gains and losses on sale of businesses not subject to tax	-	-	5
Unrecognised tax losses	6	2	1
State Aid provision release	-	63	-
Movement in provisions for tax uncertainties – current year	(1)	(1)	(2)
Movement in provisions for tax uncertainties – prior years	(4)	(12)	1
Other prior year adjustments	-	(2)	3
Total tax charge	(121)	(75)	(113)
UK	(41)	21	(54)
Overseas	(80)	(96)	(59)
Total tax charge	(121)	(75)	(113)
Tax rate reflected in earnings	26.5%	14.7%	23.0%

KJ Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions.

KE Key areas of estimation

- The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations.

Included in net (expense)/income not subject to tax is the benefit of available tax credits less the impact of foreign taxes not creditable, the tax impact of share-based payments and other expenses not deductible.

Factors which may affect future tax charges include changes in tax legislation, transfer pricing regulations, the level and mix of profitability in different countries, and settlements with tax authorities.

The 2024 State Aid provision release of £63m was a result of the Court of Justice of the European Union handing down its decision on 19 September 2024 determining that the United Kingdom controlled foreign company group financing partial exemption did not constitute State Aid. The Group had a receivable for the £97m tax and £8m interest on tax paid under the Charging Notices issued by HMRC in 2021. These amounts were received in 2025, along with the anticipated additional interest paid on the tax amounts collected.

The movement in provisions for tax uncertainties primarily reflects reassessment of existing exposures based on currently available information and tax authority correspondence, releases due to the expiry of relevant statutes of limitation and settlement of certain audits. The current tax liability of £47m (2024: £32m) includes £46m (2024: £35m) of provisions for tax uncertainties, whilst the net deferred income tax liability of £31m (2024: £11m) includes £21m (2024: £25m) of provisions for tax uncertainties, both principally in respect of several matters in the US and the UK. This includes matters under enquiry from the UK tax authorities with the relevant years being 2019 to 2021.

The Group is currently under audit in several countries, and the timing of any resolution of these audits is uncertain. In most of these countries, tax years up to and including 2018 are now statute barred from examination by tax authorities, however, a balance of £17m relates to certain remaining open issues. Of the remaining £50m balance, £21m relates to 2019, £8m to 2020, £5m to 2021, £3m to 2022, £5m to 2023, £6m to 2024 and £2m to 2025. The tax authorities may take a different view from management and the final liability may be greater or lower than provided.

Refer to note 33 for details of other uncertain tax positions.

The Group is within the scope of the UK legislation in relation to Pillar Two which was effective from 1 January 2024. Based on the most recent financial information available for the constituent entities in the Group, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. There are a limited number of jurisdictions where the transitional safe harbour relief does not apply, including jurisdictions that may not meet the 16% effective tax rate threshold required to qualify for the effective tax rate safe harbour test in FY25. However, the Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

7. Income tax continued

The tax benefit/(charge) recognised in other comprehensive income is as follows:

All figures in £ millions	2025	2024	2023
Net exchange differences on translation of foreign operations	–	2	–
Fair value gains on other financial assets	–	–	–
Remeasurement of retirement benefit obligations	(3)	(2)	20
	(3)	–	20

8. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders of the company (earnings) by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting the profit attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

Certain contingently issuable shares vested on 31 December 2023 but had not yet been issued. These shares were considered dilutive but did not materially impact basic EPS.

All figures in £ millions	2025	2024	2023
Earnings for the year	336	435	380
Non-controlling interest	(1)	(1)	(2)
Earnings attributable to equity shareholders	335	434	378
Weighted average number of shares (millions)	651.3	673.0	711.5
Effect of dilutive share options (millions)	9.0	11.0	5.8
Weighted average number of shares (millions) for diluted earnings	660.3	684.0	717.3
Earnings per share (in pence per share)			
Basic	51.4p	64.5p	53.1p
Diluted	50.7p	63.5p	52.7p

9. Dividends

All figures in £ millions	2025	2024	2023
Final paid in respect of prior year 16.6p (2024: 15.7p; 2023: 14.9p)	110	107	106
Interim paid in respect of current year 7.8p (2024: 7.4p; 2023: 7.0p)	50	49	49
	160	156	155

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2025 of 17.4p per equity share which will absorb an estimated £109m of shareholders' funds. It will be paid on 8 May 2026 to shareholders who are on the register of members on 20 March 2026. These financial statements do not reflect this dividend as a liability.

Notes to the consolidated financial statements *continued*

10. Property, plant and equipment and investment property

All figures in £ millions	Owned assets					Total
	Investment property	Right-of-use assets	Land and buildings	Plant and equipment	Assets in the course of construction	
Cost						
At 1 January 2024	214	342	165	237	9	967
Exchange differences	-	2	1	1	1	5
Additions	7	39	-	4	27	77
Disposals and retirements	-	(33)	(22)	(84)	-	(139)
Reclassifications and transfers	-	-	7	21	(28)	-
At 31 December 2024	221	350	151	179	9	910
Exchange differences	-	(19)	(9)	(10)	-	(38)
Additions	11	41	-	4	26	82
Disposals and retirements	-	(38)	-	(12)	-	(50)
Reclassifications and transfers	-	-	7	18	(25)	-
At 31 December 2025	232	334	149	179	10	904

All figures in £ millions	Owned assets					Total
	Investment property	Right-of-use assets	Land and buildings	Plant and equipment	Assets in the course of construction	
Depreciation and impairment						
At 1 January 2024	(135)	(234)	(125)	(177)	-	(671)
Exchange differences	-	(2)	(2)	(2)	-	(6)
Charge for the year	(8)	(35)	(8)	(25)	-	(76)
Disposals and retirements	-	32	22	83	-	137
Reclassifications and transfers	-	-	-	-	-	-
Reversal of impairment/(impairment)	(1)	-	-	-	-	(1)
At 31 December 2024	(144)	(239)	(113)	(121)	-	(617)
Exchange differences	-	12	7	8	-	27
Charge for the year	(8)	(34)	(9)	(23)	-	(74)
Disposals and retirements	-	32	-	12	-	44
Reclassifications and transfers	-	-	-	-	-	-
Reversal of impairment/(impairment)	11	6	-	-	-	17
At 31 December 2025	(141)	(223)	(115)	(124)	-	(603)
Carrying amounts						
At 1 January 2024	79	108	40	60	9	296
At 31 December 2024	77	111	38	58	9	293
At 31 December 2025	91	111	34	55	10	301

10. Property, plant and equipment and investment property *continued*

Property, plant and equipment (including investment property) assets are assessed for impairment triggers annually or when triggering events occur. In 2025, there were impairment reversals of £20m (2024: £1m charge) in respect of property assets, comprising £17m in respect of right-of-use assets, and £3m in relation to owned assets that were classified as held for sale, which had a carrying value of £nil at 1 January 2025 but were sold for £3m during the year (see note 32).

Depreciation expense of £39m (2024: £42m; 2023: £40m) has been included in the income statement in cost of goods sold and £35m (2024: £34m; 2023: £39m) in operating expenses. The impairment reversal of £20m (2024: £1m charge; 2023: £2m charge) has been included within operating expenses within the income statement.

The recoverability of certain of the Group's right-of-use assets is based on the Group's ability to sublease vacant space. This involves the use of assumptions related to future subleases including the achievable rent, lease start dates, lease incentives such as rent free periods and the discount rate applied. Should the future sublease outcomes be more or less favourable than the assumptions used by management, this could result in additional impairment charges or reversals of impairment charges.

In 2025, total additions to right-of-use-assets are £51m (2024: £46m) including £10m (2024: £7m) in respect of investment property.

Investment property

Buildings, or portions of buildings, that are no longer occupied by the Group and are held for operating lease rental are classified as investment property. Investment property includes both right-of-use assets and owned assets. The Group recognised rental income of £10m (2024: £9m; 2023: £6m) in relation to properties classified as investment property. Investment property is measured using the cost model. As a result of the sublet agreements being entered into recently, as well as historical impairments, the fair value of investment property is deemed to be equal to the carrying value. The fair value of investment property has been determined using a discounted cash flow model. The valuation model is internally generated but uses inputs from external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuations require the application of judgement and involve the use of known inputs for existing contracted subleases as well as assumptions related to future potential subleases including the achievable rent, lease start dates, lease incentives such as rent free periods and the discount rate applied. The fair value measurement of investment properties has been classified as level 3 within the fair value hierarchy based on the inputs and valuation technique used. Should the future sublease outcomes be more or less favourable than the assumptions used by management, this could result in additional impairment charges or reversals of impairment charges.

11. Intangible assets

All figures in £ millions	Goodwill	Software	Acquired customer lists, contracts and relationships	Acquired trademarks and brands	Acquired publishing rights	Other intangibles acquired	Total
Cost							
At 1 January 2024	2,434	1,137	580	184	100	444	4,879
Exchange differences	2	12	6	(7)	-	(20)	(7)
Additions – internal development	-	91	-	-	-	-	91
Additions – purchased	-	-	-	-	-	-	-
Disposals and retirements	-	(89)	-	(1)	-	(5)	(95)
Acquisition of business (note 30)	1	-	-	-	-	1	2
Transfers	-	(5)	-	-	-	-	(5)
At 31 December 2024	2,437	1,146	586	176	100	420	4,865
Exchange differences	(114)	(56)	(33)	(6)	(3)	(13)	(225)
Additions – internal development	-	105	-	-	-	-	105
Additions – purchased	-	-	-	-	-	-	-
Disposals and retirements	-	(15)	-	-	-	-	(15)
Acquisition of business (note 30)	102	-	54	3	-	14	173
Transfers	-	-	-	-	-	-	-
At 31 December 2025	2,425	1,180	607	173	97	421	4,903

Notes to the consolidated financial statements *continued***11. Intangible assets** *continued*

All figures in £ millions	Goodwill	Software	Acquired customer lists, contracts and relationships	Acquired trademarks and brands	Acquired publishing rights	Other intangibles acquired	Total
Amortisation and impairment							
At 1 January 2024	-	(765)	(434)	(155)	(99)	(335)	(1,788)
Exchange differences	-	(8)	(6)	7	-	18	11
Charge for the year	-	(117)	(17)	(6)	-	(18)	(158)
Disposals and retirements	-	89	-	1	-	5	95
Transfers	-	1	-	-	-	-	1
At 31 December 2024	-	(800)	(457)	(153)	(99)	(330)	(1,839)
Exchange differences	-	38	26	5	3	11	83
Charge for the year	-	(112)	(16)	(5)	-	(20)	(153)
Disposals and retirements	-	15	-	-	-	-	15
Transfers	-	-	-	-	-	-	-
At 31 December 2025	-	(859)	(447)	(153)	(96)	(339)	(1,894)
Carrying amounts							
At 1 January 2024	2,434	372	146	29	1	109	3,091
At 31 December 2024	2,437	346	129	23	1	90	3,026
At 31 December 2025	2,425	321	160	20	1	82	3,009

KE Key areas of estimation

The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance.

Software and acquired intangible assets

Acquired intangible assets are valued separately for each acquisition. For material business combinations, the valuation is determined with the support of a third-party specialist. The primary method of valuation used is the discounted cash flow method. Acquired intangibles are amortised either on a straight line basis or using an amortisation profile based on the projected cash flows underlying the acquisition date valuation of the intangible asset, which generally results in a larger proportion of amortisation being recognised in the early years of the asset's life, depending on the individual asset. The Group keeps the expected pattern of consumption under review. Other intangibles acquired includes technology.

Amortisation of £46m (2024: £40m; 2023: £37m) is included in the income statement in cost of goods sold and £107m (2024: £118m; 2023: £132m) in operating expenses. Impairment charges of £nil (2024: £nil; 2023: £nil) are included in operating expenses within the income statement.

The range of useful economic lives for each major class of intangible asset (excluding goodwill and software) is shown below:

	At 31 December 2025
	Useful economic life
Class of intangible asset	
Acquired customer lists, contracts and relationships	3–20 years
Acquired trademarks and brands	2–20 years
Acquired publishing rights	5–20 years
Other intangibles acquired	2–20 years

The expected amortisation profile of acquired intangible assets is shown below:

All figures in £ millions	At 31 December 2025				Total
	One to five years	Six to ten years	Eleven to fifteen years	Sixteen to twenty years	
Class of intangible asset					
Acquired customer lists, contracts and relationships	72	50	34	4	160
Acquired trademarks and brands	16	4	-	-	20
Acquired publishing rights	1	-	-	-	1
Other intangibles acquired	69	9	4	-	82

11. Intangible assets *continued*

Impairment tests for cash-generating units (CGUs) containing goodwill

Impairment tests have been carried out as described below. Goodwill was allocated to CGUs, or an aggregation of CGUs, where goodwill could not be reasonably allocated to individual business units. Impairment reviews were conducted on these aggregated CGUs as follows:

All figures in £ millions	2025 Goodwill	2024 Goodwill
Assessment & Qualifications	1,288	1,369
Virtual Learning	397	426
English Language Learning	250	246
Enterprise Learning & Skills	338	330
Higher Education	152	66
Total	2,425	2,437

Goodwill is tested at least annually for impairment. The recoverable amount of each aggregated CGU is based on the higher of value in use and fair value less costs of disposal. The impairment assessment is based on value in use. Other than goodwill there are no intangible assets with indefinite lives. No impairments of goodwill were recorded in 2025 or 2024.

Determination of CGUs and reallocation of goodwill

Pearson identifies its CGUs based on its operating model and how data is collected and reviewed for management reporting and strategic planning purposes in accordance with IAS 36 'Impairment of Assets'. The CGUs and CGU aggregations reflect the level at which goodwill is monitored by management.

In 2025, goodwill of £18m was transferred from the Higher Education CGU aggregation to the Enterprise Learning & Skills CGU aggregation in relation to the IT Pro business (see note 2). A relative value method was used to determine the amount of goodwill that should be transferred.

Key assumptions

For the purpose of estimating the value in use of the CGUs, management has used an income approach based on present value techniques. The calculations for all CGUs use cash flow projections based on financial budgets approved by the Board covering a five-year period.

The key assumptions used by management in the value in use calculations were:

Discount rates – The discount rates are based on the Group's weighted average cost of capital, where the cost of equity is calculated based on the risk-free rate of government bonds, adjusted for a risk premium to reflect the increased risk in investing in equities. Where CGUs cover multiple territories, a blended risk-free rate is used. Base discount rates were assessed as reflecting underlying economic conditions, and so no further risk premiums were considered necessary. The average pre-tax discount rates range from 10.3% to 12.6% (2024: pre-tax 10.8% to 13.2%).

Perpetuity growth rates – The perpetuity growth rates are based on inflation trends. A perpetuity growth rate of 2% (2024: 2%) was used for cash flows subsequent to the approved budget period for CGUs operating primarily in mature markets. This perpetuity growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGU operates and the long-term growth rate prospects of the sectors in which the CGU operates. A blended growth rate of 3.5% (2024: 3.5%) was used for cash flows subsequent to the approved budget period for English Language Learning which has a higher exposure to emerging markets with higher inflation. This geographically blended growth rate is generally in line with the long-term historical growth rates in those markets.

The key assumptions used by management in setting the financial budgets were as follows:

Forecast sales growth rates – Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. Key assumptions include growth in Enterprise Learning and Skills and English Language Learning due to product-led share gains and key accounts, growth in Virtual Learning driven by market demand and new schools, and strong core performance and market expansion in Assessments and Qualifications and Higher Education. The sales forecasts use average nominal growth rates of low-mid single digits for mature businesses in mature markets and mid-high single digit growth where there has been significant organic and / or inorganic investment.

Operating profits – Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of changes to product costs, strategic developments and new business cases to the extent they have been formally approved prior to the balance sheet date. Management applies judgement in allocating corporate costs on a reasonable and consistent basis in order to determine operating profit at a CGU level.

Management have considered the impact of climate change risks (including physical and transition risks and the costs associated with achieving the Group's net zero commitment) and are satisfied that any related costs will not materially impact the Group's cash flow projections or impairment judgements at 31 December 2025.

Notes to the consolidated financial statements *continued*

11. Intangible assets *continued*

The table below shows the key assumptions used by management in the value in use calculations.

	2025		2024	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Assessment & Qualifications	10.5%	2.0%	11.0%	2.0%
Virtual Learning	10.3%	2.0%	10.9%	2.0%
English Language Learning	12.6%	3.5%	13.2%	3.5%
Enterprise Learning & Skills	10.6%	2.0%	10.8%	2.0%
Higher Education	10.5%	2.0%	10.8%	2.0%

Sensitivities

Impairment testing for the year ended 31 December 2025 has identified that the Enterprise Learning & Skills CGU aggregation is sensitive to reasonably possible changes in key assumptions. The Enterprise Learning & Skills headroom at 31 December 2025 is £123m, this headroom would be eliminated if the discount rate increased by 1.6%.

12. Investments in joint ventures and associates

The amounts recognised in the balance sheet are as follows:

All figures in £ millions	2025	2024
Associates	8	12
Total	8	12

The amounts recognised in the income statement for the year ended 31 December 2025 were a profit of £1m (2024: £2m; 2023: £1m).

The Group has no material associates or joint ventures. The largest associate is a 49% interest in The Egyptian International Publishing Company-Longman, which had a carrying value of £6m as at 31 December 2025 (2024: £9m).

During 2024, the Group sold part of its investment in its associate, Academy of Pop, for £4m, resulting in a gain of £2m. The remaining stake is now classified as a financial investment.

There were no material transactions with associates or joint ventures during 2025 or 2024.

13. Deferred income tax

All figures in £ millions	2025	2024
Deferred income tax assets	58	52
Deferred income tax liabilities	(89)	(63)
Net deferred income tax liability	(31)	(11)

Substantially all of the deferred income tax assets are expected to be recovered after more than one year. See note 7 for details of provisions for tax uncertainties held within deferred tax.

Deferred tax assets and liabilities are presented on a net basis where the Group has a legally enforceable right of offset and the taxes relate to the same fiscal authority.

At 31 December 2025, the Group has gross tax losses for which no deferred tax asset is recognised of £896m (2024: £965m). The expiry date and key geographic split of these losses is set out in the following table.

Year ended 31 December 2025	Gross				Tax effected			
	UK	US	Other	Total	UK	US	Other	Total
Tax losses expiring:								
Within 10 years	-	411	14	425	-	86	3	89
Within 10–20 years	-	117	-	117	-	6	-	6
Available indefinitely	167	39	148	354	42	2	47	91
Total	167	567	162	896	42	94	50	186

13. Deferred income tax *continued*

Year ended 31 December 2024	Gross				Tax effected			
	UK	US	Other	Total	UK	US	Other	Total
Tax losses expiring:								
Within 10 years	-	443	21	464	-	92	5	97
Within 10–20 years	-	135	-	135	-	7	-	7
Available indefinitely	167	38	161	366	42	2	52	96
Total	167	616	182	965	42	101	57	200

The decrease in unrecognised tax losses in the US is principally due to the impact of foreign exchange movements. The decrease in unrecognised tax losses in Other is principally due to the increased recognition of tax losses in Brazil during the period. Other unrecognised tax losses includes £100m gross (2024: £116m) and £34m tax effected (2024: £39m) relating to Brazil.

Other gross deductible temporary differences for which no deferred tax asset is recognised total £198m (2024: £194m). This includes £190m (2024: £188m) in respect of interest limitations. The amount of temporary differences associated with subsidiaries for which no deferred tax has been provided totals £274m (2024: £290m).

No deferred income tax assets (2024: £9m) have been recognised in countries that reported a tax loss in either the current or preceding year. The 2024 balance primarily arose in respect of tax losses in Australia and Argentina.

The recognition of the deferred income tax assets is supported by management's forecasts of the future profitability of the relevant countries. In some cases deferred income tax assets are forecast to be recovered through taxable profits over a period that exceeds five years. Management consider these forecasts are sufficiently reliable to support the recovery of the assets. Where there are insufficient forecasts of future profits, deferred income tax assets have not been recognised.

The movement in deferred income tax assets and liabilities during the year is as follows:

All figures in £ millions	Trading losses	Accruals and other provisions	Retirement benefit obligations	Deferred revenue	Goodwill and intangibles	Interest limitations	Other	Total
Deferred income tax assets/(liabilities)								
At 1 January 2024	101	59	(114)	43	(152)	34	18	(11)
Exchange differences	(2)	-	-	-	-	-	(1)	(3)
Acquisitions and disposals of subsidiaries	-	-	-	-	-	-	-	-
Income statement benefit/(charge)	(23)	(2)	3	2	29	(16)	4	(3)
Tax charge in OCI/equity	-	7	(2)	-	-	-	1	6
At 31 December 2024	76	64	(113)	45	(123)	18	22	(11)
Exchange differences	-	(2)	-	(1)	-	-	-	(3)
Acquisitions and disposals of subsidiaries	-	-	-	-	(1)	-	-	(1)
Income statement benefit/(charge)	(10)	2	(6)	(2)	35	(18)	(8)	(7)
Tax charge in OCI/equity	-	(6)	(3)	-	-	-	-	(9)
At 31 December 2025	66	58	(122)	42	(89)	-	14	(31)

Included within accruals and other provisions is an amount of £15m (2024: £23m) in respect of share based payments. Other deferred income tax items include temporary differences in respect of right-of-use assets (deferred tax asset of £37m (2024: £47m), with an offsetting deferred tax liability of £33m (2024: £37m), and accelerated capital allowances of £10m (2024: £11m).

Notes to the consolidated financial statements *continued*

14. Classification of financial instruments

The accounting classification of each class of the Group's financial assets, and their carrying values, is as follows:

		2025				
All figures in £ millions	Notes	Fair value through other comprehensive income	Fair value through profit and loss	Fair value – hedging instrument	Amortised cost Financial assets	Total carrying value
Investments in listed and unlisted securities	15	24	101	–	–	125
Cash and cash equivalents	17	–	11	–	322	333
Derivative financial instruments	16	–	14	2	–	16
Trade receivables	22	–	–	–	661	661
Investment in finance lease receivable	22	–	–	–	66	66
Other receivable		–	16	–	–	16
Total financial assets		24	142	2	1,049	1,217

		2024				
All figures in £ millions	Notes	Fair value through other comprehensive income	Fair value through profit and loss	Fair value – hedging instrument	Amortised cost Financial assets	Total carrying value
Investments in listed and unlisted securities	15	28	113	–	–	141
Cash and cash equivalents	17	–	62	–	481	543
Derivative financial instruments	16	–	30	21	–	51
Trade receivables	22	–	–	–	614	614
Contract assets – unbilled ¹	22	–	–	–	71	71
Investment in finance lease receivable	22	–	–	–	83	83
Other receivable		–	12	–	–	12
Total financial assets		28	217	21	1,249	1,515

1. In 2025, we have removed the amounts related to unbilled revenue as they are not required to be disclosed in this note. The 2024 comparative has not been restated on the grounds of materiality.

The carrying value of the Group's financial assets is equal to, or approximately equal to, the market value. The other receivable includes the contingent consideration receivable on the disposal of POLs.

The accounting classification of each class of the Group's financial liabilities, together with their carrying values and market values, is as follows:

		2025				
All figures in £ millions	Notes	Fair value through profit and loss	Fair value – hedging instrument	Amortised cost Other financial liabilities	Total carrying value	Total market value
Derivative financial instruments	16	(2)	(1)	–	(3)	(3)
Trade payables	24	–	–	(281)	(281)	(281)
Deferred and contingent consideration	24	(1)	–	(16)	(17)	(17)
Borrowings due within one year	18	–	–	(62)	(62)	(62)
Borrowings due after more than one year	18	–	–	(1,419)	(1,419)	(1,398)
Total financial liabilities		(3)	(1)	(1,778)	(1,782)	(1,761)

		2024				
All figures in £ millions	Notes	Fair value through profit and loss	Fair value – hedging instrument	Amortised cost Other financial liabilities	Total carrying value	Total market value
Derivative financial instruments	16	(10)	(48)	–	(58)	(58)
Trade payables	24	–	–	(273)	(273)	(273)
Deferred and contingent consideration	24	(1)	–	(21)	(22)	(22)
Borrowings due within one year	18	–	–	(315)	(315)	(312)
Borrowings due after more than one year	18	–	–	(1,157)	(1,157)	(1,123)
Total financial liabilities		(11)	(48)	(1,766)	(1,825)	(1,788)

14. Classification of financial instruments *continued*

Fair value measurement

Financial instruments that are measured subsequently to initial recognition at fair value are grouped into levels 1 to 3, based on the degree to which the fair value is observable, as follows:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Group's bonds valued at £685m (2024: £918m) and money market funds of £11m (2024: £62m) included within cash and cash equivalents, listed securities of £1m (2024: £6m) and £3m (2024: £nil) of other receivables relating to an escrow account (see note 30) are classified as level 1.

Level 2 fair value measurements are those derived from inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The Group's derivative assets valued at £16m (2024: £51m) and derivative liabilities valued at £3m (2024: £58m) are classified as level 2.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's investments in unlisted securities are valued at £124m (2024: £135m), contingent consideration of £1m (2024: £1m) and the other receivable of £13m (2024: £12m) are classified as level 3.

The movements in fair values of level 3 financial assets measured at fair value are shown in the table below:

All figures in £ millions	2025			2024
	Other receivable	Investments in unlisted securities	Total	Total
At 1 January	12	135	147	155
Exchange differences	-	(7)	(7)	2
Acquisition of investments and other receivable	-	5	5	9
Repayments	(1)	-	(1)	-
Reclassification out of level 3	-	-	-	(6)
Fair value movements - OCI	-	(2)	(2)	(2)
Fair value movements - income statement	2	(7)	(5)	(11)
At 31 December	13	124	137	147

The fair value of the investments in unlisted securities is determined by reference to the financial performance of the underlying asset, recent funding rounds and amounts realised on the sale of similar assets. In 2024, one of the investments held was listed, and therefore the investment of £6m was reclassified out of level 3 and into level 1. The investment had a carrying value of £1m as at 31 December 2025.

The other receivable relates to £13m (2024: £12m) in respect of the contingent consideration receivable for the sale of the POLS business, which comprises a 27.5% share of positive adjusted EBITDA in each calendar year for six years from the date of disposal, and 27.5% of the proceeds received by the purchaser in relation to any future monetisation event.

The valuation of the contingent consideration receivable has been determined on the basis of a discounted cash flow model, and valued by a third-party specialist. The key inputs into the discounted cash flow model are the estimates of adjusted EBITDA for the 6 years from the date of disposal and the estimate of the valuation of the business thereafter. Reasonably possible changes in assumptions for the inputs into the model would not have a material impact on the carrying value of the contingent consideration, and therefore sensitivities have not been disclosed.

The deferred and contingent consideration payable in respect of prior year acquisitions is measured as the net present value of the expected cash flows. The movement in the fair value of the deferred and contingent consideration payable measured at fair value or amortised cost is shown in the table below:

All figures in £ millions	2025		2024
	Deferred consideration	Contingent consideration	Total
At 1 January	(21)	(1)	(22)
Exchange differences	1	-	1
Acquisitions	-	-	-
Fair value movements - income statement	-	-	-
Repayments	4	-	4
At 31 December	(16)	(1)	(17)

Notes to the consolidated financial statements *continued*

15. Other financial assets

All figures in £ millions	2025	2024
At 1 January	141	143
Exchange differences	(7)	2
Acquisition of investments	5	9
Disposal of investments	-	-
Fair value movements – OCI	(7)	(2)
Fair value movements – income statement	(7)	(11)
At 31 December	125	141

Other financial assets are listed and unlisted securities of £125m (2024: £141m), of which £24m (2024: £28m) are classified at fair value through other comprehensive income (FVOCI), with the remaining £101m (2024: £113m) mainly relating to investments in funds, being required to be held at fair value through profit and loss (FVTPL). The assets, which are not held for trading, relate to the Group's interests in new and innovative educational ventures across the world. These are strategic investments and where permitted, the Group made the election to classify such investments as FVOCI on initial recognition of the assets. None of the investments are individually significant to the financial statements and therefore sensitivities have not been provided.

During the year, the Group did not dispose of any investments that were classified as FVOCI (2024: none).

16. Derivative financial instruments and hedge accounting

The Group's approach to the management of financial risks is set out in note 19. The Group's outstanding derivative financial instruments are as follows:

All figures in £ millions	2025			2024		
	Gross notional amounts	Assets	Liabilities	Gross notional amounts	Assets	Liabilities
Interest rate derivatives – in a fair value hedge relationship	-	-	-	166	-	(1)
Interest rate derivatives – not in a hedge relationship	375	14	(2)	779	22	(6)
Cross-currency rate derivatives – in a hedge relationship	-	-	-	342	21	(32)
Cross-currency rate derivatives – not in a hedge relationship	-	-	-	83	-	(4)
FX derivatives – in a hedge relationship	993	2	(1)	1,049	-	(15)
FX derivatives – not in a hedge relationship	163	-	-	711	8	-
Total	1,531	16	(3)	3,130	51	(58)
Analysed as expiring:						
In less than one year	1,156	2	(1)	2,505	31	(54)
Later than one year and not later than five years	75	-	(1)	325	3	(1)
In greater than five years	300	14	(1)	300	17	(3)
Total	1,531	16	(3)	3,130	51	(58)

16. Derivative financial instruments and hedge accounting *continued*

The Group's treasury policies only allow derivatives to be entered into where the objective is risk mitigation. These are then designated for hedge accounting using the following criteria:

- Where interest rate and cross-currency interest rate swaps are used to convert fixed rate debt to floating and we expect to receive inflows equal to the fixed rate debt interest, these are classified as fair value hedges;
- Where derivatives are used to create a future foreign currency exposure to provide protection against currency movements affecting the foreign currency movements of an overseas investment, these are designated as a net investment hedge;
- All other derivatives are not designated in a hedge relationship.

The Group's fixed rate GBP debt is held as fixed rate instruments at amortised cost.

The Group uses FX derivatives including forwards, collars, cross-currency swaps and swaptions to create synthetic USD debt as a hedge of its USD assets and to achieve reasonable certainty of USD currency conversion rates, in line with the Group's FX hedging policy. As at 31 December 2025, the Group held FX forwards and swaps with a notional of £324m (2024: £690m), with an additional £334m (2024: £180m) of collars.

In 2025, the Group repaid its euro issued debt. Until the debt was repaid, the Group used a combination of interest rate and cross-currency swaps to convert the Euro notes. Fair value hedges and net investment hedges were in place until the debt was repaid.

The Group's portfolio of derivatives is diversified by maturity, counterparty and type. Natural offsets between transactions within the portfolio and the designation of certain derivatives as hedges significantly reduce the risk of income statement volatility. The sensitivity of the portfolio to changes in market rates is set out in note 19.

Fair value hedges

In 2025, the Group repaid its euro issued debt and closed out various related derivative instruments. As at 31 December 2025, the Group has no designated fair value hedges in place.

Hedging of Euro Issued Debt:

The Group used interest rate swaps and cross-currency swaps as fair value hedges of the Group's euro issued debt.

Interest rate exposure arose from movements in the fair value of the Group's euro debt attributable to movements in euro interest rates. The hedged risk was the change in the euro bonds fair value attributable to interest rate movements. The hedged items were the Group's euro bonds which were issued at a fixed rate. The hedging instruments were fixed to floating euro interest rate swaps where the Group received fixed interest payments and paid three-month Euribor.

As the critical terms of the interest rate swaps matched the bonds, there was an expectation that the value of the hedging instrument and the value of the hedged item moved equally in the opposite direction as a result of movements in the zero coupon Euribor curve. Potential sources of hedge ineffectiveness would have been material changes in the credit risk of swap counterparties or a reduction or modification in the hedge item.

A foreign currency exposure arose from foreign exchange fluctuations on translation of the Group's euro debt into GBP. The hedged risk was the risk of changes in the GBP:EUR spot rate that resulted in changes in the value of the euro debt when translated into GBP. The hedged items were a portion of the Group's euro bonds. The hedging instruments were floating to floating cross-currency swaps which mitigated an exposure to the effect of euro strengthening against GBP within the hedge item.

As the critical terms of the cross-currency swap matched the bonds, there was an expectation that the value of the hedging instrument and the value of the hedged item moved in the opposite direction as a result of movements in the EUR:GBP exchange rate. Potential sources of hedge ineffectiveness were a reduction or modification in the hedged item or a material change in the credit risk of swap counterparties.

The Group held the following instruments to hedge exposures to changes in interest rates and foreign currency risk associated with borrowings:

	2025		
	Carrying amount of hedging instruments	Change in fair value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments
Derivative financial instruments for interest rate risk	–	1	–
Derivative financial instruments for currency risk	–	(21)	–

All figures in £ millions

Notes to the consolidated financial statements *continued*

16. Derivative financial instruments and hedge accounting *continued*

All figures in £ millions	2024		
	Carrying amount of hedging instruments	Change in fair value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments
Derivative financial instruments for interest rate risk	(1)	5	166
Derivative financial instruments for currency risk	21	(8)	166

The amounts at the reporting date relating to items designated as hedge items were as follows:

All figures in £ millions	2025				
	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Change in fair value of hedged item used to determine hedge ineffectiveness	Hedge ineffectiveness	Line item in profit or loss that includes hedge ineffectiveness
Interest rate risk					Finance costs
Financial liabilities – borrowings	–	–	–	–	
Currency risk					Finance costs
Financial liabilities – borrowings	–	–	–	–	

All figures in £ millions	2024				
	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Change in fair value of hedged item used to determine hedge ineffectiveness	Hedge ineffectiveness	Line item in profit or loss that includes hedge ineffectiveness
Interest rate risk					
Financial liabilities – borrowings	(166)	1	(5)	–	Finance costs
Currency risk					
Financial liabilities – borrowings	(166)	n/a	8	–	Finance costs

Hedge of net investment in a foreign operation

A foreign currency exposure arises from the translation of the Group's net investments in its subsidiaries. The hedged risk is the risk of changes in the currency spot rate (eg GBP:USD) that will result in changes in the value of the Group's net investment in its overseas subsidiaries when translated into GBP. The hedged items are a portion of the Group's assets which are denominated in USD. The hedging instruments are debt and derivative financial instruments, including cross-currency swaps, FX forwards and FX collars, which mitigates an exposure to the effect of a weakening USD on the hedged item against GBP. It is expected that the change in value of each of these items will mirror each other as there is a clear and direct economic relationship between the hedging instrument and the hedged item in the hedge relationship.

Hedge ineffectiveness would arise if the value of the hedged items fell below the value of the hedging instruments; however, this is unlikely as the value of the Group's assets denominated in USD is significantly greater than the proposed net investment programme.

The amounts related to items designated as hedging instruments were as follows:

All figures in £ millions	2025				
	Carrying amount of hedging instruments	Change in value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments	Hedging gains/(losses) recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Derivative financial instruments	1	48	993	48	–
Financial liabilities – borrowings	–	–	–	–	–

All figures in £ millions	2024				
	Carrying amount of hedging instruments	Change in value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments	Hedging gains/(losses) recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Derivative financial instruments	(47)	(29)	1,225	(29)	–
Financial liabilities – borrowings	–	–	–	–	–

Included in the translation reserve is a cost of hedging reserve relating to the time value of FX collars which is not separately disclosed due to materiality. The value of that reserve will decrease over the life of the hedge transaction. The balance as at 31 December 2025 was £nil (2024: £3m). During the year £nil (2024: £nil) of hedging gains were recycled to the profit and loss.

16. Derivative financial instruments and hedge accounting *continued*

Offsetting arrangements with derivative counterparties

All of the Group's derivative financial instruments are subject to enforceable netting arrangements with individual counterparties, allowing net settlement in the event of default of either party.

Derivative financial assets and liabilities subject to offsetting arrangements are as follows:

All figures in £ millions	2025			2024		
	Gross derivative assets	Gross derivative liabilities	Net derivative assets/liabilities	Gross derivative assets	Gross derivative liabilities	Net assets/liabilities
Counterparties in an asset position	16	(3)	13	24	(7)	17
Counterparties in a liability position	-	-	-	27	(51)	(24)
Total as presented in the balance sheet	16	(3)	13	51	(58)	(7)

Offset arrangements in respect of cash balances are described in note 17.

Counterparty exposure from all derivatives is managed, together with that from deposits and bank account balances, within credit limits that reflect published credit ratings and by reference to other market measures (e.g. market prices for credit default swaps) to ensure that there is no significant exposure to any one counterparty's credit risk.

The Group has no material embedded derivatives that are required to be separately accounted for in accordance with IFRS 9 'Financial Instruments'.

17. Cash and cash equivalents (excluding overdrafts)

All figures in £ millions	2025	2024
Cash at bank and in hand	327	444
Short-term bank deposits	6	99
Cash and cash equivalents	333	543

All figures in £ millions	2025	2024
Cash and cash equivalents	333	543
Bank overdrafts	-	-
Cash and cash equivalents in the cash flow statement	333	543

Included within cash at bank and in hand is £11m (2024: £62m) of money market funds. Short-term bank deposits are invested with banks and earn interest at the prevailing short-term deposit rates.

At the end of 2025, the currency split of cash and cash equivalents was US dollar 29% (2024: 33%), sterling 14% (2024: 27%), and other 57% (2024: 40%).

Cash and cash equivalents have fair values that approximate to their carrying value due to their short-term nature.

The Group has certain cash pooling arrangements in US dollars, sterling, Euro and Canadian dollars where both the company and the bank have a legal right of offset. The company presents these amounts net in the balance sheet where legal right of offset exists and the company has the intention to settle net if required. As at 31 December 2025, £nil of financial liabilities (2024: £2m) were presented net within financial assets.

18. Financial liabilities – borrowings

The Group's current and non-current borrowings are as follows:

All figures in £ millions	2025	2024
Non-current		
3.75% GBP notes 2030 (nominal amount £350m)	356	355
5.375% GBP notes 2034 (nominal amount £350m)	350	350
Revolving Credit Facilities	297	-
Lease liabilities (see note 34)	416	452
	1,419	1,157
Current (due within one year or on demand)		
1.375% Euro notes 2025 (nominal amount €300m)	-	250
Lease liabilities (see note 34)	62	65
Overdrafts	-	-
	62	315
Total borrowings	1,481	1,472

Notes to the consolidated financial statements *continued***18. Financial liabilities – borrowings *continued***

Included in non-current borrowings is £13m of accrued interest (2024: £13m). No accrued interest is included in current borrowings (2024: £2m). The maturities of the Group's non-current borrowings are as follows:

All figures in £ millions	2025	2024
Between one and two years	70	71
Between two and five years	778	149
Over five years	571	937
	1,419	1,157

In May 2025, the Group repaid its €300m 1.375% Euro notes 2025 and closed out various related derivatives. In 2024, the Group issued a new £350m 5.375% GBP denominated Education Bond. The bond was admitted to trading on the London Stock Exchange. The proceeds from the bond were used to finance or refinance projects or expenditure that meets the eligible categories set out in the Group's Social Bond Framework.

The carrying amounts and market values of borrowings are as follows:

All figures in £ millions	Effective interest rate	Carrying value	2025		2024	
			Market value	Effective interest rate	Carrying value	Market value
1.375% Euro notes 2025	–	–	–	1.44%	250	247
3.75% GBP notes 2030	3.93%	356	338	3.93%	355	328
5.375% GBP notes 2034	5.6%	350	347	5.6%	350	343
Revolving Credit Facilities	n/a	297	297	–	–	–
		1,003	982		955	918

The market values stated above are based on clean market prices at the year end or, where these are not available, on the quoted market prices of comparable debt issued by other companies. The effective interest rates above relate to the underlying debt instruments.

The carrying amounts of the Group's borrowings before the effect of derivatives (see notes 16 and 19 for further information on the impact of derivatives) are denominated in the following currencies:

All figures in £ millions	2025	2024
US dollar	153	187
Sterling	1,309	1,013
Euro	2	253
Other	17	19
	1,481	1,472

In June 2025, the Group secured a new three-year, \$800 million revolving credit facility. This facility can be utilised for general corporate purposes, enhancing our liquidity, and is in addition to the Group's existing revolving credit facility. The Group had \$1.4bn (£1.0bn) of undrawn capacity on its committed borrowing facilities as at 31 December 2025 (2024: \$1bn (£0.8bn) undrawn). For these facilities, the two main covenants require net debt to EBITDA to be a maximum of four times and interest cover to be at least three times. The Group reports against these criteria twice a year and has had significant headroom against both criteria throughout the reporting period. Based on current projections, the covenants will not be breached when they are next tested at the 2026 interim reporting date. There are no additional significant covenants attached to any of the GBP denominated notes.

In addition, there are a number of short-term facilities that are utilised in the normal course of business. All of the Group's borrowings are unsecured. In respect of lease obligations, the rights to the leased asset revert to the lessor in the event of default.

19. Financial risk management

The Group's approach to the management of financial risks, together with sensitivity analyses of its financial instruments, is set out below.

Treasury policy

Pearson's treasury policies set out the Group's principles for addressing key financial risks including capital risk, liquidity risk, foreign exchange risk and interest rate risk, and sets out measurable targets for each. The Audit Committee receives quarterly reports incorporating compliance with measurable targets and reviews and approves any changes to treasury policies annually.

The treasury function is permitted to use derivatives where their use reduces a risk or allows a transaction to be undertaken more cost effectively. Derivatives permitted include swaps, forwards and collars to manage foreign exchange and interest rate risk, with foreign exchange swap and forward contracts the most commonly executed. Speculative transactions are not permitted.

Capital risk

The Group's objectives when managing capital are:

- To maintain a strong balance sheet and a solid investment grade rating;
- To continue to invest in the business organically and through acquisitions; and
- To have a sustainable and progressive dividend policy.

At 31 December 2025, the Group and its bonds were rated BBB (stable outlook) with Fitch Ratings Limited and Baa2 (stable outlook) with Moody's Investor Services.

19. Financial risk management *continued*

Net debt

The Group's net debt position is set out below:

All figures in £ millions	2025	2024
Cash and cash equivalents	333	543
Overdrafts	-	-
Derivative financial instruments	13	(7)
Revolving Credit Facilities	(297)	-
Bonds	(706)	(955)
Investment in finance lease receivable	66	83
Lease liabilities	(478)	(517)
Net debt	(1,069)	(853)

Interest and foreign exchange rate management

The Group's principal currency exposure is to the US dollar which represents 67% of the Group's sales.

The Group's long-term debt is primarily held in US dollars to provide a natural hedge of this exposure, which is achieved through issued US dollar debt or converting GBP debt to US dollars using cross-currency swaps, forwards and collars. As at 31 December 2025 the Group's gross debt is £1,481m (2024: £1,472m). £1,181m (2024: £1,472m) of debt is held at fixed rates and £300m (2024: £nil) is held at floating rates.

See note 16 for details of the Group's hedging programme which addresses interest rate risk and foreign currency risk.

Overseas profits are converted to sterling to satisfy sterling cash outflows such as dividends at the prevailing spot rate at the time of the transaction. To the extent the Group has sufficient sterling, US dollars may be held as dollar cash to provide a natural offset to the Group's debt or to satisfy future US dollar cash outflows.

The Group does not have significant cross-border foreign exchange transactional exposures.

As at 31 December 2025, the sensitivity of the carrying value of the Group's financial instruments to fluctuations in interest rates and exchange rates is as follows:

All figures in £ millions	Carrying value	Impact of 1% increase in interest rates	Impact of 1% decrease in interest rates	2025	
				Impact of 10% strengthening in sterling	Impact of 10% weakening in sterling
Investments in listed and unlisted securities	125	-	-	(8)	10
Other receivable	16	-	-	(1)	2
Cash and cash equivalents	333	-	-	(23)	27
Derivative financial instruments	13	2	(2)	41	(56)
Bonds	(706)	-	-	-	-
Other borrowings	(775)	-	-	16	(19)
Investment in finance lease receivable	66	-	-	(6)	7
Deferred and contingent consideration	(17)	-	-	2	(2)
Other net financial assets	465	-	-	(36)	45
Total	(480)	2	(2)	(15)	14

All figures in £ millions	Carrying value	Impact of 1% increase in interest rates	Impact of 1% decrease in interest rates	2024	
				Impact of 10% strengthening in sterling	Impact of 10% weakening in sterling
Investments in unlisted securities	141	-	-	(10)	12
Other receivable	12	-	-	(1)	1
Cash and cash equivalents	543	-	-	(32)	40
Derivative financial instruments	(7)	4	(4)	22	(24)
Bonds	(955)	-	-	23	(28)
Other borrowings	(517)	-	-	19	(23)
Investment in finance lease receivable	83	-	-	(8)	9
Deferred and contingent consideration	(22)	-	-	2	(2)
Other net financial assets	412	-	-	(32)	40
Total	(310)	4	(4)	(17)	25

Notes to the consolidated financial statements *continued***19. Financial risk management** *continued*

The previous table shows the sensitivities of the values of each class of financial instrument to an isolated change in either interest rates or foreign exchange rates. Any options that are out of the money at maturity will not be exercised and this assumption has been factored into the calculation. Other net financial assets comprise trade receivables less trade payables. When calculating the impact of the sensitivity of each class of financial instrument to foreign exchange rates, with the exception of net debt (including cash balances), the Group is mainly exposed to translational risk rather than transactional risk as transactions are mainly carried out in the currency that they are recorded in. The calculation excludes the impact of unhedged intercompany positions. As a result, a significant proportion of the movements shown in the table would impact equity rather than the income statement due to the location and functional currency of the entities in which they arise and the availability of net investment hedging.

Liquidity and refinancing risk management

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next three to five years, determining the level of debt facilities required to fund the business, planning for shareholder returns and repayments of maturing debt, and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

In June 2025, the Group secured a new three-year, \$800 million revolving credit facility. This facility can be utilised for general corporate purposes, enhancing our liquidity, and is in addition to the Group's existing revolving credit facility. At 31 December 2025, the Group had cash of £0.3bn (2024: £0.5bn), and outstanding drawings of £0.3bn (2024: £nil) on the US dollar denominated revolving credit facility maturing June 2028 and February 2029, but which have options to extend the maturities until 2030, of \$1.8bn (2024: \$1bn).

The facilities contain interest cover and leverage covenants which the Group has complied with for the year ended 31 December 2025. The maturity of the carrying values of the Group's borrowings and trade payables are set out in notes 18 and 24 respectively.

In May 2025, the Group repaid its €300m 1.375% Euro notes 2025 and closed out various related derivatives. In 2024, the Group issued a new £350m 5.375% GBP denominated Education Bond.

At the end of 2025, the currency split of the Group's trade payables was US dollar £207m (2024: £191m), sterling £46m (2024: £51m) and other currencies £28m (2024: £31m). Trade payables are all due within one year (2024: all due within one year).

The next table analyses the Group's bonds and derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. FX derivatives related to net investment hedges are included in this table. Derivatives that are not part of our net investment hedging have been excluded as they are short dated. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet. Any cash flows based on a floating rate are calculated using interest rates set at the interest rates prevailing at 31 December of the relevant year. Where this is not possible, floating rates are based on interest rates prevailing at 31 December in the relevant year.

All figures in £ millions	Analysed by maturity				Analysed by currency			
	Greater than one month and less than one year	Later than one year but less than five years	Five years or more	Total	USD	GBP	Other	Total
At 31 December 2025								
Bonds	32	478	425	935	-	935	-	935
Rate derivatives - inflows	(11)	(39)	(32)	(82)	-	(82)	-	(82)
Rate derivatives - outflows	9	32	26	67	-	67	-	67
FX forwards - inflows	(326)	-	-	(326)	-	(326)	-	(326)
FX forwards - outflows	324	-	-	324	324	-	-	324
Total	28	471	419	918	324	594	-	918
At 31 December 2024								
Bonds ¹	250	-	705	955	-	705	250	955
Rate derivatives - inflows	(394)	(3)	(17)	(414)	(2)	(163)	(249)	(414)
Rate derivatives - outflows	408	1	3	412	176	235	1	412
FX forwards - inflows	(1,034)	-	-	(1,034)	-	(1,034)	-	(1,034)
FX forwards - outflows	1,049	-	-	1,049	1,049	-	-	1,049
Total	279	(2)	691	968	1,223	(257)	2	968

1. The 2024 figures for bonds have been given on a discounted basis for the year ended 31 December 2025. If the same methodology had been applied for the year ended 31 December 2024, the total value of the bonds would be £1,219m, of which £284m is greater than one month and less than one year, £128m later than one year but less than five years, and £807m greater than five years. The currency split is sterling £967m and Euro £252m.

19. Financial risk management *continued*

Financial counterparty and credit risk management

Financial counterparty and credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and contract assets. Counterparty credit limits, which take published credit rating and other factors into account, are set to cover the Group's total aggregate exposure to a single financial institution. The limits applicable to published credit rating bands are approved by the Chief Financial Officer within guidelines approved by the Board. Exposures and limits applicable to each financial institution are reviewed on a regular basis.

Cash deposits and derivative transactions are made with approved counterparties up to pre-agreed limits. To manage counterparty risk associated with cash and cash equivalents, the Group uses a mixture of money market funds as well as bank deposits. As at 31 December 2025, 91% (2024: 86%) of cash and cash equivalents was held with investment grade bank counterparties, 6% (2024: 12%) with AAA money market funds and 3% (2024: 2%) with non-investment grade bank counterparties.

For trade receivables and contract assets, including contract assets - unbilled, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, risk associated with the industry and country in which customers operate may also influence the credit risk. The credit quality of customers is assessed by taking into account financial position, past experience and other relevant factors. Individual credit limits are set for each customer based on internal ratings. The compliance with credit limits is regularly monitored by the Group. A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

The carrying amounts of financial assets, trade receivables and contract assets represent the maximum credit exposure.

Trade receivables and contract assets are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. See note 22 for further details about trade receivables and contract assets including movements in provisions for bad and doubtful debts.

20. Intangible assets – product development

All figures in £ millions	2025	2024
Cost		
At 1 January	2,514	2,517
Exchange differences	(135)	17
Additions	285	284
Disposals and retirements	(38)	(309)
Transfers	-	5
At 31 December	2,626	2,514
Amortisation		
At 1 January	(1,567)	(1,570)
Exchange differences	89	(14)
Charge for the year	(276)	(287)
Impairment	(88)	(4)
Disposals and retirements	38	309
Transfers	-	(1)
At 31 December	(1,804)	(1,567)
Carrying amounts at 31 December	822	947

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. In 2025, of the £88m (2024: £4m; 2023: £4m) impairment charges, £87m (2024: £nil; 2023: £nil) have been recognised relating to the impairment of product development assets as a result of courseware platform convergence. The impairment charge is within Higher Education. The impairment assessment is based on the value in use of the cash-generating unit (CGUs) within the Higher Education aggregation of CGUs that these product development assets belong to. The value in use has been determined using the same methodology as in the assessment of the impairment tests for CGUs containing goodwill set out in note 11. The key assumption in the value in use calculation is the cash flows attributable to the relevant CGU that these product development assets belong to. The other assumptions used in the value in use calculation, including discount rates and assumptions relating to sales and profits are in line with the assumptions for Higher Education set out in note 11. The impairment charge is not sensitive to reasonably possible changes in key assumptions.

Notes to the consolidated financial statements *continued***21. Inventories**

All figures in £ millions	2025	2024
Raw materials	3	5
Work in progress	1	2
Finished goods	59	63
Returns asset	3	4
	66	74

The cost of inventories recognised as an expense and included in the income statement in cost of goods sold amounted to £120m (2024: £129m; 2023: £155m) including £8m (2024: £7m; 2023: £19m) of inventory provisions. None of the inventory is pledged as security. Included within the inventory balance is the estimation of the right to receive goods from contracts with customers via returns. The value of the returns asset is measured at the carrying amount of the assets at the time of sale aligned to the Group's normal inventory valuation methodology less any expected costs to recover the asset and any expected reduction in value. Impairment charges against the inventory returns asset are £1m in 2025 (2024: £nil; 2023: £nil). The returns asset all relates to finished goods. The year-on-year reduction in inventories is due to the increasing shift towards print on demand.

22. Trade and other receivables

All figures in £ millions	2025	2024
Current		
Trade receivables	651	605
Contract assets – unbilled	86	71
Investment in finance lease receivable	21	19
Prepayments and other receivables	324	335
	1,082	1,030
Non-current		
Trade receivables	10	9
Investment in finance lease receivable	45	64
Prepayments and other receivables	50	52
	105	125

Contract assets – unbilled represents contract assets which are unbilled amounts generally resulting from US assessments where the performance obligations are yet to be fully delivered and therefore the revenue to be recognised over time has been recognised in excess of customer billings to date. Impairment charges on these contract assets are £nil (2024: £nil). Where performance obligations have been fully delivered but the amounts have not yet been billed, these are included within trade receivables. Contract assets arising from costs incurred to obtain a contract are included in other receivables. The carrying value of the Group's trade and other receivables approximates its fair value. Trade receivables are stated net of provisions for bad and doubtful debts.

The movements in the provision for bad and doubtful debts are as follows:

All figures in £ millions	2025	2024
At 1 January	(40)	(51)
Exchange differences	1	2
Income statement movements	(24)	(4)
Utilised	7	13
At 31 December	(56)	(40)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed.

The ageing of the Group's gross trade receivables is as follows:

All figures in £ millions	2025	2024
Contract assets – unbilled	86	71
Within due date and one month past due date	554	488
One to three months past due date	57	53
Three to six months past due date	24	22
Six to nine months past due date	12	24
Nine to 12 months past due date	8	13
More than 12 months past due date	62	54
Gross trade receivables	803	725

The Group reviews its bad debt provision at least twice a year following a detailed review of receivable balances, historical payment profiles, and assessment of relevant forward-looking risk factors including macroeconomic trends. Management believes all the remaining receivable balances are fully recoverable.

23. Provisions for other liabilities and charges

All figures in £ millions	Property	Legal and other	Total
At 1 January 2025	15	21	36
Provisions made during the year	–	9	9
Provisions reversed during the year	(5)	(2)	(7)
Provisions used during the year	–	(19)	(19)
Acquisition of businesses (note 30)	–	1	1
At 31 December 2025	10	10	20

Analysis of provisions:

All figures in £ millions	2025		
	Property	Legal and other	Total
Current	4	4	8
Non-current	6	6	12
	10	10	20
2024			
Current	3	20	23
Non-current	12	1	13
	15	21	36

Legal and other includes legal claims, contract disputes and potential contract losses with the provisions utilised as the cases are settled. Also included in legal and other are other restructuring provisions that are generally utilised within one year.

The year-on-year decrease in provisions is mainly due to the utilisation of reorganisation provisions and reversal of property provisions in the year.

24. Trade and other liabilities

All figures in £ millions	2025	2024
Current		
Trade payables	281	273
Sales return liability	19	27
Deferred income	328	329
Interest payable	13	12
Accruals and other liabilities	402	413
	1,043	1,054
Non-current		
Deferred income	61	62
Accruals and other liabilities	15	21
	76	83

The carrying value of the Group's trade and other liabilities approximates its fair value. The deferred income balance comprises contract liabilities in respect of advance payments in assessment, testing and training businesses; subscription income in school and college businesses; and obligations to deliver digital content in future periods.

25. Retirement benefit and other post-retirement obligations

Background

The Group operates a number of defined benefit and defined contribution retirement plans throughout the world.

The largest plan is the Pearson Pension Plan (UK Group plan) in the UK, which is sectionalised to provide both defined benefit and defined contribution pension benefits. The defined benefit section was largely closed to new members from 1 November 2006. The defined contribution section, opened in 2003, is open to new and existing employees. Finally, there is a separate section within the UK Group plan set up for auto-enrolment.

The defined benefit section of the UK Group plan is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits depends on the length of service and final pensionable pay.

Notes to the consolidated financial statements *continued*

25. Retirement benefit and other post-retirement obligations *continued*

The defined contribution section of the UK Group plan operates a Reference Scheme Test (RST) pension underpin for its members. Where a member's fund value is insufficient to purchase the RST pension upon retirement, the UK Group plan is liable for the shortfall to cover the member's RST pension. In addition, in recent years, the scheme rules were amended to enable members who have sufficient funds to purchase an RST pension the ability to convert their fund value into a pension in the UK Group plan as an alternative to purchasing an annuity with an insurer. The Group recognises any assets and liabilities relating to these features of the defined contribution section as part of the overall UK Group plan obligation. The Group also recognises the assets and liabilities for all members of the defined contribution section of the UK Group plan, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 'Employee Benefits' as there is a risk the underpin will require the Group to pay further contributions to the scheme.

The UK Group plan is funded with benefit payments from trustee-administered funds. The UK Group plan is administered in accordance with the Trust Deed and Rules in the interests of its beneficiaries by Pearson Pension Trustee Limited.

At 31 December 2025, the UK Group plan had approximately 25,700 members, analysed in the following table:

All figures in %	Active	Deferred	Pensioners	Total
Defined benefit	–	12	35	47
Defined contribution	11	42	–	53
Total	11	54	35	100

The other major defined benefit plans are based in the US. These are also final salary pension plans which provide benefits to members in the form of a guaranteed pension payable for life, with the level of benefits dependent on length of service and final pensionable pay. The majority of the US plans are fully funded. In 2025, the Group entered into a buy-out agreement with a third party insurance provider to fully insure the liabilities of the Pearson Inc Pension Plan. Under the terms of the buy-out, the insurer has assumed responsibility for paying all future benefits to members of the scheme. The buy-out was primarily funded using existing scheme assets. The Group has derecognised the pension liability associated with the scheme from its balance sheet for no material gain or loss.

The Group also has several post-retirement medical benefit plans (PRMBs), principally in the US. PRMBs are unfunded but are accounted for and valued similarly to defined benefit pension plans.

The defined benefit schemes expose the Group to actuarial risks, such as life expectancy, inflation risks and investment risk including asset volatility and changes in bond yields. The Group is not exposed to any unusual, entity-specific or plan-specific risks.

KJ Key judgements

- Whether the Group will be eligible to receive the surplus associated with the UK Group Pension Plan in recognising a pension asset.

KE Key areas of estimation

- The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity.

Assumptions

The principal assumptions used for the UK Group plan and the US PRMB are shown below. Weighted average assumptions have been shown for the other plans, which primarily relate to US pension plans.

All figures in %	2025			2024			2023		
	UK Group plan	Other plans	PRMB	UK Group plan	Other plans	PRMB	UK Group plan	Other plans	PRMB
Inflation	2.8	2.0	–	3.1	2.0	–	3.0	2.0	–
Rate used to discount plan liabilities	5.5	4.9	4.9	5.5	5.1	5.4	4.6	4.9	5.0
Expected rate of increase in salaries	3.3	2.5	–	3.6	2.5	–	3.5	2.5	–
Expected rate of increase for pensions in payment and deferred pensions	1.70 to 5.10	–	–	1.85 to 5.15	–	–	1.75 to 5.10	–	–
Initial rate of increase in healthcare rate	–	–	6.8	–	–	7.0	–	–	6.5
Ultimate rate of increase in healthcare rate	–	–	5.0	–	–	5.0	–	–	5.0

25. Retirement benefit and other post-retirement obligations continued

The UK discount rate is based on corporate bond yields adjusted to reflect the duration of liabilities.

The inflation rate for the UK Group plan of 2.8% (2024: 3.1%) reflects the RPI rate. In line with changes to legislation in 2010, certain benefits have been calculated with reference to CPI as the inflationary measure and in these instances a rate of 2.2% (2024: 2.5%) has been used. The CPI rate is determined as a weighted average deduction from the RPI rate, and allows for the expected change to the formula for calculating RPI to be in line with CPIH from 2030 onwards.

For the UK Group plan, the mortality base table assumptions are derived from the SAPS S4 for males and females, adjusted to reflect the observed experience of the plan, with CMI model improvement factors. A 1.5% long-term rate improvement on the CMI 2024 model is applied for both males and females, with an adjustment to improvement at older ages, which slightly reduces life expectancies. Life expectancy remains uncertain in the current environment and is an area of judgement.

For the US plans, a mortality table (Pri – 2012) and 2021 improvement scale (MP – 2021) with generational projection for male and female annuitants has been adopted.

Using the above tables, the remaining average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date for the UK Group plan and US plans is as follows:

All figures in years	UK			US		
	2025	2024	2023	2025	2024	2023
Male	21.5	21.3	21.8	20.8	20.7	20.7
Female	24.5	24.5	24.1	22.8	22.7	22.6

The remaining average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, for the UK and US Group plans is as follows:

All figures in years	UK			US		
	2025	2024	2023	2025	2024	2023
Male	23.1	22.9	23.4	22.3	22.2	22.2
Female	26.2	26.2	25.8	24.2	24.1	24.1

Although the Group anticipates that plan surpluses will be utilised during the life of the plan to address member benefits, the Group recognises its pension surplus in full in respect of the UK Group plan on the basis that it is management's judgement that there are no substantive restrictions on the return of residual plan assets in the event of a winding up of the plan after all member obligations have been met.

Financial statement information

The amounts recognised in the income statement are as follows:

All figures in £ millions						2025
	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
Current service cost	17	1	18	41	–	59
Past service cost	–	–	–	–	–	–
Settlements	–	–	–	–	–	–
Administration expenses	9	–	9	–	–	9
Total operating expense	26	1	27	41	–	68
Interest on plan assets	(158)	(3)	(161)	–	–	(161)
Interest on plan liabilities	132	3	135	–	1	136
Net finance (income)/expense	(26)	–	(26)	–	1	(25)
Net income statement charge	–	1	1	41	1	43

All figures in £ millions						2024
	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
Current service cost	17	2	19	41	–	60
Past service cost	13	–	13	–	–	13
Settlements	–	–	–	–	–	–
Administration expenses	8	–	8	–	–	8
Total operating expense	38	2	40	41	–	81
Interest on plan assets	(138)	(5)	(143)	–	–	(143)
Interest on plan liabilities	116	5	121	–	1	122
Net finance (income)/expense	(22)	–	(22)	–	1	(21)
Net income statement charge	16	2	18	41	1	60

Notes to the consolidated financial statements *continued*

25. Retirement benefit and other post-retirement obligations *continued*

All figures in £ millions						2023
	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
Current service cost	16	2	18	45	-	63
Past service cost	-	-	-	-	-	-
Settlements	-	-	-	-	-	-
Administration expenses	8	-	8	-	-	8
Total operating expense	24	2	26	45	-	71
Interest on plan assets	(148)	(5)	(153)	-	-	(153)
Interest on plan liabilities	121	6	127	-	-	127
Net finance (income)/expense	(27)	1	(26)	-	-	(26)
Net income statement charge	(3)	3	-	45	-	45

The amounts recognised in the balance sheet are as follows:

All figures in £ millions	2025				2024			
	UK Group plan	Other funded plans	Other unfunded plans	Total	UK Group plan	Other funded plans	Other unfunded plans	Total
Fair value of plan assets	2,994	5	-	2,999	2,927	84	-	3,011
Present value of defined benefit obligation	(2,480)	(1)	(12)	(2,493)	(2,443)	(77)	(14)	(2,534)
Net pension asset/(liability)	514	4	(12)	506	484	7	(14)	477
Other post-retirement medical benefit obligation				(17)				(19)
Other pension accruals				(7)				(8)
Net retirement benefit asset				482				450
Analysed as:								
Retirement benefit assets				518				491
Retirement benefit obligations				(36)				(41)

The following gains/(losses) have been recognised in other comprehensive income:

All figures in £ millions	2025	2024	2023
Amounts recognised for defined benefit plans	11	4	(86)
Amounts recognised for post-retirement medical benefit plans	(1)	1	1
Total recognised in year	10	5	(85)

The fair value of plan assets comprises the following:

All figures in %	2025			2024		
	UK Group plan	Other funded plans	Total	UK Group plan	Other funded plans	Total
Insurance	30	-	30	31	-	31
Equities	19	-	19	17	1	18
Fixed interest securities	8	-	8	7	2	9
Property	5	-	5	5	-	5
Pooled asset investment funds (including LDI)	21	-	21	22	-	22
Infrastructure	10	-	10	11	-	11
Cash and cash equivalents	4	1	5	2	-	2
Other	2	-	2	2	-	2

25. Retirement benefit and other post-retirement obligations *continued*

The plan assets do not include any of the Group's own financial instruments, or any property occupied by the Group. The table below further disaggregates the plan assets into those assets which have a quoted market price in an active market and those that do not:

All figures in %	2025		2024	
	Quoted market price	No quoted market price	Quoted market price	No quoted market price
Insurance	-	30	-	31
Equities	19	-	18	-
Fixed-interest securities	8	-	9	-
Property	-	5	-	5
Pooled asset investment funds (including LDI)	21	-	22	-
Infrastructure	-	10	-	11
Cash and cash equivalents	-	5	-	2
Other	-	2	-	2
Total	48	52	49	51

The liquidity profile of the UK Group plan assets is as follows:

All figures in %	2025	2024
Liquid – call <1 month	53	50
Less liquid – call 1–3 months	2	2
Illiquid – call >3 months	45	48

Changes in the values of plan assets and liabilities of the retirement benefit plans are as follows:

All figures in £ millions	2025			2024		
	UK Group plan	Other plans	Total	UK Group plan	Other plans	Total
Fair value of plan assets						
Opening fair value of plan assets	2,927	84	3,011	3,060	107	3,167
Exchange differences	-	(4)	(4)	-	(2)	(2)
Interest on plan assets	158	3	161	138	5	143
Return on plan assets excluding interest	40	-	40	(144)	1	(143)
Contributions by employer	16	3	19	8	1	9
Contributions by employees	7	-	7	7	-	7
Benefits paid	(154)	(11)	(165)	(142)	(12)	(154)
Settlements	-	(70)	(70)	-	(16)	(16)
Closing fair value of plan assets	2,994	5	2,999	2,927	84	3,011
Present value of defined benefit obligation						
Opening defined benefit obligation	(2,443)	(91)	(2,534)	(2,569)	(114)	(2,683)
Exchange differences	-	4	4	-	-	-
Current service cost	(17)	(1)	(18)	(17)	(2)	(19)
Past service cost	-	-	-	(13)	-	(13)
Administration expenses	(9)	-	(9)	(8)	-	(8)
Interest on plan liabilities	(132)	(3)	(135)	(116)	(5)	(121)
Actuarial losses – experience	(50)	(2)	(52)	(53)	-	(53)
Actuarial gains – demographic	6	-	6	38	-	38
Actuarial gains/(losses) – financial	18	(1)	17	160	2	162
Contributions by employees	(7)	-	(7)	(7)	-	(7)
Benefits paid	154	11	165	142	12	154
Settlements	-	70	70	-	16	16
Closing defined benefit obligation	(2,480)	(13)	(2,493)	(2,443)	(91)	(2,534)

The weighted average duration of the defined benefit obligation is 14 years for the UK.

Notes to the consolidated financial statements *continued*

25. Retirement benefit and other post-retirement obligations *continued*

Changes in the value of the US PRMB are as follows:

All figures in £ millions	2025	2024
Opening defined benefit obligation	(19)	(21)
Exchange differences	2	-
Interest on plan liabilities	(1)	(1)
Actuarial gains – experience	(1)	1
Actuarial losses – financial	-	-
Benefits paid	2	2
Closing defined benefit obligation	(17)	(19)

Funding

The UK Group plan is self-administered with the plan's assets being held independently of the Group in trust. The trustee of the UK Group plan is required to act in the best interest of the plan's beneficiaries. The most recent triennial actuarial valuation for funding purposes was completed as at 1 January 2024, and this valuation revealed a technical provision surplus of £255m. The UK Group plan expects to be able to provide benefits (in accordance with the plan rules) with a very low level of reliance on future funding from the Group.

Assets of the final salary section of the UK Group plan are divided into two main elements: liability matching assets and return seeking assets. The UK Group plan's investment strategy for the final salary section allocates approximately 95% to matching assets and 5% to return-seeking assets.

Liability matching assets are assets that produce cash flows that can be expected to match the cash flows for a proportion of the membership, and include a liability-driven investment mandate (LDI) for which a Qualifying Investor Alternative Investment Fund (QIAIF) was established, managed by a subsidiary of Legal & General Investment Management. The QIAIF invests in UK bonds, interest rate/inflation swaps and other derivative instruments in order to reduce interest rate and inflation risks using accurate cash flow matching and risk control. Other liability matching assets include pensioner buy-in insurance policies, bonds and inflation-linked property and infrastructure.

Following the purchase of buy-in policies with Legal & General and Aviva in 2017 and 2019, 95% of the UK Group plan's pensioner liabilities were matched with buy-in policies. These transfer significant longevity risk to Aviva and Legal & General, reducing the pension risks being underwritten by the Group and providing additional security for members. Due to deferred members retiring since 2019 and becoming pensioner members the buy-in policies now cover approximately 75% of the UK Group Plan's pensioner liabilities.

Return-seeking assets are assets invested with a longer-term horizon to generate the returns needed to provide the remaining expected cash flows for the beneficiaries, and include diversified growth funds, property and alternative asset classes. Continued economic and geopolitical uncertainty has led to continued uncertainty and volatility in the valuation of certain assets, in particular the LDI and insurance contracts.

Movements in the LDI and insurance contracts tend to be offset by equivalent movements in the defined benefit obligation. The UK Group plan divides its assets between a number of investment managers and across different types of assets, as such there is no significant concentration of risk.

Regular employer contributions to the UK Group plan in respect of the defined benefit sections are estimated to be £nil for 2026.

Sensitivities

The effect of a one percentage point increase and decrease in the discount rate on the defined benefit obligation and the total pension expense is as follows:

All figures in £ millions	2025	
	1% increase	1% decrease
Effect:		
(Decrease)/increase in defined benefit obligation – UK Group plan	(151)	181
(Decrease)/increase in defined benefit obligation – US plan	(1)	1

The effect of members living one year more or one year less on the defined benefit obligation is as follows:

All figures in £ millions	2025	
	One year increase	One year decrease
Effect:		
Increase/(decrease) in defined benefit obligation – UK Group plan	40	(39)
Increase/(decrease) in defined benefit obligation – US plan	-	-

The effect of a half percentage point increase and decrease in the inflation rate is as follows:

All figures in £ millions	2025	
	0.5% increase	0.5% decrease
Effect:		
Increase/(decrease) in defined benefit obligation – UK Group plan	38	(36)
Increase/(decrease) in defined benefit obligation – US plan	-	-

25. Retirement benefit and other post-retirement obligations *continued*

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant, although in practice this is unlikely to occur and changes in some assumptions may be correlated. When calculating these sensitivities, the same method has been applied to calculate the defined benefit obligation as has been applied when calculating the liability recognised in the balance sheet. This methodology is the same as prior periods.

26. Share-based payments

The Group recognised the following charges in the income statement in respect of its equity-settled share-based payment plans:

All figures in years	2025	2024	2023
Pearson plans	39	44	40

The Group operates the following equity-settled employee option and share plans:

Save for Shares Global Plan – Under the Save for Shares Global Plan, employees can save a portion of their monthly salary over a period of three years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equal to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan. Options that are not exercised within six months of the end of the savings period lapse unconditionally.

Employee Stock Purchase Plan – In 2000, the Group established an Employee Stock Purchase Plan which allows all employees in the US to save a portion of their monthly salary over six-month periods. At the end of the period, the employee has the option to purchase American Depositary Receipts (ADRs) with their accumulated funds at a purchase price equal to 85% of the lower of the market prices prevailing at the beginning or end of the period.

Long-Term Incentive Plan – The plan was first introduced in 2001 and from time to time the plan rules are renewed. The plan consists of restricted shares. The vesting of restricted shares is normally dependent on continuing service over a three to five-year period, and in the case of Executive Directors and senior management, upon the satisfaction of corporate performance targets over a three-year period. These targets may be based on market and/or non-market performance criteria. Restricted shares awarded to Executive Directors from May 2023 to May 2025 vest based on relative total shareholder return (FTSE 100 and S&P 500, excluding certain sectors), return on capital, adjusted earnings per share and strategic measures. These awards are in addition to the share buy-out for Omar Abbosh for his forfeited Microsoft shares which vests annually in three equal tranches. Other restricted shares awarded in 2025, 2024, and 2023 generally vest depending on continuing service over periods of up to five years. Included within the total share-based payments charge in 2025 was £nil (2024: £2m; 2023: £3m) in respect of remuneration for post-acquisition services for recent acquisitions, which was included within other net gains and losses in the income statement.

The following shares were granted under restricted share arrangements:

All figures in £ millions	2025		2024	
	Number of shares 000s	Weighted average fair value £	Number of shares 000s	Weighted average fair value £
Long-Term Incentive Plan	3,893	11.09	6,262	8.96

In 2025, £46m (2024: £36m) of shares vested across the Worldwide Save for Shares Plan and the Long-Term Incentive Plan.

The fair value of shares granted under the Long-Term Incentive Plan that vest unconditionally is determined using the share price at the date of grant. Participants under the plans are entitled to dividends during the vesting period and therefore the share price is not discounted.

Restricted shares with a market performance condition were valued by an independent actuary using a Monte Carlo model. Restricted shares with a non-market performance condition were fair valued based on the share price at the date of grant. Non-market performance conditions are taken into consideration by adjusting the number of shares expected to vest based on the most likely outcome of the relevant performance criteria.

27. Share capital and share premium

	Number of shares 000s	Share capital £m	Share premium £m
At 1 January 2024	697,299	174	2,642
Issue of ordinary shares – share option schemes	955	–	7
Buyback of equity	(31,989)	(8)	–
At 31 December 2024	666,265	166	2,649
Issue of ordinary shares – share option schemes	1,447	–	9
Buyback of equity	(31,897)	(8)	–
At 31 December 2025	635,815	158	2,658

The ordinary shares have a par value of 25p per share (2024: 25p per share). All issued shares are fully paid. All shareholders are entitled to receive dividends and vote at general meetings of the company. All shares have the same rights.

On 27 February 2025, the Board approved a £350m share buyback programme in order to return capital to shareholders. During 2025, approximately 32m (2024: 32m) shares were bought back and cancelled at a cost of £352m (2024: £318m). The nominal value of these shares, £8m (2024: £8m), was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings. At 31 December 2025, no further liability remained (2024: £nil) for any shares contracted to be repurchased but where the repurchases are still outstanding.

Notes to the consolidated financial statements *continued*

27. Share capital and share premium *continued*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt (see note 18), cash and cash equivalents (see note 17) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group reviews its capital structure on a regular basis and will balance its overall capital structure through payments of dividends and new share issues as well as the issue of new debt or the redemption of existing debt in line with the financial risk policies outlined in note 19.

28. Treasury shares

	Number of shares 000s	£m
At 1 January 2024	2,160	19
Purchase of treasury shares	3,273	33
Release of treasury shares	(4,754)	(45)
At 31 December 2024	679	7
Purchase of treasury shares	5,109	63
Release of treasury shares	(5,063)	(61)
At 31 December 2025	725	9

The Group holds Pearson plc shares in trust to satisfy its obligations under its restricted share plans (see note 26). These shares, representing 0.1% (2024: 0.1%) of called-up share capital, are treated as treasury shares for accounting purposes and have a par value of 25p per share.

The nominal value of Pearson plc treasury shares amounts to £0.2m (2024: £0.2m). Dividends on treasury shares are waived.

At 31 December 2025, the market value of Pearson plc treasury shares was £8m (2024: £9m). The gross book value of the shares at 31 December 2025 amounts to £9m (2024: £7m).

29. Other comprehensive income

All figures in £ millions						2025
	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	-	(192)	-	(192)	(1)	(193)
Currency translation adjustment disposed	-	-	-	-	-	-
Attributable tax	-	-	-	-	-	-
Items that are not reclassified to the income statement						
Fair value losses on other financial assets	(7)	-	-	(7)	-	(7)
Attributable tax	-	-	-	-	-	-
Remeasurement of retirement benefit obligations	-	-	10	10	-	10
Attributable tax	-	-	(3)	(3)	-	(3)
Other comprehensive (expense)/income for the year	(7)	(192)	7	(192)	(1)	(193)

29. Other comprehensive income *continued*

All figures in £ millions	2024					Total
	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	-	(35)	-	(35)	-	(35)
Currency translation adjustment disposed	-	-	-	-	-	-
Attributable tax	-	-	2	2	-	2
Items that are not reclassified to the income statement						
Fair value losses on other financial assets	(2)	-	-	(2)	-	(2)
Attributable tax	-	-	-	-	-	-
Remeasurement of retirement benefit obligations	-	-	5	5	-	5
Attributable tax	-	-	(2)	(2)	-	(2)
Other comprehensive (expense)/income for the year	(2)	(35)	5	(32)	-	(32)

All figures in £ millions	2023					Total
	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	-	(176)	-	(176)	(1)	(177)
Currency translation adjustment disposed	-	(122)	-	(122)	-	(122)
Attributable tax	-	-	-	-	-	-
Items that are not reclassified to the income statement						
Fair value losses on other financial assets	1	-	-	1	-	1
Attributable tax	-	-	-	-	-	-
Remeasurement of retirement benefit obligations	-	-	(85)	(85)	-	(85)
Attributable tax	-	-	20	20	-	20
Other comprehensive (expense)/income for the year	1	(298)	(65)	(362)	(1)	(363)

Notes to the consolidated financial statements *continued***30. Business combinations**

On 24 July 2025, the Group completed the acquisition of 100% of eDynamic Holdings LP ('eDynamic Learning'), a leading Career and Technical Education curriculum solutions provider, for cash consideration of £168m, with a further £3m paid into an escrow account in relation to a provision provided for on the opening balance sheet. This acquisition is aligned to Pearson's strategy, enabling Pearson to scale its position in the fast-growing Early Careers space and broaden capabilities in career-readiness solutions. The acquired business will form part of the Higher Education division. This transaction has resulted in the recognition of £102m of goodwill, which represents the expected growth of the business, the workforce and know-how acquired and the anticipated synergies, none of which can be recognised as separate intangible assets. The goodwill is not deductible for tax purposes.

Intangible assets of £71m have been recognised, comprising customer relationships, technology, content and the brand. The customer relationships will be amortised over 16 years, and the remainder over periods of two to six years. The valuations of these assets were carried out with the support of a third-party specialist, and were based on discounted cash flow models. The key assumptions that feed into the valuations are the cash flow forecasts, revenue projections from existing customers, forecasted profit margins and discount rates.

On 21 October 2024, NCS Pearson, Inc. acquired the trade and assets of Revibe Technologies, Inc. for total consideration of £2m, comprising £1m cash and £1m contingent consideration. The acquired assets comprised mainly technology assets and goodwill. The acquired business formed part of the Assessments & Qualifications business unit, and is a provider of digital wearable software therapy for children and adults with attention-deficit/hyperactivity disorder.

On 22 March 2023, the Group acquired 100% of the share capital of Personnel Decisions Research Institutes, LLC (PDRI) for cash consideration of £152m (\$187m). PDRI is a provider of workforce assessment services and has significant expertise in providing recruitment assessment solutions to the US federal government. It forms part of the Assessment & Qualifications business unit. There was no contingent or deferred consideration.

KE Key areas of estimation

The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance.

The Group's transactions regarding investments in associates are detailed in note 12, and are not included below.

Details of the fair values of the assets and liabilities recognised at the acquisition date and the related consideration is shown in the following table:

All figures in £ millions	2025 Total	2024 Total	2023 Total
Intangible assets	71	1	117
Trade and other receivables	7	-	8
Cash and cash equivalents	8	-	4
Trade and other liabilities	(4)	-	(7)
Provisions, including uncertain tax provisions	(5)	-	-
Deferred revenue	(10)	-	-
Deferred tax	(1)	-	(31)
Net assets acquired	66	1	91
Goodwill	102	1	61
Total	168	2	152
Satisfied by:			
Cash consideration	168	1	152
Contingent or deferred consideration	-	1	-
Total consideration	168	2	152

eDynamic Learning generated revenues of £10m and a loss after tax of £1m for the period from acquisition date to 31 December 2025. If the acquisition of eDynamic Learning had occurred on 1 January 2025, the Group's revenue and profit after tax would have been £18m higher and £1m higher, respectively. The quoted profit numbers include the impact of purchase price adjustments made on acquisition, including the amortisation of acquired intangibles and reduced revenue and profit following fair value adjustments to the acquired deferred revenue balance.

Total acquisition related costs of £7m (2024: £5m; 2023: £12m) were recognised within other net gains and losses.

In 2023, there was a gain of £5m arising on decreases in the deferred consideration payable on prior year acquisitions. No such items arose in 2024 or 2025.

30. Business combinations *continued*

The net cash outflows related to the acquisitions are set out in the table below. In addition to the current year acquisitions, the other net cash outflows on acquisition of subsidiaries relate to deferred payments for prior year acquisitions.

All figures in £ millions	2025 Total	2024 Total	2023 Total
Cash flow on acquisitions			
Cash – current year acquisitions	(168)	(1)	(152)
Cash paid into escrow account	(3)	-	-
Cash and cash equivalents acquired	8	-	4
Deferred payments for prior year acquisitions and other items	(4)	(38)	(23)
Net cash outflow	(167)	(39)	(171)

31. Disposals and business closures

In 2025, the Group disposed of Copp Clark for consideration of £9m, resulting in a gain on disposal of £8m, which has been recorded within other net gains and losses.

There were no disposals in 2024.

On 30 June 2023, the Group disposed of its interests in its POLS businesses in the US, UK, Australia and India. The businesses disposed excluded Pearson's contract with ASU. The consideration to be received was deferred and comprised a 27.5% share of positive adjusted EBITDA in each calendar year for six years from the date of acquisition and 27.5% of the proceeds received by the purchaser in relation to any future monetisation event. In 2023, the consideration was valued at £12m and a pre-tax gain on disposal of £13m was recognised. In addition, in 2023, a gain of £9m was recognised arising from the release of a provision related to a historical disposal, £19m of losses arose from the disposals of Pearson College and the international courseware local publishing business in India and £12m of costs related to previous disposals were recognised.

None of the disposals met the criteria to be considered a discontinued operation on the basis that they did not represent major lines of business or geographical areas of operations.

The table below shows a summary of the assets and liabilities disposed of:

All figures in £ millions	2025	2024	2023
Disposal of subsidiaries and associates			
Intangible assets, including goodwill	-	-	(53)
Property, plant and equipment	-	-	(5)
Intangible assets – product development	-	-	(15)
Inventories	-	-	(1)
Trade and other receivables	(1)	-	(65)
Deferred tax	-	-	8
Current tax receivable	-	-	(2)
Cash and cash equivalents (excluding overdrafts)	-	-	(12)
Trade and other liabilities	-	-	31
Net assets disposed	(1)	-	(114)
Cumulative currency translation adjustment	-	-	122
Cash proceeds	9	-	1
Deferred proceeds	2	-	12
Costs of disposal	(2)	(5)	(30)
Gain/(loss) on disposal	8	(5)	(9)

All figures in £ millions	2025	2024	2023
Cash flow from disposals			
Proceeds – current year disposals	9	-	1
Proceeds – prior year disposals	1	-	-
Cash and cash equivalents disposed	-	-	(12)
Costs and other disposal liabilities paid	(2)	(7)	(27)
Net cash inflow/(outflow)	8	(7)	(38)

Notes to the consolidated financial statements *continued*

32. Additional cash flow information

In the cash flow statement, proceeds from sale of property, plant and equipment, including assets classified as held for sale, comprise:

All figures in £ millions	2025	2024
Net book amount	3	4
Profit on sale of property, plant and equipment	-	2
Proceeds from sale of property, plant and equipment	3	6

The movements in the Group's current and non-current borrowings are as follows:

All figures in £ millions	2024	Fair value and other movements	Foreign exchange movements	Financing cash flows	Transfer from non-current to current	New leases/disposal of leases	2025
Financial liabilities							
Non-current borrowings	1,141	5	(12)	297	(76)	52	1,407
Current borrowings	338	(2)	(20)	(331)	76	-	61
Total	1,479	3	(32)	(34)	-	52	1,468

All figures in £ millions	2023	Fair value and other movements	Foreign exchange movements	Financing cash flows	Transfer from non-current to current	New leases/disposal of leases	2024
Financial liabilities							
Non-current borrowings	1,100	(8)	3	344	(344)	46	1,141
Current borrowings	53	8	11	(78)	344	-	338
Total	1,153	-	14	266	-	46	1,479

Non-current borrowings include bonds, derivative financial instruments and leases. Current borrowings include loans repayable within one year, derivative financial instruments and leases, but exclude overdrafts classified within cash and cash equivalents.

33. Contingencies, tax uncertainties and commitments

KJ Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions.

KE Key areas of estimation

- The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations.

There are Group contingent liabilities that arise in the normal course of business in respect of indemnities, warranties and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries, joint ventures and associates. In addition, there are contingent liabilities of the Group in respect of unsettled or disputed tax liabilities, legal claims, contract disputes, royalties, copyright fees, permissions and other rights. None of these claims are expected to result in a material gain or loss to the Group.

The Group is under assessment from the tax authorities in Brazil challenging the deduction for tax purposes of goodwill amortisation for the years 2012 to 2020. Similar assessments may be raised for other years. Potential total exposure (including possible interest and penalties) could be up to BRL 1,423m (£193m) up to 31 December 2025, with additional potential exposure of BRL 92m (£12m) in relation to deductions expected to be taken in future periods. Such assessments are common in Brazil. The Group believes that the likelihood that the tax authorities will ultimately prevail is low and that the Group's position is strong. At present, the Group believes no provision is required.

At the balance sheet date there were no commitments for capital expenditure contracted for but not yet incurred. Commitments in respect of leases are shown in note 34.

34. Leases

The Group's lease portfolio consists of approximately 650 property leases, mainly offices and test centres, together with a number of vehicle and equipment leases. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessee:

The amounts recognised in the income statement are as follows:

All figures in £ millions	Note	2025	2024	2023
Interest on lease liabilities		(20)	(22)	(23)
Expenses relating to short-term leases		-	-	-
Depreciation of right-of-use assets	10	(34)	(35)	(39)
Reversal of impairment/(impairment) of right-of-use assets	10	6	-	(2)

In addition, in 2025, depreciation of £4m (2024: £3m, 2023: £2m) and impairment reversals of £11m (2024: impairment £1m, 2023: £nil) were recognised in the income statement in relation to right-of-use assets classified as investment property.

Lease liabilities are included within financial liabilities – borrowings in the balance sheet, see note 18. The maturities of the Group's lease liabilities are as follows:

All figures in £ millions	2025	2024
Less than one year	81	85
One to five years	241	270
More than five years	259	276
Total undiscounted lease liabilities	581	631
Lease liabilities included in the balance sheet	478	517
Analysed as:		
Current	62	65
Non-current	416	452

The amounts recognised in the cash flow statement are as follows:

All figures in £ millions	2025	2024	2023
Total cash outflow for leases as a lessee	97	100	107

At 31 December 2025, commitments for capital leases contracted for but not yet incurred were £11m (2024: £14m). Extension and termination options and variable lease payments are not significant within the lease portfolio. Short-term leases to which the Group is committed at the balance sheet date are similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

As a lessor:

In the event that the Group has excess capacity in its leased offices and warehouses, the Group subleases some of its properties under operating and finance leases.

The amounts recognised in the income statement are as follows:

All figures in £ millions	2025	2024	2023
Interest on lease receivables	3	4	4
Income from subleasing right-of-use assets (within other income)	10	9	6

The amounts recognised in the cash flow statement are as follows:

All figures in £ millions	2025	2024	2023
Total cash inflow for leases as a lessor	21	22	19

The following table sets out the maturity analysis of lease payments receivable for subleases classified as operating leases, showing the undiscounted lease payments to be received after the reporting date, and subleases classified as finance leases showing the undiscounted lease payments to be received after the reporting date and the net investment in the finance lease receivable. During the year, the investment in finance lease receivable decreased by £17m (2024: decreased £17m), primarily due to payments received.

All figures in £ millions	Operating leases	Finance leases	2025 Total	2024 Total	2023 Total
Less than one year	12	23	35	31	31
One to two years	12	23	35	33	33
Two to three years	12	17	29	33	34
Three to four years	12	6	18	26	34
Four to five years	12	2	14	14	27
More than five years	28	-	28	36	54
Total undiscounted lease payments receivable	88	71	159	173	213
Unearned finance income		(5)			
Net investment in finance lease receivable		66			

Notes to the consolidated financial statements *continued*

35. Related party transactions

Joint ventures and associates

There are no material related transactions with joint ventures or associates in 2025 or 2024.

Key management personnel

Key management personnel are deemed to be the Non-Executive and Executive Directors (see pages 72-75) and the members of the Pearson Executive Management team (see pages 76-78). It is this Committee which had responsibility for planning, directing and controlling the activities of the Group in 2025.

The compensation paid to Non-Executive Directors is disclosed on page 131 of the Directors Remuneration Report and is not included in the table below.

Short term employee benefits and retirement benefits in relation to Executive Directors are disclosed on page 135 of the Directors Remuneration Report and are not included in the table below.

All compensation in relation to the Pearson Executive Management team is disclosed in the table below, along with share-based payment costs in relation to the Executive Directors.

All figures in £ millions	2025	2024	2023
Short-term employee benefits	15	10	9
Retirement benefits	1	1	1
Share-based payment costs	16	19	11
Total	32	30	21

There were no other material related party transactions. No guarantees have been provided to related parties.

36. Events after the balance sheet date

On 21 January 2026, a £350m share buyback programme in order to return capital to shareholders was announced. The programme commenced on 21 January 2026.

37. Accounts and audit exemptions

The Pearson plc subsidiary companies listed below are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A.

	Company number
Aldwych Finance Limited	04720439
Longman Group (Overseas Holdings) Limited	00690236
Pearson Australia Finance Unlimited	05578463
Pearson Dollar Finance Limited	05111013
Pearson Dollar Finance Two Limited	06507766
Pearson Education Holdings Limited	00210859
Pearson Education Investments Limited	08444933
Pearson Education Limited	00872828
Pearson International Finance Limited	02496206
Pearson Loan Finance No. 3 Limited	05052661
Pearson Loan Finance Unlimited	05144467
Pearson Management Services Limited	00096263
Pearson Overseas Holdings Limited	00145205
Pearson Professional Assessments Limited	04904325
Pearson Services Limited	01341060
Pearson Shared Services Limited	04623186
Pearson Strand Finance Limited	11091691
PVNT Limited	08038068
TQ Global Limited	07802458

Company balance sheet

As at 31 December 2025

All figures in £ millions	Note	2025	2024
Assets			
Non-current assets			
Investments in subsidiaries	2	7,198	6,695
Amounts due from subsidiaries		1,471	3
Deferred income tax assets		37	33
Financial assets – derivative financial instruments	4	10	12
		8,716	6,743
Current assets			
Amounts due from subsidiaries		740	2,439
Current income tax assets		23	53
Cash and cash equivalents (excluding overdrafts)	3	4	129
Financial assets – derivative financial instruments	4	–	31
Other assets		2	1
		769	2,653
Total assets		9,485	9,396
Liabilities			
Non-current liabilities			
Amounts due to subsidiaries		(1,140)	(1,179)
Financial liabilities – derivative financial instruments	4	(2)	(3)
		(1,142)	(1,182)
Current liabilities			
Amounts due to subsidiaries		(2,564)	(2,508)
Other liabilities		(3)	(8)
Financial liabilities – derivative financial instruments	4	–	(51)
		(2,567)	(2,567)
Total liabilities		(3,709)	(3,749)
Net assets		5,776	5,647

All figures in £ millions	Note	2025	2024
Equity			
Share capital	5	158	166
Share premium	5	2,658	2,649
Treasury shares	6	(9)	(7)
Capital redemption reserve		49	41
Special reserve		447	447
Retained earnings – including profit for the year of £651m (2024: £1,517m)		2,473	2,351
Total equity attributable to equity holders of the company		5,776	5,647

These financial statements have been approved for issue by the Board of Directors on 12 March 2026 and signed on its behalf by

Sally Johnson

Chief Financial Officer

Company statement of changes in equity

Year ended 31 December 2025

All figures in £ millions	Equity attributable to equity holders of the company						
	Share capital	Share premium	Treasury shares	Capital redemption reserve	Special reserve	Retained earnings	Total
At 1 January 2025	166	2,649	(7)	41	447	2,351	5,647
Profit for the year	-	-	-	-	-	651	651
Equity-settled transactions ¹	-	-	-	-	-	39	39
Issue of ordinary shares under share option schemes ¹	-	9	-	-	-	-	9
Purchase of treasury shares	-	-	(63)	-	-	-	(63)
Release of treasury shares	-	-	61	-	-	(61)	-
Buyback of equity	(8)	-	-	8	-	(347)	(347)
Dividends	-	-	-	-	-	(160)	(160)
At 31 December 2025	158	2,658	(9)	49	447	2,473	5,776

All figures in £ millions	Equity attributable to equity holders of the company						
	Share capital	Share premium	Treasury shares	Capital redemption reserve	Special reserve	Retained earnings	Total
At 1 January 2024	174	2,642	(19)	33	447	1,195	4,472
Profit for the year	-	-	-	-	-	1,517	1,517
Equity-settled transactions ¹	-	-	-	-	-	44	44
Issue of ordinary shares under share option schemes ¹	-	7	-	-	-	-	7
Purchase of treasury shares	-	-	(33)	-	-	-	(33)
Release of treasury shares	-	-	45	-	-	(45)	-
Buyback of equity	(8)	-	-	8	-	(204)	(204)
Dividends	-	-	-	-	-	(156)	(156)
At 31 December 2024	166	2,649	(7)	41	447	2,351	5,647

The capital redemption reserve reflects the nominal value of shares cancelled in the Group's share buyback programme. The special reserve represents the cumulative effect of cancellation of the company's share premium account.

1. Full details of the share-based payment plans are disclosed in note 26 to the consolidated financial statements.

Notes to the company financial statements

1. Accounting policies

The financial statements on pages 225–233 comprise the separate financial statements of Pearson plc.

These company financial statements have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and with the requirements of the Companies Act 2006.

The company financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

As permitted by section 408 of the Companies Act 2006, the company income statement and statement of comprehensive income have not been presented.

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: paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1 Presentation of Financial Statements;
 - paragraph 10(d)
 - paragraph 10(f)
 - paragraph 16
 - paragraph 38A
 - paragraph 40
 - paragraph 111
 - paragraphs 134–136;
- IAS 7 'Statement of Cash Flows';
- Paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- 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; and
- paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments.

The company has no employees (2024: nil).

Key judgements and critical estimates have been used in the preparation of these financial statements in relation to the reversal of historical impairments of investments in subsidiaries, in particular related to the determination of the recoverable amount of the investment. See note 2 for further details.

The basis of preparation and accounting policies applied in the preparation of these company financial statements are the same as those set out in note 1a to the consolidated financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

The recoverability of investments is tested annually for impairment in accordance with IAS 36 'Impairment of Assets'. The carrying value (including the investment in subsidiary and amounts due to and from subsidiaries) is compared to the asset's recoverable amount which is generally assessed on a value in use basis.

Amounts owed to/by subsidiaries

Amounts owed to or by subsidiaries are measured at amortised cost. They generally mature within five years, but can be called upon at short notice, or are repayable on demand. Amounts owed by subsidiaries are classified as current if they mature within one year of the balance sheet date or, in the case of loans repayable on demand, if the company intends to call the loan within one year of the balance sheet date. All other amounts are classified as non-current. Interest is charged on all intercompany loans at a rate based on a benchmark rate plus a margin. The company has assessed and concluded that the amounts owed by subsidiaries will be fully recovered. Therefore credit losses are considered to be immaterial.

Parent company guarantees

The Company has guaranteed the repayment of bonds and certain other liabilities due by subsidiary undertakings primarily to third parties. Such guarantees are accounted for by the Company under IFRS 9. They are initially measured at fair value. Subsequently, they are measured at the higher of (i) the amount initially recognised less the cumulative amount of revenue recognised in accordance with IFRS 15, and (ii) the expected credit losses under IFRS 9. The Company has also entered into performance guarantees whereby in respect of contracts entered into by subsidiary undertakings, the Company will settle any claims for non-performance under the contract in the event that the subsidiary does not perform its responsibilities under the contract, and it does not pay out any amounts due to the third party in the event of non-performance. Such performance guarantees are accounted for as loan commitments under IFRS 9.

Notes to the company financial statements *continued***1. Accounting policies *continued*****Going concern**

In assessing the Company's ability to continue as a going concern for the period to 30 June 2027, the Board reviewed management's five-year plan, which was used as the base case. The review included available liquidity throughout the period and headroom against the Group's two main covenants, which require net debt to EBITDA to be a maximum of four times and interest cover to be at least three times.

At 31 December 2025, the Group had available liquidity of c.£1.3bn, comprising central cash balances and the undrawn element of its \$1.8bn Revolving Credit Facilities (RCFs) maturing June 2028 and February 2029 but which have options to extend maturity to 2030. In both the base case and severe but plausible scenario, the business has sufficient liquidity to repay this amount and does not rely on this refinancing in order to remain a going concern. Significant liquidity and covenant headroom was observed throughout the assessment period in this base model.

A severe but plausible scenario was analysed, where the Group is impacted by all principal risks in both 2026 and 2027, in the period under assessment, adjusted for probability weighting as well as other significant risks. The net impact of the risks modelled was to reduce free cash flow during the 18 month going concern assessment period by 41%. Even under a severe downside case, the company would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment. That is, even before modelling the mitigating effect of actions that management would take if these downside risks were to crystallise.

A reverse stress test was performed to identify the reduction in profit required to cease to be a going concern at or before 30 June 2027. The model showed that significant profit declines in excess of the severe but plausible were required in both 2026 and 2027 to exhaust liquidity and breach covenants, the likelihood of which was assessed as remote.

The Directors have confirmed that there are no material uncertainties that cast doubt on the Company's going concern status and that they have a reasonable expectation that the Company has adequate resources to continue in operational existence beyond 30 June 2027. The Company financial statements have therefore been prepared on a going concern basis.

2. Investments in subsidiaries

All figures in £ millions	2025	2024
At beginning of year	6,695	6,702
Impairment	-	(1,369)
Impairment reversal	464	1,312
Capital contribution	39	44
Currency revaluations	-	6
At end of year	7,198	6,695

In 2025, the impairment in Pearson plc's investment in its subsidiary, Pearson Education Holdings Limited, which was first impaired in 2015, was partially reversed, resulting in a £0.5bn gain in the income statement. Significant estimation is required in determining the recoverable amount of the investment which is determined by an internally generated value in use model (see note 11 of the Consolidated Group Financial Statements for details of the assumptions used including the discount rates). Significant judgement is then required to allocate the value in use determined at group level to the investment. After considering various allocation methods, management have selected an allocation method based on forecast sales. Using an alternative allocation method would not result in a significantly different outcome. As well as the recoverable amount, management also considered external factors such as the share price and market capitalisation. After reversing the impairment, the recoverable amount of the investment is equal to the carrying value and the headroom is sensitive to reasonably possible changes in assumptions as follows:

- a change of +/- 5% in the Group's value in use increases/decreases headroom by £80m
- a change of +/- 5% in the forecast sales used in the allocation of the value in use increases/decreases headroom by £60m

In 2024, the impairment in Pearson plc's investment in its subsidiary, Pearson Overseas Holdings Limited, which was first impaired in 2016, was reversed in full, resulting in a £1.3bn gain in the income statement.

In 2024, the company settled a loan with its subsidiary, Pearson Dollar Finance Limited, and received dividend income of the same amount. This resulted in an impairment of the company's investment in Pearson Dollar Finance Limited of £1.4bn. There were no impairments in 2025.

3. Cash and cash equivalents (excluding overdrafts)

All figures in £ millions	2025	2024
Cash at bank and in hand	4	129
	4	129

At the end of 2025, the currency split of cash and cash equivalents was US dollar 1% (2024: 19%), sterling 58% (2024: 78%) and other 41% (2024: 3%). Cash and cash equivalents have fair values that approximate their carrying amounts due to their short-term nature.

In 2025, £2m of interest income on these cash balances was recognised within net finance costs (2024: £1m).

4. Derivative financial instruments

The company's outstanding derivative financial instruments are comprised of interest rate derivatives. The outstanding derivative balances at 31 December are as follows:

All figures in £ millions	2025		2024	
	Assets	Liabilities	Assets	Liabilities
Current	–	–	31	(51)
Non-current	10	(2)	12	(3)
Total	10	(2)	43	(54)

The carrying value of the above derivative financial instruments equals their fair value. Derivatives are categorised as level 2 on the fair value hierarchy. Fair values are determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models. As at 31 December 2025, the outstanding contracts all mature within ten years. In 2025, £3m of fair value losses were recognised within net finance costs (2024: £7m gain).

Fair value hedge accounting

Cash flows from the €300m EUR 2025 bond were received by the company from its subsidiary creating a foreign currency exposure upon the translation from EUR to GBP. Changes in the GBP:EUR spot rate will result in changes to the value of amounts due from subsidiaries when translated into GBP. The hedged item is €100m of this amount due from subsidiaries denominated in EUR. The hedging instrument is a €100m 2025 cross-currency swap. It is expected that the change in value of these items will move in the opposite direction as a result of movements in the EUR:GBP exchange rate.

In 2025, the €300m EUR 2025 bond was repaid. The associated amounts due from subsidiaries were also repaid and the €100m 2025 cross-currency swap matured.

5. Share capital and share premium

	Number of shares 000s	Share capital £m	Share premium £m
At 1 January 2025	666,265	166	2,649
Issue of ordinary shares – share option schemes	1,447	–	9
Buyback of equity	(31,897)	(8)	–
At 31 December 2025	635,815	158	2,658

The ordinary shares have a par value of 25p per share (2024: 25p per share). All issued shares are fully paid. All shareholders are entitled to receive dividends and vote at general meetings of the company. All shares have the same rights.

On 27 February 2025, the Board approved a £350m share buyback programme in order to return capital to shareholders. During 2025, approximately 32m (2024: 32m) shares were bought back and cancelled at a cost of £352m (2024: £318m). The nominal value of these shares, £8m (2024: £8m), was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings. At 31 December 2025, no further liability remained (2024: £nil) for any shares contracted to be repurchased but where the repurchases are still outstanding.

On 21 January 2026, a £350m share buyback programme in order to return capital to shareholders was announced. The programme commenced on 21 January 2026.

6. Treasury shares

	Number of shares 000s	£m
At 1 January 2025	679	7
Purchase of treasury shares	5,109	63
Release of treasury shares	(5,063)	(61)
At 31 December 2025	725	9

The company holds its own shares in trust to satisfy its obligations under its restricted share plans. These shares are treated as treasury shares for accounting purposes and have a par value of 25p per share.

The nominal value of the company's treasury shares amounts to £0.2m (2024: £0.2m). Dividends on treasury shares are waived.

At 31 December 2025, the market value of the company's treasury shares was £8m (2024: £9m). The gross book value of the shares at 31 December 2025 amounts to £9m (2024: £7m).

7. Dividends

The amounts recognised as distributions to equity shareholders in the year and the proposed final dividend per equity share are disclosed in note 9 to the consolidated financial statements.

Notes to the company financial statements *continued*

8. Contingencies

There are contingent liabilities that arise in the normal course of business in respect of indemnities, warranties and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries. The total value of guarantees made by the company in relation to its subsidiaries is £0.9bn (2024: £1.2bn). In addition, there are contingent liabilities in respect of legal claims. None of these claims is expected to result in a material gain or loss to the company.

9. Audit fees

Statutory audit fees relating to the company were £43,000 (2024: £42,000)

10. Related party transactions

Subsidiaries

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Associates

There were no related party transactions with associates in 2025 or 2024.

Key management personnel

Key management personnel are deemed to be the Directors and the members of the Pearson Executive Management team.

It is this Committee which had responsibility for planning, directing and controlling the activities of the company in 2025. Key management personnel compensation is disclosed in note 35 to the consolidated financial statements.

11. Group companies

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements, the country of incorporation, the registered address and the effective percentage of equity owned, as at 31 December 2025, is disclosed below. Unless otherwise stated, the shares are all indirectly held by Pearson plc. Unless otherwise stated, all wholly-owned and partly-owned subsidiaries are included in the consolidation and all associated undertakings are included in the Group's financial statements using the equity method of accounting. Principal Group companies are identified in bold.

Wholly-owned subsidiaries

Registered company name	Country of Incorp.	Reg office
Addison Wesley Longman, Inc.	US	3
Addison-Wesley Educational Publishers Inc.	US	4
AEL (S) PTE Limited	SG	73
Aldwych Finance Limited	UK	1
ATI Professional Development LLC	US	4
ATI Studios A.P.P.S. SRL	RO	78
Camsaw, Inc.	US	4
CamsawUSA, Inc.	US	11
Century Consultants Ltd.	US	13
Certiport China Holding, LLC	US	4
Certiport, Inc.	US	4

Registered company name	Country of Incorp.	Reg office
Clutch Learning, Inc.	US	4
Connections Academy of Florida, LLC	US	20
Connections Academy of Iowa, LLC	US	24
Connections Academy of Maine, LLC	US	28
Connections Academy of Maryland, LLC	US	29
Connections Academy of Nevada, LLC	US	31
Connections Academy of New Mexico, LLC	US	32
Connections Academy of Oregon, LLC	US	37
Connections Academy of Pennsylvania LLC	US	38
Connections Academy of Tennessee, LLC	US	40
Connections Academy of Texas LLC	US	41

Registered company name	Country of Incorp.	Reg office
Connections Education LLC	US	4
Connections Education of Florida, LLC	US	20
Connections Education, Inc.	US	4
Creative Learning Services, LLC	US	56
Credly, Inc.	US	4
Dominie Press, Inc.	US	17
Dorian Finance Limited	IE	7
East Lake Parallel II EDL Blocker LLC	US	93
eCollege.com	US	4
EDL HoldCo LLC	CA	92
Education Development International Plc†	UK	1

11. Group companies continued

Registered company name	Country of Incorp.	Reg office
Education Resources (Cyprus) Limited	CY	51
eDynamic GP 2 LLC	US	93
eDynamic Holdings LP	US	4
eDynamic Learning ULC	CA	92
eDynamic LP	US	93
English Language Learning and Instruction System, Inc.	US	54
Faethm Holdings Pty. Limited	AU	48
Faethm IP Pty. Limited	AU	48
Faethm Ltd	UK	1
Faethm Pty. Limited	AU	48
Faethm USA LLC	US	6
Falstaff Holdco Inc.	US	4
Falstaff Inc.	US	55
FBH, Inc.	US	4
George (Shanghai) Commercial Information Consulting Co., Ltd	CN	21
Globe Fearon Inc.	US	17
Greenways Academy, LLC	US	52
Heinemann Educational Botswana (Publishers) Proprietary Limited	BW	8
IndiaCan Education Private Limited	IN	2
Integral 7, Inc.	US	4
Intellipro, Inc.	US	13
Knowledge Analysis Technologies, LLC	US	18
LCCIEB Training Consultancy., Ltd	CN	64
LessonLab, Inc.	US	17
Lignum Oil Company	US	4
Longman (Malawi) Limited*	MW	65
Longman Group(Overseas Holdings) Limited	UK	1
Longman Indochina Acquisition, L.L.C.	US	4
Longman Tanzania Limited	TZ	68
Longman Zambia Educational Publishers Limited	ZM	69
Longmaned Ecuador S.A.	EC	71
Lumerit Education, LLC	US	41
MeasureUp of Delaware, LLC	US	4
Modern Curriculum Inc.	US	17
Multi Treinamento e Editora Ltda	BR	60
MZ Development Inc.	US	4

Registered company name	Country of Incorp.	Reg office
National Computer Systems Japan Co. Ltd	JP	74
Navy Education, LLC	US	22
NCS Information Technology Services (Beijing) Co Ltd	CN	75
NCS Pearson Pty Ltd	AU	48
NCS Pearson Puerto Rico, Inc.	PR	76
NCS Pearson, Inc.	US	30
NCS Pearson/Jordan	JO	47
Opinion Interactive LLC	US	16
Ordinate Corporation	US	17
Pearson (Beijing) Management Consulting Co., Ltd.	CN	77
Pearson America LLC	US	4
Pearson Amsterdam B.V.	NL	79
Pearson Australia Finance Unlimited	UK	1
Pearson Australia Group Pty Ltd	AU	48
Pearson Australia Holdings Pty Ltd	AU	48
Pearson Benelux B.V.	NL	79
Pearson Business Services Inc.	US	4
Pearson Canada Assessment Inc.	CA	80
Pearson Canada Finance Unlimited	UK	1
Pearson Canada Holdings Inc.	CA	80
Pearson Canada Inc.	CA	80
Pearson Central Europe Spółka z ograniczoną odpowiedzialnością	PL	39
Pearson DBC Holdings Inc.	US	4
Pearson Desarrollo y Capacitación Profesional Chile Limitada	CL	81
Pearson Digital Learning Puerto Rico, Inc.	PR	76
Pearson Dollar Finance Limited†	UK	1
Pearson Dollar Finance Two Limited	UK	1
Pearson Educacion de Chile Limitada	CL	81
Pearson Educacion de Colombia S.A.S.	CO	84
Pearson Educacion de Mexico, S.A. de C.V.	MX	85
Pearson Educacion de Panama SA	PA	86
Pearson Educacion de Peru S.A.	PE	87
Pearson Educacion SA	ES	88
Pearson Education Achievement Solutions (RF) (Pty) Ltd	ZA	62
Pearson Education Africa (Pty) Ltd	ZA	62
Pearson Education Asia Limited	HK	53
Pearson Education Botswana (Proprietary) Limited	BW	8
Pearson Education do Brasil Ltda	BR	60
Pearson Education Hellas SA	GR	26

Registered company name	Country of Incorp.	Reg office
Pearson Education Holdings Limited†	UK	1
Pearson Education Indochina Limited	TH	89
Pearson Education Investments Limited	UK	1
Pearson Education Korea Limited	KR	90
Pearson Education Limited	UK	1
Pearson Education Namibia (Pty) Limited	NA	58
Pearson Education Publishing Limited	NG	44
Pearson Education S.A.	UY	5
Pearson Education SA	AR	67
Pearson Education South Africa (Pty) Ltd	ZA	62
Pearson Education South Asia Pte. Ltd.	SG	73
Pearson Education Taiwan Ltd	TW	9
Pearson Education, Inc.	US	4
Pearson Educational Measurement Canada, Inc.	CA	80
Pearson Educational Publishers, LLC	US	4
Pearson Eğitim Çözümleri Tikaret Limited Şirketi	TR	61
Pearson Falstaff (Holdings) Inc.	US	4
Pearson Falstaff Holdco LLC	US	4
Pearson Federal Holding Company, LLC	US	4
Pearson France	FR	70
Pearson Funding plc†	UK	1
Pearson Holdings Inc.	US	4
Pearson Holdings Southern Africa (Pty) Limited	ZA	62
Pearson Hungary LLC*	HU	25
Pearson India Education Services Private Limited	IN	2
Pearson International Finance Limited†	UK	1
Pearson Investment Holdings, Inc.	US	4
Pearson Israel (P.I.) Ltd	IL	66
Pearson Japan K.K.	JP	49
Pearson Lanka (Private) Limited	LK	63
Pearson Lanka Support Services (Private) Limited	LK	12
Pearson Lesotho (Pty) Ltd	LS	91
Pearson Loan Finance No. 3 Limited	UK	1
Pearson Loan Finance No. 5 Limited	UK	1
Pearson Loan Finance No. 6 Limited	UK	1
Pearson Loan Finance Unlimited	UK	1
Pearson Longman Uganda Limited	UG	43
Pearson Malaysia Sdn. Bhd.	MY	59
Pearson Management Services Limited†	UK	1

Notes to the company financial statements *continued*11. Group companies *continued*

Registered company name	Country of Incorp.	Reg office
Pearson Management Services Philippines Inc.	PH	33
Pearson Maryland, Inc.	US	11
Pearson Moçambique, Limitada*	MZ	42
Pearson Netherlands B.V.	NL	79
Pearson Netherlands Holdings B.V.	NL	79
Pearson Nominees Limited†	UK	1
Pearson Online Tutoring LLC	US	4
Pearson Overseas Holdings Limited†	UK	1
Pearson Pakistan Services (Private) Limited	PK	50
Pearson PEM P.R., Inc.	PR	19
Pearson Phoenix Pty Ltd	AU	48
Pearson Professional Assessments Limited	UK	1
Pearson Real Estate Holdings Inc.	US	4
Pearson Regional Headquarters Arabia	SA	57
Pearson Schweiz AG	CH	34
Pearson Services Limited†	UK	1
Pearson Shared Services Limited†	UK	1
Pearson Strand Finance Limited†	UK	1
Pearson Strand Limited	UK	1
Pearson Sweden AB	SE	14
Pearson Systems AB	SE	14
Pearson VUE Europe B.V.	NL	79
Pearson VUE Philippines, Inc.	PH	27
Pearson Vue Testing Services Kenya Limited	KE	15
Penguin Capital, LLC	US	4
Personnel Decisions Research Institutes, LLC	US	30
PN Holdings Inc.	US	4
ProctorCam, Inc.	US	4
PT Efficient English Services	ID	83
PVNT Limited	UK	1
Reading Property Holdings LLC	US	3
Rebus Planning Associates, Inc.	US	10
Reston Publishing Co, Inc.	US	4
Rycade Capital Corporation	US	4
SAI Interactive, LLC	US	4
Shanghai AWL Education Software Ltd†	CN	72
Silver Burdett Ginn Inc.	US	4

Registered company name	Country of Incorp.	Reg office
Smarthinking, Inc.	US	4
Sound Holdings Inc.	US	4
Sparrow Phoenix Pty Ltd	AU	48
Spear Insurance Company Limited†	BM	45
The Waite Group, Inc.	US	17
TQ Education and Training Limited	UK	1
TQ Global Limited	UK	1
TQ Group Limited	UK	1
TQ Holdings Limited	UK	1
Vue Testing Services Israel Ltd	IL	46
Vue Testing Services Korea Limited	KR	35
Williams Education GmbH	DE	82

* In liquidation.

† Directly owned by Pearson plc.

Subsidiary addresses

The following list includes all Pearson registered offices worldwide.

Registered office address
1 80 Strand, London, WC2R ORL, England
2 6 th Floor, Tower 1, Unit A and B, International Tech Park Capitaland, 200 Feet Radial Road, Zamin Pallavaram, Old Pallavaram, Chennai, Tamil Nadu, 600117, India
3 C T Corporation System, 155 Federal St., Suite 700, Boston, MA, 02110, United States
4 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE, 19801, United States
5 Juan Benito Blanco 780 - Plaza Business Center, Montevideo, Uruguay
6 340 Halsa Dr, Chattahoochee Hills, GA, GA 30268, United States
7 1 st Floor The Liffey Trust Centre, 117-126 Sheriff Street Upper, Dublin 1, Ireland
8 Plot 28892, Twin Towers, West Wing, First Floor Fairground, PO Box 1453, Gaborone, Botswana
9 10F, No 209, Sec. 1, Civic Blvd., Datong District, Taipei City, 10351, Taiwan (Province of China)
10 The Corporation Company, 40600 Ann Arbor Rd, E Suite 201, Plymouth, MI, 48170, United States
11 The Corporation Trust Incorporated, Suite 201, 2405 York Road, Lutherville Timonium, MD, 21093, United States
12 #1, 3, 5 th Floor, East Tower, World Trade Centre, Echelon Square, Colombo, 01, Sri Lanka
13 C T Corporation System, 820, Bear Tavern Road, West Trenton, Mercer, NJ, 08628, United States
14 c/o A House, Katarinahuset, Stadsgården 6, Stockholm, 116 45, Sweden

Registered office address
15 3, 2 nd Floor, Plaza 2000, Mombasa Road, Embakasi, PO Box 0721175878, 00200 Nairobi
16 105 E Street #2A, Davis, CA, CA 95616, United States
17 C T Corporation System, 330 N Brand Blvd., Glendale, CA, 91203-2336
18 The Corporation Company, 7700 E Arapahoe Rd, Suite 220, Centennial, CO, 80112-1268, United States
19 500, 401, Calle de la Tanca Edificio Ochoa, San Juan, 00901-1969, Puerto Rico
20 C T Corporation System, 1200, South Pine Island Road, Plantation, FL, 33324, United States
21 Suite A7b, 3/F, No. 586 Longchang Road, Yangpu District, Shanghai, China
22 C T Corporation System, 289 S Culver St, Lawrenceville, GA, 30046-4805, United States
23 Kroll Pte. Limited, One Raffles Place, Tower 2, #10-62, Singapore, 048616, Singapore
24 C T Corporation System, 400 E Court Ave, Des Moines, IA, 50309, United States
25 22 B, 13 em, Népfürdő utca, Budapest, 1138, Hungary
26 4 Zalogou Str., 15343 Agia Paraskevi, Athens, Greece
27 27/F Trident Tower, 312 Sen. Gil Puyat Avenue, Makati City, Metro Manila, Philippines
28 C T Corporation System, 3 Chase Avenue, Augusta, ME, United States
29 CSC - Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 820, Baltimore, MD, 21202, United States
30 C T Corporation System Inc., 1010 Dale Street North, Saint Paul, MN, 55117-5603, United States
31 The Corporation Trust Company of Nevada, 701 S Carson St, Suite 200, Carson City, NV, 89701, United States
32 C T Corporation System, 206 S Coronado Ave, Espanola, NM, 87532-2792, United States
33 7/F North Tower, Rockwell Business Center COR. Sheridan & United Street, Brgy. Highway Hills, Mandaluyong, Philippines
34 10 Gewerbestrasse, Cham, 6330, Switzerland
35 21, Mugyo-ro Jung-gu, Seoul, Korea (the Republic of)
36 199 Bay Street, Commerce Court West, Suite 2800, Toronto, ON, M5L1A9, Canada
37 C T Corporation System, 780 Commercial Street SE, STE 100, Salem, OR, OR 97301, United States
38 C T Corporation System, 600 N. 2 nd Street, Suite 401, Harrisburg, PA, 17101-1071, United States
39 Ulica Szamocka 8 01-748, Warszawa, Poland
40 C T Corporation System, 300 Montvue Rd, Knoxville, TN, 37919-5546, United States
41 C T Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
42 Numero 776, Avenida 24 de Julho, Maputo, Mozambique
43 Plot 8, Berkley Road, Old Kampala, Uganda
44 8, Secretariat Road, Obafemi Awolowo Way, Alausa, Ikeja, Lagos State, Nigeria

11. Group companies continued

Registered office address

45	Power House, 7 Par-la-ville Road, PO Box 1826, Hamilton, HM 11, Bermuda
46	Derech Ben Gurion 2, BSR Building 9 th Floor, Ramat Gan, 5257334, Israel
47	Prince Rashed District, Al Rawabi, Ismail Al Zaben Street, Amman, 11185, Jordan
48	459-471 Church Street, Richmond, Melbourne, VIC, 3121, Australia
49	11F Kanda Square, 2-2-1 Kanda-Nishikicho, Chiyoda-ku, Tokyo, 101-0054, Japan
50	Office #13, First Floor, Mall of Lahore, Lahore, Pakistan
51	195, Archbishop Makarios III Avenue, Neocleous House, Limassol, 3030, Cyprus
52	981 Gardenview Office Parkway, St Louis, MO, 63141, United States
53	18/F, 1063 King's Road, Quarry Bay, Hong Kong
54	251, Little Falls Drive, Corporation Service Company, Wilmington, DE, 19808, United States
55	CT Corporation System, 28 Liberty Street, New York, NY, 10005, United States
56	120 Emerald Green Ct., St Louis, MO, 63141
57	Al Tawuniyya Towers, King Fahd Road, North Block, 2 nd floor, Riyadh, Saudi Arabia
58	Unit 7 Kingland Park, 98 Nickel Street, Prosperita, Windhoek, Namibia
59	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
60	Avenida José Luiz Mazzali, n° 450, Sala H, Setor Módulo 03B, GLP Louveira I, Santo Antônio, Louveira, SP, CEP 13.290-000, Brazil
61	İçerenköy Mah. Umut Sk. Quick Tower Sitesi No: 10-12 İç Kapı No: 77 Ataşehir, İstanbul, 34742, Turkey
62	The Towers, 21 st Floor, Unit 21B, 2 Heerengracht Cnr, Hertzog Boulevard, Foreshore Cape Town, WC, 8001, South Africa
63	MAGA ONE-Level 8, No. 200, Nawala Road, Narahenpita, Colombo 05, 00500, Sri Lanka
64	Room 305, Building 3, 6555 Shangchuan Road, Pudong District, Shanghai, China
65	Alliance House, PO Box 30698, Blantyre, Malawi
66	Meitar Law Offices, 16 Abba Hillel Rd., Ramat Gan, 5250608, Israel
67	498, Libertador Ave, City of Buenos Aires, 3 rd floor, Buenos Aires, Argentina
68	Plot No 108, Makuyuni Road, Mikocheni Block "B" Kinondoni District, PO Box 10801, Dar es Salaam, Tanzania
69	Plot 1281, Lungwebungu Road, Rhodes Park, Lusaka, Zambia
70	8 Rue des Pirogues de Bercy, Paris 75012, France
71	Andalucía y cordero E12-35, Edificio CYEDE piso 1, Oficina 11, Sector "La Floresta", Quito, Pichincha, Ecuador
72	Suite 302-9, Block 3, No. 333 Weining Road, Changning District, Shanghai, China
73	3 Temasek Avenue, #21-23 Centennial Tower, 039190, Singapore
74	Shiodome City Center 18F, 1-5-2, Higashi Shimbashi, Minato-Ku, Tokyo, 105-7118, Japan

Registered office address

75	Room E701, 7 th Floor, Building 3, No. 36, North Third Ring East Road, Dongcheng District, Beijing, China
76	268 Munoz Rivera Avenue, Suite 1400, San Juan, 00918, Puerto Rico
77	Room 902, Tower W2, Oriental Plaza, No. 1 East Chang'an Street, Dongcheng District, Beijing, 11, 100738, China
78	Boulevard 15 Noiembrie, No. 78, AFI Park Brasov Building, Floor 7, Offices 7.16, 7.18, 7.22, 7.24 and 7.25, Braşov, Braşov, 500097, Romania
79	Kabelweg 37, Amsterdam, 1014 BA, Netherlands
80	357 Bay Street, 3 rd Floor, Toronto, ON, M5H 4A6, Canada
81	Oficina N° 117, edificio Casa Colorada, calle Merced N° 838-A Santiago Centro, Santiago, Chile
82	Williams Education GmbH c/o Pearson Benelux B.V. (Zweignl. Deutschland), St.-Martin-Str. 82, Munich, 81541, Germany
83	30 th Floor, Ratu Plaza Office Tower, Jl. Jend. Sudirman Kav 9, Jakarta, 10270, Indonesia
84	Carrera 7 Nro 156 - 68, Piso 26, Bogota, Colombia
85	Avenida Javier Barros Sierra, número 495, piso 3, oficina 138, Santa Fe, Alcaldía Álvaro Obregón, Cuidad de México, C.P. 01219, Mexico
86	Punta Pacifica, Torres de las Americas, Torre A Piso 15 Ofc. 1517, Panama, 0832-0588, Panama
87	Av. Primavera No. 543 Int. 4to, Urb. Chacarilla, Distrito de San Borja, Lima, 15037, Peru
88	85, Paseo de la Castellana, Planta 8, Madrid, 28046, Spain
89	87/1 Capital Tower Building, All Seasons Place unit 1604 - 616 th floor, Wireless Road, Lumpini, Pathumwan, Bangkok, Thailand
90	#512, 5 th Floor, 12, Mapo-daero 10-gil, Mapo-gu, Seoul, Korea (the Republic of)
91	1 st Floor Christie House, Orpen Road, Maseru, Lesotho
92	1133 Melville Street, Suite 3500, The Stack, Vancouver, BC, V6E 4E5, Canada
93	251, Little Falls Drive, Corporation Service Company, Wilmington, DE, 19808, United States

Partly-owned subsidiaries

Registered company Name	Country of Incorp.	% Owned	Reg office
Certiport China Co Ltd	CN	50.69	1
Educational Publishers LLP	UK	85	2
GED Domains LLC	US	70	3
GED Testing Service LLC	US	70	4
TQ Education and Training Limited	SA	90	5

Associated undertakings

Registered company Name	Country of Incorp.	% Owned	Reg office
Learn Capital Special Opportunities Fund I, L.P.†	US	99.59	8
Learn Capital Venture Partners II, L.P.†	US	72.93	8
Learn Capital Venture Partners IIIA, L.P.†	KY	99	9
Learn Capital Venture Partners, L.P.†	US	99.15	8
Pearson Pension Nominees Limited	UK	50	2
Pearson Pension Property Fund Limited	UK	50	2
Pearson Pension Trustee Limited	UK	50	2
Pearson Pension Trustee Services Limited	UK	50	2
Peking University Pearson (Beijing) Cultural Development Co., Ltd	CN	45	10
Prepona Sistemas de Testagem e Avaliação S.A.	BR	22.2	7
Pui Man Publishing Limited*	MO	49	11
Smashcut, Inc.	US	25.93	6
The Egyptian International Publishing Company-Longman	EG	49	12

* In liquidation.

† Accounted for as an 'Other financial asset' within non-current assets.

Partly-owned subsidiaries and associated undertakings company addresses

Registered office address

1	Suite 1804, No. 99 Huichuan Road, Changning District, Shanghai City, China
2	80 Strand, London, WC2R 0RL, England
3	CT Corporation System, 4701 Cox Road, Suite 285, Glen Allen, Henrico, VA, 23060-0000, United States
4	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE, 19801, United States
5	King Fayad Road, Olaya, Riyadh, 58774, 11515, Saudi Arabia
6	C/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, United States
7	SIS 1107A1112, 35 Rua Pedro Lessa, Centro, Rio de Janeiro, RJ, 20030-030, Brazil
8	Incorporating Services, Ltd. 3500 S Dupont Way, Dover, Kent, DE, 19901, United States
9	Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands
10	Suite 216, No. 127-1 Zhongguancun North Street, Haidian District, Beijing, China
11	Rua de Pequim No. 230-246 17-L, Macau Finance Centre, Macau, China
12	9 Rashdan St., Messaha Square, Dokki, Giza City, Egypt

Five-year summary

All figures in £ millions	2025	2024	2023	2022	2021
Sales: By operating segment					
Assessment & Qualifications	1,604	1,591	1,559	1,444	1,238
Virtual Learning	511	489	616	820	713
English Language Learning	405	420	415	321	238
Enterprise Learning & Skills ¹	282	271	269	252	216
Higher Education ¹	775	781	806	850	805
Strategic review	-	-	9	154	218
Total sales	3,577	3,552	3,674	3,841	3,428
Adjusted operating profit: By operating segment					
Assessment & Qualifications	361	368	350	258	219
Virtual Learning	81	66	76	70	32
English Language Learning	50	50	47	25	15
Enterprise Learning & Skills ¹	29	20	6	13	49
Higher Education ¹	93	96	96	75	51
Strategic review	-	-	(2)	15	19
Total adjusted operating profit	614	600	573	456	385
Operating margin – continuing	17.2%	16.9%	15.6%	11.9%	11.2%
Adjusted earnings					
Total adjusted operating profit	614	600	573	456	385
Net finance costs	(57)	(45)	(33)	(1)	(57)
Adjusted profit before tax	557	555	540	455	328
Income tax	(136)	(136)	(124)	(71)	(64)
Non-controlling interest	(1)	(1)	(2)	(2)	(1)
Adjusted earnings	420	418	414	382	263
Weighted average number of shares (millions)	651.3	673.0	711.5	738.1	754.1
Adjusted earnings per share	64.5p	62.1p	58.2p	51.8p	34.9p

All figures in £ millions	2025	2024	2023	2022	2021
Cash flow					
Operating cash flow	571	662	587	401	388
Operating cash conversion	93%	110%	102%	88%	101%
Free cash flow	527	490	387	222	133
Free cash flow conversion	125%	117%	93%	58%	51%
Free cash flow per share	80.9p	72.8p	54.4p	30.0p	17.6p
Net assets	3,663	4,053	3,988	4,415	4,280
Net debt	1,069	853	744	557	350
Return on capital					
Total adjusted operating profit	614	600	573	456	385
Adjusted income tax charge	(136)	(136)	(124)	(71)	(64)
Return	478	464	449	385	321
Capital	4,231	4,433	4,380	4,439	4,086
Return on capital	11.3%	10.5%	10.3%	8.7%	7.9%
Dividend per share	25.2p	24.0p	22.7p	21.5p	20.5p

1. Comparative amounts for all periods presented have been restated to reflect the move between operating segments.

Financial key performance indicators

The following tables and narrative provide further analysis of the financial key performance indicators which are described in the financial review of the annual report on pages 25–31, shown within the key performance indicators on page 24 of the annual report and shown in note 2 of the notes to the consolidated financial statements.

Adjusted performance measures

The annual report and accounts reports results and performance on a headline basis which compares the reported results both on a statutory and on a non-GAAP (non-statutory) basis. The Group's adjusted performance measures are non-GAAP (non-statutory) financial measures and are also included in the annual report as they are key financial measures used by management to evaluate performance. The measures also enable investors to more easily, and consistently, track the underlying operational performance of the Group and its business segments by separating out those items of income and expenditure relating to acquisition and disposal transactions, major reorganisation programmes and certain other items that are also not representative of underlying performance.

The Group's definition of adjusted performance measures may not be comparable to other similarly titled measures reported by other companies. A reconciliation of the adjusted measures to their corresponding statutory measures is shown within this section.

Sales

Underlying sales movements exclude the effect of exchange, the impact of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Portfolio changes are calculated by taking account of the additional sales (at constant exchange rates) from acquisitions made in both the current year and the prior year. For acquisitions made in the prior year, the additional sales excluded is calculated as the sales made in the period of the current year that corresponds to the pre-acquisition period in the prior year, and for current year acquisitions, the results for the current year are excluded. Sales made by businesses disposed in either the current year or the prior year are also excluded. Constant exchange rates are calculated by assuming the average exchange rates in the prior year prevailed throughout the current year. These non-GAAP measures enable management and investors to track more easily, and consistently, the underlying sales performance of the Group.

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Enterprise Learning and Skills	Higher Education	Total
Statutory sales 2025	1,604	511	405	282	775	3,577
Statutory sales 2024	1,591	489	420	271	781	3,552
Statutory sales increase/ (decrease)	13	22	(15)	11	(6)	25
Comprising:						
Portfolio changes	-	-	-	-	7	7
Exchange differences	(43)	(18)	(20)	(4)	(27)	(112)
Underlying increase/(decrease)	56	40	5	15	14	130
Statutory sales increase/ (decrease)	1%	4%	(4)%	4%	(1)%	1%
Constant exchange rate increase/(decrease)	4%	8%	1%	6%	3%	4%
Underlying increase/(decrease)	4%	8%	1%	6%	2%	4%

Financial key performance indicators *continued***Adjusted operating profit**

Adjusted operating profit excludes the cost of major reorganisation, certain property charges, other net gains and losses on the sale or closure of subsidiaries, joint ventures, associates and other financial assets, and intangible charges, including impairment, relating only to goodwill and intangible assets acquired through business combinations or relating to associates. Other net gains and losses also includes costs related to business closures and acquisitions. Further details are given below under 'Adjusted earnings per share'. Underlying adjusted operating profit movements exclude the effect of exchange, the impact of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Portfolio changes are calculated by taking account of the additional contribution (at constant exchange rates) from acquisitions made in both the current year and the prior year.

For acquisitions made in the prior year, the additional contribution excluded is calculated as the operating profit made in the period of the current year that corresponds to the pre-acquisition period in the prior year, and for current year acquisitions, the results for the current year are excluded. Operating profit made by businesses disposed in either the current year or the prior year is also excluded. Constant exchange rates are calculated by assuming the average exchange rates in the prior year prevailed throughout the current year. This non-GAAP measure enables management and investors to track more easily, and consistently, the underlying operating profit performance of the Group.

All figures in £ millions	2025	2024	2023
Operating profit	507	541	498
Cost of major reorganisation	-	(2)	-
Product development impairment	87	-	-
Property charges	(25)	-	11
Other net gains and losses	3	7	16
Intangible charges	42	41	48
UK pension discretionary increase	-	13	-
Adjusted operating profit	614	600	573

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Enterprise Learning & Skills	Higher Education	Total
Adjusted operating profit increase/(decrease)	(7)	15	-	9	(3)	14
Comprising:						
Exchange differences	(10)	(4)	(8)	1	(5)	(26)
Portfolio changes	-	-	-	-	2	2
Underlying increase/(decrease)	3	19	8	8	-	38
Constant exchange rate increase/(decrease)	1%	29%	16%	40%	2%	7%
Underlying increase/(decrease)	1%	29%	16%	40%	-	6%

Adjusted operating profit translated at year-end closing rates would be £9m lower (2024: £7m higher) than the reported figure of £614m (2024: £600m) at £605m (2024: £607m).

Adjusted earnings

Adjusted earnings includes adjusted operating profit and adjusted finance and tax charges. Adjusted earnings is included as a non-GAAP measure as it is used by management to evaluate performance and by investors to more easily, and consistently, track the underlying operational performance of the Group over time.

All figures in £ millions	2025	2024	2023
Profit for the year	336	435	380
Non-controlling interest	(1)	(1)	(2)
Cost of major reorganisation	-	(2)	-
Product development impairment	87	-	-
Property charges	(25)	-	11
Other net gains and losses	3	7	16
Intangible charges	42	41	48
UK pension discretionary increase	-	13	-
Other net finance income	(7)	(14)	(28)
Income tax	(15)	(61)	(11)
Adjusted earnings	420	418	414

Adjusted earnings *continued*

The following items are excluded from adjusted earnings:

Cost of major reorganisation – In 2025, there were no costs of major reorganisation. In 2024, there was a release of £2m related to amounts previously accrued. In 2023, there were no costs of major reorganisation. The costs of these reorganisation programmes are significant enough to exclude from the adjusted operating profit measure so as to better highlight the underlying performance (see note 4).

Product development impairment charges – In 2025, these relate to the impairment of product development assets as a result of courseware platform convergence (see note 20). There were no such amounts in 2024 or 2023.

Property charges – In 2025, property charges are a gain of £25m, relating to reversals of impairments of property assets that were previously impaired through property charges. Impairment reversals have arisen from new sublets on previously vacant space in corporate properties. In 2024, there were no property charges. In 2023, charges of £11m related to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 reorganisation programmes.

Other net gains and losses – These represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets and are excluded from adjusted operating profit in order to show the performance of the Group on a more comparable basis year-on-year. Other net gains and losses also includes costs related to business closures and acquisitions. Other net gains and losses in 2025 relate to the gain on disposal of Copp Clark, a business in our Higher Education division, a fair value gain relating to a previous disposal and costs relating to current and prior year acquisitions and disposals. Other net gains and losses in 2024 related to costs related to prior year acquisitions and disposals, partially offset by a gain on the partial disposal of our investment in an associate. In 2023, they related to the gain on the disposal of the POLS business and gains related to the release of accruals and a provision related to historical acquisitions, offset by losses on the disposal of Pearson College and costs related to current and previous year disposals and acquisitions.

UK pension discretionary increases – Charges in 2024 relate to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis. There were no such awards in 2025 or 2023.

Intangible charges – These represent amortisation relating to intangibles acquired through business combinations. These amortisation charges are excluded as they reflect past acquisition activity and do not necessarily reflect the current year performance of the Group. Intangible amortisation charges in 2025 were £42m compared to a charge of £41m in 2024. This is due to increased amortisation from recent acquisitions partially offset by decreased amortisation from assets reaching the end of their useful economic lives. In 2023, intangible charges were £48m. In all three years, there were no impairment charges.

Other net finance income/costs – These include finance costs in respect of retirement benefits, finance costs of deferred consideration, fair value movements in relation to financial assets held at fair value through profit and loss and foreign exchange and other gains and losses. Finance income relating to retirement benefits is excluded as management does not believe that the consolidated income statement presentation under IAS 19 reflects the economic substance of the underlying assets and liabilities. Finance costs relating to acquisition transactions are excluded as these relate to future earn-outs or acquisition expenses and are not part of the underlying financing. Foreign exchange and other gains and losses are excluded as they represent short-term fluctuations in market value and are subject to significant volatility. Other gains and losses may not be realised in due course as it is normally the intention to hold the related instruments to maturity.

All figures in £ millions	2025	2024	2023
Net finance costs	(50)	(31)	(5)
Net finance income in respect of retirement benefits	(25)	(21)	(26)
Interest on deferred and contingent consideration	1	2	4
Fair value movements on investments	7	11	(13)
Net foreign exchange losses/(gains)	7	3	(3)
Fair value movement on derivatives	3	(7)	10
Interest on provisions for uncertain tax positions	–	(2)	–
Adjusted net finance costs	(57)	(45)	(33)

Tax – Tax on the above items is excluded from adjusted earnings. Where relevant the Group also excludes the benefit from recognising previously unrecognised pre-acquisition and capital losses. The tax benefit from tax deductible goodwill and intangibles is added to the adjusted income tax charge as this benefit more accurately aligns the adjusted tax charge with the expected rate of cash tax payments.

The Group also assesses whether other significant items identified within the reconciliation to the tax charge to profit before tax should be classified as adjusting items where not representative of underlying performance or ongoing operations. This could include derecognition of deferred tax assets, changes in tax rates or the effect of tax investigations.

Financial key performance indicators *continued*

The tax rate reflected in adjusted earnings is calculated as follows:

All figures in £ millions	2025	2024	2023
Profit before tax	457	510	493
Adjustments:			
Cost of major reorganisation	-	(2)	-
Product development impairment	87	-	-
Property charges	(25)	-	11
Other net gains and losses	3	7	16
Intangible charges	42	41	48
UK Pension discretionary increases	-	13	-
Other net finance income	(7)	(14)	(28)
Adjusted profit before tax	557	555	540
Total tax charge	(121)	(75)	(113)
Adjustments:			
Tax on cost of major reorganisation	-	1	-
Tax on product development impairment	(22)	-	-
Tax on property charges	7	-	(3)
Tax on other net gains and losses	(1)	-	(10)
Tax on intangible charges	(10)	(10)	(11)
Tax on UK pensions discretionary increases	-	(3)	-
Tax on other net finance costs	2	5	7
Tax on goodwill and intangibles	4	4	4
Tax benefit on UK tax rate change	-	-	1
State Aid provision release	-	(63)	-
Movement in provision for tax uncertainties	3	6	-
Other tax items	2	(1)	1
Adjusted tax charge	(136)	(136)	(124)
Tax rate reflected in adjusted earnings	24.5%	24.4%	23.0%

Adjusted earnings per share

Adjusted earnings per share is calculated as adjusted earnings divided by the weighted average number of shares in issue on an undiluted basis.

All figures in £ millions	2025	2024	2023
Adjusted operating profit	614	600	573
Adjusted net finance costs	(57)	(45)	(33)
Adjusted profit before tax	557	555	540
Adjusted income tax	(136)	(136)	(124)
Adjusted profit for the year	421	419	416
Non-controlling interest	(1)	(1)	(2)
Adjusted earnings	420	418	414
Weighted average number of shares (millions)	651.3	673.0	711.5
Weighted average number of shares (millions) for diluted earnings	660.3	684.0	717.3
Adjusted earnings per share			
Basic	64.5p	62.1p	58.2p
Diluted	63.6p	61.1p	57.7p

Return on capital

Return on capital (ROC) is included as a non-GAAP measure of how efficiently we are generating returns from our asset base. ROC is calculated as adjusted operating profit less adjusted income tax as a proportion of capital, where capital adjusts net statutory assets for net debt, retirement benefit assets, other post-retirement medical obligations and other non-operating items.

These adjustments to net statutory assets have been made to better reflect the asset base that generates returns.

All figures in £ millions	2025	2024
Adjusted operating profit	614	600
Adjusted income tax charge	(136)	(136)
Return	478	464
Net statutory assets	3,663	4,053
Adjustments for:		
Net debt	1,069	853
Retirement benefit assets	(518)	(491)
Other post-retirement medical benefit obligation	17	19
Other non-operating assets	-	(1)
Capital	4,231	4,433
Return on capital	11.3%	10.5%

Operating cash flow and free cash flow

Operating cash flow is calculated as net cash generated from operations before the impact of items excluded from the adjusted income statement plus dividends from joint ventures and associates (less the re-capitalisation dividends from Penguin Random House); less capital expenditure on property, plant and equipment (including additions to right-of-use assets) and intangible software assets; plus proceeds from the sale of property, plant and equipment (including the impacts of transfers to/from investment in finance lease receivable) and intangible software assets; plus special pension contributions paid; and plus costs of major reorganisation paid. When compared to operating cash flow, free cash flow includes tax paid/received, net finance costs paid, net costs paid for major reorganisation and special pension contributions paid.

Operating cash flow and free cash flow are included as a non-GAAP measures in order to align the cash flows with the corresponding adjusted operating profit and adjusted earnings measures.

All figures in £ millions	2025	2024
Net cash generated from operations	731	811
Dividends received	1	2
Purchase/disposal of PPE and software	(131)	(118)
Net addition of right-of-use assets	(45)	(46)
Net costs paid for major reorganisation	-	8
Special pension contributions	2	-
Other net gains and losses	13	5
Operating cash flow	571	662
Tax paid	(2)	(119)
Net finance costs paid	(40)	(45)
Special pension contributions	(2)	-
Net costs paid for major reorganisation	-	(8)
Free cash flow	527	490
Dividends paid (including to non-controlling interests)	(160)	(156)
Net movement of funds from operations	367	334
Acquisitions and disposals	(177)	(58)
Net equity transactions	(415)	(351)
Other movements on financial instruments	9	(34)
Movement in net debt	(216)	(109)
Opening net debt	(853)	(744)
Closing net debt	(1,069)	(853)

Financial key performance indicators *continued*

Operating cash conversion, calculated as operating cash flow as a percentage of adjusted operating profit, is also shown as a non-GAAP measure as this is used by management and investors to measure cash generation by the Group.

All figures in £ millions	2025	2024
Adjusted operating profit	614	600
Operating cash flow	571	662
Operating cash conversion	93%	110%

Operating cash flow and total free cash flow, which are non-GAAP measures, are commonly used by investors to measure the cash performance of the Group.

Free cash flow conversion, calculated as free cash flow as a percentage of adjusted earnings, is also shown as a non-GAAP measure as this is used by management and investors to measure cash generation by the Group.

All figures in £ millions	2025	2024
Adjusted earnings	420	418
Free cash flow	527	490
Free cash conversion	125%	117%

Net cash generated from operations is translated at an exchange rate approximating the rate at the date of cash flow. The difference between this rate and the average rate used to translate profit gives rise to a currency adjustment in the reconciliation between net profit and net cash generated from operations. This adjustment reflects the timing difference between recognition of profit and the related cash receipts or payments.

Net debt and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

For information, the net debt/adjusted EBITDA ratio is shown as a non-GAAP measure as it is commonly used by investors to measure balance sheet strength. Adjusted EBITDA is calculated as adjusted operating profit less depreciation on property, plant and equipment, and amortisation on intangible software assets.

All figures in £ millions	2025	2024
Adjusted operating profit	614	600
Depreciation (excluding items included in 'cost of major reorganisation' and 'property charges')	74	76
Amortisation on intangible software assets (excluding items included in 'cost of major reorganisation')	112	117
Adjusted EBITDA	800	793
Cash and cash equivalents	333	543
Derivative financial instruments	13	(7)
Revolving Credit Facilities	(297)	-
Bonds	(706)	(955)
Investment in finance lease receivable	66	83
Lease liabilities	(478)	(517)
Net debt	(1,069)	(853)
Net debt/adjusted EBITDA ratio	1.3x	1.1x

Adjusted EBITDA translated at year-end closing rates would be £11m lower (2024: £10m higher) than the reported figure of £800m (2024: £793m) at £789m (2024: £803m).