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 2024 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 2024 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2024	Balance sheet as at 31 December 2024
Consolidated statement of comprehensive income for the year ended 31 December 2024	Statement of changes in equity for the year ended 31 December 2024
Consolidated balance sheet as at 31 December 2024	Related notes 1 to 11 to the financial statements including material accounting policy information
Consolidated statement of changes in equity for the year ended 31 December 2024	
Consolidated cash flow statement for the year ended 31 December 2024	
Related notes 1 to 38 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 2026 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 2024 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 2024. 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 2026.
- For debt amounts that are repayable within the going concern assessment period we have understood the assumptions that management has made in respect of refinancing.
- 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 2026.
- 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 forecast 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 1b 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 2026.

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	• We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 5 components. We also performed specified audit procedures on one account for one additional component. We performed central procedures on financial statement line items as detailed in the "Tailoring the scope" section below.
Key audit matters	• Fraud risk in revenue recognition • Valuation of United Kingdom (UK) Group Pension Plan defined pension obligation
Materiality	• Overall Group materiality of £25.7m 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 has been updated to reflect the new 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 potential impact of climate change, 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 centralised audit procedures on Group balances would be performed for goodwill, acquired intangible assets, investments in associates and joint ventures, other financial assets, finance income, finance costs and other operating income, income tax expense, equity, intercompany, current and deferred income tax, defined benefit plan liabilities, assets and related OCI amounts and financial liabilities (borrowings).

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 5 of the components as individually relevant to the Group based on the materiality of specific accounts relative to the Group.

For the above 10 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 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 significant financial statement account balances.

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 1 further component 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 11 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 5 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 component, we performed specified audit procedures to obtain evidence for one or more relevant assertions over a significant financial statement account balance.

Independent Auditor's Report *continued*

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 with the exception of certain procedures in relation to one cash balance, where work was performed by a non-EY firm.

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. Each of the service centres is subject to specified risk-focused audit procedures, predominantly the testing of transaction processing and controls testing.

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. The Senior Statutory Auditor and other senior members of the London-based team visited the Belfast and Manila locations.

The audit procedures over cash performed by the non-EY firm were reviewed by the Group audit team and the Senior Statutory Auditor held a virtual meeting with the non-EY auditor to discuss the results of their testing.

Climate change

Stakeholders are increasingly interested in how climate change will impact Pearson. The Group has determined that the most significant future impacts from climate change on their operations will be from physical risks in the medium and long term. These risks are explained on page 44-48 in the required Task Force on Climate-related Financial Disclosures. They have also explained their climate commitments on page 41. All of these disclosures form part of the "Other information", rather than the audited financial statement. 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 statement.

The Group has explained in the Basis of Presentation note 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. 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 whether these have been appropriately reflected in asset values where these are impacted by future cash flows 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
Fraud risk in revenue recognition **(Revenues of £3,552 million, 2023 £3,674 million)** Refer to the Audit Committee's Report (page 110); Accounting policies (page 162); and note 3 of the Group financial statements (page 167) 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. The risk is consistent with the prior year.	We obtained an understanding and evaluation the design and tested the operating effectiveness of controls over the Group's material revenue processes. The audit of topside manual journals included central testing of the consolidation and close-process adjustments, testing any journals that had an entry against revenue and obtaining corroborative evidence. We have understood each significant revenue stream and considered for each individual process where management override of controls is more likely to occur. For Courseware revenue we have determined that the fraud risk procedures were targeted on the manual process of deferral of revenue, particularly focused on the underlying calculations and adjustments to the deferred revenue manual calculation that could lead to the manipulation of revenue through the incorrect deferral of revenue. For the remaining revenue streams, we have determined that the fraud risk procedures were targeted on the potential for recording fictitious manual journals to revenue, particularly near the year-end, to achieve the target profit at year end. 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. Where it was deemed to be most effective, for certain revenue streams we extended the use of data analytics. These incremental procedures involved testing full populations of transactions, including performing a correlation analysis between invoiced revenue, receivables and cash. We performed targeted audit procedures over material items that did not correlate as expected.

Key observations communicated to the Audit Committee

Revenue for the year to 31 December 2024 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 3 specific scope components, which covered 80% of the risk amount.

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

Independent Auditor's Report *continued*

Risk	Our response to the risk
Valuation of United Kingdom (UK) Group Pension Plan defined pension obligation **(Defined benefit obligation of £2,443 million, 2023 £2,569 million)** Refer to the Audit Committee's Report (page 112); Accounting policies (page 162); and note 25 of the Group financial statements (page 197) 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, used in the valuation. The present value of the UK defined benefit pension obligation is very sensitive to changes in these assumptions. The risk is consistent with the prior year.	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. 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. We involved our actuarial specialists to assist with our audit procedures specific to the valuation and measurement of the defined benefit obligation. We compared the actuarial assumptions used by management to historical trends, current investment conditions, market practice and the requirements of the accounting standard. 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. 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.

Key observations communicated to the Audit Committee

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.

How we scoped our audit to respond to the risk

We performed audit procedures over the consolidated balance, covering 100% of the risk amount

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

In the prior year, our auditor's report included a key audit matter in relation to the Valuation of acquired intangible assets following the acquisition of Personnel Decisions Research Institutes, LLC ('PDRI'). In the current year, the Company has not acquired any material intangible assets. As such, this was removed as a key audit matter. Additionally in the prior year, our auditor's report included a key audit matter in relation to the EU State Aid uncertain tax position. In the current year, the Court of Justice of the European Union issued a final judgement. Since the case has concluded, no uncertainty or judgement remains in respect of the potential exposure. As such, this was removed as a key audit matter.

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 £25.7 million (2023: £24.6 million), which is 5% (2023: 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 £55.9 million (2023: £44 million), which is approximately 1% (2023: 1%) of net assets.

Starting basis

- Profit before tax – £510 million

Adjustments

- Add: £7 million other net gains and losses
- Less: £2 million cost of major reorganisation
- Less: £14 million other net finance income
- Add: £13m UK pension discretionary increases

Materiality

- Adjusted Profit before tax £514 million (materiality basis)
- Materiality of £25.7 million (5% of materiality basis)

During the course of our audit, we reassessed initial materiality and updated it for actual 2024 results, which resulted in a small increase to £25.7m.

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 the group's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely £12.8 million (2023: £12.3 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 (2023: £1.2 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 set out on pages 1 to 140, 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.

Independent Auditor's Report *continued*

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
- 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 156;
- 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 67;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 67;
- Directors' statement on fair, balanced and understandable set out on page 101;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 58;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 106; and
- The section describing the work of the audit committee set out on page 103.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 141, 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. 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 three years, covering the years ending 31 December 2022 to 31 December 2024.
- 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

13 March 2025

Consolidated income statement

Year ended 31 December 2024

All figures in £ millions	Notes	2024	2023	2022
Continuing operations				
Sales	2,3	**3,552**	3,674	3,841
Cost of goods sold	4	**(1,741)**	(1,839)	(2,046)
Gross profit		**1,811**	1,835	1,795
Operating expenses	4	**(1,265)**	(1,322)	(1,549)
Other net gains and losses	4	**(7)**	(16)	24
Share of results of joint ventures and associates	12	**2**	1	1
Operating profit	2	**541**	498	271
Finance costs	6	**(112)**	(81)	(71)
Finance income	6	**81**	76	123
Profit before tax		**510**	493	323
Income tax	7	**(75)**	(113)	(79)
Profit for the year		**435**	380	244
Attributable to:				
Equity holders of the company		**434**	378	242
Non-controlling interest		**1**	2	2
Earnings per share attributable to equity holders of the company during the year (expressed in pence per share)				
—basic	8	**64.5p**	53.1p	32.8p
—diluted	8	**63.5p**	52.7p	32.6p

Consolidated statement of comprehensive income

Year ended 31 December 2024

All figures in £ millions	Notes	2024	2023	2022
Profit for the year		**435**	380	244
Items that may be reclassified to the income statement				
Net exchange differences on translation of foreign operations		**(35)**	(177)	330
Currency translation adjustment disposed	31	**–**	(122)	(5)
Attributable tax	7	**2**	–	4
Items that are not reclassified to the income statement				
Fair value (losses)/gains on other financial assets	15	**(2)**	1	18
Attributable tax	7	**–**	–	1
Remeasurement of retirement benefit obligations	25	**5**	(85)	54
Attributable tax	7	**(2)**	20	(12)
Other comprehensive (expense)/income for the year	29	**(32)**	(363)	390
Total comprehensive income for the year		**403**	17	634
Attributable to:				
Equity holders of the company		**402**	16	630
Non-controlling interest		**1**	1	4

Consolidated balance sheet

As at 31 December 2024

All figures in £ millions	Notes	2024	2023
Assets			
Non-current assets			
Property, plant and equipment	10	**216**	217
Investment property	10	**77**	79
Intangible assets	11	**3,026**	3,091
Investments in joint ventures and associates	12	**12**	22
Deferred income tax assets	13	**52**	35
Financial assets – derivative financial instruments	16	**20**	32
Retirement benefit assets	25	**491**	499
Other financial assets	15	**141**	143
Income tax assets	7	**4**	41
Trade and other receivables	22	**125**	135
		4,164	4,294
Current assets			
Intangible assets – product development	20	**947**	947
Inventories	21	**74**	91
Trade and other receivables	22	**1,030**	1,050
Financial assets – derivative financial instruments	16	**31**	16
Income tax assets	7	**103**	15
Cash and cash equivalents (excluding overdrafts)	17	**543**	312
		2,728	2,431
Assets classified as held for sale	32	**–**	2
Total assets		**6,892**	6,727
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	18	**(1,157)**	(1,094)
Financial liabilities – derivative financial instruments	16	**(4)**	(38)
Deferred income tax liabilities	13	**(63)**	(46)
Retirement benefit obligations	25	**(41)**	(44)
Provisions for other liabilities and charges	23	**(13)**	(15)
Other liabilities	24	**(83)**	(98)
		(1,361)	(1,335)

All figures in £ millions	Notes	2024	2023
Current liabilities			
Trade and other liabilities	24	**(1,054)**	(1,275)
Financial liabilities – borrowings	18	**(315)**	(67)
Financial liabilities – derivative financial instruments	16	**(54)**	(5)
Income tax liabilities	7	**(32)**	(32)
Provisions for other liabilities and charges	23	**(23)**	(25)
		(1,478)	(1,404)
Liabilities classified as held for sale	32	**–**	–
Total liabilities		**(2,839)**	(2,739)
Net assets		**4,053**	3,988
Equity			
Share capital	27	**166**	174
Share premium	27	**2,649**	2,642
Treasury shares	28	**(7)**	(19)
Capital redemption reserve		**41**	33
Fair value reserve		**(14)**	(12)
Translation reserve		**376**	411
Retained earnings		**827**	745
Total equity attributable to equity holders of the company		**4,038**	3,974
Non-controlling interest		**15**	14
Total equity		**4,053**	3,988

These financial statements have been approved for issue by the Board of Directors on 13 March 2025 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 2024

	Equity attributable to equity holders of the company									
All figures in £ millions	**Share capital**	**Share premium**	**Treasury shares**	**Capital redemption reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
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**

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.

	Equity attributable to equity holders of the company									
All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
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 statement of changes in equity *continued*

Year ended 31 December 2024

	Equity attributable to equity holders of the company									
All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2022	189	2,626	(12)	18	(4)	386	1,067	4,270	10	4,280
Profit for the year	–	–	–	–	–	–	242	242	2	244
Other comprehensive income/(expense)	–	–	–	–	18	323	47	388	2	390
Total comprehensive income/(expense)	–	–	–	–	18	323	289	630	4	634
Equity-settled transactions	–	–	–	–	–	–	38	38	–	38
Taxation on equity-settled transactions	–	–	–	–	–	–	3	3	–	3
Issue of ordinary shares under share option schemes	–	7	–	–	–	–	–	7	–	7
Buyback of equity	(10)	–	–	10	–	–	(353)	(353)	–	(353)
Purchase of treasury shares	–	–	(37)	–	–	–	–	(37)	–	(37)
Release of treasury shares	–	–	34	–	–	–	(34)	–	–	–
Transfer of gain on disposal of FVOCI investment	–	–	–	–	(27)	–	27	–	–	–
Dividends	–	–	–	–	–	–	(156)	(156)	(1)	(157)
At 31 December 2022	179	2,633	(15)	28	(13)	709	881	4,402	13	4,415

Consolidated cash flow statement

Year ended 31 December 2024

All figures in £ millions	Notes	2024	2023	2022
Cash flows from operating activities				
Profit before tax		**510**	493	323
Net finance costs/(income)		**31**	5	(52)
Depreciation and impairment – PPE, investment property and assets held for sale		**77**	90	136
Amortisation and impairment – software		**117**	123	125
Amortisation and impairment – acquired intangible assets		**41**	46	54
Other net gains and losses		**5**	13	(24)
Product development capital expenditure		**(284)**	(300)	(357)
Amortisation and impairment – product development		**291**	284	303
Share-based payment costs		**44**	40	35
Change in inventories		**15**	9	(34)
Change in trade and other receivables		**32**	(24)	33
Change in trade and other liabilities		**(99)**	(20)	(84)
Change in provisions for other liabilities and charges		**(1)**	(61)	50
Other movements		**32**	(16)	19
Net cash generated from operations		**811**	682	527
Interest paid		**(65)**	(60)	(57)
Tax paid		**(119)**	(97)	(109)
Net cash generated from operating activities		**627**	525	361
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	30	**(39)**	(171)	(228)
Acquisition of joint ventures and associates		**–**	(5)	(5)
Purchase of investments		**(7)**	(8)	(12)
Purchase of property, plant and equipment and investment property		**(33)**	(30)	(57)
Purchase of intangible assets		**(91)**	(96)	(90)
Disposal of subsidiaries, net of cash disposed	31	**(7)**	(38)	333
Proceeds from disposal of investments		**–**	7	17
Proceeds from disposal of property, plant and equipment		**6**	5	14
Lease receivables repaid including disposals		**18**	15	18
Interest received		**20**	20	22
Dividends received		**2**	–	1
Net cash (used in)/generated from investing activities		**(131)**	(301)	13

All figures in £ millions	Notes	2024	2023	2022
Cash flows from financing activities				
Proceeds from issue of ordinary shares	27	**7**	9	7
Buyback of equity	27	**(318)**	(186)	(353)
Settlement of share-based payments	28	**(40)**	(35)	(37)
Proceeds from borrowings		**1,265**	285	–
Repayment of borrowings		**(921)**	(285)	(171)
Repayment of lease liabilities		**(78)**	(84)	(93)
Dividends paid to company's shareholders	9	**(156)**	(154)	(156)
Dividends paid to non-controlling interest		**–**	–	(1)
Net cash used in financing activities		**(241)**	(450)	(804)
Effects of exchange rate changes on cash and cash equivalents		**(21)**	(8)	36
Net increase/(decrease) in cash and cash equivalents		**234**	(234)	(394)
Cash and cash equivalents at beginning of year		**309**	543	937
Cash and cash equivalents at end of year	17	**543**	309	543

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 13 March 2025.

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 2024 – No new standards were adopted in 2024.

A number of other new pronouncements are effective from 1 January 2024 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:

— Amendments to IAS 21 'Lack of exchangeability';
— Amendment to IFRS 9 and IFRS 7 'Classification and measurement of financial instruments' (not yet endorsed;
— IFRS 18 'Presentation and disclosure in financial statements' (not yet endorsed); 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, but they are not expected to have a material impact. 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:

— 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.

KJ Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions. See notes 7 and 34.
- 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 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 34.
- 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.

Subsequent to the release of the 2024 unaudited preliminary results, a £10m adjustment has been made which reduces other comprehensive income and which reduces net assets by increasing tax liabilities.

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 $1.28 (2023: $1.25; 2022: $1.24) and the year-end rate was $1.25 (2023: $1.27; 2022: $1.21).

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.

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

Other financial assets 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.

Royalty advances

Advances of royalties to authors are included within trade and other receivables when the advance is paid less any provision required to adjust the advance to its net realisable value. The realisable value of royalty advances relies on a degree of management estimation in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated, this will have an adverse effect on operating profits as these excess amounts will be written off.

The recoverability of royalty advances is based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors.

The royalty advance is expensed at the contracted or effective royalty rate as the related revenues are earned. Royalty advances which will be consumed within one year are held in current assets. Royalty advances which will be consumed after one year are held in non-current assets.

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.

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 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.

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).

Notes to the consolidated financial statements *continued*

1a. Accounting policies continued

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

The Group's revenue streams are courseware, assessments and services. Courseware includes curriculum materials provided in book form and/or via access to digital content. Assessments includes test development, processing and scoring services provided to governments, educational institutions, corporations and professional bodies. Services includes the operation of schools, colleges and universities, as well as the provision of online learning services in partnership with universities and other academic institutions.

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.

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.

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).

Notes to the consolidated financial statements *continued*

1b. Going concern

In assessing the Group's ability to continue as a going concern for the period to 30 June 2026, 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 2024, the Group had available liquidity of c.£1.2bn, comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF) which matures in February 2028, but which has options to extend the maturity to February 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 2025 and 2026, adjusted for probability weighting as well as other significant risks. The net impact of the risks modelled was to reduce free cashflow by around 30% per year. 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 crystalise.

A reverse stress test was performed to identify the reduction in profit required to exhaust liquidity at 30 June 2026. The model showed that significant profit declines in excess of the severe but plausible were required in both 2025 and 2026 to exhaust liquidity.

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 2026. 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 2024, or the assessment of going concern for the period to June 2026 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 Workforce Skills.

In addition, the International Courseware local publishing businesses, which were under strategic review, were previously being managed as a separate business unit, known as Strategic Review. In 2022, some of the businesses from the Strategic Review business unit were disposed of (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 VUE, 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);

— English Language Learning – Pearson Test of English, Institutional Courseware and English Online Solutions;

— Workforce Skills – BTEC, GED, TalentLens, Faethm, Credly, Pearson College and Apprenticeships; 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		
	2024	2023	2022	**2024**	2023	2022
Assessment & Qualifications	**1,591**	1,559	1,444	**368**	350	258
Virtual Learning	**489**	616	820	**66**	76	70
English Language Learning	**420**	415	321	**50**	47	25
Workforce Skills	**226**	220	204	**8**	(8)	(3)
Higher Education	**826**	855	898	**108**	110	91
Strategic Review	**–**	9	154	**–**	(2)	15
Total	**3,552**	3,674	3,841	**600**	573	456

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

		2024	2023	2022
Adjusted operating profit		**600**	573	456
Cost of major reorganisation		**2**	–	(150)
Property charges		**–**	(11)	–
Intangible charges		**(41)**	(48)	(56)
UK pension discretionary increases		**(13)**	–	(3)
Other net gains and losses		**(7)**	(16)	24
Operating profit		**541**	498	271
Finance costs	6	**(112)**	(81)	(71)
Finance income	6	**81**	76	123
Profit before tax		**510**	493	323
Income tax	7	**(75)**	(113)	(79)
Profit for the year		**435**	380	244

There were no material inter-segment sales in either 2024, 2023 or 2022. 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:

	Amortisation, depreciation, and impairment		
All figures in £ millions	**2024**	2023	2022
Assessment & Qualifications	**196**	196	202
Virtual Learning	**64**	76	108
English Language Learning	**56**	58	51
Workforce Skills	**33**	31	33
Higher Education	**177**	179	201
Strategic Review	**–**	3	23
Total	**526**	543	618

Notes to the consolidated financial statements *continued*

2. Segment information continued

Adjusted operating profit is shown in the above 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 2024, there was a release of £2m relating to amounts previously accrued. In 2023, there were no costs of major reorganisation. In 2022, the reorganisation costs of £150m mainly related to staff redundancies and impairment of right of use property assets. The 2022 charge includes the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021. 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.

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 2024 were £41m compared to a charge of £48m in 2023. This is due to decreased amortisation from disposals partially offset by additional amortisation from recent acquisitions. In 2022, intangible charges were £56m. 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 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. Other net gains and losses in 2023 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. In 2022, they related to the gains on the disposal of our international courseware local publishing businesses in Europe, French-speaking Canada and Hong Kong and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by a loss on disposal of our international courseware local publishing businesses in South Africa due to recycling of currency translation adjustments and costs related to disposals and acquisitions.

UK pension discretionary increases – Charges in 2024 and 2022 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 2023.

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:

	Sales			Non-current assets	
All figures in £ millions	**2024**	2023	2022	**2024**	2023
UK	**487**	450	424	**505**	518
Other European countries	**120**	130	192	**160**	179
US	**2,444**	2,504	2,668	**2,310**	2,320
Canada	**68**	83	110	**174**	186
Asia Pacific	**313**	386	290	**169**	186
Other countries	**120**	121	157	**13**	20
Total	**3,552**	3,674	3,841	**3,331**	3,409

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 following tables analyse the Group's revenue streams. Courseware includes curriculum materials provided in book form and/or via access to digital content. Assessments includes integrated test development, processing and scoring services provided to governments, educational institutions, corporations and professional bodies. Services includes the operation of schools, colleges and universities, as well as the provision of online learning services to universities and other academic institutions.

The Group derived revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

							2024
All figures in £ millions	**Assessment & Qualifications**	**Virtual Learning**	**English Language Learning**	**Workforce Skills**	**Higher Education**	**Strategic Review**	**Total**
Courseware							
Products transferred at a point in time	56	–	142	1	230	–	429
Products and services transferred over time	17	–	13	–	596	–	626
	73	–	155	1	826	–	1,055
Assessments							
Products transferred at a point in time	184	–	11	5	–	–	200
Products and services transferred over time	1,334	–	198	179	–	–	1,711
	1,518	–	209	184	–	–	1,911
Services							
Products transferred at a point in time	–	–	35	–	–	–	35
Products and services transferred over time	–	489	21	41	–	–	551
	–	489	56	41	–	–	586
Total	1,591	489	420	226	826	–	3,552

							2023
All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	Total
Courseware							
Products transferred at a point in time	57	–	135	2	254	9	457
Products and services transferred over time	20	–	15	–	595	–	630
	77	–	150	2	849	9	1,087
Assessments							
Products transferred at a point in time	198	–	5	5	–	–	208
Products and services transferred over time	1,284	–	204	170	–	–	1,658
	1,482	–	209	175	–	–	1,866
Services							
Products transferred at a point in time	–	–	35	–	–	–	35
Products and services transferred over time	–	616	21	43	6	–	686
	–	616	56	43	6	–	721
Total	1,559	616	415	220	855	9	3,674

Notes to the consolidated financial statements *continued*

3. Revenue from contracts with customers continued

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	Total 2022
Courseware							
Products transferred at a point in time	64	–	110	2	302	148	626
Products and services transferred over time	21	–	25	–	588	6	640
	85	–	135	2	890	154	1,266
Assessments							
Products transferred at a point in time	169	–	5	14	–	–	188
Products and services transferred over time	1,190	–	138	142	–	–	1,470
	1,359	–	143	156	–	–	1,658
Services							
Products transferred at a point in time	–	–	29	–	–	–	29
Products and services transferred over time	–	820	14	46	8	–	888
	–	820	43	46	8	–	917
Total	1,444	820	321	204	898	154	3,841

a. Nature of goods and services

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.

Courseware

Revenue is generated from customers through the sales of print and digital courseware materials to schools, bookstores and direct to individual learners. Goods and services may be sold separately or purchased together in bundled packages. The goods and services included in bundled arrangements are considered distinct performance obligations, except for where Pearson provides both a licence of intellectual property and an ongoing hosting service. As the licence of intellectual property is only available with the concurrent hosting service, the licence is not treated as a distinct performance obligation separate from the hosting service.

The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices.

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 2024 was £27m (2023: £31m; 2022: £53m).

While payment for these goods and services generally occurs at the start of these 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, including customers securing a vendor in a longer-term arrangement or the transfer of goods or services is at the discretion of the customer. For these reasons and the use of the practical expedient on short-term financing, significant financing components are not recognised within Courseware transactions.

Revenue from the sale of physical books 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.

Revenue from the sale of digital courseware products is recognised on a straight-line basis over the subscription 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.

Assessments

Revenue is primarily generated from multi-year contractual arrangements related to large-scale assessment delivery, such as contracts to process qualifying tests for individual professions and government departments, and is recognised as performance occurs. Under these arrangements, while the agreement spans multiple years, the contract duration has been determined to be each testing cycle based on contract structure, including clauses regarding termination.

While in some cases the customer may have the ability to terminate during the term for convenience, significant financial or qualitative barriers exist limiting the potential for such terminations in the middle of a testing cycle.

Within each testing cycle, a variety of service activities are performed such as test administration, delivery, scoring, reporting, item development, 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.

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.

Customer payments are generally defined in the contract through a payment schedule, which may require customer acceptance for services rendered. Pearson has a history of providing satisfactory services which are accepted by the customer. While a delay between rendering of services and payment may exist, payment terms are within 12 months and the Group has elected to use the practical expedient available in IFRS 15 'Revenue from Contracts with Customers' and not identify a significant financing component on these transactions.

Revenue is recognised for Assessment contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts which may allow the customer to terminate for convenience, compensate us for work performed to date, and take possession of work in process.

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

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. 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.

In Assessments contracts driven primarily by transactions directly to end users, 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. Customers may also purchase print and digital supplemental materials. Print products in this revenue stream are recognised at a point in time when control passes to the customer upon shipment. Recognition of digital revenue will occur based on the extent of Pearson's ongoing hosting obligation.

Notes to the consolidated financial statements *continued*

3. Revenue from contracts with customers continued

Services

Revenue is primarily generated from multi-year contractual arrangements related to large-scale educational service delivery to academic institutions, such as schools and higher education universities. Under these arrangements, while an agreement may span multiple years, the contract duration has been determined to be each academic period based on the structure of contracts, including clauses regarding termination. While in some cases the customer may have the ability to terminate during the term for convenience, significant financial or qualitative barriers exist limiting the potential for such terminations in the middle of an academic period. The academic period for this customer base is normally an academic year for schools and a semester for higher education universities.

Within each academic period, a variety of services are provided such as programme development, student acquisition, education technology and student support services. These services are not distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as a comprehensive performance obligation.

Where Services are provided to university customers, volume and transaction price are fixed at the start of the semester. Where Services are provided to school customers, 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.

Customer payments are generally defined in the contract as occurring shortly after invoicing. Where there is a longer payment term offered to a customer through a payment schedule, payment terms are within 12 months and the Group has elected to use the practical expedient available in IFRS 15 and not identify a significant financing component on these transactions.

Revenue is recognised for Service contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts which may allow the customer to terminate for convenience, compensate for work performed to date, and take possession of work in process.

As control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or 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.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. 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.

In cases of optional or add-on purchases, institutions may purchase physical goods priced at their standalone value, which are accounted for separately and recognised at the point in time when control passes to the customer upon shipment.

b. Disaggregation of revenue

The tables in notes 2 and 3 show revenue from contracts with customers disaggregated by operating segment, geography and revenue stream. 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.

c. Contract balances

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

Transactions within the Assessments and 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 digital subscriptions.

d. Contract costs

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 as these types of activities are governed by other accounting standards.

e. Remaining transaction price

The below table depicts the remaining transaction price on unsatisfied or partially unsatisfied performance obligations from contracts with customers.

							2024
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2025	2026	2027 and later
Courseware							
Products transferred at a point in time	**429**	–	–	–	–	–	–
Products and services transferred over time	**626**	**94**	–	**94**	**50**	**17**	**27**
Assessments							
Products transferred at a point in time	**200**	**1**	–	**1**	**1**	–	–
Products and services transferred over time	**1,711**	**273**	**253**	**526**	**469**	**56**	**1**
Services							
Products transferred at a point in time	**35**	–	–	–	–	–	–
Products and services transferred over time – subscriptions	**533**	**7**	–	**7**	**7**	–	–
Products and services transferred over time – other	**18**	**16**	**232**	**248**	**248**	–	–
Total	**3,552**	**391**	**485**	**876**	**775**	**73**	**28**

							2023
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2024	2025	2026 and later
Courseware							
Products transferred at a point in time	457	–	–	–	–	–	–
Products and services transferred over time	630	78	–	78	38	15	25
Assessments							
Products transferred at a point in time	208	1	–	1	1	–	–
Products and services transferred over time	1,658	261	332	593	496	94	3
Services							
Products transferred at a point in time	35	–	–	–	–	–	–
Products and services transferred over time – subscriptions	660	12	–	12	11	1	–
Products and services transferred over time – other	26	16	234	250	250	–	–
Total	3,674	368	566	934	796	110	28

Notes to the consolidated financial statements *continued*

3. Revenue from contracts with customers continued

e. Remaining transaction price continued

	2022						
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2023	2024	2025 and later
Courseware							
Products transferred at a point in time	626	1	–	1	1	–	–
Products and services transferred over time	640	95	–	95	56	14	25
Assessments							
Products transferred at a point in time	188	–	–	–	–	–	–
Products and services transferred over time	1,470	262	472	734	524	206	4
Services							
Products transferred at a point in time	29	–	–	–	–	–	–
Products and services transferred over time – subscriptions	351	20	7	27	27	–	–
Products and services transferred over time – other	537	22	225	247	247	–	–
Total	3,841	400	704	1,104	855	220	29

Committed sales amounts are equal to the transaction price from contracts with customers, excluding those amounts previously recognised as revenue and amounts currently recognised in deferred income. The total of committed sales and deferred income is equal to the remaining transaction price. Time bands stated above represent the expected timing of when the remaining transaction price will be recognised as revenue.

4. Operating expenses

All figures in £ millions	2024	2023	2022
By function:			
Cost of goods sold	**1,741**	1,839	2,046
Operating expenses			
Distribution costs	**43**	47	61
Selling, marketing and product development costs	**510**	549	564
Administrative and other expenses	**754**	767	823
Reorganisation costs	**(2)**	–	150
Other income	**(40)**	(41)	(49)
Total net operating expenses	**1,265**	1,322	1,549
Other net gains and losses	**7**	16	(24)
Total	**3,013**	3,177	3,571

Other income includes freight income and sublet income. Included in administrative and other expenses are research and efficacy costs of £6m (2023: £8m; 2022: £10m). Costs capitalised relate primarily to employee costs.

Other net gains and losses in 2024 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. Other net gains in 2022, largely relate to the gain on the sales of certain businesses and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by costs related to disposals and acquisitions.

In 2024, the costs of major reorganisation relate to a release of £2m for amounts previously accrued that are no longer required. In 2023, there are no costs of major reorganisation. In 2022, the reorganisation costs of £150m mainly related to staff redundancies and impairment of right-of-use property assets. The 2022 charge includes the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021. 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 are included within administrative and other expenses.

All figures in £ millions	Notes	2024	2023	2022
By nature:				
Royalties expensed		**162**	164	194
Other product costs		**371**	393	412
Employee benefit expense	5	**1,411**	1,467	1,605
Contract labour		**56**	70	73
Employee-related expense		**53**	60	52
Promotional costs		**113**	146	268
Depreciation and impairment of property, plant and equipment and investment property and assets held for sale	10	**77**	90	136
Amortisation and impairment of intangible assets – product development	20	**291**	284	303
Amortisation and impairment of intangible assets – software	11	**117**	123	125
Amortisation and impairment of intangible assets – other	11	**41**	46	54
Property and facilities		**70**	82	102
Technology and communications		**215**	215	221
Professional and outsourced services		**395**	443	501
Other general and administrative costs		**72**	43	76
Costs capitalised		**(398)**	(424)	(478)
Other net gains and losses		**7**	16	(24)
Other income		**(40)**	(41)	(49)
Total		**3,013**	3,177	3,571

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	2024	2023	2022
The audit of parent company and consolidated financial statements	**7**	8	6
The audit of the company's subsidiaries	**2**	2	1
Total audit fees*	**9**	10	7
Audit-related and other assurance services	**–**	–	–
Other non-audit services	**–**	–	–
Total other services	**–**	–	–
Total non-audit services	**–**	–	–
Total	**9**	10	7

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

All figures in £ millions	2024	2023	2022
Group audit fees including fees for attestation under section 404 of the Sarbanes-Oxley Act	**9**	10	7
Non-audit fees	**–**	–	–
Total	**9**	10	7

* Includes fees in connection with the interim review, preliminary announcement 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 2024, 2023 and 2022, the external auditor performed several permitted non-audit services. In all years the fees rounded to £nil.

5. Employee information

All figures in £ millions	Notes	2024	2023	2022
Employee benefit expense				
Wages and salaries (including termination costs)		**1,188**	1,252	1,382
Social security costs		**100**	107	113
Share-based payment costs	26	**42**	37	35
Retirement benefits – defined contribution plans	25	**41**	45	46
Retirement benefits – defined benefit plans	25	**40**	26	29
Total		**1,411**	1,467	1,605

An additional £2m of share-based payment costs (2023: £3m; 2022: £3m) in respect of remuneration for post-acquisition services for recent acquisitions is 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	2024	2023	2022
Employee numbers			
UK	**2,798**	3,045	3,244
Other European countries	**681**	633	809
US	**9,258**	10,125	11,357
Canada	**315**	398	522
Asia Pacific	**3,111**	3,257	3,369
Other countries	**861**	902	1,137
Total	**17,024**	18,360	20,438

6. Net finance costs

All figures in £ millions	Notes	2024	2023	2022
Interest payable on financial liabilities at amortised cost and associated derivatives		**(48)**	(34)	(32)
Interest on lease liabilities	35	**(22)**	(23)	(25)
Interest on deferred and contingent consideration		**(2)**	(4)	(5)
Fair value movements on investments held at fair value	15	**(11)**	–	–
Net foreign exchange losses		**(3)**	–	–
Interest on provisions for uncertain tax positions		**(7)**	–	(7)
Fair value movement on derivatives		**(19)**	(20)	(2)
Finance costs		**(112)**	(81)	(71)
Interest receivable on financial assets at amortised cost		**25**	16	18
Interest on lease receivables	35	**4**	4	5
Net finance income in respect of retirement benefits	25	**21**	26	9
Fair value movements on investments held at fair value	15	**–**	13	28
Net foreign exchange gains		**–**	3	1
Interest on provisions for uncertain tax positions		**5**	4	35
Fair value movement on derivatives		**26**	10	27
Finance income		**81**	76	123
Net finance (costs)/income		**(31)**	(5)	52

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	2024	2023	2022
Current tax				
Charge in respect of current year		**(132)**	(105)	(127)
Adjustments in respect of prior years		**60**	20	18
Total current tax charge		**(72)**	(85)	(109)
Deferred tax				
In respect of temporary differences		**8**	(11)	29
Other adjustments in respect of prior years		**(11)**	(17)	1
Total deferred tax credit/(charge)	13	**(3)**	(28)	30
Total tax charge		**(75)**	(113)	(79)

The adjustments in respect of prior years in 2024 is primarily driven by the State Aid provision release (see page 176 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. In 2022, the difference is primarily due to movements in provisions for tax uncertainties. This results in a change between deferred and current tax as well as an absolute benefit to the total tax charge.

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	2024	2023	2022
Profit before tax	**510**	493	323
Tax calculated at UK rate (2024: 25%; 2023: 23.5%; 2022: 19%)	**(127)**	(116)	(62)
Effect of overseas tax rates	**(1)**	(1)	(12)
Effect of UK rate change	**–**	(1)	3
Net expense not subject to tax	**3**	(3)	(9)
Gains and losses on sale of businesses not subject to tax	**–**	5	2
Unrecognised tax losses	**2**	1	3
State Aid provision release	**63**	–	–
Movement in provisions for tax uncertainties – current year	**(1)**	(2)	(23)
Adjustments in respect of prior years – movement in provisions for tax uncertainties	**(12)**	1	13
Adjustments in respect of prior years – other	**(2)**	3	6
Total tax charge	**(75)**	(113)	(79)
UK	**21**	(54)	(41)
Overseas	**(96)**	(59)	(38)
Total tax charge	**(75)**	(113)	(79)
Tax rate reflected in earnings	**14.7%**	23.0%	24.5%

Notes to the consolidated financial statements *continued*

7. Income tax continued

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 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 State Aid provision release of £63m is a result of the Court of Justice of the European Union ('CJEU') handing down its decision on 19 September 2024 determining that the United Kingdom controlled foreign company group financing partial exemption ('FCPE') did not constitute State Aid. Previously, on 25 April 2019, the European Commission published its final decision that the UK FCPE partially constituted State Aid. This decision was appealed by the UK Government, and other parties. Notwithstanding these appeals, the UK was obliged to recover the deemed unlawful State Aid with Charging Notices issued in 2021. On 8 June 2022, the EU General Court found in the Commission's favour resulting in a further appeal to the CJEU by the UK Government and other parties. As a consequence of the CJEU's decision on 19 September 2024, the Commission's decision was annulled in full and the judgment of the EU General Court set aside. In light of this, the Group has now fully released the £63m provision for tax and £5m provision for interest on tax held in relation to this matter, leaving on the balance sheet a receivable for the £97m tax and £8m interest on tax paid under the Charging Notices issued by HMRC in 2021. These receivables have been disclosed as current assets. In addition HMRC Guidance issued to facilitate these pending repayments confirms that interest will be paid on the tax element of the amounts previously collected and a £9m interest accrual has also therefore been recorded.

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 £32m (2023: £32m) includes £35m (2023: £27m) of provisions for tax uncertainties, whilst the net deferred income tax liability of £11m (2023: £11m) includes £25m (2023: £23m) 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, as previously disclosed in note 34 of the 2023 Annual Report.

The Group is currently under audit in several countries, and the timing of any resolution of these audits is uncertain. In most countries, tax years up to and including 2018 are now statute barred from examination by tax authorities, however, a balance of £16m relates to certain remaining open issues. Of the remaining £44m balance, £21m relates to 2019, £9m to 2020, £6m to 2021, £3m to 2022, £3m to 2023 and £2m to 2024. The tax authorities may take a different view from management and the final liability may be greater or lower than provided.

Refer to note 34 for details of other uncertain tax positions.

UK legislation in relation to Pillar Two was substantively enacted on 20 June 2023 and is effective from 1 January 2024. The Group is in scope of this legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes based on the most recent financial information available for the constituent entities in the Group. Based on this assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply, and the Pillar Two effective tax rate is close to 15%. The Group has concluded that it does not have a material exposure to Pillar Two income taxes in those jurisdictions. In addition, we note US President Trump's Executive Order of 20 January 2025 withdrawing the US from the Pillar Two agreement; this development does not impact our assessment of Pillar Two for 2024.

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

All figures in £ millions	2024	2023	2022
Net exchange differences on translation of foreign operations	**2**	–	4
Fair value gains on other financial assets	**–**	–	1
Remeasurement of retirement benefit obligations	**(2)**	20	(12)
	–	20	(7)

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 and 31 December 2022 but had not yet been issued. These shares were considered dilutive but did not materially impact basic EPS.

All figures in £ millions	2024	2023	2022
Earnings for the year	**435**	380	244
Non-controlling interest	**(1)**	(2)	(2)
Earnings attributable to equity shareholders	**434**	378	242
Weighted average number of shares (millions)	**673.0**	711.5	738.1
Effect of dilutive share options (millions)	**11.0**	5.8	3.9
Weighted average number of shares (millions) for diluted earnings	**684.0**	717.3	742.0
Earnings per share (in pence per share)			
Basic	**64.5p**	53.1p	32.8p
Diluted	**63.5p**	52.7p	32.6p

9. Dividends

All figures in £ millions	2024	2023	2022
Final paid in respect of prior year 15.7p (2023: 14.9p; 2022: 14.2p)	**107**	106	107
Interim paid in respect of current year 7.4p (2023: 7.0p; 2022: 6.6p)	**49**	49	49
	156	155	156

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2024 of 16.6p per equity share which will absorb an estimated £111m of shareholders' funds. It will be paid on 9 May 2025 to shareholders who are on the register of members on 21 March 2025. These financial statements do not reflect this dividend as a liability.

10. Property, plant and equipment and investment property

			Owned assets			
All figures in £ millions	Investment property	Right-of-use assets	Land and buildings	Plant and equipment	Assets in the course of construction	Total
Cost						
At 1 January 2023	190	359	178	257	22	1,006
Exchange differences	–	(14)	(9)	(11)	(1)	(35)
Additions	24	27	–	6	24	81
Disposals of businesses (see note 31)	–	–	(4)	(3)	(2)	(9)
Disposals and retirements	–	(30)	(10)	(36)	–	(76)
Reclassifications and transfers	–	–	10	24	(34)	–
At 31 December 2023	**214**	**342**	**165**	**237**	**9**	**967**
Exchange differences	**–**	**2**	**1**	**1**	**1**	**5**
Additions	**7**	**39**	**–**	**4**	**27**	**77**
Disposals of businesses (note 31)	**–**	**–**	**–**	**–**	**–**	**–**
Disposals and retirements	**–**	**(33)**	**(22)**	**(84)**	**–**	**(139)**
Reclassifications and transfers	**–**	**–**	**7**	**21**	**(28)**	**–**
At 31 December 2024	**221**	**350**	**151**	**179**	**9**	**910**

Notes to the consolidated financial statements *continued*

10. Property, plant and equipment and investment property continued

All figures in £ millions	Investment property	Right-of-use assets	Owned assets: Land and buildings	Owned assets: Plant and equipment	Owned assets: Assets in the course of construction	Total
Depreciation and impairment						
At 1 January 2023	(130)	(234)	(133)	(199)	–	(696)
Exchange differences	–	12	6	10	–	28
Charge for the year	(5)	(39)	(10)	(25)	–	(79)
Disposals of businesses (note 31)	–	–	2	2	–	4
Disposals and retirements	–	29	10	35	–	74
Reclassifications and transfers	–	–	–	–	–	–
Impairment	–	(2)	–	–	–	(2)
At 31 December 2023	**(135)**	**(234)**	**(125)**	**(177)**	**–**	**(671)**
Exchange differences	**–**	**(2)**	**(2)**	**(2)**	**–**	**(6)**
Charge for the year	**(8)**	**(35)**	**(8)**	**(25)**	**–**	**(76)**
Disposals of businesses (note 31)	**–**	**–**	**–**	**–**	**–**	**–**
Disposals and retirements	**–**	**32**	**22**	**83**	**–**	**137**
Reclassifications and transfers	**–**	**–**	**–**	**–**	**–**	**–**
Impairment	**(1)**	**–**	**–**	**–**	**–**	**(1)**
At 31 December 2024	**(144)**	**(239)**	**(113)**	**(121)**	**–**	**(617)**
Carrying amounts						
At 1 January 2023	60	125	45	58	22	310
At 31 December 2023	79	108	40	60	9	296
At 31 December 2024	**77**	**111**	**38**	**58**	**9**	**293**

Depreciation expense of £42m (2023: £40m; 2022: £45m) has been included in the income statement in cost of goods sold and £34m (2023: £39m; 2022: £45m) in operating expenses. The impairment charge of £1m (2023: £2m; 2022: £46m) has been included within operating expenses within the income statement.

Property, plant and equipment (including investment property) assets are assessed for impairment triggers annually or when triggering events occur. In 2024, there were impairment charges of £1m (2023: £11m) in respect of property assets including £nil (2023: £9m) in relation to property assets which are classified as assets held for sale. The recoverability of certain of the Group's right-of-use assets is now 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 2024, total additions to right-of-use-assets are £46m (2023: £42m) including £7m (2023: £15m) 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 £9m (2023: £6m; 2022 £3m) in relation to properties classified as investment property. Investment property is measured using the cost model. As a result of recent impairments, the fair value of investment property is 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 2023	2,480	1,115	838	186	103	430	5,152
Exchange differences	(107)	(40)	(42)	(5)	(3)	(12)	(209)
Additions – internal development	–	96	–	–	–	–	96
Additions – purchased	–	–	–	–	–	–	–
Disposals and retirements	–	(18)	–	(1)	–	(3)	(22)
Acquisition of business (note 30)	61	–	82	6	–	29	178
Disposal of businesses (note 31)	–	(15)	(298)	(2)	–	–	(315)
Transfers	–	(1)	–	–	–	–	(1)
At 31 December 2023	**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
Disposal of businesses (note 31)	–	–	–	–	–	–	–
Transfers	–	(5)	–	–	–	–	(5)
At 31 December 2024	**2,437**	**1,146**	**586**	**176**	**100**	**420**	**4,865**

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 2023	–	(693)	(698)	(155)	(101)	(328)	(1,975)
Exchange differences	–	24	31	4	3	9	71
Charge for the year	–	(123)	(19)	(7)	(1)	(19)	(169)
Disposals and retirements	–	18	–	1	–	3	22
Disposal of businesses (note 31)	–	8	252	2	–	–	262
Transfers	–	1	–	–	–	–	1
At 31 December 2023	**–**	**(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
Disposal of businesses (note 31)	–	–	–	–	–	–	–
Transfers	–	1	–	–	–	–	1
At 31 December 2024	**–**	**(800)**	**(457)**	**(153)**	**(99)**	**(330)**	**(1,839)**
Carrying amounts							
At 1 January 2023	2,480	422	140	31	2	102	3,177
At 31 December 2023	2,434	372	146	29	1	109	3,091
At 31 December 2024	**2,437**	**346**	**129**	**23**	**1**	**90**	**3,026**

Notes to the consolidated financial statements *continued*

11. Intangible assets continued

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 £40m (2023: £37m; 2022: £32m) is included in the income statement in cost of goods sold and £118m (2023: £132m; 2022: £147m) in operating expenses. Impairment charges of £nil (2023: £nil; 2022: £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 2024 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:

	At 31 December 2024				
All figures in £ millions	One to five years	Six to ten years	Eleven to fifteen years	Sixteen to twenty years	Total
Class of intangible asset					
Acquired customer lists, contracts and relationships	63	38	24	4	129
Acquired trademarks and brands	18	5	–	–	23
Acquired publishing rights	1	–	–	–	1
Other intangibles acquired	73	11	6	–	90

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	2024 Goodwill	2023 Goodwill
Assessment & Qualifications	1,369	1,355
Virtual Learning	426	419
English Language Learning	246	255
Workforce Skills	330	337
Higher Education	66	68
Total	2,437	2,434

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 2024 or 2023.

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 2023, business disposals resulted in the disposal of £53m of intangible assets (see note 31 for further details). A relative value method was used to allocate goodwill to the disposed business in the Virtual Learning CGU aggregation. The result of this was that no goodwill was allocated to the disposed business.

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 10.8% to 13.2% (2023: pre-tax 10.4% to 13.0%).

Perpetuity growth rates – The perpetuity growth rates are based on inflation trends. A perpetuity growth rate of 2% (2023: 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% (2023: 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 English Language Learning and Workforce Skills – due to product-led share gains and contribution from recent acquisitions, continued growth in Higher Education, growth in Virtual Learning – albeit impacted by school churn in Virtual Schools in the short term, and steady growth in Assessments and Qualifications. The sales forecasts use average nominal growth rates of low-mid single digits for mature businesses in mature markets and double 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 2024.

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

	2024		2023	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Assessment & Qualifications	**11.0%**	**2.0%**	10.8%	2.0%
Virtual Learning	**10.9%**	**2.0%**	11.0%	2.0%
English Language Learning	**13.2%**	**3.5%**	13.0%	3.5%
Workforce Skills	**10.8%**	**2.0%**	10.4%	2.0%
Higher Education	**10.8%**	**2.0%**	10.7%	2.0%

Sensitivities

Impairment testing for the year ended 31 December 2024 did not find any of the CGUs to be sensitive to reasonably possible changes in key assumptions.

12. Investments in joint ventures and associates

The amounts recognised in the balance sheet are as follows:

All figures in £ millions	**2024**	2023
Associates	**12**	22
Total	**12**	22

The amounts recognised in the income statement for the year ended 31 December 2024 were £2m (2023: £1m; 2022: £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 £9m as at 31 December 2024 (2023: £13m).

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.

Other than the £5m payment in respect of Academy of Pop in 2023 disclosed in note 36, there were no material transactions with associates or joint ventures during 2024 or 2023.

13. Deferred income tax

All figures in £ millions	**2024**	2023
Deferred income tax assets	**52**	35
Deferred income tax liabilities	**(63)**	(46)
Net deferred income tax liability	**(11)**	(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 income tax assets and liabilities shall be offset when there is a legally enforceable right to offset current income tax assets with current income tax liabilities and where the deferred income taxes relate to the same fiscal authority.

Notes to the consolidated financial statements *continued*

13. Deferred income tax continued

At 31 December 2024, the Group has gross tax losses for which no deferred tax asset is recognised of £965m (2023: £1,029m). The expiry date and key geographic split of these losses is set out in the following table.

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**

Year ended 31 December 2023	Gross				Tax effected			
	UK	US	Other	Total	UK	US	Other	Total
Tax losses expiring:								
Within 10 years	–	437	34	**471**	–	91	9	**100**
Within 10-20 years	–	143	–	**143**	–	7	–	**7**
Available indefinitely	168	48	199	**415**	42	2	65	**109**
Total	168	628	233	**1,029**	42	100	74	**216**

The decrease in unrecognised tax losses in Other is principally due to the increased recognition of tax losses in Brazil during the period, as well as the expiry of tax losses in Japan and the impact of foreign exchange movements. Other unrecognised tax losses includes £116m gross (2023: £155m) and £39m tax effected (2023: £53m) relating to Brazil.

Other gross deductible temporary differences for which no deferred tax asset is recognised total £194m (2023: £201m). This includes £188m (2023: £196m) in respect of interest limitations. The amount of temporary differences associated with subsidiaries for which no deferred tax has been provided totals £290m (2023: £268m).

Deferred income tax assets of £9m (2023: £18m) have been recognised in countries that reported a tax loss in either the current or preceding year. This primarily arises in respect of tax losses in Australia and Argentina. It is considered more likely than not that there will be sufficient future taxable profits to realise these assets.

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 2023	130	67	(127)	63	(206)	55	38	20
Exchange differences	(1)	(3)	(1)	(3)	9	(2)	1	–
Acquisitions and disposals of subsidiaries	(3)	6	–	–	(26)	–	–	(23)
Income statement benefit/(charge)	(25)	(11)	(6)	(17)	71	(19)	(21)	(28)
Tax charge in OCI/equity	–	–	20	–	–	–	–	20
At 31 December 2023	**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)**

Included within accruals and other provisions is an amount of £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 £47m, with an offsetting deferred tax liability of £37m), and accelerated capital allowances of £11m.

14. Classification of financial instruments

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

		2024					2023				
				Fair value	Amortised cost				Fair value	Amortised cost	
All figures in £ millions	Notes	Fair value through other comprehensive income	Fair value through profit and loss	Fair value – hedging instrument	Financial assets	Total carrying value	Fair value through other comprehensive income	Fair value through profit and loss	Fair value – hedging instrument	Financial assets	Total carrying value
Investments in listed and unlisted securities	15	**28**	**113**	**–**	**–**	**141**	23	120	–	–	143
Cash and cash equivalents	17	–	**62**	–	**481**	**543**	–	31	–	281	312
Derivative financial instruments	16	–	**30**	**21**	–	**51**	–	1	47	–	48
Trade receivables	22	–	–	–	**614**	**614**	–	–	–	695	695
Contract assets - unbilled	22	–	–	–	**71**	**71**	–	–	–	–	–
Investment in finance lease receivable	22	–	–	–	**83**	**83**	–	–	–	100	100
Other receivable		–	**12**	–	–	**12**	–	–	–	12	12
Total financial assets		**28**	**217**	**21**	**1,249**	**1,515**	23	152	47	1,088	1,310

The carrying value of the Group's financial assets is equal to, or approximately equal to, the market value. The other receivable relates to 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:

		2024					2023				
			Fair value	Amortised cost				Fair value	Amortised cost		
All figures in £ millions	Notes	Fair value through profit and loss	Fair value – hedging instrument	Other financial liabilities	Total carrying value	Total market value	Fair value through profit and loss	Fair value – hedging instrument	Other financial liabilities	Total carrying value	Total market value
Derivative financial instruments	16	**(10)**	**(48)**	–	**(58)**	**(58)**	(7)	(36)	–	(43)	(43)
Trade payables	24	**–**	**–**	**(273)**	**(273)**	**(273)**	–	–	(317)	(317)	(317)
Deferred and contingent consideration	24	**(1)**	**–**	**(21)**	**(22)**	**(22)**	(57)	–	–	(57)	(57)
Borrowings due within one year	18	**–**	**–**	**(315)**	**(315)**	**(312)**	–	–	(67)	(67)	(67)
Borrowings due after more than one year	18	**–**	**–**	**(1,157)**	**(1,157)**	**(1,123)**	–	–	(1,094)	(1,094)	(1,062)
Total financial liabilities		**(11)**	**(48)**	**(1,766)**	**(1,825)**	**(1,788)**	(64)	(36)	(1,478)	(1,578)	(1,546)

Notes to the consolidated financial statements *continued*

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 £918m (2023: £611m) and money market funds of £62m (2023: £31m) included within cash and cash equivalents, and listed securities of £6m (2023: £nil) 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 £51m (2023: £48m) and derivative liabilities valued at £58m (2023: £43m) 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 £135m (2023: £143m), contingent consideration of £1m (2023: £57m) and the other receivable of £12m (2023: £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	Other receivable 2024	Investments in unlisted securities 2024	Total 2024	Total 2023
At 1 January	12	143	155	136
Exchange differences	–	2	2	(5)
Acquisition of investments and other receivable	–	9	9	20
Repayments	–	–	–	(3)
Disposal of investments	–	–	–	(7)
Reclassification out of level 3	–	(6)	(6)	–
Fair value movements – OCI	–	(2)	(2)	1
Fair value movements – income statement	–	(11)	(11)	13
At 31 December	12	135	147	155

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. During the year, one of the investments held was listed, and therefore the investment of £6m was reclassified out of level 3 and into level 1.

The other receivable relates to £12m (2023: £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 is shown in the table below:

All figures in £ millions	**2024**	2023
At 1 January	(57)	(79)
Exchange differences	–	3
Acquisitions	(1)	–
Fair value movements – income statement	(2)	(4)
Repayments	38	23
At 31 December	(22)	(57)

15. Other financial assets

All figures in £ millions	**2024**	2023
At 1 January	143	133
Exchange differences	2	(5)
Acquisition of investments	9	8
Disposal of investments	–	(7)
Fair value movements – OCI	(2)	1
Fair value movements – income statement	(11)	13
At 31 December	141	143

Other financial assets are listed and unlisted securities of £141m (2023: £143m), of which £28m (2023: £23m) are classified at fair value through other comprehensive income (FVOCI), with the remaining £113m (2023: £120m) 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 (2023: £3m). In 2023, the cumulative loss on disposal was £2m.

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	2024 Gross notional amounts	2024 Assets	2024 Liabilities	2023 Gross notional amounts	2023 Assets	2023 Liabilities
Interest rate derivatives – in a fair value hedge relationship	**166**	**–**	**(1)**	174	–	(5)
Interest rate derivatives – not in a hedge relationship	**779**	**22**	**(6)**	356	14	(1)
Cross-currency rate derivatives – in a hedge relationship	**342**	**21**	**(32)**	352	26	(31)
Cross-currency rate derivatives – not in a hedge relationship	**83**	**–**	**(4)**	87	–	(1)
FX derivatives – in a hedge relationship	**1,049**	**–**	**(15)**	420	7	–
FX derivatives – not in a hedge relationship	**711**	**8**	**–**	526	1	(5)
Total	**3,130**	**51**	**(58)**	1,915	48	(43)
Analysed as expiring:						
In less than one year	**2,505**	**31**	**(54)**	1,047	16	(5)
Later than one year and not later than five years	**325**	**3**	**(1)**	868	32	(38)
In greater than five years	**300**	**17**	**(3)**	–	–	–
Total	**3,130**	**51**	**(58)**	1,915	48	(43)

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 a combination of interest rate and cross-currency swaps to convert its €300m 1.375% Euro notes 2025.

Receive Notional	Receive coupon	FX rate	Notional	Pay coupon
€100m	1.375%	GBPEUR: 1.1295	£87m	3.51%
€181m	1.375%	GBPUSD: 1.206	$193m	3.402%
€19m	1.375%	GBPUSD: 1.206	$27m	SOFR +1.36%

To create the synthetic debt positions outlined above, the Group converts €100m to £87m at a rate of 3.51%. This is not in a hedge relationship. The remaining €200m of its EUR fixed debt is swapped to EUR floating debt via interest rate swap contracts that are in a designated fair value hedge. The EUR floating debt is then converted to GBP floating debt via cross-currency swap contracts that are in a designated fair value hedge. The GBP floating debt is then converted to USD floating debt through cross-currency swap contracts that are in a designated net investment hedging relationship.

Additionally, 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 2024, the Group held FX forwards and swaps with a notional of £690m, with an additional £180m of collars.

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

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

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

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

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

Notes to the consolidated financial statements *continued*

16. Derivative financial instruments and hedge accounting continued

As the critical terms of the cross-currency swap match the bonds, there is an expectation that the value of the hedging instrument and the value of the hedged item move in the opposite direction as a result of movements in the EUR:GBP exchange rate. Potential sources of hedge ineffectiveness are 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:

			2024
All figures in £ millions	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**

			2023
All figures in £ millions	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	(6)	5	174
Derivative financial instruments for currency risk	26	(7)	174

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

					2024
All figures in £ millions	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**

					2023
All figures in £ millions	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	(169)	6	5	1	Finance costs
Currency risk					
Financial liabilities – borrowings	(169)	n/a	5	–	n/a

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:

					2024
All figures in £ millions	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	**–**	**–**	**–**	**–**	**–**

All figures in £ millions	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
	2023				
Derivative financial instruments	(24)	26	599	26	–
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 2024 was £3m (2023: £nil). During the year £nil (2023: £nil) of hedging gains were recycled to the profit and loss.

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	2024 Gross derivative assets	2024 Gross derivative liabilities	2024 Net derivative assets/ liabilities	2023 Gross derivative assets	2023 Gross derivative liabilities	2023 Net derivative assets/ liabilities
Counterparties in an asset position	**24**	**(7)**	**17**	26	(14)	12
Counterparties in a liability position	**27**	**(51)**	**(24)**	22	(29)	(7)
Total as presented in the balance sheet	**51**	**(58)**	**(7)**	48	(43)	5

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	2024	2023
Cash at bank and in hand	**444**	312
Short-term bank deposits	**99**	–
Cash and cash equivalents	**543**	312

All figures in £ millions	2024	2023
Cash and cash equivalents	**543**	312
Bank overdrafts	**–**	(3)
Cash and cash equivalents in the cash flow statement	**543**	309

Included within cash at bank and in hand is £62m (2023: £31m) 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 2024, the currency split of cash and cash equivalents was US dollar 33% (2023: 16%), sterling 27% (2023: 11%), and other 40% (2023: 73%).

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 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 2024, £2m of financial liabilities (2023: £23m) 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	2024	2023
Non-current		
1.375% Euro notes 2025 (nominal amount €300m)	**–**	257
3.75% GBP notes 2030 (nominal amount £350m)	**355**	354
5.375% GBP notes 2034 (nominal amount £350m)	**350**	–
Lease liabilities (see note 35)	**452**	483
	1,157	1,094
Current (due within one year or on demand)		
1.375% Euro notes 2025 (nominal amount €300m)	**250**	–
Lease liabilities (see note 35)	**65**	64
Overdrafts	**–**	3
	315	67
Total borrowings	**1,472**	1,161

Notes to the consolidated financial statements *continued*

18. Financial liabilities – borrowings continued

Included in the non-current borrowings above is £13m of accrued interest (2023: £10m). £2m of accrued interest is included in the current borrowings above (2023: £nil). The maturities of the Group's non-current borrowings are as follows:

All figures in £ millions	2024	2023
Between one and two years	71	70
Between two and five years	149	419
Over five years	937	605
	1,157	1,094

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 will be 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:

	2024			2023		
All figures in £ millions	Effective interest rate	Carrying value	Market value	Effective interest rate	Carrying value	Market value
1.375% Euro notes 2025	1.44%	250	247	1.44%	257	252
3.75% GBP notes 2030	3.93%	355	328	3.93%	354	327
5.375% GBP notes 2034	5.6%	350	343	–	–	–
Overdrafts	n/a	–	–	n/a	3	3
		955	918		614	582

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	2024	2023
US dollar	187	217
Sterling	1,013	667
Euro	253	261
Other	19	16
	1,472	1,161

The Group had $1bn (£0.8bn) of undrawn capacity on its committed borrowing facilities as at 31 December 2024 (2023: $1bn (£0.8bn) undrawn). For this facility, 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 2025 interim reporting date. There are no additional significant covenants attached to any of the GBP or Euro 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 2024, the Group and its bonds were rated BBB (stable outlook) with Fitch Ratings Limited and Baa2 (stable outlook) with Moody's Investor Services.

Net debt

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

All figures in £ millions	2024	2023
Cash and cash equivalents	543	312
Overdrafts	–	(3)
Derivative financial instruments	(7)	5
Bonds	(955)	(611)
Investment in finance lease receivable	83	100
Lease liabilities	(517)	(547)
Net debt	**(853)**	(744)

Interest and foreign exchange rate management

The Group's principal currency exposure is to the US dollar which represents 69% 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 euro debt to US dollars using cross-currency swaps, forwards and collars. As at 31 December 2024 and 2023, the Group's debt of £1,472m (2023: £1,161m) is all issued at fixed 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 2024, 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	Impact of 10% strengthening in sterling	Impact of 10% weakening in sterling
					2024
Investments in listed and 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

All figures in £ millions	Carrying value	Impact of 1% increase in interest rates	Impact of 1% decrease in interest rates	Impact of 10% strengthening in sterling	Impact of 10% weakening in sterling
					2023
Investments in unlisted securities	143	–	–	(10)	12
Other receivable	12	–	–	(1)	1
Cash and cash equivalents	312	–	–	(24)	30
Derivative financial instruments	5	15	(15)	(5)	19
Bonds	(611)	2	(2)	24	(29)
Other borrowings	(550)	–	–	21	(26)
Investment in finance lease receivable	100	–	–	(9)	11
Deferred and contingent consideration	(57)	–	–	3	(4)
Other net financial assets	378	–	–	(31)	38
Total	(268)	17	(17)	(32)	52

The table above shows the sensitivities of the values of each class of financial instrument to an isolated change in either interest rates or foreign exchange rates. 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 above 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.

At 31 December 2024, the Group had cash of £0.5bn (2023: £0.3bn), and no outstanding drawings (2023: £nil) on the US dollar denominated revolving credit facility due 2028 of $1bn (2023: $1bn).

The $1bn facility contains interest cover and leverage covenants which the Group has complied with for the year ended 31 December 2024. The maturity of the carrying values of the Group's borrowings and trade payables are set out in notes 18 and 24 respectively.

In 2024, the Group issued a new £350m 5.375% GBP denominated Education Bond.

At the end of 2024, the currency split of the Group's trade payables was US dollar £191m (2023: £228m), sterling £51m (2023: £64m) and other currencies £31m (2023: £25m). Trade payables are all due within one year (2023: all due within one year).

Notes to the consolidated financial statements *continued*

19. Financial risk management continued

The table below 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. Short dated derivative instruments have not been included in this table. 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 as set at the date of the last rate reset. Where this is not possible, floating rates are based on interest rates prevailing at 31 December in the relevant year.

	Analysed by maturity				Analysed by currency			
All figures in £ millions	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 2024								
Bonds	**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**
At 31 December 2023								
Bonds	–	257	354	611	–	354	257	611
Rate derivatives – inflows	(13)	(262)	–	(275)	(6)	(9)	(260)	(275)
Rate derivatives – outflows	5	268	–	273	178	89	6	273
FX forwards – inflows	(428)	–	–	(428)	–	(428)	–	(428)
FX forwards – outflows	421	–	–	421	421	–	–	421
Total	(15)	263	354	602	593	6	3	602

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. 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 2024, 86% (2023: 75%) of cash and cash equivalents was held with investment grade bank counterparties, 12% (2023: 10%) with AAA money market funds and 2% (2023: 15%) with non-investment grade bank counterparties.

For trade receivables and contract assets, 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	2024	2023
Cost		
At 1 January	**2,517**	2,918
Exchange differences	**17**	(121)
Additions	**284**	300
Disposals and retirements	**(309)**	(550)
Disposal of businesses (note 31)	**–**	(29)
Transfers	**5**	(1)
At 31 December	**2,514**	2,517
Amortisation		
At 1 January	**(1,570)**	(1,943)
Exchange differences	**(14)**	92
Charge for the year	**(287)**	(280)
Impairment	**(4)**	(4)
Disposals and retirements	**309**	550
Disposal of businesses (note 31)	**–**	14
Transfers	**(1)**	1
At 31 December	**(1,567)**	(1,570)
Carrying amounts at 31 December	**947**	947

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. In 2024, of the £4m (2023: £4m; 2022: £15m) impairment charges, £nil (2023: £nil; 2022: £13m) have been recognised as a result of asset write-offs related to the major reorganisation programme.

21. Inventories

All figures in £ millions	2024	2023
Raw materials	**5**	4
Work in progress	**2**	1
Finished goods	**63**	81
Returns asset	**4**	5
	74	91

The cost of inventories recognised as an expense and included in the income statement in cost of goods sold amounted to £129m (2023: £155m; 2022: £166m) including £7m (2023: £19m; 2022: £16m) 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 £nil in 2024 (2023: £nil; 2022: £nil). The returns asset all relates to finished goods. The year-on-year reduction in inventories is due to the Group's digital-first strategy and the increasing shift towards print on demand.

22. Trade and other receivables

All figures in £ millions	2024	2023
Current		
Trade receivables	**605**	694
Contract assets - unbilled[1]	**71**	–
Investment in finance lease receivable	**19**	18
Prepayments and other receivables	**335**	338
	1,030	1,050
Non-current		
Trade receivables	**9**	1
Contract assets - unbilled[1]	**–**	–
Investment in finance lease receivable	**64**	82
Prepayments and other receivables	**52**	52
	125	135

1. In 2024, contract assets - unbilled have been shown separately from trade receivables. The 2023 comparative has not been restated on the grounds of materiality.

Notes to the consolidated financial statements *continued*

22. Trade and other receivables continued

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 (2023: £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	2024	2023
At 1 January	(51)	(69)
Exchange differences	2	2
Income statement movements	(4)	3
Utilised	13	9
Disposal of businesses	–	4
At 31 December	(40)	(51)

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	2024	2023
Contract assets - unbilled[1]	71	–
Within due date and one month past due date	488	564
One to three months past due date	53	83
Three to six months past due date	22	25
Six to nine months past due date	24	12
Nine to 12 months past due date	13	8
More than 12 months past due date	54	54
Gross trade receivables	725	746

1. In 2024, contract assets - unbilled have been shown separately from trade receivables. The 2023 comparative has not been restated on the grounds of materiality.

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 2024	24	16	40
Provisions made during the year	1	23	24
Provisions reversed during the year	(9)	(2)	(11)
Provisions used during the year	(1)	(16)	(17)
At 31 December 2024	15	21	36

Analysis of provisions:

All figures in £ millions	Property	Legal and other	Total
			2024
Current	3	20	23
Non-current	12	1	13
	15	21	36
			2023
Current	11	14	25
Non-current	13	2	15
	24	16	40

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 and release of reorganisation and property provisions in the year, partially offset by an increase in provisions for ongoing legal matters.

24. Trade and other liabilities

All figures in £ millions	2024	2023
Current		
Trade payables	**273**	317
Sales return liability	**27**	31
Deferred income	**329**	295
Interest payable	**12**	4
Accruals and other liabilities	**413**	628
	1,054	1,275
Non-current		
Deferred income	**62**	73
Accruals and other liabilities	**21**	25
	83	98

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. The decrease in trade and other liabilities held by the Group is driven primarily by the reduction in the accrual for share buyback programmes, the payment of deferred consideration in relation to previous acquisitions as well as the timing of certain working capital payments.

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.

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 2024, the UK Group plan had approximately 25,900 members, analysed in the following table:

All figures in %	Active	Deferred	Pensioners	Total
Defined benefit	**–**	**13**	**34**	**47**
Defined contribution	**11**	**42**	**–**	**53**
Total	**11**	**55**	**34**	**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.

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.

Notes to the consolidated financial statements *continued*

25. Retirement benefit and other post-retirement obligations continued

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 %	UK Group plan 2024	Other plans 2024	PRMB 2024	UK Group plan 2023	Other plans 2023	PRMB 2023	UK Group plan 2022	Other plans 2022	PRMB 2022
Inflation	**3.1**	**2.0**	**–**	3.0	2.0	–	3.4	2.0	–
Rate used to discount plan liabilities	**5.5**	**5.1**	**5.4**	4.6	4.9	5.0	4.9	5.3	5.3
Expected rate of increase in salaries	**3.6**	**2.5**	**–**	3.5	2.5	–	3.9	2.9	–
Expected rate of increase for pensions in payment and deferred pensions	**1.85 to 5.15**	**–**	**–**	1.75 to 5.10	–	–	1.95 to 5.20	–	–
Initial rate of increase in healthcare rate	**–**	**–**	**7.0**	–	–	6.5	–	–	6.5
Ultimate rate of increase in healthcare rate	**–**	**–**	**5.0**	–	–	5.0	–	–	5.0

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 3.1% (2023: 3.0%) 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 2.5% (2023: 2.3%) 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 2023 model is applied for both males and females, with a weighting to 2022 and 2023 mortality experience in the CMI model of 20% to reflect current trends in life expectancy. 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 2024	UK 2023	UK 2022	US 2024	US 2023	US 2022
Male	**21.3**	21.8	22.5	**20.7**	20.7	20.6
Female	**24.5**	24.1	24.7	**22.7**	22.6	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 2024	UK 2023	UK 2022	US 2024	US 2023	US 2022
Male	**22.9**	23.4	24.1	**22.2**	22.2	22.1
Female	**26.2**	25.8	26.4	**24.1**	24.1	24.0

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	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
						2024
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**

All figures in £ millions	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
						2023
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

All figures in £ millions	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
						2022
Current service cost	17	2	19	46	–	65
Past service cost	3	–	3	–	–	3
Settlements	–	–	–	–	–	–
Administration expenses	7	–	7	–	–	7
Total operating expense	27	2	29	46	–	75
Interest on plan assets	(77)	(3)	(80)	–	–	(80)
Interest on plan liabilities	67	3	70	–	1	71
Net finance (income)/expense	(10)	–	(10)	–	1	(9)
Net income statement charge	17	2	19	46	1	66

The amounts recognised in the balance sheet are as follows:

All figures in £ millions	UK Group plan	Other funded plans	Other unfunded plans	Total	UK Group plan	Other funded plans	Other unfunded plans	Total
				2024				2023
Fair value of plan assets	**2,927**	**84**	**–**	**3,011**	3,060	107	–	3,167
Present value of defined benefit obligation	**(2,443)**	**(77)**	**(14)**	**(2,534)**	(2,569)	(99)	(15)	(2,683)
Net pension asset/ (liability)	**484**	**7**	**(14)**	**477**	491	8	(15)	484
Other post-retirement medical benefit obligation				**(19)**				(21)
Other pension accruals				**(8)**				(8)
Net retirement benefit asset				**450**				455
Analysed as:								
Retirement benefit assets				**491**				499
Retirement benefit obligations				**(41)**				(44)

Notes to the consolidated financial statements *continued*

25. Retirement benefit and other post-retirement obligations continued

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

All figures in £ millions	2024	2023	2022
Amounts recognised for defined benefit plans	4	(86)	44
Amounts recognised for post-retirement medical benefit plans	1	1	10
Total recognised in year	**5**	(85)	54

The fair value of plan assets comprises the following:

	2024			2023		
All figures in %	UK Group plan	Other funded plans	Total	UK Group plan	Other funded plans	Total
Insurance	31	–	31	33	–	33
Equities	17	1	18	15	1	16
Fixed interest securities	7	2	9	6	2	8
Property	5	–	5	5	–	5
Pooled asset investment funds (including LDI)	22	–	22	24	–	24
Infrastructure	11	–	11	11	–	11
Cash and cash equivalents	2	–	2	1	–	1
Other	2	–	2	2	–	2

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:

	2024		2023	
All figures in %	Quoted market price	No quoted market price	Quoted market price	No quoted market price
Insurance	–	31	–	33
Equities	18	–	16	–
Fixed-interest securities	9	–	8	–
Property	–	5	–	5
Pooled asset investment funds (including LDI)	22	–	24	–
Infrastructure	–	11	–	11
Cash and cash equivalents	–	2	–	1
Other	–	2	–	2
Total	**49**	**51**	48	52

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

All figures in %	2024	2023
Liquid – call <1 month	50	48
Less liquid – call 1–3 months	2	2
Illiquid – call >3 months	48	50

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

All figures in £ millions	UK Group plan 2024	Other plans 2024	Total 2024	UK Group plan 2023	Other plans 2023	Total 2023
Fair value of plan assets						
Opening fair value of plan assets	**3,060**	**107**	**3,167**	3,088	104	3,192
Exchange differences	**–**	**(2)**	**(2)**	–	(6)	(6)
Interest on plan assets	**138**	**5**	**143**	148	5	153
Return on plan assets excluding interest	**(144)**	**1**	**(143)**	(48)	5	(43)
Contributions by employer	**8**	**1**	**9**	–	15	15
Contributions by employees	**7**	**–**	**7**	7	–	7
Benefits paid	**(142)**	**(12)**	**(154)**	(135)	(14)	(149)
Settlements	**–**	**(16)**	**(16)**	–	(2)	(2)
Closing fair value of plan assets	**2,927**	**84**	**3,011**	3,060	107	3,167
Present value of defined benefit obligation						
Opening defined benefit obligation	**(2,569)**	**(114)**	**(2,683)**	(2,514)	(123)	(2,637)
Exchange differences	**–**	**–**	**–**	–	6	6
Current service cost	**(17)**	**(2)**	**(19)**	(16)	(2)	(18)
Past service cost	**(13)**	**–**	**(13)**	–	–	–
Administration expenses	**(8)**	**–**	**(8)**	(8)	–	(8)
Interest on plan liabilities	**(116)**	**(5)**	**(121)**	(121)	(6)	(127)
Actuarial losses – experience	**(53)**	**–**	**(53)**	(61)	(2)	(63)
Actuarial gains – demographic	**38**	**–**	**38**	52	–	52
Actuarial gains/(losses) – financial	**160**	**2**	**162**	(29)	(3)	(32)
Contributions by employees	**(7)**	**–**	**(7)**	(7)	–	(7)
Benefits paid	**142**	**12**	**154**	135	14	149
Settlements	**–**	**16**	**16**	–	2	2
Closing defined benefit obligation	**(2,443)**	**(91)**	**(2,534)**	(2,569)	(114)	(2,683)

The weighted average duration of the defined benefit obligation is 11 years for the UK and six years for the US.

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

All figures in £ millions	2024	2023
Opening defined benefit obligation	**(21)**	(25)
Exchange differences	**–**	1
Interest on plan liabilities	**(1)**	–
Actuarial gains – experience	**1**	2
Actuarial losses – financial	**–**	(1)
Benefits paid	**2**	2
Closing defined benefit obligation	**(19)**	(21)

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 is being completed as at 1 January 2024. It has not yet been finalised but it is expected to be completed in the first half of 2025. We do not expect the finalisation of the triennial actuarial valuation to have any impact on the IAS 19 actuarial valuation. 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.

Notes to the consolidated financial statements *continued*

25. Retirement benefit and other post-retirement obligations continued

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 £1m for 2025.

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:

	2024	
All figures in £ millions	1% increase	1% decrease
Effect:		
(Decrease)/increase in defined benefit obligation – UK Group plan	(158)	190
(Decrease)/increase in defined benefit obligation – US plan	(4)	4

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

	2024	
All figures in £ millions	One year increase	One year decrease
Effect:		
Increase/(decrease) in defined benefit obligation – UK Group plan	44	(43)
Increase/(decrease) in defined benefit obligation – US plan	2	(2)

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

	2024	
All figures in £ millions	0.5% increase	0.5% decrease
Effect:		
Increase/(decrease) in defined benefit obligation – UK Group plan	36	(36)
Increase/(decrease) in defined benefit obligation – US plan	–	–

The above 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 £ millions	2024	2023	2022
Pearson plans	44	40	38

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

Worldwide Save for Shares Plan – The Group has a Worldwide Save for Shares Plan. Under this 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 in May 2022 vest dependent on relative total shareholder return (FTSE 100), net return on invested capital and adjusted earnings per share, and the May 2024 and May 2023 awards 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 2024, 2023, and 2022 generally vest depending on continuing service over periods of up to five years. Included within the total share-based payments charge in 2024 was £2m (2023: £3m; 2022: £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:

	2024		2023	
	Number of shares 000s	**Weighted average fair value £**	Number of shares 000s	Weighted average fair value £
Long-Term Incentive Plan	**6,262**	**8.96**	5,572	6.99

In 2024, £36m (2023: £23m) 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 31 December 2022	715,733	179	2,633
Issue of ordinary shares – share option schemes	1,809	–	9
Buyback of equity	(20,243)	(5)	–
At 31 December 2023	**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**

The ordinary shares have a par value of 25p per share (2023: 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 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders, with a £200m extension being announced by the Group on 1 March 2024. This programme and the extension completed in 2024. During 2024, approximately 32m (2023: 20m) shares were bought back and cancelled at a cost of £318m (2023: £186m). The nominal value of these shares, £8m (2023: £5m), was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings. At 31 December 2024, no further liability remains (2023: £118m) for any shares contracted to be repurchased but where the repurchases are still outstanding.

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.

Notes to the consolidated financial statements *continued*

28. Treasury shares

	Number of shares 000s	£m
At 1 January 2022	1,864	15
Purchase of treasury shares	3,991	35
Release of treasury shares	(3,695)	(31)
At 31 December 2023	**2,160**	**19**
Purchase of treasury shares	3,273	33
Release of treasury shares	(4,754)	(45)
At 31 December 2024	**679**	**7**

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% (2023: 0.3%) 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 (2023: £0.5m). Dividends on treasury shares are waived.

At 31 December 2024, the market value of Pearson plc treasury shares was £9m (2023: £21m). The gross book value of the shares at 31 December 2024 amounts to £7m (2023: £19m).

29. Other comprehensive income

						2024
	Attributable to equity holders of the company					
All figures in £ millions	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	–	(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 income/(expense) for the year	(2)	(35)	5	(32)	–	(32)

All figures in £ millions	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
						2023
	Attributable to equity holders of the company					
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 gain on other financial assets	1	–	–	1	–	1
Attributable tax	–	–	–	–	–	–
Remeasurement of retirement benefit obligations	–	–	(85)	(85)	–	(85)
Attributable tax	–	–	20	20	–	20
Other comprehensive income/(expense) for the year	1	(298)	(65)	(362)	(1)	(363)

All figures in £ millions	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
						2022
	Attributable to equity holders of the company					
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	–	328	–	328	2	330
Currency translation adjustment disposed	–	(5)	–	(5)	–	(5)
Attributable tax	–	–	4	4	–	4
Items that are not reclassified to the income statement						
Fair value gain on other financial assets	18	–	–	18	–	18
Attributable tax	–	–	1	1	–	1
Remeasurement of retirement benefit obligations	–	–	54	54	–	54
Attributable tax	–	–	(12)	(12)	–	(12)
Other comprehensive income/(expense) for the year	18	323	47	388	2	390

Notes to the consolidated financial statements *continued*

30. Business combinations

On 21 October 2024, NCS Pearson, Inc. acquired the trade and assets of Revibe Technologies, Inc. for total consideration of £2m, which comprises £1m cash and contingent consideration of £1m. The contingent consideration is determined based on gross profit from sales of certain product over the next 8 years from the acquisition date. The acquired assets comprise mainly technology assets and goodwill. The acquired business will form 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. Net assets acquired of £91m were recognised on the Group's balance sheet including £117m of acquired intangible assets. This transaction resulted in the recognition of £61m of goodwill.

On 28 January 2022, the Group acquired 100% of the share capital in Credly Inc (Credly), having previously held a 19.9% interest in the company. Credly is a digital credential service provider whose platform enables customers to design, create, issue and manage digital credentials. It forms part of the Workforce Skills business unit. Total consideration was £149m comprising upfront cash consideration of £107m, Pearson's existing interest valued at £31m and £11m of deferred consideration. The deferred consideration was payable two years from the acquisition date, and has since been settled.

On 28 April 2022, the Group acquired 100% of the share capital of ATI STUDIOS A.P.P.S S.R.L (Mondly), a global online learning platform offering customers learning in English and 40 other languages via its app, website, virtual reality and augmented reality products. It forms part of the English Language Learning business unit. Total consideration was £135m comprising upfront cash consideration of £105m, and deferred consideration of £30m. The deferred consideration was payable over two years from the acquisition date, with no performance conditions attached, and has since been settled. In addition, a further £13m of cash and £7m in shares was incurred but was dependent on continuing employment and therefore these amounts were expensed and not treated as consideration. These will be paid out in the first half of 2025.

In 2022, these transactions resulted in the recognition of £202m of goodwill and £99m of intangibles.

In 2022, the Group also made three smaller acquisitions in the period for total consideration of £11m.

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	2024 Total	2023 Total	2022 Total
Intangible assets	**1**	117	110
Deferred tax asset	**–**	–	8
Trade and other receivables	**–**	8	8
Cash and cash equivalents	**–**	4	13
Trade and other liabilities	**–**	(7)	(26)
Deferred tax liabilities	**–**	(31)	(22)
Net assets acquired	**1**	91	91
Goodwill	**1**	61	204
Total	**2**	152	295
Satisfied by:			
Cash consideration	**1**	152	223
Contingent or deferred consideration	**1**	–	41
Fair value of existing investment	**–**	–	31
Total consideration	**2**	152	295

If the acquisition of Revibe Technologies, Inc. had occurred on 1 January 2024, the Group's revenue and profit after tax would not have been significantly higher.

Total acquisition related costs of £5m (2023: £12m; 2022: £20m) were recognised within other net gains and losses.

In 2023 and 2022, there were gains of £5m and £8m respectively, arising on decreases in the deferred consideration payable on prior year acquisitions. No such items arose in 2024.

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	2024 Total	2023 Total	2022 Total
Cash flow on acquisitions			
Cash – current year acquisitions	**(1)**	(152)	(223)
Cash and cash equivalents acquired	**–**	4	13
Deferred payments for prior year acquisitions and other items	**(38)**	(23)	(18)
Net cash outflow	**(39)**	(171)	(228)

31. Disposals and business closures

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.

In 2022, the Group disposed of its interests in the Canadian educational publisher (ERPI), Pearson Italia S.p.A, Stark Verlag GmbH, Austin Education (Hong Kong) Limited, Pearson South Africa (Pty) Ltd and various other South African companies. Total cash consideration received was £287m resulting in a pre-tax gain on disposal of £42m. All entities disposed of were previously in the Strategic Review segment. £5m of losses arose from other immaterial disposals and costs related to the wind-down of certain businesses.

Deferred proceeds relating to the K12 sale were received in 2022.

None of the 2023 or 2022 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	2024	2023	2022
Disposal of subsidiaries and associates			
Intangible assets, including goodwill	–	(53)	(77)
Property, plant and equipment	–	(5)	(11)
Intangible assets – product development	–	(15)	(39)
Inventories	–	(1)	(33)
Trade and other receivables	–	(65)	(106)
Deferred tax	–	8	(12)
Current tax receivable	–	(2)	–
Cash and cash equivalents (excluding overdrafts)	–	(12)	(21)
Provisions for other liabilities and charges	–	–	1
Retirement benefit obligations	–	–	2
Trade and other liabilities	–	31	52
Financial liabilities – borrowings	–	–	8
Net assets disposed	–	(114)	(236)
Cumulative currency translation adjustment	–	122	5
Cash proceeds	–	1	291
Deferred proceeds	–	12	2
Costs of disposal	**(5)**	(30)	(25)
(Loss)/gain on disposal	**(5)**	(9)	37

All figures in £ millions	2024	2023	2022
Cash flow from disposals			
Proceeds – current year disposals	–	1	291
Proceeds – prior year disposals	–	–	86
Cash and cash equivalents disposed	–	(12)	(21)
Costs and other disposal liabilities paid	**(7)**	(27)	(23)
Net cash (outflow)/inflow	**(7)**	(38)	333

Notes to the consolidated financial statements *continued*

32. Held for sale

At 31 December 2024, the Group has classified a property (2023: two), with a total carrying value of £nil (2023: £2m), as held for sale.

33. 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	2024	2023
Net book amount	4	6
Profit/(loss) on sale of property, plant and equipment	2	(1)
Proceeds from sale of property, plant and equipment	**6**	5

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

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

All figures in £ millions	2022	Fair value and other movements	Foreign exchange movements	Financing cash flows	Transfer from non-current to current	New leases/ disposal of leases	2023
Financial liabilities							
Non-current borrowings	1,155	(2)	(15)	–	(80)	42	1,100
Current borrowings	66	10	(18)	(84)	80	(1)	53
Total	1,221	8	(33)	(84)	–	41	1,153

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.

34. 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 is 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 1,314m (£169m) up to 31 December 2024, with additional potential exposure of BRL 46m (£6m) 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 35.

35. Leases

The Group's lease portfolio consists of approximately 700 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	2024	2023	2022
Interest on lease liabilities		**(22)**	(23)	(25)
Expenses relating to short-term leases		–	–	–
Depreciation of right-of-use assets	10	**(35)**	(39)	(45)
Impairment of right-of-use assets	10	**–**	(2)	(34)

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	2024	2023
Less than one year	**85**	84
One to five years	**270**	286
More than five years	**276**	301
Total undiscounted lease liabilities	**631**	671
Lease liabilities included in the balance sheet	**517**	547
Analysed as:		
Current	**65**	64
Non-current	**452**	483

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

All figures in £ millions	2024	2023	2022
Total cash outflow for leases as a lessee	**100**	107	118

At 31 December 2024, commitments for capital leases contracted for but not yet incurred were £14m (2023: £8m). 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	2024	2023	2022
Interest on lease receivables	**4**	4	5
Income from subleasing right-of-use assets (within other income)	**9**	6	4

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

All figures in £ millions	2024	2023	2022
Total cash inflow for leases as a lessor	**22**	19	23

Notes to the consolidated financial statements *continued*

35. Leases continued

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 (2023: decreased £21m), primarily due to payments received.

All figures in £ millions	Operating leases	Finance leases	2024 Total	2023 Total	2022 Total
Less than one year	**9**	**22**	**31**	31	24
One to two years	**10**	**23**	**33**	33	28
Two to three years	**10**	**23**	**33**	34	28
Three to four years	**10**	**16**	**26**	34	28
Four to five years	**10**	**4**	**14**	27	29
More than five years	**34**	**2**	**36**	54	44
Total undiscounted lease payments receivable	**83**	**90**	**173**	213	181
Unearned finance income		**(7)**			
Net investment in finance lease receivable		**83**			

36. Related party transactions

Joint ventures and associates

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

At 31 December 2022, the Group had a current liability payable to Academy of Pop of £5m, which related to the Group's initial capital contribution that had not yet been paid. This balance was paid in early 2023.

Key management personnel

Key management personnel are deemed to be the members of the Pearson Executive Management team (see pages 74-76). It is this Committee which had responsibility for planning, directing and controlling the activities of the Group in 2024. Key management personnel compensation is disclosed below:

All figures in £ millions	2024	2023	2022
Short-term employee benefits	**10**	9	7
Retirement benefits	**1**	1	1
Share-based payment costs	**19**	11	9
Total	**30**	21	17

Short-term employee benefits and retirement benefits exclude Executive Directors which are shown on page 127 of the Directors Remuneration Report.

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

37. Events after the balance sheet date

On 27 February 2025, the Board approved a £350m share buyback programme in order to return capital to shareholders. The programme will commence as soon as is practicable.

38. 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
Faethm Limited	11842984
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

	Company number
Pearson Loan Finance Unlimited	05144467
Pearson Management Services Limited	00096263
Pearson Overseas Holdings Limited	00145205
Pearson Professional Assessments Limited	04904325
Pearson Strand Limited	08561316
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 2024

All figures in £ millions	Notes	2024	2023
Assets			
Non-current assets			
Investments in subsidiaries	2	**6,695**	6,702
Amounts due from subsidiaries		**3**	2,074
Deferred income tax assets		**33**	35
Financial assets – derivative financial instruments	4	**12**	32
		6,743	8,843
Current assets			
Amounts due from subsidiaries		**2,439**	277
Current income tax assets		**53**	22
Cash and cash equivalents (excluding overdrafts)	3	**129**	5
Financial assets – derivative financial instruments	4	**31**	15
Other assets		**1**	1
		2,653	320
Total assets		**9,396**	9,163
Liabilities			
Non-current liabilities			
Amounts due to subsidiaries		**(1,179)**	(3,287)
Financial liabilities – derivative financial instruments	4	**(3)**	(38)
		(1,182)	(3,325)
Current liabilities			
Amounts due to subsidiaries		**(2,508)**	(1,240)
Other liabilities		**(8)**	(121)
Financial liabilities – derivative financial instruments	4	**(51)**	(5)
		(2,567)	(1,366)
Total liabilities		**(3,749)**	(4,691)
Net assets		**5,647**	4,472

All figures in £ millions	Notes	2024	2023
Equity			
Share capital	5	**166**	174
Share premium	5	**2,649**	2,642
Treasury shares	6	**(7)**	(19)
Capital redemption reserve		**41**	33
Special reserve		**447**	447
Retained earnings – including profit for the year of £1,517m (2023: £467m)		**2,351**	1,195
Total equity attributable to equity holders of the company		**5,647**	4,472

These financial statements have been approved for issue by the Board of Directors on 13 March 2025 and signed on its behalf by

Sally Johnson
Chief Financial Officer

Company statement of changes in equity

Year ended 31 December 2024

	Equity attributable to equity holders of the company						
All figures in £ millions	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**

	Equity attributable to equity holders of the company						
All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Special reserve	Retained earnings	Total
At 1 January 2023	179	2,633	(15)	28	447	1,178	4,450
Profit for the year	–	–	–	–	–	467	467
Equity-settled transactions[1]	–	–	–	–	–	40	40
Issue of ordinary shares under share option schemes[1]	–	9	–	–	–	–	9
Purchase of treasury shares	–	–	(35)	–	–	–	(35)
Release of treasury shares	–	–	31	–	–	(31)	–
Buyback of equity	(5)	–	–	5	–	(304)	(304)
Dividends	–	–	–	–	–	(155)	(155)
At 31 December 2023	174	2,642	(19)	33	447	1,195	4,472

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 208-216 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.

During the year, the company transitioned from IFRS accounting standards to FRS 101 Reduced Disclosure Framework. 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 (2023: nil).

A key judgement in the preparation of these financial statements is the trigger for the reversal of historical impairments of investments in subsidiaries. See note 2 for further details. No critical accounting estimates have been made in the preparation of these separate financial statements.

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, with the exception of certain hedged investments that are held in a foreign currency and revalued at each balance sheet date.

The recoverability of investments is tested annually for impairment in accordance with IAS 36 'Impairment of Assets'. The carrying value is compared to the asset's recoverable amount which is generally assessed on a value in use basis. Significant estimation is required to determine the recoverable amount. The value in use of the assets is calculated using a discounted cash flow methodology using financial information related to the subsidiaries including cash flow projections in conjunction with the goodwill impairment analysis performed by the Group. The key assumptions used in the cash flow projections are discount rates, perpetuity growth rates, forecast sales growth rates and forecast operating profits.

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.

Going concern

In assessing the Company's ability to continue as a going concern for the period to 30 June 2026, 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 2024, the Group had available liquidity of c.£1.2bn, comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF). 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 2025 and 2026, adjusted for probability weighting as well as other significant risks. The net impact of the risks modelled was to reduce free cash flow by around 30% per year. 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 crystalise.

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 2026. The model showed that significant profit declines in excess of the severe but plausible were required in both 2025 and 2026 to exhaust liquidity.

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 2026. The Company financial statements have therefore been prepared on a going concern basis.

2. Investments in subsidiaries

All figures in £ millions	2024	2023
At beginning of year	**6,702**	6,738
Impairment	**(1,369)**	–
Impairment reversal	**1,312**	40
Capital contribution	**44**	–
Currency revaluations	**6**	(76)
At end of year	**6,695**	6,702

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. The timing of the impairment reversal is an area of significant judgement. In making the judgement, management considered the recoverable amount of the investment (as determined by an internally generated value in use model – see note 11 of the Consolidated Group Financial Statements for details of assumptions used including the discount rates), as well as external factors such as the share price and market capitalisation. Management's judgement was that there was sufficient evidence in 2024 to demonstrate that there has been a stable and permanent return to value in relation to the previously impaired investment and as such the impairment was reversed. After reversing the impairment, the recoverable amount of the investment continues to exceed the carrying value and the headroom is not sensitive to any reasonably possible changes in assumptions.

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 2023.

3. Cash and cash equivalents (excluding overdrafts)

All figures in £ millions	2024	2023
Cash at bank and in hand	**129**	5
	129	5

At the end of 2024, the currency split of cash and cash equivalents was US dollar 19% (2023: 0%), sterling 78% (2023: 44%) and other 3% (2023: 56%). Cash and cash equivalents have fair values that approximate their carrying amounts due to their short-term nature.

In 2024, £1m of interest income on these cash balances was recognised within net finance costs (2023: £4m).

4. Derivative financial instruments

The company's outstanding derivative financial instruments are comprised of interest rate derivatives, cross-currency rate derivatives and FX derivatives. The outstanding derivative balances at 31 December are as follows:

	2024		2023	
All figures in £ millions	Assets	Liabilities	Assets	Liabilities
Current	**31**	**(51)**	15	(5)
Non-current	**12**	**(3)**	32	(38)
Total	**43**	**(54)**	47	(43)

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 2024, the outstanding contracts all mature within ten years. In 2024, £7m of fair value gains were recognised within net finance costs (2023: £10m loss).

Fair value hedge accounting

A foreign currency exposure arises from foreign exchange fluctuations on translation of the company's investments in subsidiaries denominated in USD into GBP. The hedged risk is the risk of changes in the GBP:USD spot rate that will result in changes in the value of the USD investments when translated into GBP. The hedged items are a portion of the company's equity investments in subsidiaries denominated in USD. The hedging instruments are a portion of the company's intercompany loans due from subsidiaries which are denominated in USD.

It is expected that the change in value of each of these items will offset each other as there is a clear and direct economic relationship between the hedge 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.

In 2024, the portion of the company's equity investments in subsidiaries denominated in USD was reduced to £nil. As at 31 December 2024, the fair value hedge is no longer in place.

Notes to the company financial statements *continued*

4. Derivative financial instruments continued

The value of the hedged items and the hedging instruments is £nil at 31 December 2024 (2023: £1.4bn) and the change in value during the year which was used to assess hedge ineffectiveness was £6m (2023: £76m). There was no hedge ineffectiveness.

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.

5. 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**

The ordinary shares have a par value of 25p per share (2023: 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 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders, with a £200m extension being announced by the Group on 1 March 2024. This programme and the extension completed in 2024. During 2024, approximately 32m (2023: 20m) shares were bought back and cancelled at a cost of £318m (2023: £186m). The nominal value of these shares, £8m (2023: £5m), was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings. At 31 December 2024, no further liability remains (2023: £118m) for any shares contracted to be repurchased but where the repurchases are still outstanding.

6. 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**

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 (2023: £0.5m). Dividends on treasury shares are waived.

At 31 December 2024, the market value of the company's treasury shares was £9m (2023: £21m). The gross book value of the shares at 31 December 2024 amounts to £7m (2023: £19m).

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.

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 £1.2bn (2023: £0.9bn). 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 £42,000 (2023: £40,700).

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 2024 or 2023.

Key management personnel

Key management personnel are deemed to be 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 2024. Key management personnel compensation is disclosed in note 36 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 2024, 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
Clutch Learning, Inc.	US	4
Cogmed Systems AB	SE	14
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
Connections Education LLC	US	4
Connections Education of Florida, LLC	US	20
Connections Education, Inc.	US	4
Credly, Inc.	US	4
Dominie Press, Inc.	US	17
Dorian Finance Limited	IE	7
eCollege.com	US	4
Education Development International Plc†	UK	1
Education Resources (Cyprus) Limited	CY	51
Educational Management Group, Inc.	US	52
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
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
Lion SG Pte. Ltd.*	SG	23
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
Longman Zimbabwe (Private) Ltd	ZW	47
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
National Computer Systems Japan Co. Ltd	JP	74
Navvy 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
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

Notes to the company financial statements *continued*

11. Group companies continued

Registered company name	Country of Incorp.	Reg office
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
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	36
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

Registered company name	Country of Incorp.	Reg office
Pearson Lanka Support Services (Private) Limited	LK	12
Pearson Lesotho (Pty) Ltd	LS	62
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
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 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

Registered company name	Country of Incorp.	Reg office
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
Shanghai AWL Education Software Ltd*	CN	72
Silver Burdett Ginn Inc.	US	4
Skylight Training and Publishing Inc.	US	52
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 Education and Training Limited	SA	56
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 0RL, England
2	Featherlite, 'The Address', 5th Floor, Survey No 203/10B, 200 Ft MMRD Road, Zamin, Pallavaram, Chennai, TN 600044, 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	1st 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, 5th 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	Gustavslundsvägen 137, 167 51 Bromma, Stockholm, Sweden
15	3, 2nd 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	CT Corportion 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

	Registered office address
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. 2nd 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	CT 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
45	Power House, 7 Par-la-ville Road, PO Box 1826, Hamilton, HM 11, Bermuda
46	Derech Ben Gurion 2, BSR Building 9th Floor, Ramat Gan, 5257334, Israel
47	4th Floor, Corner Hertzog Boulevard and Heerengracht, Cape Town, South Africa
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	Illinois Corporation Service Company, 700 S 2nd Street, Springfield, IL, 62703, 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	C T Corporation System, 28 Liberty Street, New York, NY, 10005, United States
56	King Fayad Road, Olaya, Riyadh, 58774, 11515, Saudi Arabia
57	Al Tawuniyya Towers, King Fahd Road, North Block, 2nd floor, Riyadh, Saudi Arabia
58	Bougain Villas, 78 Sam NJJOMA Drive, Windhoek, Postal address PO Box 21683 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, nº 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, Istanbul, 34742, Turkey

	Registered office address
62	The Towers, 21st 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 2, 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, 3rd 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
75	Suite 1201, Tower 2, 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	3 Politehnicii St., Braşov, Municipality, Braşov County, Romania
79	Kabelweg 37, Amsterdam, 1014 BA, Netherlands
80	357 Bay Street, 3rd 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	30th 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 Ofic. 1517, Panama, 0832-0588, Panama
87	Cal. Los Halcones, no. 275, Urb. Limatombo, Lima, Peru
88	85, Paseo de la Castellana, Planta 8, Madrid, 28046, Spain
89	87/1 Capital Tower Building, All Seasons Place unit 1604 – 6 16th floor, Wireless Road, Lumpini, Pathumwan, Bangkok, Thailand
90	#512, 5th Floor, 12, Mapo-daero 10-gil, Mapo-gu, Seoul, Korea (the Republic of)

Notes to the company financial statements *continued*

11. Group companies continued

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

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	5

* 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	C T 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	9 Rashdan St., Messaha Square, Dokki, Giza City, Egypt
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