Pearson

Being a trusted partner

Pearson
Our approach to tax 2018

Contents

Introduction

This is the third annual tax report published by Pearson and continues our commitment to voluntarily disclose information on the tax we pay on business profits, and the contributions we make to public finances in the countries in which we operate.

This is important as tax contributions – from individuals as well as businesses – are fundamental to a healthy society. These contributions are the lifeblood which fund vital public services, including education, as well as investment in infrastructure to fuel economic growth and promote a more equal society.

We believe that as a publicly listed company, we have an ongoing responsibility to enhance awareness and provide transparency on our position on tax. This core belief leads us to publish our third annual guide to the tax we pay on business profits around the world in an easily understandable and accessible format.

We continue to look to strengthen our approach to tax reporting. Since we published the last report in 2018 we have endorsed the B Team tax principles and joined the B Teams Responsible Tax Working Group which includes engagement with civil society organisations. I'm also delighted that in November 2018 we won the Pwc Building Public Trust Award for Tax reporting in the FTSE 350.

We considered our tax risk increased in 2018 in relation to the increased potential cash impact of the European Commission State Aid decision. During 2019 we have filed an appeal with the European Commission. We consider the issue to be a contingent liability, meaning we have not made any provision for it. Also during 2019 we have received an assessment from the Brazilian tax authorities and made a contingent liability disclosure in our 2019 interim results announcement. We cover both of these items in this report in our new contingencies section.

Our intention is for our tax reporting to help stakeholders better understand how Pearson operates. We are committed to continuing to strengthen our reporting and, as always, we welcome comment and feedback on how we might improve.

Coram Williams
Chief Financial Officer

Q. What types of tax does Pearson pay?
A. We pay and collect a wide range of taxes. These include employee, property and sales taxes. This report focuses on tax on business profits.

Q. How much corporation tax does Pearson pay?
A. In 2018, we paid £43 million in tax on business profits, this includes the impact of refunds we received in the US from overpayments in previous years, partly offset by payments on closing historic audit issues.

Q. Why has Pearson chosen to release a tax report?
A. In addition to the requirement to publish our UK tax strategy, we believe that there is a need to strengthen public trust in the taxation system and that one way companies can do this is by being open about their tax practices. This is our third report.

Q. How do we balance the interests of different stakeholders?
A. We recognise that different stakeholders potentially have conflicting interests. We consider what we do to be in the interests of all our stakeholders, but recognise that not everyone will agree with decisions or positions we take.

Q. What is the B Team and why have you signed up?
A. The B Team is a not-for-profit initiative formed by a global group of business leaders to catalyse a better way of doing business, for the wellbeing of people and the planet (http://www.bteam.org/about/). It has a Responsible Tax Working Group, which brings together the private sector, investors, civil society organisations and international institutions to promote dialogue, understanding and collaboration. We hope that by engaging we can continue to improve our own approach.

Q. Will Pearson be impacted by the Digital Services tax?
A. We don't believe the new taxes in the UK and France will impact us, however the OECD programme to address tax challenges from the digitalisation of the economy could be very far reaching. See our Public policy section for more details.

Our corporate strategy

Our mission at Pearson is to help people make progress in their lives through learning. We are transforming our business to meet the evolving needs of our customers. We do that by combining content and assessment, powered by services and technology, leading to more effective teaching and personalised learning at scale. Through this we will provide long term shareholder value.

We also recognise the vital importance of integrating sustainability into our business strategy. Sustainability is fundamental to achieving our mission, and is embedded in everything we do.

Our tax strategy and the tax contributions we make globally are an important part of how we strive to achieve these goals.

If you would like to read more, our 2018 Sustainability Report is available here: www.pearson.com/corporate/sustainability/reporting-policies.html

Pearson

Our mission is to help people make progress in their lives through learning.

Our Vision

is to have a direct relationship with millions of lifelong learners and to link education to the way people aspire to live and work every day. To do that, we will collaborate with a wide group of partners to help shape the future of learning.

Our Capabilities

include combining world-class educational content and assessment, powered by services and technology, to enable more effective teaching and personalised learning at scale. Our capabilities are based on our deep expertise in how people learn, and we apply them to our three strategic priorities:

Our strategic priorities

1 Grow market share through the digital transformation of our courseware and assessment businesses

- Shift from selling ownership of our content to selling print or digital services
- Global Learning Platform: A cloud-based, scalable product platform

2 Invest in structural growth opportunities

- Online Program Management
- Virtual Schools
- English Language Learning & Assessment
- Professional Certifications & Licensure

3 Become a simpler, more efficient and more sustainable business

- Eliminate duplication and speed up innovation
- Increase standardisation to reduce costs and improve scalability
- Provide world-class customer experiences that improve efficacy and outcomes
- Ensure access to quality education for all

Our values are **brave**, **imaginative**, **decent** and **accountable**

We are the world's learning company

Our global tax strategy

Our global tax strategy applies to all our businesses, including the UK, and this document therefore covers our obligation to publish our UK tax strategy, including governance, risk management, attitude to tax planning and being transparent with the UK and other tax authorities.

Our approach to tax is guided by our corporate values, and by our Code of Conduct. Our tax principles have been published on our corporate website since 2014, and they guide tax strategy at Pearson.

Taxation principles

This report concentrates on tax on business profits; however, our tax principles apply to all taxes including indirect taxes or sales taxes and payroll taxes. The principles that guide us at Pearson are:

1. To comply with all relevant tax laws, regulations and tax reporting requirements in all jurisdictions in which we operate, including claiming available tax incentives and exemptions that are available to all market participants and in accordance with generally recognised interpretation of the law.

2. To run our tax affairs in accordance with Pearson's values, Code of Conduct, risk management and governance procedures, which include regular reporting to the Board, the Chief Financial Officer and to the Audit Committee on tax strategy and risks. In addition, any material changes in tax legislation, business environment, or operations will be assessed, and any resultant changes to strategy or risk will be reported as appropriate.

3. To pay tax on profits according to where value is created within the normal course of commercial activity, with transactions priced within an appropriate arm's length range i.e., cross border transactions take place as if the parties were unconnected. Any exceptions to this are compliant with local laws and fully disclosed to the tax authorities concerned.

4. To align tax planning with business activities, for example acquisitions, disposals, and changes in business objectives. We do not seek to avoid tax by the use of 'tax havens' or by establishing arrangements that we consider to be artificial in nature or transactions that we would not fully disclose to a tax authority.

5. To achieve a more favourable tax outcome where a clear and legitimate choice exists between different options that each comply with our principles. In considering and deciding between different options, the factors we consider include commercial and reputational impact.

6. To have an open, proactive, and constructive working relationship with tax authorities. Where possible and in line with local country practice, to discuss and consult on our interpretation of the law with tax authorities as issues arise. To engage directly or indirectly with governments on proposed changes to tax legislation where appropriate.

7. To ensure our tax professionals are appropriately qualified and trained, and to use external advice where appropriate.

Q

Q. Do you engage in transfer pricing?

A. Yes. Governments generally require companies to apply transfer pricing rules to intercompany activities to ensure profits are reported in the countries where the relevant economic activity takes place. As noted in our principles, intercompany transactions are priced as if the parties are unconnected.

Q. Why do you still have operations in low-tax countries that are not trading businesses?

A. This is largely a result of Pearson's history of growing through the acquisition of smaller companies over many years. In some cases, those new parts of our business did have low-tax arrangements. In the past few years, we have been winding up such arrangements wherever possible. However, this can be costly, and we have an obligation to our shareholders to act prudently. Our section on tax havens gives details.

Q: Does that mean you rule out acquiring any future businesses with tax structures in low-tax countries?

A: No, we don't rule that out completely. It would certainly be a factor to consider in any potential acquisition, and it would always be our policy to look at winding up any such arrangement wherever possible – but we judge each case against its own merits and our tax principles.

Q: What is "generally recognised interpretation of the law"?

A: In each country where we operate, a common view on practice evolves over time within the relevant tax community on the interpretation and application of tax rules. The most important factor for us is the prevailing practice and attitude of the relevant tax authority with whom we openly consult.

Q. What are the B Team tax principles and how do they relate to yours?

A. The full B team tax principles can be found here http://www.bteam.org/plan-b/responsible-tax/. We endorse the principles which are broadly aligned to our own however in some cases they go further than our current reporting. For example on transparency we do not provide taxes paid for all countries, only those we judge most material and therefore useful.

A

Tax incentives and arrangements

We do not seek to avoid tax by establishing arrangements that we consider to be artificial in nature. We do claim available tax incentives and exemptions that are available and widely accepted as mainstream tax practice among the tax community (taxpayers, tax advisers, policy makers and tax authorities). Tax law and regulation is complex and in each country where we operate, a common view on practice evolves over time within the relevant tax community on the interpretation and application of these rules. An important factor for us is the prevailing practice and attitude of the relevant tax authority.

In 2018 we had one structure in place where cross border transactions are not priced at arm's length. We had a financing operation in Ireland which was recognised by the tax authorities in Ireland and the UK and was subject to UK tax. This structure is potentially subject to the European Commission State Aid decision which we cover in the Contingencies section.

Q

Q. Why have you chosen Singapore?

A. We have existing operations in Singapore and it enables us to maintain our current benefits.

Q. Do you continue to get the same tax savings from this new structure?

A. Yes, on an ongoing basis we expect materially the same impact

A

As a result of a number of significant changes in international tax regimes, including US tax reform, the structure has been changed during 2019. The replacement structure involves a financing operation in Singapore. This structure is compliant with local laws, subject to UK tax, and in line with our tax principles.

Tax havens

There are many different definitions of what constitutes a 'tax haven'. Pearson does not seek to avoid tax by the use of tax havens. For this purpose we define a tax haven as a country with a corporation tax rate of 10% or less. We assess group entities as being in a tax haven if they are tax resident in that country.

In some instances, we have acquired some businesses with operations in tax havens which we unwind when we can do so at a reasonable cost. During 2019 the holding companies in the Cayman Islands and British Virgin Islands have been liquidated. The sale of the underlying businesses and restructuring meant that the costs to close were minimised.

As of July 2019, the group has three corporate entities based in tax haven countries, of these:

- One is a small entity in Hungary which pays tax at the local rate of 10%. This entity is inactive and will be shut down in due course.
- One is an investment in Learn Capital IIIA, incorporated in the Cayman Islands. Learn Capital is a third-party impact venture capital fund that invests in innovative start-up companies around the world. Pearson is a minority investor and does not oversee the operations or administration of the fund. The fund is also registered in the United States and all income is reported and taxed in the United States; therefore no tax benefit is obtained.
- We operate a captive insurance company domiciled in Bermuda. This company fulfils a commercial purpose for us, covering third party risks often required by our customers. We do not gain any tax benefit from being based in Bermuda as all profits are subject to UK tax. We are domiciled there for regulatory reasons and because Bermuda is a recognised global insurance centre.

Q

Q. Pearson has a company in Switzerland. Why is this not included in your disclosures?

A. The federal tax rate together with local canton and communal taxes bring the rate to above 10%. In 2018, this entity made a small loss due to restructuring costs and paid no tax.

Q. Is the Pearson entity in Switzerland a vehicle to own intellectual property?

A. No. The entity is a trading business and does not own intellectual property.

Q. Pearson has numerous companies registered in the state of Delaware. Do you obtain tax benefits from this practice?

A. No, Pearson derives no tax benefit from its presence in Delaware. We selected Delaware to incorporate due to the ease of corporate registration in the state.

A

We therefore do not have any active trading and do not derive any benefit from any of the three corporate entities based in so called 'tax haven' countries.

Governance and risk management

The Board has delegated responsibility for the integrity of financial reporting and risk management to the Audit Committee. This includes setting tax strategy and monitoring tax risk.

The Tax Department reports at least biannually to the Audit Committee.

Tax is part of the Pearson Finance function, reporting to our Chief Financial Officer, who receives regular updates throughout the year from the tax team. The Chief Financial Officer provides regular updates to the Board on tax matters.

Risk management

Pearson has a structured enterprise risk management framework to support the identification and effective management of risks across the group. As part of our disclosures in the annual report we set out our principal risks and uncertainties, one of which is tax. Principal risks are defined by Pearson as having a potential financial impact greater than £50m or a significant impact on strategy, operations and reputation. Executive responsibility for tax sits with the Chief Financial Officer.

See our annual report for more information
https://www.pearson.com/corporate/ar2018.html

We considered tax risk as having increased in 2018 due to the ongoing potential financial (cash) impact of the announcement in November 2017 of the European Commission opening decision on the UK Controlled Foreign Companies exemption. See Contingencies for a further update. This is in addition to the ongoing dynamic nature of tax regulations and continued public concern around tax issues.

We assessed the potential impact on the group to be severe in 2018. This overall assessment is informed by a longer list of tax risks which are monitored and reviewed throughout the year by the tax team. For each individual tax risk, we decide on our risk appetite or the tolerance we have to each type of risk. Some risks, such as those relating to legislative change, we accept, while others such as compliance we seek to mitigate or avoid. Pearson manages these risks through the application of tax principles.

Management of our tax affairs

As set out in our global tax principles, in managing our tax affairs we seek to protect value for our shareholders, comply fully with legal and regulatory requirements and to align with business activities.

Pearson's tax function

Pearson has teams of tax professionals in the United States and the United Kingdom as our largest markets by revenue, along with accountable individuals drawn from the finance function responsible for tax in other markets.

Our tax team leads on engagement with governments, tax authorities and stakeholders on tax related issues.

Public policy

Pearson is committed to adding its voice to the global debate on tax transparency. We operate in a global, competitive environment, and support the belief that tax policy makers should implement international tax reform in a coherent, coordinated way so that there is a level playing field and the risk of paying tax twice on the same income is minimised.

In 2019 we endorsed the B Team tax principles and joined their Responsible Tax Working Group which enables us to engage with civil society bodies in an open and constructive manner.

Recent areas of international or national policy change affecting Pearson are as follows:

Policy development	Pearson response
State Aid	In April 2019, the European Commission published a final decision that the UK controlled foreign company group financing partial exemption (FCPE) partially constitutes State Aid. Please see Contingencies section.
Brexit	The outcome of Brexit remains insufficiently clear to confirm any impact on tax.
US Tax Reform	Detailed regulations were published in draft in late 2018, with the final regulation expected late 2019. We continue to work through the detail and assess whether any further changes to our strategy are appropriate. As a result there is still some uncertainty as to how the legislation may impact our effective tax rate, in particular regarding the Base Erosion Anti Tax Abuse measures.
Taxation of the digital economy	The OECD roadmap programme to address tax challenges from the digitalization of the economy is due to conclude in 2020 and is likely to be a fundamental change to international taxation affecting all companies not just those perceived as 'digital'. At present it is too soon to assess any impact to Pearson. In addition countries such as the UK and France are pushing ahead with versions of digital taxation. At present we do not consider there will be a material impact to Pearson from these legislations.
Irish corporate tax review	The review of Ireland's corporate tax code was published in September 2018. Following the changes described on page 8 we do not expect any impact from the potential changes.

Q

Q. Has the approach that Pearson takes to tax changed?
A. No. We have always aimed to comply with relevant tax laws, regulations and reporting requirements.

Q. Pearson talks of being a digital company, so surely digital taxes will impact you?
A. In the UK the digital services tax is aimed at revenue derived from social media platforms, search engines or online marketplace, none of which apply to Pearson. The situation in France is similar.

A

Contingencies

In April 2019, the European Commission published a decision that the United Kingdom controlled foreign company group financing partial exemption (FCPE) partially constitutes State Aid. This issue affects a number of other companies. The Group has lodged an appeal. The Group has benefitted from FCPE in 2018 and prior periods by approximately £116m. At present the Group believes no provision is required in respect of this issue.

The UK government and several other companies have also lodged appeals. The group has received an information request from HMRC to enable them to consider whether we are beneficiaries of State Aid based on the decision. The UK government is required to recover the amounts considered due, regardless of its appealing the decision. It is therefore possible there will be a cash outflow in the future, which we will need to reclaim in an appeal.

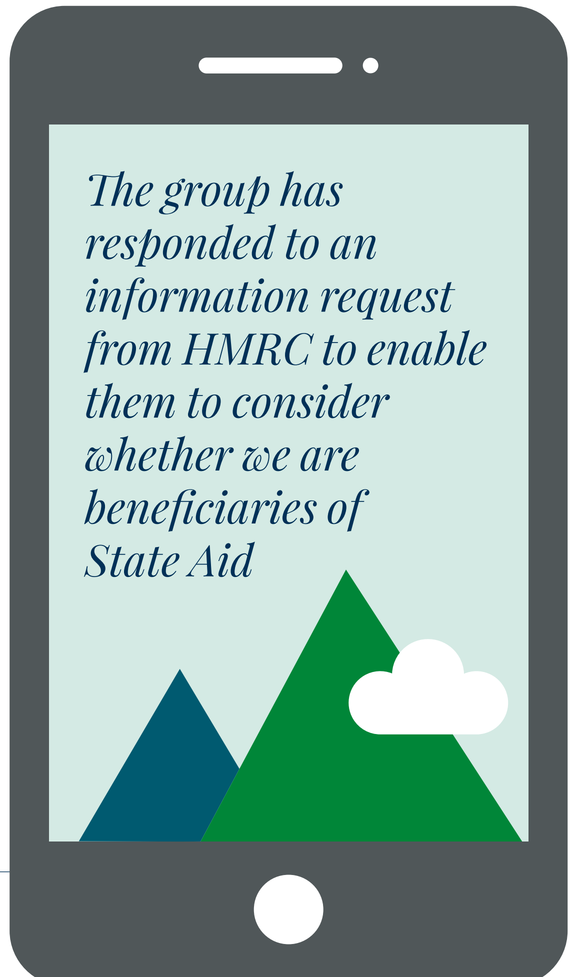
In the first half of 2019 the Group received an assessment from the Brazilian tax authorities challenging the deduction for tax purposes of goodwill amortisation relating to the purchase of Grupo Multi in 2014 and SEB in 2011, for the years 2013 to 2015. Similar assessments may be raised for other years. Potential total exposure could be up to £122 million as at 30 June 2019. Such assessments are common in Brazil. The Group believes that the likelihood that the tax authorities will ultimately prevail is low, and that our position is strong. At present the Group believes no provision is required.

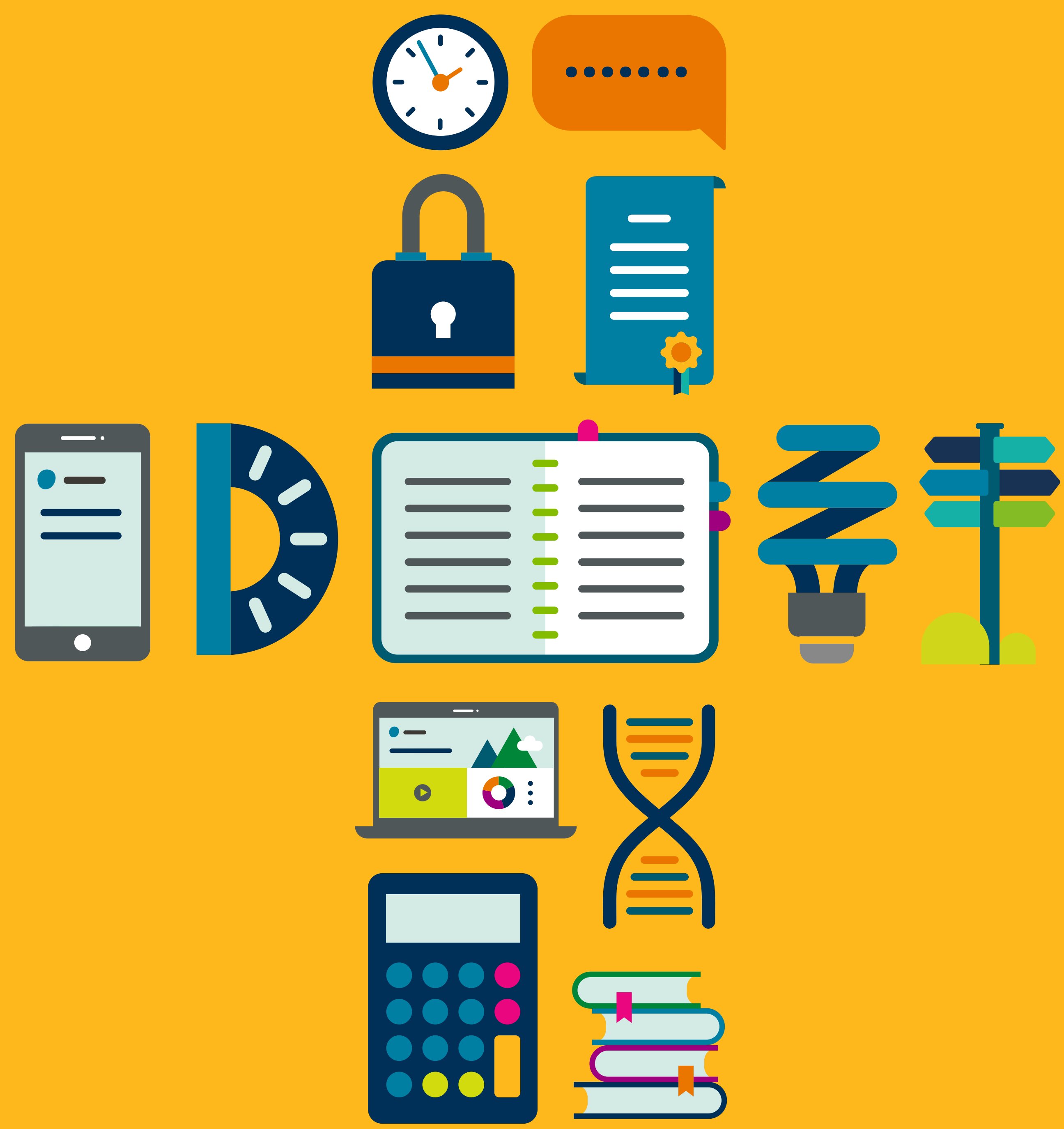
Q

Q. How much cash will you have to pay for State Aid?

A. It is not yet clear what payment could be required, or when it will be made. As the decision is being appealed it may also be possible that the cash will be refunded in the future.

A





Financial & tax data

We are a global business and have trading operations in 70 countries around the world, providing a range of products and services that help people make progress in their lives through learning.

Our business pays and collects a wide range of taxes, including employee taxes and sales taxes in addition to tax on business profits. This report focuses on tax on business profits.

2018 was a pivotal year for Pearson following a period of transformation. Our statutory profit before tax was £498m compared to £421m in 2017, partly due to gains on disposals, not all of which are taxable. Pearson paid less tax in 2018 than in 2017 mainly due to refunds being received in the US.

Pearson reports its results by geography because this is how we deliver learning: providing a range of educational product and services to institutions, governments, professional bodies and individual learners.

Our country operations are split into:

North America

67%

67% of revenue. Our largest geography including all 50 US states and Canada.

Core

20%

20% of revenue. Our international business in established and mature education markets including the UK, Australia, Italy and Poland.

Growth

13%

13% of revenue. Our education businesses in emerging and developing economies including Brazil, India, China and South Africa.

Detailed to the right is data for 2018 for our twelve largest countries drawn from all three of our geographies, as measured using 2018 sales revenues.

On the following pages we provide a brief explanation of our activities in each country, and if applicable, why tax paid may appear unusual compared to profit levels. We have also provided a summary of tax paid over the most recent five years on a regional basis.

For more explanation on what this data represents please see the Appendix.

Sub-Saharan Africa

Other countries includes Pearson's operations in Sub-Saharan Africa (excluding South Africa, which is shown separately). Pearson's operations in this region are very small (total revenues less than £6m). We paid tax on profits in 2018, but in many countries we generate losses while businesses are building scale.

Q

Q. What determines how much tax on business profits Pearson pays each year?

A. Broadly speaking, tax paid is based on company profit. However, the calculation method and timing varies depending on the tax rules in different countries. Countries typically ask companies to pay tax on business profits in the same year that profits are generated. The amount paid will either be based on the final amount paid in tax on business profits for the previous financial year or on the best estimate by the company of what profit it expects to make. Based on tax returns submitted once the financial year is complete, companies can benefit from a tax credit or will be required to make an additional payment. Some countries levy tax in the following financial year based on a tax return. This would mean tax paid in 2018 is being levied on 2017 profits rather than 2018 results. For Pearson, the second half of the year is the most important for generating revenue and profit. This can make the estimation process challenging, and sometimes tax is required to be paid before the amount of profit is certain.

Q. What other factors can impact the tax paid?

A. One area that is significant for Pearson is pensions. Payments into company pension funds in the UK and other jurisdictions are deductible for tax purposes which reduces the business profits on which tax is payable.

A

Country	Total revenue*	Profit/(loss) before tax	Tax paid/ (received)	Cash tax rate	Employees
	£'M	£'M	£'M	%	
United States	3,021	126	(35)	-	12,846
United Kingdom	1,139	47	30	64	3,997
Canada	155	21	9	43	630
Australia	130	8	2	25	363
Brazil**	112	(134)	(2)	-	789
Italy	99	27	6	22	222
South Africa	92	19	4	21	1,016
Hong Kong	86	24	5	21	293
China	56	5	2	40	959
Mexico	47	23	2	9	330
India	44	(2)	0	-	980
Germany	28	7	0	-	146
Other countries	209	22	20		1,751
Penguin Random House		46			0
*Group adjustments****	(911)	259	0		0
Total	**4,307**	**498**	**43**		**24,322**

Notes and a reconciliation from adjusted operating profit to statutory profit before tax is shown in the Appendix

* Total revenue for each country includes intercompany sales and recharge income, interest and other income, all of which are excluded from the external sales reported in our Annual Report and Accounts

** Our Brazil business recorded an impairment charge locally in 2018. This did not impact group profit as the charge had been taken at group in an earlier period.

*** Group adjustments include intercompany eliminations, and the impact of disposals.

Tax paid per country

	United States	United Kingdom	Canada
	£(35)M	£30M	£9M
Cash tax rate	–	64%	43%
Key operations	– Higher Education Courseware – US Assessment – Online Program Management – Virtual Schools Professional – Certification – Clinical Assessment	– Higher Education Courseware – Assessment & Qualifications – Online Program Management – Virtual Schools – Professional Certification – English language learning	– Higher Education Courseware – K-12 Courseware – English Language Learning – Assessment – Clinical Testing
Factors impacting tax in 2018	A refund of tax on historic business disposals was received in 2018 and we made no Federal tax payments on account for the year as a result of overpayments made in 2017.	Payments were made in respect of 2017 when the UK group made a taxable profit. In 2018 the accounting profit of £47m includes a gain on the sale of some property which is not taxable, and a loss on an onerous lease provision which is tax deductible, meaning an overall tax loss. The UK also paid tax in China relating to the disposal of a Chinese business.	Payments are higher than the statutory tax rate as they include both an estimate in respect of 2018 and a catch up payment for 2017.

	Australia	Brazil	Italy
	£2M	£(2)M	£6M
cash tax rate	25%	–	22%
Key operations	– Pearson Test of English – Academic – Online Program Management – Higher Education Courseware – School Courseware – Assessment Services	– Higher Education Courseware – English Language Learning – Franchisee – Sistemas – Assessment – Clinical Testing	– Higher Education Courseware – English Language Learning – Professional certification – School Courseware
Factors impacting tax in 2018	Tax paid is broadly in line with the local statutory tax rate.	Pearson operations in Brazil include our Sistema business and English language learning. Under Brazilian tax legislation we can claim an annual tax deduction for amortisation of goodwill relating to previous acquisitions, which will reduce our tax payments until it is utilised, which is estimated to be in 2022. In 2018 we had a cash tax credit relating to the reclassification of tax credits.	Tax payments in 2018 are calculated from 2017 profits, and the cash tax rate on that basis is 30%.

Tax paid per country

	£4m	£5m	£2m
	South Africa	*Hong Kong*	*China*
Cash tax rate	21%	21%	40%
Key operations	– K12 Courseware – Pearson Test of English – Technical and Vocational Education and training courseware – Higher Education Courseware – Pearson Institute of Higher Education	– School courseware – English Language Learning – Assessment – Vocational qualification	– Assessment – Vocational qualifications
Factors impacting tax in 2018	Our school courseware business is profitable and paid tax, but our university business in South Africa is currently loss making and we are unable to use those losses.	The cash tax rate is in line with the statutory rate.	The tax paid in 2019 relates to the liquidation of a dormant entity.

	£2m	£0m	£0m
	Mexico	*India*	*Germany*
cash tax rate	9%	–	–
Key operations	– Spanish K12 Courseware – Higher Education Courseware – English Language Teaching Courseware – English Assessment – English Services	– K12 Education Courseware & MyPedia – Higher Education Courseware – English Language Learning – Assessment – Short Courses	– Higher Education Courseware – English Language Learning – Professional certification – School exam preparation business
Factors impacting tax in 2018	Mexico is a profitable market and we paid tax. The cash tax rate is low because of an accounting gain of £11m in relation to the disposal of the UTEL JV, which has been included in the profit before tax.	We are investing in our business in India to drive growth, as a result the business is currently loss making and no tax is paid.	We are able to use losses from previous periods to reduce our current tax payments.

At a group level 2018 corporation tax paid was less than in previous years, partly as a result of the refunds received in the United States and partly as a result of business disposals made in previous years which resulted in tax payments on the profit on disposal.

To analyse the rest of world countries in more detail, the table (to the right) shows the ten largest rest of world (ROW) countries as measured by revenue, and what their average proportion of rest of world tax paid has been in the last five years.

Total cash tax payments
2014 to 2018

USA

£282M

UK

£74M

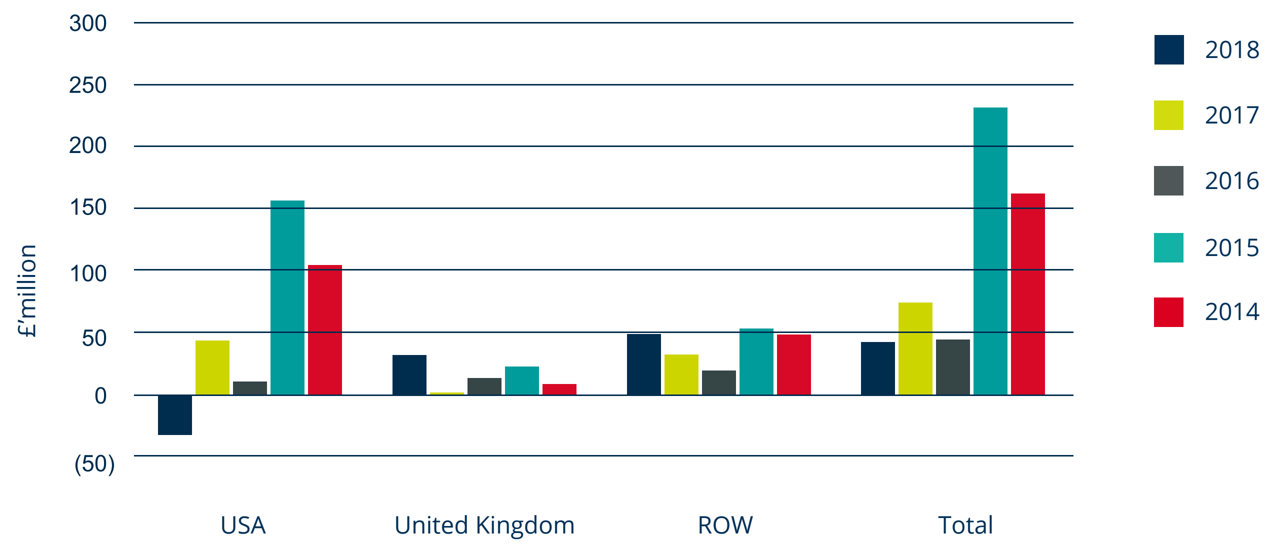
Rest of World

£202M

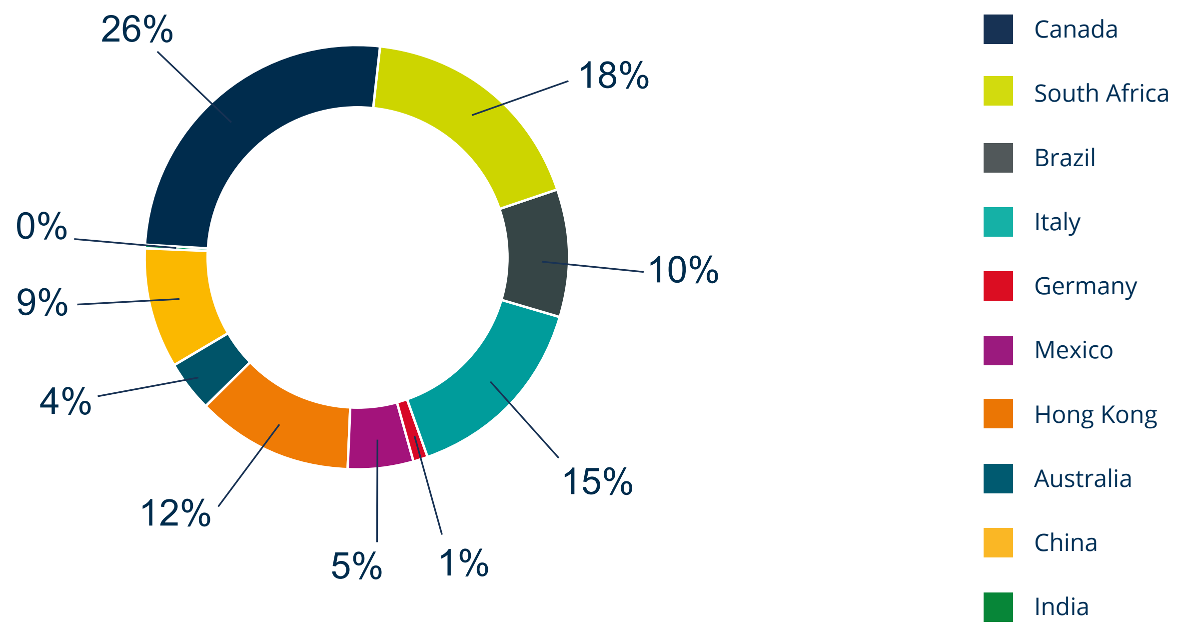
Total

£558M

Historical cash tax
Cash tax payments over the last five years



Proportion of rest-of-world tax paid over last five years



Appendix

About the data

Country-by-country table

Total revenue: In line with the country-by-country reporting requirements, we have included sales, intercompany transactions, interest and other income within this figure. Total revenue is therefore higher than the external sales number reported in our Annual Report and Accounts.

Profit before tax: This is the profit before tax at a statutory level, which is the starting point to calculate tax on business profits.
It differs from the adjusted operating profit measure which we publish in the annual report. Adjusted operating profit is a key financial measure used by management to evaluate performance and allocate resources to business segments. A reconciliation is shown to the right.

Adjusted operating profit to statutory profit 2018

	£'M
Adjusted operating profit	546
Finance costs	(55)
Cost of restructuring	(102)
Intangible charges	(113)
Other net gains and losses	230
Pension equalisation	(8)
Statutory profit before tax	**498**

**We hope you have found this document of use and interest.
If you have questions, or thoughts on ways in which we can improve future versions, we would be pleased to hear from you. You can email us at: sustainability@pearson.com**

Credits:
Cover photograph: Cristof van der Walt
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ALWAYS LEARNING