



Pearson

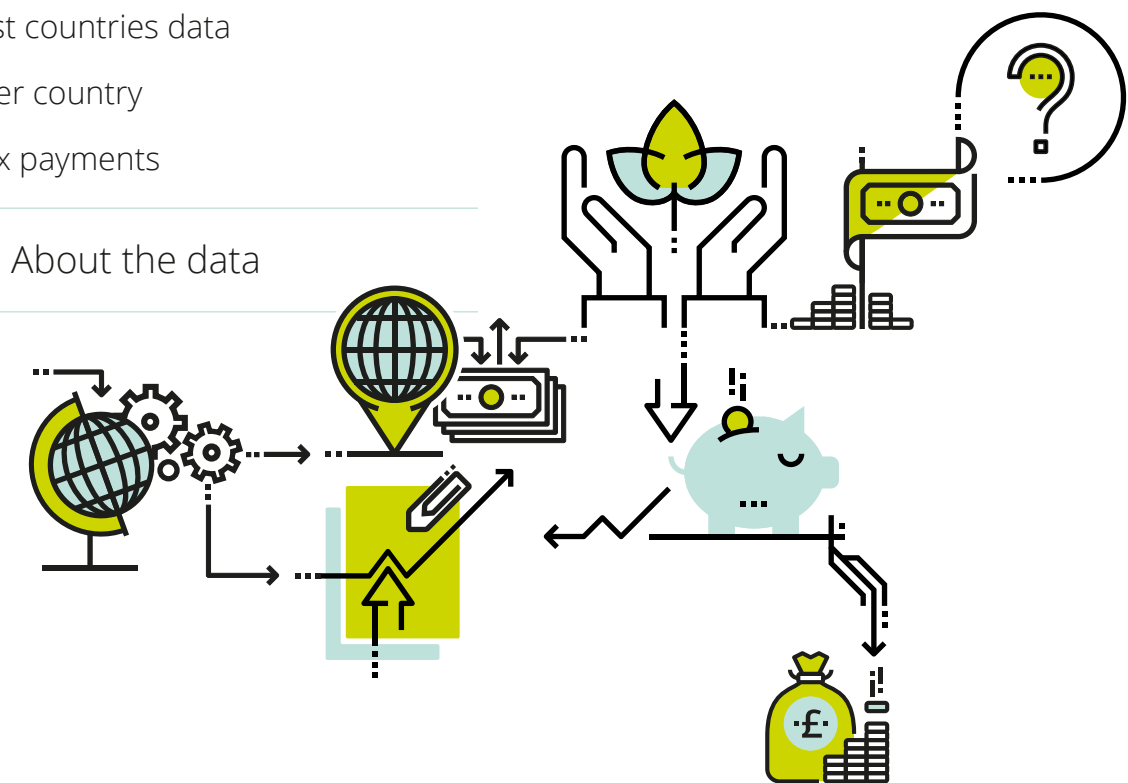
Our Approach to Tax

2019



Contents

- 4 Introduction
- 6 Our approach to Sustainability
- 8 Our global tax strategy
 - 8 Tax principles
 - 10 Tax incentives and arrangements
 - 11 Tax havens
 - 12 Governance and risk management
 - 13 Pearson's tax function
 - 14 Public policy
 - 15 Contingencies
- 16 Financial & tax data
 - 18 Twelve largest countries data
 - 20 Taxes paid per country
 - 22 Total cash tax payments
- 24 Appendix – About the data



Introduction

This is the fourth annual tax report published by Pearson, continuing our commitment to voluntarily disclose information on the tax we pay on business profits and the contributions we make to public finances in those countries where 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 large, 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 fourth 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 joining the B Team (an organisation that works with multinational companies committed to good tax practices) in 2018, we continue to endorse their tax principles and are part of the B Team's Responsible Tax Working Group which includes engagement with civil society organisations.

We consider our tax risk to be similar to 2018. As previously disclosed, we filed an appeal with the EU General Court in relation to the ongoing European Commission State Aid investigation. During 2019 we have received an assessment from the Brazilian tax authorities challenging the deduction for tax purposes of goodwill amortisation. We consider both issues to be contingent liabilities, meaning we have not made any provision for them. Further detail is provided in this report under the section on contingencies.

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 continue to welcome comments and feedback on how we might improve.



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 2019, we paid £30m in tax on business profits, less than we paid in 2018 as we received refunds in the US and the UK relating to overpayments in historical periods.

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.

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?

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. (www.bteam.org). 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.

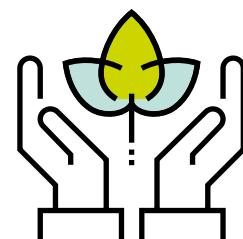
Q. Will Pearson be impacted by digital services tax?

A. Various governments, including that of the UK, have introduced a digital services tax. Pearson is driving its digital transformation and has not been materially impacted by these new taxes to date, as the nature of the company's digital revenues have not tended to fall within the scope of the new tax. We are keeping a watching brief as we continue with our digital transformation, whilst increasing our focus on the direct-to-consumer market.

Q. What is the latest in terms of Pearson's exposure to the European Commission State Aid investigation?

A. 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. The Group has lodged an appeal. The Group has benefitted from FCPE in prior periods by approximately £116m. At present the Group believes no provision is required in respect of this issue.

Our approach to Sustainability



The world is facing unprecedented opportunities and challenges. Many multinational companies have the opportunity to play a pivotal role in seizing these opportunities and solving these challenges for the benefit of all.

At Pearson, our mission is to help people make progress in their lives through learning. To achieve this, we want everyone to reach their full potential and help shape a brighter future. By leveraging our capabilities and partnering with others, we can help develop lifelong learning opportunities that enable people around the world to create better lives for themselves, their families and generations to come.

Our focus is identifying, supporting and developing people so they can reach their full potential and supporting the UN Sustainable Development Goals (SDGs) particularly goal 4 on quality education, goal 8 on decent jobs and economic growth, and goal 10 on reducing inequality.

The focus areas of our strategy are below:

Our new 2030 Sustainability Strategy

Pearson sees a world of talent

Talent is the world's most valuable resource. We want to unleash it.
Our sustainability strategy has three main pillars:

Advanced equity in learning



We have the role and responsibility to help overcome barriers to lifelong learning, from socio-economic hurdles to equity and health challenges.

Build skills for sustainable futures



We will use our skills, assets and partnerships to equip people with the technical skills, knowledge, creativity and resilience needed to achieve the UN SDGs.

Lead by example



Our 2030 strategy will continue to focus on building the foundations for a sustainable business, such as our commitments to respect human rights and minimise environmental impacts across our value chain.

If you would like to read more on our approach to Sustainability, please see page 16 of our 2019 Annual Report. [Click here](#)

At its very core, Pearson is a company driven by a sense of purpose – we exist to empower people to progress in their lives through learning. The deeper we integrate sustainability into our business and strategy, the bigger and more positive will be the impact we have on society – and the more likely we are to prosper over time. Our approach to sustainability is fundamental to Pearson's commitment to be a good corporate citizen, to play a role in helping solve crucial societal challenges, and ultimately reflects on our approach to complying with the law, adhering to both its letter and spirit, and responsible payment of taxes, as a contribution to the sustainable development of the countries where Pearson performs activities.

Q. Does Pearson comply with the new Global Reporting Initiative (GRI) Tax Standard – GRI 207?

A. Pearson applies relevant international reporting standards and frameworks, including the GRI guidelines, UN Global Compact (UNGC) Ten Principles, and the UN Sustainable Development Goals (SDGs). Together our Annual Report and Sustainability & ESG Supplement 2019 documents have been developed in accordance with the GRI Standards and serve as our UN Global Compact Communication on Progress. The GRI 207 Tax Standard is effective for reports and other materials published after 1 January 2021, and we are actively assessing how to expand our tax reporting agenda to reflect this, which is in line with our overall strategy.



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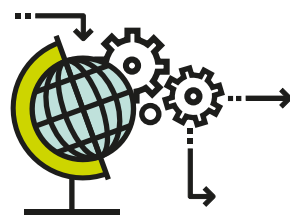


Our global tax strategy

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.

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

A. The full B team tax principles can be found at <https://bteam.org/assets/reports/A-New-Bar-for-Responsible-Tax.pdf>. We endorse the principles which are broadly aligned to our own but in some cases 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.

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?

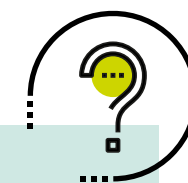
A. This is largely a result of Pearson's history of growing through the acquisition of smaller companies over many years. In some cases, those new parts of our business did have low-tax arrangements. In the past few years, we have been winding up such arrangements wherever possible. However, this can 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.



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.

As indicated in our report last year, we have a structure in place where cross-border transactions are not priced at 'arm's length'. As a result of International Tax Law changes we moved our financing operation from Ireland to Singapore, where we have a regional hub, delivering substantially the same tax benefit as the previous financing operating based in Ireland. 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. As of July 2020, 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 the shutdown of this entity is expected to commence shortly.
- 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.

We do not derive any benefit from any of the three corporate entities based in so call 'tax haven' countries.



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 2019, this entity made a small profit which was offset by tax losses carried forward.

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.





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 regularly to the Audit Committee.

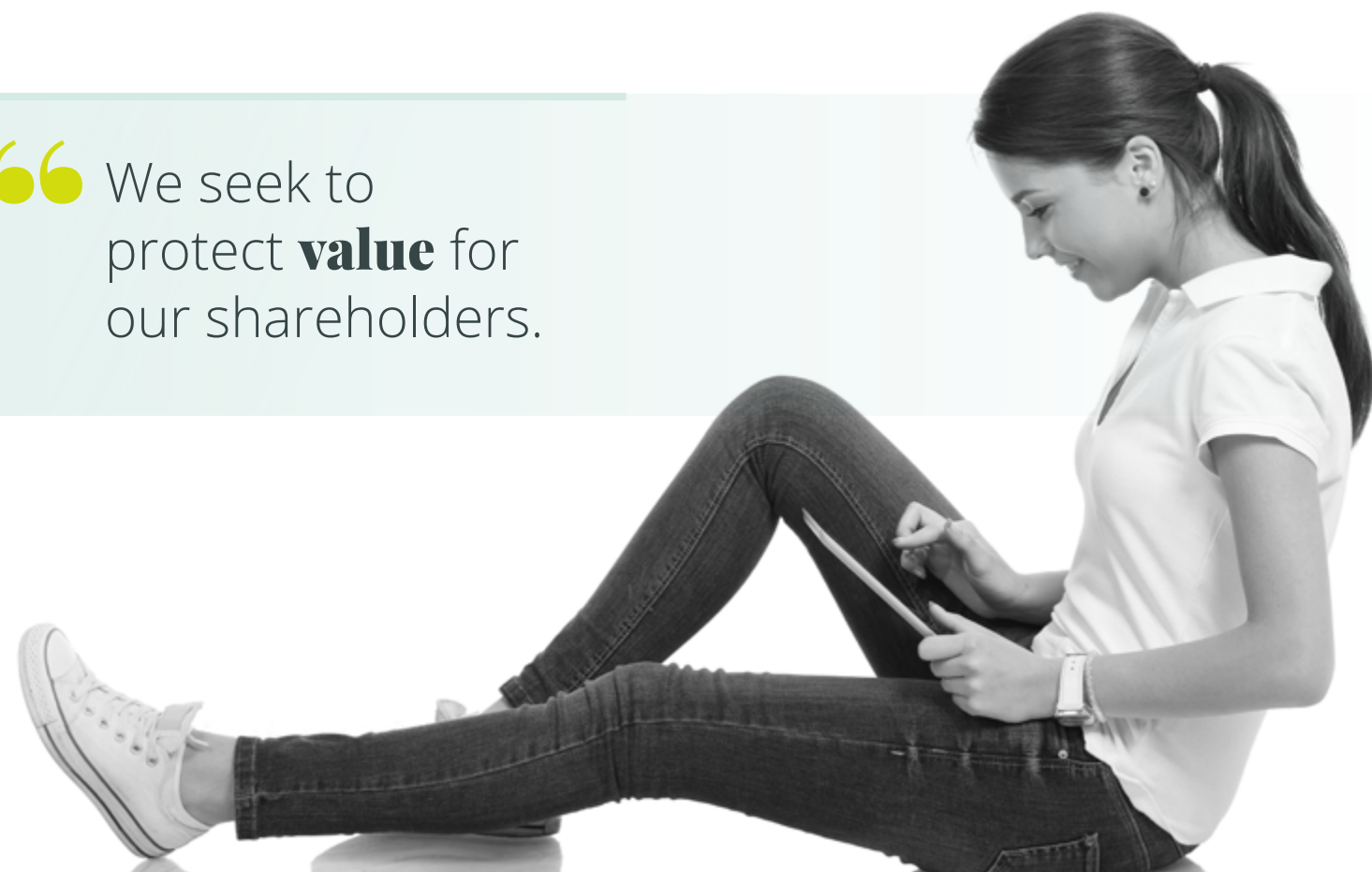
Tax is part of the Pearson Finance function, reporting to our Chief Financial Officer, who receives regular updates throughout the year from the tax team. The Chief Financial Officer provides regular updates to the Board on tax matters.

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.

We assessed the risk level relating to tax to be severe in 2019 mainly as a result of International tax changes, which includes the European Commission decision on the UK Controlled Foreign Companies exemption. 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.

“ We seek to protect **value** for our shareholders.



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, our largest markets by revenue, along with accountable individuals drawn from the finance function responsible for tax in other markets, with the Group tax team having an increased level of oversight.

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 for further details.
Brexit	Based on our Group assessments of Brexit, we do not believe there will be a material impact from a tax perspective however, there may be additional requirements and filings necessary.
Taxation of the Digital Economy	<p>Various governments, including the UK, have introduced a digital services tax. Pearson is driving its digital transformation and has not been materially impacted by these new taxes to date, as the nature of the company's digital revenues have not tended to be within the scope of the new tax. We are keeping a watching brief, as we continue with our digital transformation whilst increasing our focus on the direct to consumer market.</p> <p>The OECD continues to develop it's thinking on taxing the digital economy.</p>
Coronavirus (COVID-19)	The Tax Department has been monitoring tax related global policy announcements and has been active in ensuring that any material implications are addressed or acted on.

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.



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. The Group has lodged an appeal. The Group has benefitted from FCPE in 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 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 of up to £116m in the future.

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 for the years 2012 to 2016. Similar assessments may be raised for other years. Potential total exposure could be up to BRL 662m (£99m) up to 30 June 2020, with additional potential exposure of BRL 126m (£19m) 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 our position is strong. At present the Group believes no provision is required.

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 any cash payment made will be refunded in the future.



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.

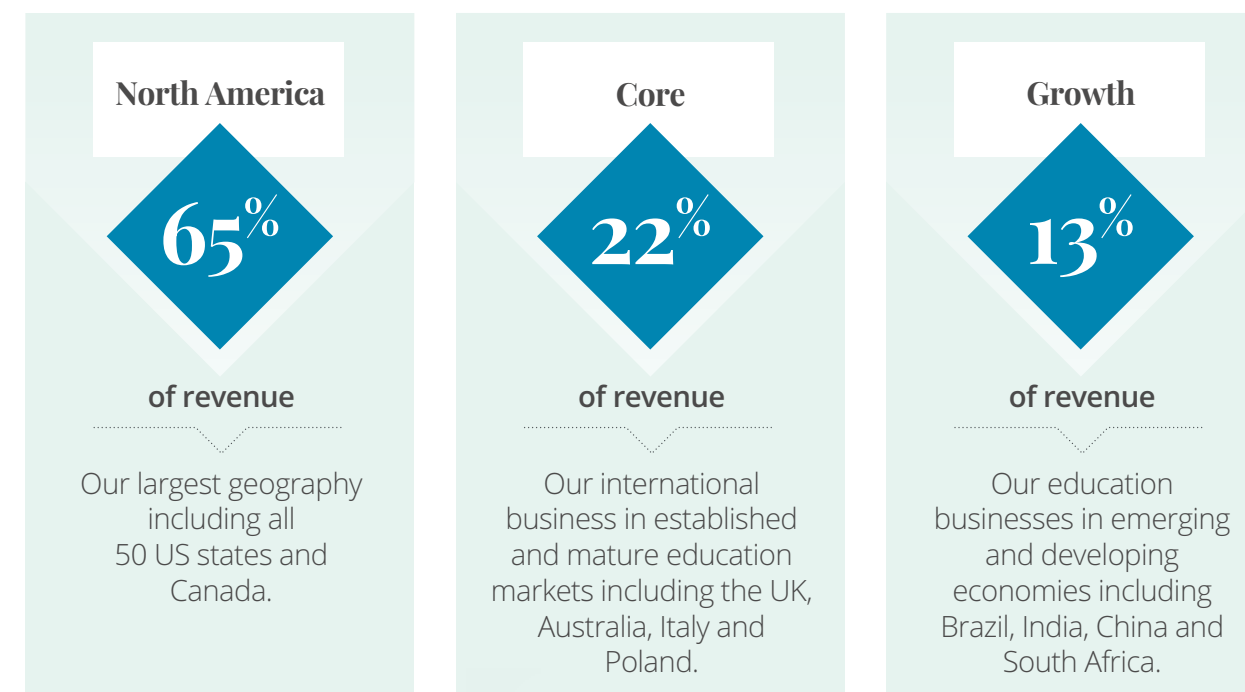
Our statutory profit in 2019 was £232m compared to £498m in 2018. The decrease in 2019 was largely due to lower gains on disposals, together with increased intangible and restructuring charges which more than offset the increase in adjusted operating profit. Pearson paid less cash tax in 2019 than in 2018 mainly due to refunds being received in the US and UK in relation to historical periods.

Pearson reported its results by geography up to the 31 December 2019, and from the 1 January 2020 the Group has reorganised and is reporting for the first time new segmental analyses to reflect the new management structure and operating model. From 2020, our four reporting segments with their constituent businesses are Global Online Learning, Global Assessment, International and North American Courseware. As this report covers the period up to 31 December 2019 it therefore reports on the former geographic structure of the business.

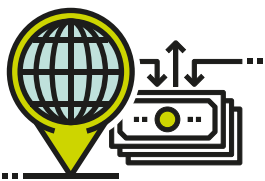


We have trading operations in **70 countries around the world.**

Our country operations are split into:



Financial & tax data



Twelve largest countries data

Detailed below is data for 2019 for our twelve largest countries drawn from all three of our geographies, as measured using 2019 sales revenues.

On the following pages we add 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.

Other countries
Other countries include 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 2019, but in many countries we generate losses while businesses are building scale.

Country	Total Revenue*	Profit/(loss) before tax	Tax paid/(received)	Cash tax rate	Employees
	£'m	£'m	£'m	%	
United States	2,826	193	(9)	(5)	12,099
United Kingdom	919	(26)	6	–	3,718
Canada	155	16	4	25	398
Australia	143	12	1	8	389
Brazil	112	(20)	1	–	781
Italy	98	24	7	29	191
South Africa	79	2	7	350	903
Hong Kong	91	26	1	4	272
China	25	9	2	22	136
Mexico	32	(3)	3	–	269
India	40	(13)	–	–	947
Germany	27	3	–	0	143
Other countries	205	32	7	22	2,488
Group adjustments	(821)	(23)	–	–	–
Total	3,931	232	30	13	22,734

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.



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 year based on a tax return. This would mean tax paid in 2019 is being levied on 2018 profits rather than 2019 results. For Pearson, the second half of the year is the most important for generating revenue and profit as the business is second half weighted, in line with the academic year. This can make the estimation process challenging, and in many countries sometimes tax is required to be paid before the amount of profit is certain.

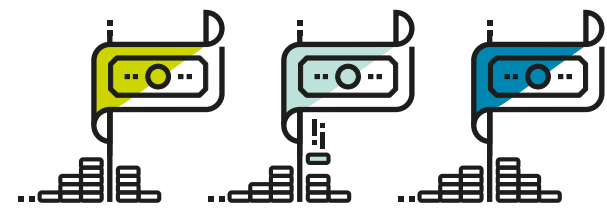
Q. What other factors can impact tax paid?

A. One significant area is timing differences, where the accounting and tax treatment differ. Pension deductions are an example of this. For tax purposes in the UK, pension deductions can only be taken when paid or, in some cases, where spreading rules apply. In either situation the tax treatment does not follow the accounting treatment.



Financial & tax data

Taxes paid per country



Country	Total paid £'m	Cash tax rate %	Key operations	Factors impacting tax in 2019
United States	(9)	(5)	<ul style="list-style-type: none">Higher Education CoursewareUS AssessmentOnline Programme ManagementVirtual Schools Professional CertificationsClinical Assessment	The refund principally related to overpayments in prior accounting periods offset against payments to states to settle historical disputes.
United Kingdom	6	–	<ul style="list-style-type: none">Higher Education CoursewareAssessment & QualificationsOnline Programme ManagementVirtual SchoolsProfessional CertificationEnglish Language Learning	A refund of overpaid taxes from HMRC was received in 2019 in respect of 2017, however, a payment of Chinese tax relating to a 2018 disposal meant there was net tax paid.
Canada	4	25	<ul style="list-style-type: none">Higher Education CoursewareK-12 CoursewareEnglish Language LearningAssessmentClinical Testing	Payments are lower than the statutory tax rate as the 2019 cash tax paid includes a refund in relation to transfer pricing adjustments for prior years of £4m. The cash tax paid also includes both an estimate in respect of 2019 and a catch-up payment for 2018.
Australia	1	8	<ul style="list-style-type: none">Pearson Test of English – AcademicOnline Programme ManagementHigher Education CoursewareSchool CoursewareAssessment Services	Payments are lower than the statutory rate due to timing of payments not corresponding to the timing of profits.
Brazil	1	–	<ul style="list-style-type: none">Higher Education CoursewareEnglish Language LearningFranchiseeSistemasAssessmentClinical Testing	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, which will reduce our tax payments until it is utilised, which is estimated to be in 2022.

Country	Total paid £'m	Cash tax rate %	Key operations	Factors impacting tax in 2019
Italy	7	29	<ul style="list-style-type: none">Higher Education CoursewareEnglish Language LearningProfessional CertificationSchool Courseware	Tax payments in 2019 are calculated from 2018 profits, and the cash tax rate on that basis is 30%.
South Africa	7	350	<ul style="list-style-type: none">K12 CoursewareTechnical and Vocational Education and training coursewareHigher Education CoursewarePearson Institute of Higher Education	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 utilise those losses.
Hong Kong	1	4	<ul style="list-style-type: none">School CoursewareEnglish Language LearningAssessmentVocational Qualification	The final tax payment is typically required to be made in December, however, in 2019 this was delayed to the following January thus reducing the amount paid in 2019.
China	2	22	<ul style="list-style-type: none">AssessmentVocational qualifications	Tax paid is broadly in line with the local statutory tax rate.
Mexico	3	–	<ul style="list-style-type: none">Spanish K12 CoursewareHigher Education CoursewareEnglish Language Teaching CoursewareEnglish AssessmentEnglish Services	Although the business was not profitable, 2019 cash tax includes a payment from a one-off disposal in 2018.
India	–	–	<ul style="list-style-type: none">K12 Education Courseware & MyPediaHigher Education CoursewareEnglish Language Learning AssessmentShort Courses	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.
Germany	–	0	<ul style="list-style-type: none">Higher Education CoursewareEnglish Language LearningProfessional CertificationSchool Exam Preparation Business	We are able to use losses from previous periods to reduce our current tax payments.

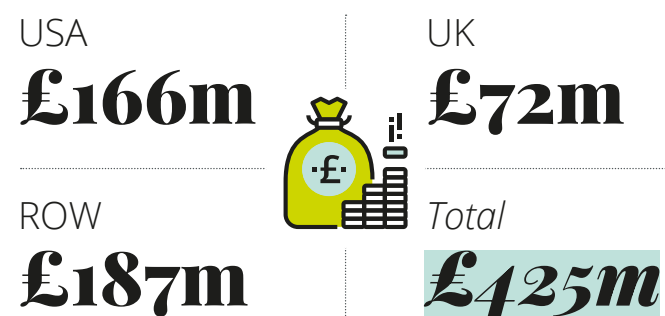
Financial & tax data

Total cash tax payments

At a Group level, 2019 corporation tax paid was less than in previous years, partly as a result of the refunds received in the United States and the United Kingdom.

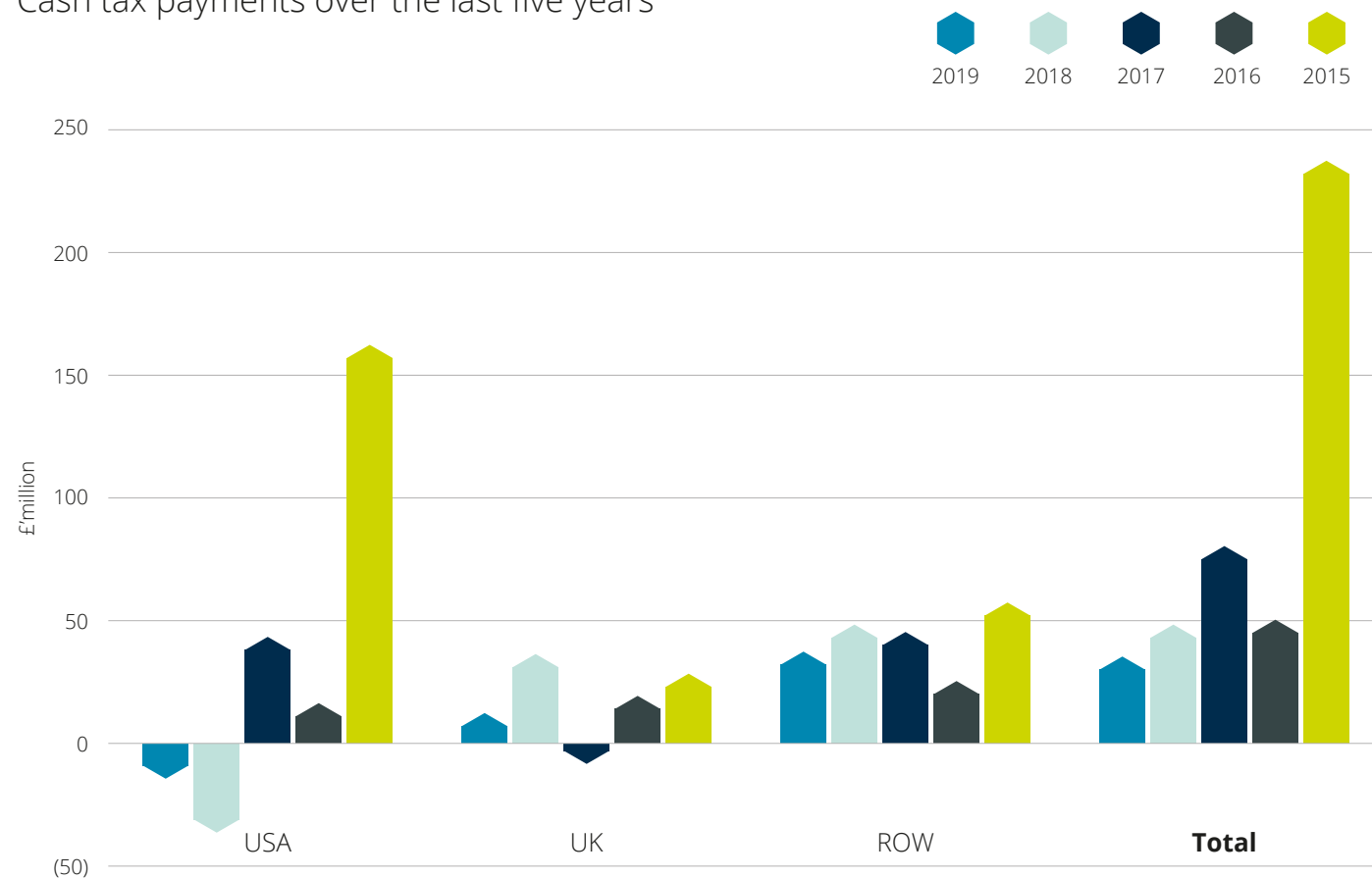
To analyse the rest of world countries in more detail, the table to the right shows the ten largest rest of world (ROW) countries as measured by revenue, and what their average proportion of rest of world tax paid has been in the last five years.

Total cash tax payments 2015 to 2019



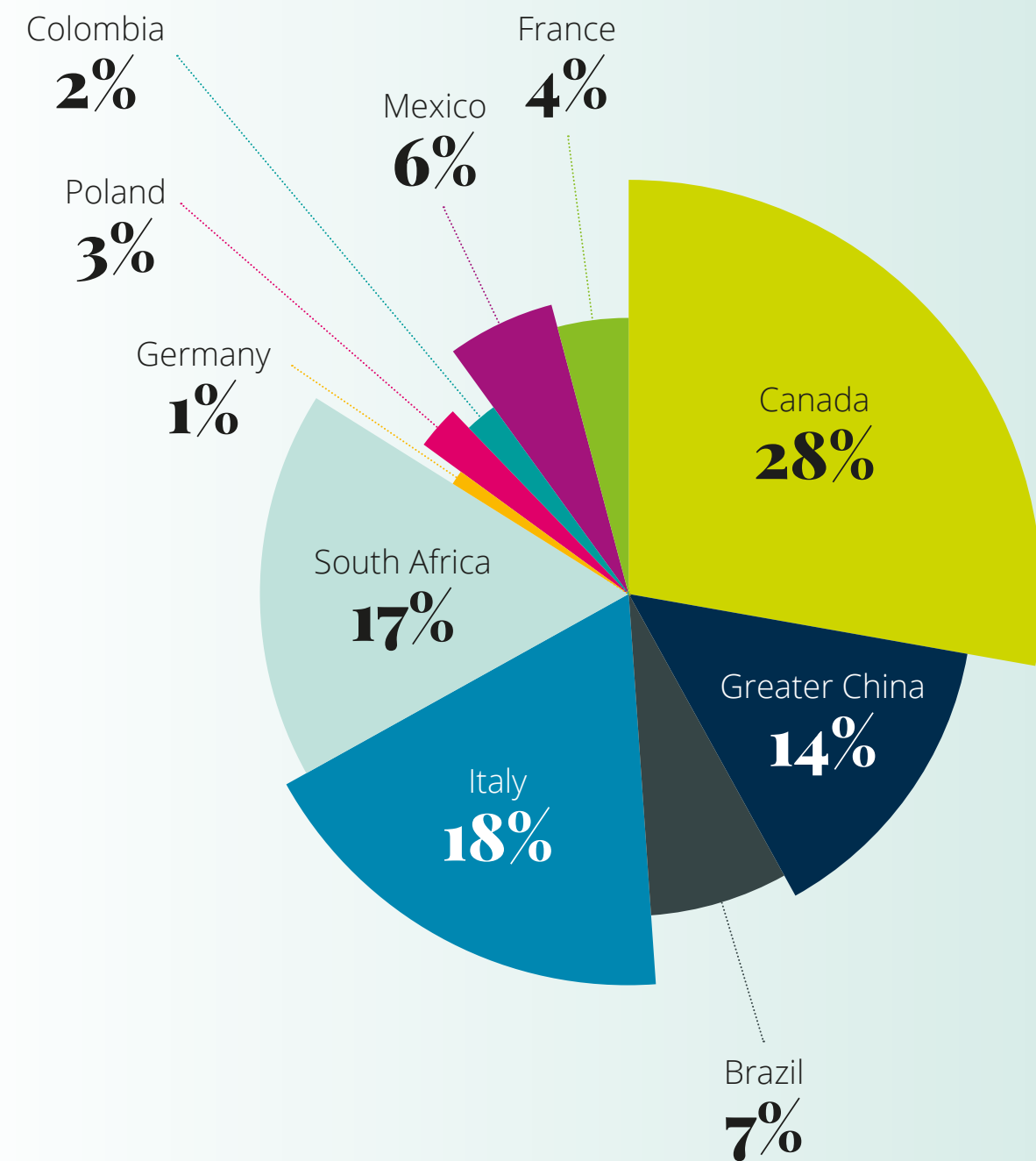
Historical cash tax

Cash tax payments over the last five years



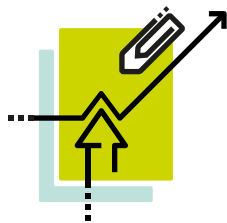
Average proportion of rest of world tax

Tax paid by the 10 largest rest of world (ROW) countries over the 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 2019

	£'m
Adjusted operating profit	581
Finance costs	(43)
Cost of restructuring	(159)
Intangible charges	(163)
Other net gains and losses	16
Statutory profit before tax	232



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

ALWAYS LEARNING



Pearson

