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PEARSON PLC
Form 6-K
July 30, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of July 2007

PEARSON plc
(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant's name into English)

80 Strand
London, England WC2R 0RL
44-20-7010-2000
(Address of principal executive office)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F X

Form 40-F

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes

No X

This Report includes the following documents:

1. A press release from Pearson plc announcing 'Interim Results'

30 July 2007

PEARSON 2007 INTERIM RESULTS

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- Sustained growth. Underlying sales up 6% to GBP1.7bn; operating profit up 48% to GBP91m; adjusted EPS up from 1.1p to 3.1p; interim dividend raised by 6% to 11.1p.
- Strong performance in all businesses. Education increases sales by 7% and moves into first-half profit of GBP5m. FT Group revenues up 8% with profits up 28% and Penguin revenues up 1% with profits 11% higher.
- Market leadership strengthened. Leadership of worldwide education industry extended through organic investment and acquisitions of eCollege and Harcourt's assessment and international education businesses. FT Group benefiting from rapid growth at Mergermarket; sale of Les Echos under way.
- Full-year guidance raised. Guidance for full-year sales raised to 5%-7% underlying growth in Professional education and to 10%-12% growth in IDC (headline growth under US GAAP). Other businesses trading in line with previous guidance. Pearson's profits are always heavily weighted to the second half.

Marjorie Scardino, chief executive, said:

"Our half-year results are always just a hint of our potential for the year, but certainly a strong hint this year. The Financial Times Group is showing the value of its unique strategy; Penguin's publishing and profit are both solid and promising, as is its approach to change in publishing; and in Education we continue to set the pace as we use technology to personalise learning.

"Our investments in content, technology, international expansion and efficiency have put us in a position to lead, and we're leading. While our markets are changing fast, we are continuing to innovate to stay ahead of that change. That dynamic strategy will make 2007 another good year, and makes this quality of performance sustainable."

GBP millions	Half year 2007	Half year 2006	Headline growth	Underlying growth	Full year 2006
-----	-----	-----	-----	-----	-----
Business performance					
Sales	1,722	1,674	3%	6%	4,051
Adjusted operating profit - continuing	91	62	47%	48%	565
Adjusted profit before tax	54	31	74%	--	502
Adjusted earnings	25	9	178%	--	321
Adjusted earnings per share	3.1p	1.1p	182%	--	40.2
Operating cash flow	(181)	(183)	1%	--	575
Operating free cash flow	(265)	(249)	(6)%	--	434
Net debt	1,432	1,611	11%	--	1,059

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Statutory results					
Operating profit	75	54	39%	--	535
Profit before tax	40	14	186%	--	461
Basic earnings/(loss)	(104)	7	--	--	446
Basic earnings/(loss) per share	(13.0)p	0.9p	--	--	55.9p
Dividend per share	11.1p	10.5p	6%	--	29.3p

Throughout this statement, we refer to business performance measures and growth rates on an underlying basis unless otherwise stated. 'Underlying' means growth excluding currency impact and businesses acquired or sold. The 'business performance' measures are non-GAAP measures and reconciliations to the equivalent statutory heading under IFRS are included in notes to the accounts 2, 3, 4, 5, 6, 11 and 14. Adjusted profit measures are presented to show business performance and therefore exclude: i) other net gains and losses arising in connection with the sale of subsidiaries, investments and associates; ii) amortisation of acquired intangible assets; and iii) short-term fluctuations in the market value of financial instruments (under IAS39) and other currency movements (under IAS21).

2007 OUTLOOK

Due to the seasonal phasing of our education and consumer book businesses, Pearson makes most of its sales and profits in the second half. However, based on our trading performance in the first half, we remain confident that 2007 will be another good year for Pearson as we continue to increase margins and grow faster than our markets. Although our headline results will be affected by the weakness of the US dollar, we expect to achieve strong underlying growth on our key financial measures: earnings, cash generation and return on invested capital. Our outlook for underlying growth for the full year is:

- Pearson Education (64% of 2006 sales; 68% of operating profit). Our Professional education division is performing strongly, ahead of our expectations in both testing and publishing, and we now expect it to grow sales by 5-7% for the year (against previous guidance of 'broadly level'). We continue to expect School to achieve sales growth in the 4-6% range and Higher Education to grow in the 3-5% range. We continue to expect margins to improve again in School and Professional, and to be stable in Higher Education.
- Penguin (21% of 2006 sales; 11% of operating profit). We continue to expect to improve margins further, as our publishing investment and efficiency programmes bear fruit.
- Financial Times Group (15% of 2006 sales; 21% of operating profit). We continue to expect strong profit growth with FT Publishing margins moving into double digits in 2007. At IDC, we now expect to achieve revenue growth in the 10-12% range and net income growth in the 20%-24% range (headline growth under US GAAP) against previous guidance of revenue growth in the 6-9% range and net income growth in the high single-digits to low double-digits.

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Acquisitions and disposals. In May we announced the acquisitions of eCollege and the Harcourt assessments and international education businesses, for a total of \$1.4bn, of which the majority will be paid in the second half. We continue to expect these acquisitions to have a broadly neutral effect on adjusted earnings per share in 2007 and 2008 as a result of integration costs (which are expensed) and the interest charge on our higher level of net debt. We expect these acquisitions to enhance Pearson's adjusted earnings per share and return on invested capital from 2009.

In February 2007, we received GBP286m in cash from the sale of our Government Solutions business. The sale of Les Echos is under way.

Interest and tax. We expect our interest charge to be higher than in 2006, as a result of our higher level of net debt following recent acquisitions, and the effect of higher interest rates on our floating rate debt. We expect our effective tax rate to be in the 28-30% range.

Cash. We expect another good cash performance, well ahead of our 80% target conversion threshold.

Exchange rates. Pearson generates around two-thirds of its sales in the US and each five cent change in the average GBP:\$ exchange rate for the full year (which in 2006 was GBP1:\$1.84) would have a translation impact of approximately 1p on adjusted earnings per share. The average rate during the first half of 2007 was GBP1:\$1.98 and the closing rate at the end of June was GBP1:\$2.01.

For more information:

Luke Swanson / Simon Mays-Smith + 44 (0) 20 7010 2310

Pearson's results presentation for investors and analysts will be webcast live today from 09.00 (BST) and available for replay from 12.00 (BST) via www.pearson.com. We are holding a conference call for US investors today at 15.00 (BST) / 10.00 (EDT). To participate please dial in on +1 866 966 5335 (inside the US) or +44 20 3023 4415 (outside the US). Video interviews with Marjorie Scardino and Robin Freestone are also available at www.pearson.com. High resolution photographs are available for the media at www.newscast.co.uk.

OVERVIEW

Pearson's underlying sales increased 6% in the first half of the year and adjusted operating profit increased by 48% to GBP91m. Adjusted earnings per share improved to 3.1p, from 1.1p in 2006. Operating cash flow improved by GBP2m to an outflow of GBP(181)m and our average working capital to sales ratio improved to 26.1% (from 27.3% in the first half of 2006).

Our statutory results show an increase in operating profit to GBP75m (GBP54m in 2006). Statutory profit before tax was GBP40m (GBP14m in 2006). Statutory earnings for the period show a loss of GBP(104)m, caused by a one-off non-cash tax charge which arises because the sale of Government Solutions straddled two

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reporting periods. When the sale was announced last year, we recorded a tax credit in the 2006 statutory results; this year that credit has been reversed on completion of the disposal.

Our net borrowings were GBP1,432m (GBP1,611m in 2006). On 15 February, we received GBP286m in cash proceeds from the sale of our Government Solutions business. In May we announced the acquisitions of eCollege and the Harcourt assessment and international education businesses for a total of \$1.4bn. We paid GBP167m in respect of acquisitions in the first half, primarily related to parts of Harcourt, and we will pay the balance as we complete the regulatory processes for these acquisitions.

The board has declared an interim dividend of 11.1p per share, a 6% increase on 2006, reflecting this strong financial performance and its confidence in the outlook for the full year.

GBP millions	Half year 2007	Half year 2006	Headline growth	Underlying growth	Full year 2006

Sales					
School	665	625	6%	8%	1,455
Higher					
Education	195	206	(5)%	3%	795
Professional	163	156	4%	9%	341

Pearson					
Education	1,023	987	4%	7%	2,591
FT Publishing	164	135	21%	7%	280
IDC	168	165	2%	9%	332

FT Group	332	300	11%	8%	612
Penguin	367	387	(5)%	1%	848

Total					
continuing	1,722	1,674	3%	6%	4,051

Adjusted operating					
profit					
School	42	36	17%	22%	184
Higher					
Education	(51)	(53)	4%	(4)%	161
Professional	14	8	75%	88%	38

Pearson					
Education	5	(9)	--	--	383
FT Publishing	23	11	109%	73%	27
IDC	45	42	7%	17%	89

FT Group	68	53	28%	28%	116
Penguin	18	18	0%	11%	66

Total					
continuing	91	62	47%	48%	565
Discontinued	2	11	--	--	27

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Total operating profit	93	73	27%	48%	592
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SCHOOL

GBP millions	Half year 2007	Half year 2006	Headline growth	Underlying growth	Full year 2006
-----	-----	-----	-----	-----	-----
Sales	665	625	6%	8%	1,455
Adjusted operating profit	42	36	17%	22%	184

Market share gains in US school

- Market-leading performance in US school publishing. Pearson takes an estimated 30% market share of total new adoptions (and 31% where we competed), with the #1 or #2 position in reading, maths, science and social studies. Good start in the open territories, where trading is more concentrated in the second half of the year.

- Continued share gains in school testing, building on excellent record of contract wins in 2005 and 2006. New long-term contracts in Ohio (renewal) and Minnesota (renewal and extension).

- Strong growth in sales of college textbooks to schools for Advanced Placement courses supported by customised version of MyMathLab for the school market.

- Leading position in teacher certification market, as a result of integration of National Evaluation Services (NES). Award of the the Florida teacher certification contract, to be developed by NES and delivered through our professional testing centres.

- Acquisition of Harcourt Assessment brings Pearson an extensive catalogue of high quality research-based education and clinical assessment products for children and adults including the Stanford Achievement Test for school students, Miller Analogies Test for graduate school applicants and the Wechsler Intelligence Scales for clinical assessment.

Rapid growth in school technology

- Continued strong performance from digital Social Studies programme in California and recognition of the programme by the Association of Educational Publishers with a Distinguished Achievement Award.

- Digital supplementary businesses benefiting from a shift in school spending from traditional print supplementary products to digital services with timely diagnosis, intervention and remediation.

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- Leadership in online assessment with 2.3 million secure online tests delivered across 12 states in the first half.

- Successful integration of PowerSchool and Chancery acquisitions, creating the leading school student information systems business. Strong new business momentum with key customers added in large US districts such as Ann Arbor, MI (over 17,000 students) and Garden Grove, CA (over 50,000 students). Good track record of delivery including the successful completion of the first year of implementation at Houston Independent School District (over 210,000 students). PowerTeacher, a gradebook and classroom management technology, launched successfully.

Focus on personalisation and school solutions; integration of print and digital businesses.

- Reorganisation of Pearson School companies under way, with three major objectives:

1. Accelerating the integration of content, assessment, data and technology capabilities to personalise learning;
2. Providing schools and districts an integrated suite of services to raise student achievement and institutional productivity;
3. Integrating the product development process and teams across print, supplemental and digital products.

- Reorganisation costs expensed in 2007; will support continued growth and steady margin improvement in the School business.

Continued growth and margin improvement in International; Harcourt acquisition adds scale and reach

- Acquisition of Harcourt Education International brings leading content for school and vocational customers in many markets including the UK, Australia and New Zealand. Transaction will add further scale to Pearson's international education businesses and accelerate the combination of educational content and innovative technology to personalise learning.

- Good start to the year in International school publishing, with encouraging new adoption results across a diverse range of markets and regions including Hong Kong, Singapore, Spain, the Middle East and Africa. New programmes for the secondary and adult markets seeing good take-up with revenues building strongly. Strategy of connecting content, assessment and technology to personalise learning being applied internationally, benefiting from US technology platforms.

- English Adventure, our primary English Language Training (ELT) course developed with Disney, has been successfully launched worldwide and is now our bestselling ELT course.

- In the UK, we have marked 4.6 million GCSE, AS and A-Level scripts on-screen in the first half and over 13 million in total to date. Results Plus rolled out

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across the UK providing more than 2,100 schools and more than 36,000 students with secure online access to question-level examination performance data on exam results day for the first time.

- In Italy, Paravia Bruno Mondadori (PBM) integration ahead of plan and good performance in 2007 adoptions. Investing to broaden product offering and expand addressable market.

HIGHER EDUCATION

GBP millions	Half year	Half year	Headline	Underlying	Full year 2006
	2007	2006	Growth	growth	
Sales	195	206	(5)%	3%	795
Adjusted operating profit	(51)	(53)	4%	(4)%	161

- Pearson's Higher Education business is traditionally loss-making in the first half, as it invests ahead of two major selling seasons in the US: July / August (ahead of the first college semester) and December (ahead of the second semester).

- Higher Education sales up 3%; sustained investment in new content, assessment technologies and custom solutions services.

- Continued strong growth from custom publishing as Pearson extends leadership in print custom publishing to custom media and full service curriculum solutions.

- Good start to the year internationally with our investment in local adaptations of our bestselling franchises, first editions by local authors, custom publishing and personalised learning strategy continuing to fuel good growth.

Rapid growth from online homework and assessment programmes

- 14 new subject-specific 'MyLab' digital homework and assessment programmes launched in 2007, increasing the total number to 30. These programmes support over 1,000 textbooks and will be used by approximately 3 million students in 2007. Evaluation studies show significant learning gains for students and efficiency improvements for institutions.

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- More than 1m US college students register for Pearson's online learning programmes in the first half, an increase of 25%.

- Increasing institution-wide solutions sales, including winning the introductory computing adoption at the Miami Dade Community College System, one of the largest in United States, with our GO! series of materials combined with our new MyITLab programme.

Acquisition of eCollege, a leader in online distance learning.

- Purchase of eCollege for \$477m announced in May and expected to close shortly.

- 30% estimated annual growth rate for students taking online post-secondary qualifications with US institutions (Source: Eduventures). eCollege has played a particular role in helping educational institutions broaden access to post-secondary education for students who may be unable to attend full-time.

- Acquisition will enable Pearson to provide Higher Education customers with a full range of services across content, curriculum development, formative assessment, homework technologies and outsourced solutions.

- Pearson's scale and reach will enable eCollege to serve new customers in school, postsecondary education and vocational/ professional markets in the US and around the world.

Reorganisation of US Higher Education business; focus on educational solutions

- Reorganisation to support transformation from textbook publisher to educational technology, services and solutions company. Shift from two competing companies and salesforces into two discipline-specific companies organised around Higher Education institutions (Pearson Professional & Career and Pearson Arts & Sciences).

- Both companies supported by centralised operations, distribution and technology organisation.

PROFESSIONAL

GBP millions	Half year	Half year	Headline	Underlying	Full year 2006
-----	-----	-----	-----	-----	-----
	2007	2006	growth	growth	
-----	-----	-----	-----	-----	-----
Sales	163	156	4%	9%	341

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Adjusted operating profit	14	8	75%	88%	38
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- With the sale of Government Solutions, completed in February, our Professional businesses are focussed on publishing for professional readers in business and technology, and testing and certifying adults to be professionals.

Rapid growth in professional testing

- Pearson VUE continues to achieve strong sales growth and significant margin improvement, benefiting from our major contract wins in recent years and our investment in a network of approximately 500 company-owned test centres worldwide.

- Strong volume growth on existing long-term contracts including the NCLEX nurses test, the GMAT business school test and the DSA/DVTA driving theory test.

- Good new contract performance, including the National Commission on Certification of Physician Assistants (NCCPA) and an exclusive agreement with Cisco; and strong renewals, including the Institute of Financial Services (IFS) and the American Registry of Radiological Technologists (ARRT).

Further margin improvement in professional publishing

- Professional Publishing achieves modest sales growth after several years of decline caused by weak demand for technology-related books.

- Continued cost actions improving margins: technology publishing profits benefiting from reduction in publishing list and overheads.

- Strong growth from our digital distribution joint-venture, Safari Books Online, and other digital initiatives.

- Good growth from our business publishing imprints, Wharton School Publishing, FT Press and FT Prentice Hall.

FINANCIAL TIMES GROUP

GBP millions	Half year	Half year	Headline	Underlying	Full year
-----	-----	-----	-----	-----	-----
	2007	2006	growth	growth	2006

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Sales					
FT Publishing	164	135	21%	7%	280
IDC	168	165	2%	9%	332

Total	332	300	11%	8%	612

Adjusted operating profit					
FT Publishing	23	11	109%	73%	27
IDC	45	42	7%	17%	89

Total	68	53	28%	28%	116

FT Publishing portfolio continues to shift towards global businesses and subscription revenues

- Mergermarket, acquired in 2006 for GBP101m, increases sales by 73% (pro forma basis) and contributes GBP4m of operating profit in the first half. Mergermarket is benefiting from 95%+ renewal rates for its established services and rapid growth in new products.

- Sale of Les Echos under way. In 2006, Les Echos contributed EUR10m (GBP6m) of operating profit to Pearson.

Continued growth and margin improvement at FT Publishing

- FT Publishing revenues up 7% (with advertising revenues also up 7%) and operating profit up to GBP23m (GBP11m in 2006).

- Strong growth from the Financial Times:

- o More paying readers. FT newspaper circulation up 1% to 450,000, with 12% increase in subscriptions; FT.com subscribers up 12% to 97,000 (on the same period last year).
- o More content revenues. Cover price increases for all editions (UK from GBP1 to GBP1.30 Monday-Friday and from GBP1.50 to GBP1.80 for the Weekend FT; US \$1.50 to \$2; Europe EUR2.60 to EUR3).
- o More advertising. FT advertising revenues up 5% in the first half benefiting from its global reach and online presence.

- Strong trading performance at FT Business; integration with the FT Newspaper operations concentrating on vertical and niche markets progressing well, both in print and online.

- The Economist, in which Pearson owns a 50% stake, increases circulation by 9% to 1.2m (for the July-December ABC period). FT Deutschland sees good circulation growth, up 2% to 105,000. Continued innovation at FTSE into new markets and products continues to drive strong revenue growth.

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Growth accelerating at Interactive Data

- Underlying sales growth of 9% driven primarily by strong sales to both existing and new customers, and 95%+ renewal rate within its Institutional Services segment.

- Pricing and Reference Data continues to generate good growth in North America and Europe, and has continued to broaden its coverage of complex securities, introducing a new service for independent valuations of interest rate swaps in June 2007.

- Real-Time Services continues to experience strong growth due to strong new sales to institutions. Highlights for this business included its first new customer for DirectPlus, a new ultra low latency, direct exchange data service.

- Interactive Data Fixed Income Analytics has made its new fixed income analytic datafeed service, Analytix Direct, available to Interactive Data 's evaluated pricing clients in North America.

- In addition to expanding its business with active traders, eSignal also generated higher online advertising revenue across its financial websites.

- IDC reported second-quarter and first-half 2007 results on 26 July 2007, available at www.interactivedata.com.

PENGUIN

GBP millions	Half year	Half year	Headline	Underlying	Full year 2006
	2007	2006	Growth	growth	
Sales	367	387	(5)%	1%	848
Adjusted operating profit	18	18	0%	11%	66

- Sales up 1% and profits up 11% with further margin improvement.

- Steady sales performance in the US and UK despite challenging retail market conditions; faster growth in international markets and through digital channels.

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- Operating profit benefits from ongoing efficiency gains in production, warehousing, distribution and many other areas.

Great publishing

- In the US, Khaled Hosseini's second novel, *A Thousand Splendid Suns*, topped the New York Times hardcover fiction bestseller list and has 1.4 million copies in print. (His first, *The Kite Runner*, has been a New York Times paperback bestseller for 124 weeks so far). Other New York Times #1 bestsellers include Al Gore's *The Assault on Reason* and Elizabeth Gilbert's *Eat, Pray, Love*.

- In the UK, Penguin named Publisher of the Year at the British Book Industry Awards. Marian Keyes' novel *Anybody Out There* topped the fiction bestseller list and has 600,000 copies in print. Other best-sellers included Jamie Oliver's *Cook with Jamie* and Charlie Higson's new Young Bond title *Double or Die*.

- Benefiting from Penguin's international reach, Kim Edwards' first novel *The Memory Keeper's Daughter* was a global #1 bestseller for Penguin in the US, UK, Australia and Canada.

- Strong second-half publishing schedule. Key authors include Alan Greenspan, Patricia Cornwell, Sue Grafton, Nick Hornby, Naomi Klein, Jamie Oliver and Jeremy Clarkson.

Continued innovation

- Continued innovation in new publishing formats (further growth with the pioneering US premium paperback), genres (Penguin leads the US industry in the fast-growing paranormal fiction category) and sales channels (both sold via online retailers and Penguin's own websites; audiobooks via iTunes; Rough Guides via Motorola Razr phones).

International expansion

- In India, Penguin won all three major categories at the Crossword Awards, India's biggest book awards: best fiction (*Sacred Games* by Vikram Chandra), best nonfiction (*An Equal Music* by Vikram Seth) and popular fiction (*The Inheritance of Loss* by Kiran Desai). Penguin India's business publishing imprint, Portfolio, has continued to do well since its launch last year.

- In China, Penguin will publish 30 Penguin Classics Titles this Autumn (including *Wuthering Heights*, *The Prince* and *The Way We Live Now*) in Chinese, in partnership with the Chongqing Publishing Group.

ENDS

Except for the historical information contained herein, the matters discussed in this press release include forward-looking statements that involve risk and uncertainties that could cause actual results to differ materially from those

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predicted by such forward-looking statements. These risks and uncertainties include international, national and local conditions, as well as competition. They also include other risks detailed from time to time in the company's publicly-filed documents, including the company's Annual Report on form 20-F. The company undertakes no obligation to update publicly any forward looking statement, whether as a result of new information, future events or otherwise.

Condensed consolidated income statement

for the six months to 30 June 2007

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all figures in GBP millions	note	2007 half year	2006 half year	2006 full year
-----	-----	-----	-----	-----
Continuing operations				
Sales	2	1,722	1,674	4,051
Cost of goods sold		(826)	(811)	(1,875)
Gross profit		896	863	2,176
Operating expenses		(832)	(819)	(1,665)
Other net gains and losses		-	-	-
Share of results of joint ventures and associates		11	10	24
Operating profit	2	75	54	535
Finance costs	3	(57)	(70)	(133)
Finance income	3	22	30	59
Profit before tax	4	40	14	461
Income tax	5	(11)	(4)	(9)
Profit for the period from continuing operations		29	10	452
Discontinued operations				
(Loss) / profit for the period from discontinued operations	7	(122)	7	17
(Loss) / profit for the period		(93)	17	469
Attributable to:				
Equity holders of the Company		(104)	7	446
Minority interest		11	10	23
(Loss) / earnings per share from continuing and discontinued operations (in pence per share)				
Basic	6	(13.0)p	0.9p	55.9p
Diluted	6	(13.0)p	0.9p	55.8p

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Earnings per share from continuing operations (in pence per share)

Basic	6	2.3p	- p	53.7p
Diluted	6	2.3p	- p	53.6p

The accompanying notes to the condensed consolidated financial statements form an integral part of the interim financial information.

Condensed consolidated statement of recognised income and expense

for the six months to 30 June 2007

all figures in GBP millions	note	2007 half year	2006 half year	2006 full year
Net exchange differences on translation of foreign operations		(39)	(228)	(417)
Actuarial gains on defined benefit pension and post-retirement medical plans		134	96	107
Taxation on items charged to equity		8	-	12
Net income / (expense) recognised directly in equity		103	(132)	(298)
(Loss) / profit for the period		(93)	17	469
Total recognised income and expense for the period		10	(115)	171
Attributable to:				
Equity holders of the Company	13	(1)	(125)	148
Minority interest		11	10	23

Condensed consolidated balance sheet

as at 30 June 2007

all figures in GBP millions	note	2007 half year	2006 half year	2006 full year
Property, plant and equipment		342	363	348
Intangible assets	10	3,641	3,869	3,581
Investments in joint ventures and				

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associates	26	33	20
Deferred income tax assets	353	391	417
Financial assets - Derivative			
financial instruments	16	39	36
Retirement benefit asset	40	-	-
Other financial assets	52	18	17
Other receivables	126	120	124
-----	-----	-----	-----
Non-current assets	4,596	4,833	4,543
Intangible assets - Pre-publication	437	442	402
Inventories	437	462	354
Trade and other receivables	984	976	953
Financial assets - Derivative			
financial instruments	19	31	50
Financial assets - Marketable			
securities	28	-	25
Cash and cash equivalents			
(excluding overdrafts)	383	649	592
-----	-----	-----	-----
Current assets	2,288	2,560	2,376
Non-current assets classified as			
held for sale	45	-	294
-----	-----	-----	-----
Total assets	6,929	7,393	7,213
Financial liabilities - Borrowings	(1,471)	(1,703)	(1,148)
Financial liabilities - Derivative			
financial instruments	(28)	(37)	(19)
Deferred income tax liabilities	(252)	(202)	(245)
Retirement benefit obligations	(81)	(270)	(250)
Provisions for other liabilities			
and charges	(37)	(14)	(29)
Other liabilities	(116)	(110)	(162)
-----	-----	-----	-----
Non-current liabilities	(1,985)	(2,336)	(1,853)
Trade and other liabilities	(891)	(866)	(998)
Financial liabilities - Borrowings	(392)	(590)	(595)
Current income tax liabilities	(61)	(110)	(74)
Provisions for other liabilities			
and charges	(14)	(27)	(23)
-----	-----	-----	-----
Current liabilities	(1,358)	(1,593)	(1,690)
Liabilities directly associated			
with non-current assets held for			
sale	(46)	-	(26)
-----	-----	-----	-----
Total liabilities	(3,389)	(3,929)	(3,569)
-----	-----	-----	-----
Net assets	3,540	3,464	3,644
Share capital	203	202	202
Share premium	2,493	2,479	2,487
Treasury shares	(224)	(181)	(189)
Reserves	892	791	976
-----	-----	-----	-----
Total equity attributable to equity			
holders of the Company	3,364	3,291	3,476

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Minority interest		176	173	168
-----	-----	-----	-----	-----
Total equity	13	3,540	3,464	3,644

The condensed consolidated financial statements were approved for issue by the board on 29 July 2007.

Condensed consolidated cash flow statement

for the six months to 30 June 2007

-----	-----	-----	-----	-----
all figures in GBP millions	note	2007 half year	2006 half year	2006 full year
-----	-----	-----	-----	-----
Cash flows from operating activities				
Net cash (used in) / generated from operations	14	(188)	(156)	621
Interest paid		(50)	(53)	(106)
Tax paid		(48)	(26)	(59)
-----	-----	-----	-----	-----
Net cash (used in) / generated from operating activities		(286)	(235)	456
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		(167)	(273)	(363)
Acquisition of joint ventures and associates		(2)	(4)	(4)
Purchase of property, plant and equipment (PPE)		(30)	(33)	(68)
Proceeds from sale of PPE		-	1	8
Purchase of intangible assets		(14)	(8)	(29)
Disposal of subsidiaries, net of cash disposed		289	6	10
Interest received		5	13	24
Dividends received from joint ventures and associates		3	14	45
-----	-----	-----	-----	-----
Net cash generated from / (used in) investing activities		84	(284)	(377)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		7	3	11
Purchase of treasury shares		(51)	(27)	(36)
Proceeds from borrowings		597	477	84
Liquid resources acquired		(4)	(11)	(24)
Repayment of borrowings		(391)	-	(145)
Finance lease principal payments		(1)	(2)	(3)
Dividends paid to Company's				

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shareholders	(150)	(136)	(220)
Dividends paid to minority interests	(4)	-	(15)
-----	-----	-----	-----
Net cash generated from / (used in) financing activities	3	304	(348)
Effects of exchange rate changes on cash and cash equivalents	7	(21)	(44)
-----	-----	-----	-----
Net decrease in cash and cash equivalents	(192)	(236)	(313)
Cash and cash equivalents at the beginning of the period	531	844	844
-----	-----	-----	-----
Cash and cash equivalents at the end of the period	339	608	531

For the purposes of the cash flow statement, cash and cash equivalents are presented net of overdrafts repayable on demand. These overdrafts are excluded from cash and cash equivalents disclosed on the balance sheet.

Included in the figures above is net cash generated from / (used in) amounts relating to discontinued operations as follows: operating activities GBP(8)m (2006 half year: GBP19m, 2006 full year: GBP24m); investing activities GBP1m (2006 half year: GBP(6)m, 2006 full year: GBP(8)m); financing activities GBPnil (2006 half year: GBP(1)m, 2006 full year: GBP(1)m).

Notes to the condensed consolidated financial statements

for the six months to 30 June 2007

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the Listing Rules of the Financial Services Authority and in accordance with EU-adopted International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. These financial statements comply with the requirements of IAS 34 'Interim Financial Reporting'.

The condensed consolidated financial statements have also been prepared in accordance with the accounting policies set out in the 2006 Annual Report and 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. The 2006 Annual Report refers to new standards effective from 1 January 2007. None of these standards have had a material impact in these financial statements.

The preparation of condensed consolidated financial statements requires the use of certain critical accounting assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting

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policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated financial statements have been set out in the 2006 Annual Report.

The financial information for the year ended 31 December 2006 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The Auditors' report on the full financial statements for the year ended 31 December 2006 was unqualified and did not contain statements under section 237 (2) of the Companies Act 1985 (regarding the adequacy of accounting records and returns), or under section 237 (3) (regarding provision of necessary information and explanations).

In accordance with IFRS, the comparatives have been re-presented to reflect Government Solutions and Les Echos as discontinued businesses (see note 7). As Government Solutions was previously presented as discontinued in the financial information for the full year 2006, only the half year is re-presented.

The figures for the six months to 30 June 2007 and 30 June 2006 have not been audited or reviewed.

Notes to the condensed consolidated financial statements continued

for the six months to 30 June 2007

2. Segment information

The Group is organised into five primary business segments: School, Higher Education, Financial Times Publishing, Interactive Data Corporation (IDC) and Penguin. Our remaining business group, Professional, brings together a number of education publishing, testing and services businesses and does not meet the criteria for classification as a 'segment' under IFRS.

-----	-----	-----	-----
all figures in GBP millions	2007 half year	2006 half year	2006 full year
-----	-----	-----	-----
Sales			
School	665	625	1,455
Higher Education	195	206	795
Professional	163	156	341
-----	-----	-----	-----
Pearson Education	1,023	987	2,591
FT Publishing	164	135	280
IDC	168	165	332
-----	-----	-----	-----
FT Group	332	300	612
Penguin	367	387	848
-----	-----	-----	-----

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Total sales	1,722	1,674	4,051
Adjusted operating profit			
School	42	36	184
Higher Education	(51)	(53)	161
Professional	14	8	38

Pearson Education	5	(9)	383
FT Publishing	23	11	27
IDC	45	42	89

FT Group	68	53	116
Penguin	18	18	66

Adjusted operating profit - continuing operations	91	62	565
Adjusted operating profit - discontinued operations	2	11	27

Total adjusted operating profit	93	73	592
Adjusted operating profit - continuing operations			
Amortisation and adjustment of acquired intangibles	91	62	565
Other net gains and losses (including associates)	(16)	(9)	(35)
Other net finance income of associates	-	-	4
Other net finance income of associates	-	1	1

Operating profit	75	54	535

In our adjusted operating profit, we have excluded amortisation and adjustment of acquired intangibles, other net gains and losses and other net finance income of associates. The amortisation and adjustment of acquired intangibles is not considered to be fully reflective of the underlying performance of the Group. Other net gains and losses represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets that are included within continuing operations but which distort the performance of the Group. Other net finance income of associates is the equivalent of the Company's own other net finance income that is excluded in adjusted earnings (see note 4). Discontinued operations relate to the Group's interest in Government Solutions and Les Echos (see note 7). Government Solutions was previously reported within the Professional group of businesses and Les Echos within the FT Publishing segment.

Notes to the condensed consolidated financial statements continued

for the six months to 30 June 2007

2. Segment information continued

The following table reconciles adjusted operating profit from continuing operations to operating profit for each segment.

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all figures in GBP millions	School	Higher Education	Professional	FT Publishing	IDC	Penguin	Total
----- 2007 half year -----							
Adjusted operating profit / (loss)	42	(51)	14	23	45	18	91
Amortisation and adjustment of acquired intangibles	(10)	-	-	(2)	(4)	-	(16)
Other net gains and losses (including associates)	-	-	-	-	-	-	-
Other net finance income of associates	-	-	-	-	-	-	-
-----	-----	-----	-----	-----	-----	-----	-----
Operating profit / (loss)	32	(51)	14	21	41	18	75
-----	-----	-----	-----	-----	-----	-----	-----
----- 2006 half year -----							
Adjusted operating profit / (loss)	36	(53)	8	11	42	18	62
Amortisation and adjustment of acquired intangibles	(6)	-	-	-	(3)	-	(9)
Other net gains and losses (including associates)	-	-	-	-	-	-	-
Other net finance income of associates	-	-	-	1	-	-	1
-----	-----	-----	-----	-----	-----	-----	-----
Operating profit / (loss)	30	(53)	8	12	39	18	54
-----	-----	-----	-----	-----	-----	-----	-----
----- 2006 full year -----							
Adjusted operating profit	184	161	38	27	89	66	565
Amortisation and adjustment of acquired intangibles	(17)	-	(1)	(2)	(7)	(8)	(35)
Other net gains and losses (including							

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associates)	-	-	-	4	-	-	4
Other net							
finance income							
of associates	-	-	-	1	-	-	1
-----	-----	-----	-----	-----	-----	-----	-----
Operating profit	167	161	37	30	82	58	535

Corporate costs are allocated to business segments on an appropriate basis depending on the nature of the cost and therefore the segment result is equal to the Group operating profit.

Due to the seasonal bias of our book publishing businesses (in the School, Higher Education, Professional and Penguin segments), the Group makes most of its sales and almost all of its operating profit in the second half of the year.

Notes to the condensed consolidated financial statements continued

for the six months to 30 June 2007

3. Net finance costs

-----	-----	-----	-----	-----
all figures in GBP millions	2007	2006	2006	
-----	half year	half year	full year	-----
Net interest payable	(44)	(44)	(94)	
Finance income in respect of employee benefits	5	2	4	
Net foreign exchange gains	6	3	19	
Other losses on financial instruments in a hedging relationship:				
- net investment hedges	(1)	(1)	(2)	
Other gains / (losses) on financial instruments not in a hedging relationship:				
- amortisation of transitional adjustment on bonds	1	5	8	
- derivatives	(2)	(5)	(9)	
-----	-----	-----	-----	-----
Net finance costs	(35)	(40)	(74)	
Analysed as:				
Finance costs	(57)	(70)	(133)	
Finance income	22	30	59	
-----	-----	-----	-----	-----
Net finance costs	(35)	(40)	(74)	
Analysed as:				
Net interest payable	(44)	(44)	(94)	
Finance income in respect of employee				

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benefits	5	2	4
-----	-----	-----	-----
Net finance costs reflected in adjusted earnings	(39)	(42)	(90)
Other net finance income	4	2	16
-----	-----	-----	-----
Net finance costs	(35)	(40)	(74)

Fair value gains and losses on financial instruments are analysed between three elements: net interest payable, foreign exchange and other gains and losses. For the purposes of adjusted earnings we have excluded foreign exchange and other gains and losses as they represent short-term fluctuations in market value and are subject to significant volatility. These gains and losses may not be realised in due course as it is normally the intention to hold these instruments to maturity.

Notes to the condensed consolidated financial statements continued

for the six months to 30 June 2007

4. Profit before tax			
-----	-----	-----	-----
	2007	2006	2006
all figures in GBP millions	half year	half year	full year
-----	-----	-----	-----
Profit before tax - continuing operations	40	14	461
Add back: amortisation and adjustment of acquired intangibles (see note 2)	16	9	35
Add back: other net gains and losses (including associates) (see note 2)	-	-	(4)
Add back: other net finance income of associates (see note 2)	-	(1)	(1)
Add back: other net finance income (see note 3)	(4)	(2)	(16)
-----	-----	-----	-----
Adjusted profit before tax - continuing operations	52	20	475
Adjusted profit before tax - discontinued operations	2	11	27
-----	-----	-----	-----
Total adjusted profit before tax	54	31	502

5. Income tax			
-----	-----	-----	-----
	2007	2006	2006
all figures in GBP millions	half year	half year	full year
-----	-----	-----	-----

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Income tax charge - continuing operations	(11)	(4)	(9)
Add back: tax benefit on amortisation of acquired intangibles	(5)	(3)	(10)
Add back: tax benefit on other net gains and losses	-	-	(4)
Add back: tax charge on other finance income	1	1	5
Add back: tax benefit on recognition of tax losses	-	-	(127)
-----	-----	-----	-----
Adjusted income tax charge - continuing operations	(15)	(6)	(145)
Adjusted income tax charge - discontinued operations	(1)	(4)	(10)
-----	-----	-----	-----
Total adjusted income tax charge	(16)	(10)	(155)
Tax rate reflected in adjusted earnings	29.0%	32.0%	30.9%

Included within the income tax charge is an amount of GBP20m (2006 half year: GBPnil, 2006 full year: GBP15m) relating to UK tax.

For the first time in 2007, the Group has included in its adjusted earnings the tax benefit from tax deductible goodwill and intangibles. This benefit has been applied in the first half results, reflecting the seasonality of the business, to achieve the anticipated full year effective tax rate on adjusted earnings of 29%. The impact of this change has not been material in the first half of 2007.

In 2006, the Group excluded from its adjusted earnings tax benefits from the recognition of its capital and trading losses of GBP127m which, due to their size and non-recurring nature are not considered to be fully reflective of the underlying tax rate of the Group.

Notes to the condensed consolidated financial statements continued

for the six months to 30 June 2007

6. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (earnings) by the weighted average number of ordinary shares in issue during the period, 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.

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In order to show results from operating activities on a consistent basis, an adjusted earnings per share is presented which excludes certain items as set out below. The adjusted earnings per share includes both continuing and discontinued businesses on an undiluted basis. The Company's definition of adjusted earnings per share may not be comparable to other similarly titled measures reported by other companies.

all figures in GBP millions	2007 half year	2006 half year	2006 full year
(Loss) / earnings	(104)	7	446
Adjustments to exclude profit for the period from discontinued operations:			
Loss / (profit) for the period from discontinued operations	122	(7)	(17)
Earnings - continuing operations	18	-	429
(Loss) / earnings	(104)	7	446
Adjustments:			
Amortisation and adjustment of acquired intangibles (see note 2)	16	9	35
Other net gains and losses (including associates) (see note 2)	-	-	(4)
Other net finance income of associates (see note 2)	-	(1)	(1)
Other net finance income (see note 3)	(4)	(2)	(16)
Loss on sale of discontinued operations (see note 7)	24	-	-
Taxation on above items	95	(2)	(9)
Recognition of tax losses (see note 5)	-	-	(127)
Minority interest share of above items	(2)	(2)	(3)
Adjusted earnings	25	9	321
Weighted average number of shares (millions)	797.3	798.4	798.4
Effect of dilutive share options (millions)	1.6	1.5	1.5
Weighted average number of shares (millions) for diluted earnings	798.9	799.9	799.9
(Loss) / earnings per share from continuing and discontinued operations			
Basic	(13.0)p	0.9p	55.9p
Diluted	(13.0)p	0.9p	55.8p
Earnings per share from continuing operations			
Basic	2.3p	- p	53.7p
Diluted	2.3p	- p	53.6p
Adjusted earnings per share	3.1p	1.1p	40.2p

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Notes to the condensed consolidated financial statements continued

for the six months to 30 June 2007

7. Discontinued operations

Discontinued operations relate to the Group's interest in Government Solutions and Les Echos. Government Solutions was sold on 15 February 2007 and the Group announced in June 2007 its commitment to sell Les Echos. The results of Government Solutions and Les Echos have been included in discontinued operations for both 2006 and 2007. The results of Government Solutions were consolidated for the period to 15 February 2007. As at 30 June 2007, the sale of Les Echos has not been completed and the results have been consolidated up to that date. The assets and liabilities of Les Echos have been reported as held for sale in the June 2007 balance sheet. At 31 December 2006 held for sale assets and liabilities relate to Government Solutions. The loss on disposal shown below relates entirely to Government Solutions.

all figures in GBP millions	2007 half year	2006 half year	2006 full year
Sales	69	204	372
Operating profit	2	11	27
Net finance income	-	-	-
Profit before tax	2	11	27
Attributable tax expense	(1)	(4)	(10)
Loss on sale of discontinued operations after tax (see below)	(123)	-	-
(Loss) / profit for the period from discontinued operations	(122)	7	17
Disposal of Government Solutions			
Net assets disposed	(278)		
Proceeds received	321		
Costs	(13)		
Profit on sale before cumulative translation adjustment	30		
Cumulative translation adjustment	(54)		
Loss on sale before tax	(24)		
Attributable tax expense	(99)		

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Loss on sale after tax

(123)

The proceeds received for the sale of Government Solutions include GBP286m in cash, GBP20m in loan stock and a 10% interest in the acquiring company valued at GBP15m.

8. Dividends

all figures in GBP millions	2007 half year	2006 half year	2006 full year
Amounts recognised as distributions to equity holders in the period	150	136	220

The directors are proposing an interim dividend of 11.1p per equity share, payable on 21 September 2007 to shareholders on the register at the close of business on 24 August 2007. This interim dividend, which will absorb an estimated GBP88m of shareholder's funds, has not been included as a liability as at 30 June 2007.

Notes to the condensed consolidated financial statements continued

for the six months to 30 June 2007

9. Business combinations

On 4 May 2007 Pearson announced the acquisition of Harcourt Assessment and Harcourt Education International for \$950m in cash. A substantial part of the Harcourt Education International acquisition was completed during May 2007. The remainder, together with the Harcourt Assessment acquisition is not expected to complete until later in the second half of 2007. On 14 May 2007 Pearson announced the acquisition of eCollege for an estimated net cash cost of \$477m. At 30 June 2007 this acquisition had not completed. Intangible asset allocation reviews are in progress for the completed acquisitions and should be finalised in the second half of 2007. Fair value adjustments are provisional and will be finalised in the course of the next year.

Provisional values for the assets and liabilities arising from the acquisitions completed in the period are as follows:

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all figures in GBP millions -----	2007 half year -----
Property, plant and equipment	6
Intangible assets	9
Intangible assets - Pre-publication	13
Inventories	12
Trade and other receivables	31
Trade and other liabilities	(24)
Deferred income tax liabilities	(1)
Provisions for other liabilities and charges -----	(1)
Net assets acquired at fair value	45
Consideration paid in excess of net assets acquired -----	132
Total	177
Satisfied by:	
Cash	(165)
Deferred consideration	-
Net prior period adjustments -----	(12)
Total consideration	(177)
Net cash outflow on acquisition:	
Cash - current period acquisitions	(165)
Deferred payments for prior period acquisitions and other items	(2)
Cash and cash equivalents acquired -----	-
Cash outflow on acquisition	(167)

In total the Harcourt Education International acquisition together with other smaller acquisitions completed in the period contributed an additional GBP12m of sales and GBP3m of operating profit.

Notes to the condensed consolidated financial statements continued

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for the six months to 30 June 2007

10. Intangible assets			
-----	-----	-----	-----
	2007	2006	2006
all figures in GBP millions	half year	half year	full year
-----	-----	-----	-----
Goodwill	3,341	3,677	3,271
Other intangibles	300	192	310
-----	-----	-----	-----
Total intangibles	3,641	3,869	3,581
11. Net debt			
-----	-----	-----	-----
	2007	2006	2006
all figures in GBP millions	half year	half year	full year
-----	-----	-----	-----
Non-current assets			
Derivative financial instruments	16	39	36
Current assets			
Derivative financial instruments	19	31	50
Marketable securities	28	-	25
Cash and cash equivalents (excluding overdrafts)	383	649	592
Non-current liabilities			
Borrowings	(1,471)	(1,703)	(1,148)
Derivative financial instruments	(28)	(37)	(19)
Current liabilities			
Borrowings	(392)	(590)	(595)
-----	-----	-----	-----
Net debt - continuing operations	(1,445)	(1,611)	(1,059)
Net cash classified as held for sale	13	-	-
-----	-----	-----	-----
Total net debt	(1,432)	(1,611)	(1,059)

In February 2007, Pearson repaid its EUR591m 6.125% Euro Bonds 2007 and refinanced this borrowing through available cash and existing bank facilities.

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12. Exchange rates

Pearson earns a significant proportion of its sales and profits in overseas currencies, the most important being the US dollar. The relevant rates are as follows:

	2007 half year	2006 half year	2006 full year
Average rate for profits	1.98	1.79	1.84
Period end rate	2.01	1.85	1.96

Notes to the condensed consolidated financial statements continued
for the six months to 30 June 2007

13. Statement of changes in equity

	2007 half year	2006 half year	2006 full year
all figures in GBP millions			
Attributable to equity holders of the Company			
Total recognised income and expense for the period	(1)	(125)	148
Equity settled transactions	13	12	25
Issue of ordinary shares - share option schemes	7	3	11
Cumulative translation adjustment disposed	54	-	-
Purchase of treasury shares	(35)	(27)	(52)
Dividends paid to equity holders of the Company	(150)	(136)	(220)
Net movement for the period	(112)	(273)	(88)
Attributable to equity holders of the Company at the beginning of the year	3,476	3,564	3,564
Attributable to equity holders of the Company at the end of the period	3,364	3,291	3,476
Minority interest	176	173	168
Total equity	3,540	3,464	3,644

Notes to the condensed consolidated financial statements continued

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for the six months to 30 June 2007

14. Cash flows

all figures in GBP millions	2007 half year	2006 half year	2006 full year
Reconciliation of (loss) / profit for the period to net cash generated from operations			
(Loss) / profit for the period	(93)	17	469
Income tax	111	8	19
Depreciation and amortisation charges	62	58	135
Amortisation of pre-publication assets	74	79	210
Investment in pre-publication assets	(103)	(112)	(213)
Loss on sale of property, plant and equipment	1	1	2
Net finance costs	35	40	74
Loss on sale of subsidiaries and associates	24	-	-
Share of results of joint ventures and associates	(11)	(10)	(24)
Net foreign exchange (losses) / gains from transactions	(1)	1	(37)
Share-based payment costs	13	12	25
Inventories	(75)	(96)	(16)
Trade and other receivables	(48)	5	(60)
Trade and other liabilities	(110)	(141)	54
Provisions	(67)	(18)	(17)
Net cash (used in) / generated from operations	(188)	(156)	621
Dividends from joint ventures and associates	2	14	45
Net purchase of PPE including finance lease principal payments	(31)	(34)	(63)
Purchase of intangibles	(14)	(8)	(29)
Add back: Special pension contribution	50	-	-
Add back: Cash spent against integration and fair value provisions	-	1	1
Operating cash flow	(181)	(183)	575
Operating tax paid	(39)	(26)	(59)
Net operating finance costs paid	(45)	(40)	(82)
Operating free cash flow	(265)	(249)	434
Non-operating tax paid	(9)	-	-
Special pension contribution	(50)	-	-
Integration spend	-	(1)	(1)
Total free cash flow	(324)	(250)	433
Dividends paid (including to minorities)	(154)	(136)	(235)
Net movement of funds from operations	(478)	(386)	198

Included in net cash (used in) / generated from operations is an amount of

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GBP(4)m (2006 half year: GBP20m, 2006 full year: GBP27m) relating to discontinued operations.

Operating cash flow, operating free cash flow and total free cash flow have been disclosed as they are part of Pearson's corporate and operating measures. Following the completion of the latest actuarial valuation of the UK Group pension plan as at January 2006, the Group agreed that during 2007 it would make additional payments to the plan amounting to GBP100m. As at 30 June 2007, GBP50m of this special pension contribution had been paid. The Group has excluded this GBP50m from its definition of operating cash flow and operating free cash flow as it distorts the underlying operating performance for the year.

Notes to the condensed consolidated financial statements continued

for the six months to 30 June 2007

15. Adjusted income statement

-----	Income statement	Re-analyse discontinued operations	Other gains and losses	Amortisation/ adjustment of acquired intangibles	Other net finance costs/ income	Recogni- of ta- losse
all figures in GBP millions						
	----- 2007 half year -----					
Sales	1,722	-	-	-	-	-
Gross profit	896	26	-	-	-	-
Operating expenses	(832)	(24)	-	16	-	-
Other net gains/losses JVs and associates	11	(24)	24	-	-	-
Operating profit	75	(22)	24	16	-	-
Net finance costs	(35)	-	-	-	(4)	-
Profit before tax	40	(22)	24	16	(4)	-
Income tax	(11)	(100)	99	(5)	1	-
Profit for the period - continuing	29	(122)	123	11	(3)	-
Profit for the period - discontinued	(122)	122	-	-	-	-

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		-	-	-	-	
Profit for the period	(93)	-	123	11	(3)	
Minorities	(11)	-	-	(2)	-	
Earnings	(104)	-	123	9	(3)	
			2006 half year			
Sales	1,674	-	-	-	-	
Gross profit	863	52	-	-	-	
Operating expenses	(819)	(41)	-	9	-	
Other net gains/losses	-	-	-	-	-	
JVs and associates	10	-	-	-	(1)	
Operating profit	54	11	-	9	(1)	
Net finance costs	(40)	-	-	-	(2)	
Profit before tax	14	11	-	9	(3)	
Income tax	(4)	(4)	-	(3)	1	
Profit for the period - continuing	10	7	-	6	(2)	
Profit for the period - discontinued	7	(7)	-	-	-	
Profit for the period	17	-	-	6	(2)	
Minorities	(10)	-	-	(2)	-	
Earnings	7	-	-	4	(2)	

Notes to the condensed consolidated financial statements continued
for the six months to 30 June 2007

15. Adjusted income statement continued

	Income statement	Re-analyse discontinued operations	Other gains and	Amortisation/ adjustment of acquired	Other net finance costs/	Recogniti of tax losses

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all figures in GBP millions			losses	intangibles	income	
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			2006 full year			
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Sales	4,051	-	-	-	-	-
Gross profit	2,176	103	-	-	-	-
Operating expenses	(1,665)	(76)	-	35	-	-
Other net gains/losses	-	-	-	-	-	-
JVs and associates	24	-	(4)	-	(1)	-
Operating profit	535	27	(4)	35	(1)	-
Net finance costs	(74)	-	-	-	(16)	-
Profit before tax	461	27	(4)	35	(17)	-
Income tax	(9)	(10)	(4)	(10)	5	(127)
Profit for the year - continuing	452	17	(8)	25	(12)	(127)
Profit for the year - discontinued	17	(17)	-	-	-	-
Profit for the year	469	-	(8)	25	(12)	(127)
Minorities	(23)	-	-	(3)	-	-
Earnings	446	-	(8)	22	(12)	(127)

16. Related parties

There were no material related party transactions and no guarantees have been provided to related parties in the period.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PEARSON plc

Date: 30 July 2007

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By: /s/ STEPHEN JONES

Stephen Jones
Deputy Secretary