PEARSON PLC
Form 6-K
March 02, 2009

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 March, 2009

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 Final Results

2 March 2009

PEARSON 2008 PRELIMINARY RESULTS (unaudited)

Sustained growth and record results.

- Sales up 8% at constant exchange rates to £4,811m (2007: £4,162) and adjusted operating profit up 11% to £762m (2007: £619m) with margins up to 15.8% (2007: 14.9%);
- Adjusted earnings per share up to 57.7p (2007: 46.7p), headline growth of 24%;
- Free cash flow up to £631m, or 79.2p per share (2007: £407m/ 51.1p), headline growth of 55%;
- Dividend raised 7% to 33.8p.

Robust performance in tough markets.

- Education profits up 11% to £474m with substantial growth in US Higher Education and International more than offsetting weak market conditions for US School publishing;
- FT Group profits up 13% to £195m as growth of digital and subscription businesses and strong demand for premium content exceed decline in advertising revenues;
- Penguin profits up 4% to £93m with double digit margins and strong competitive performance in a tough retail market.

Marjorie Scardino, chief executive, said:

"Over the past five years, Pearson has produced steadily rising sales, profits, earnings, cash and returns. We are particularly pleased to have continued that record in 2008 in the face of a sharp economic downturn. This is the result of steady investment and execution of our strategy over the long-term. We don't expect economic conditions to improve any time soon, but we do expect our company to remain hardy and aggressive. We'll continue to press our advantage in technology, services and international reach because our competitive positions are strong and we see many opportunities to build our business and gain share in these turbulent times."

£ millions	**2008**	**2007**	Headline growth	CER growth	Underlying growth
Business performance					
Sales	4,811	4,162	16%	8%	3%
Adjusted operating profit	762	619	23%	11%	5%
Adjusted profit before tax	674	549	23%		
Adjusted earnings per share	57.7p	46.7p	24%		
Operating cash flow	796	684	16%		
Total free cash flow	631	407	55%		
Total free cash flow per share	79.2p	51.1p	55%		
Return on invested capital	9.2%	8.9%	0.3% pt		
Net Debt	1,460	973	(50)%		
Statutory results					
Sales	4,811	4,162	16%		
Operating profit	676	574	18%		
Profit before tax	585	468	25%		
Basic earnings per share – continuing	47.9p	39.0p	23%		
Cash generated from operations	894	659	36%		
Dividend per share	33.8p	31.6p	7%		

Throughout this announcement growth rates are stated on a constant exchange rate (CER) basis unless otherwise stated. Where quoted, underlying growth rates exclude both currency movements and portfolio changes. The 'business performance' measures are non-GAAP measures and reconciliations to the equivalent statutory heading under IFRS are included in notes 2, 3, 5, 7, 16 and 17 to the attached condensed financial statements. Profits are quoted on a continuing basis unless otherwise stated.

2008 OVERVIEW

In 2008, Pearson's sales increased 8% at constant exchange rates to £4.8bn and adjusted operating profit 11% to a record £762m. Every part of the company contributed to the growth, with adjusted operating profit at Penguin up 4%, at Pearson Education up 11% and at the FT Group up 13%. Adjusted earnings per share were 57.7p, up 24% on a headline basis.

Portfolio changes and currency movements had a significant impact on reported results in 2008. The net effect of acquisitions and disposals was to add £199m to sales and £35m to operating profit, primarily in our education business, where we integrated the testing and international parts of Harcourt, acquired from Reed Elsevier. We also expensed significant integration charges related to the acquisition, which are included in our operating results. Currency movements added £320m to sales and £76m to operating profit. This was largely the result of the strengthening of the US dollar against sterling over the course of the year although the strength of other currencies against sterling also contributed. We generated approximately 60% of our sales and profits in US dollars.

Operating cash flow increased by £112m to £796m (headline growth of 16%) and total free cash flow by £224m to £631m, or 79.2p per share (headline growth of 55%). Cash conversion was once again strong at 104% of operating profit, assisted by exchange rates. Over the past five years, the proportion of our profits converted to cash has averaged more than 100%. Our ratio of average working capital to sales improved by a further 0.1% points after removing portfolio effects.

Our tax rate in 2008 was 26.4%, the same as in 2007.

Our return on average invested capital** showed a headline increase of 0.3% points (to 9.2%).

Statutory results show an increase of £102m in operating profit to £676m (£574m in 2007). Basic earnings per share for continuing businesses were 47.9p in 2008 against 39.0p in 2007.

Net debt was £487m higher at £1,460m (from £973m in 2007). Cash flow was strong, but our net debt was higher with the impact of acquisitions and disposals (net impact of £285m) and the year-end strength of the dollar on our largely dollar-denominated debt (net impact of £410m). Since 2000, Pearson's net debt/ EBITDA ratio has fallen from 3.9x to 1.7x and our interest cover has increased from 3.1x to 8.7x.

Dividend. The board is proposing a dividend increase of 7% to 33.8p. Subject to shareholder approval, 2008 will be Pearson's 17th straight year of increasing our dividend above the rate of inflation. Over the past five years we have increased our dividend at a compound annual rate of 7%. Our dividend cover is now 1.7x.

Our financial goals. Pearson's three key financial measures are adjusted earnings per share, operating cash flow and return on average invested capital. We use these measures to gauge performance and to align our plans and targets with the interests of shareholders. Our five-year record on these goals is:

	2004	**2005**	**2006**	**2007**	**2008**
Adjusted earning per share	27.5p*	34.1p*	43.1p	46.7p	57.7p
Operating cash flow	£418m	£570m	£575m	£684m	£796m
Return on invested capital**	6.3%	7.3%	8.1%	8.9%	9.2%

** As reported (before restatement for tax deductibility of goodwill amortisation).*
*** Using average invested capital and cash tax paid.*

OUTLOOK

Pearson achieved a strong performance in 2008 against the backdrop of a sharp deterioration in the global economy. Though the company performed well, market conditions became more difficult for some of our businesses as the year went on.

In the fourth quarter, trading momentum remained strong for our education business. The Financial Times Group continued to achieve good growth – in particular at Interactive Data and Mergermarket – but FT Publishing saw a decline in advertising revenues (which now account for 4% of Pearson's sales). Consumer publishing markets in the US and the UK were challenging, but Penguin performed well in the key holiday selling season.

We are planning on the basis that the tough market conditions that we saw for some of our businesses towards the end of 2008 are likely to persist throughout 2009. We expect to benefit from a range of early actions to revise products and supply lines, reduce costs and sustain investment. Based on current exchange rates and market conditions, we would expect to achieve full-year adjusted earnings at or above the 2008 level of 57.7p per share.

In **Education** , we are planning for weak conditions in the US School publishing market but expect continued growth in our testing, Higher Education and International Education businesses. We expect the new US administration's emphasis on education, reflected in both the economic stimulus package and the focus on reform, to provide a significant boost to education institutions. The extent and timing of the impact on our business is unclear at this stage, so we have not included these factors in our guidance.

At the **FT Group**, we anticipate continued strong demand for high-quality analysis of global business, finance, politics and economics; a tough year for advertising; strong renewal rates in our subscription businesses; and continued growth at Interactive Data.

At **Penguin** , we expect another competitive performance in challenging trading conditions for book publishers and booksellers.

Interest and tax. In 2009, we expect our interest charge to adjusted earnings to be higher than 2008 reflecting the impact of the recent strength of the dollar on our largely US dollar-denominated debt and the pensions-related credit to interest becoming a debit in 2009. Our P&L tax charge is likely to be in the 26% to 28% range and we now expect our cash tax rate to stay close to 2008 levels.

Exchange rates. Pearson generates approximately 60% of its sales in the US, and each five cent change in the average £:$ exchange rate for the full year (which in 2008 was £1:$1.85) would have an impact of approximately 1p on adjusted earnings per share.

For more information:

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Pearson's results presentation for investors and analysts will be webcast live today from 09.00 (GMT) and available for replay from 12.00 (GMT) via www.pearson.com

A video interview with Marjorie Scardino and Robin Freestone is available at www.pearson.com High resolution photographs are available for the media at www.newscast.co.uk"

FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, the matters discussed in this Preliminary Statement include forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated costs savings and synergies and the execution of Pearson's strategy, are forward looking statements. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in future. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements, including a number of factors outside Pearson's control. These 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. Any forward looking statements speak only as of the date they are made, and Pearson gives no undertaking to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes to events, conditions or circumstances on which any such statement is based.

BUSINESS PERFORMANCE

£ millions	**2008**	2007	Headline growth	CER growth	Underlying growth
Sales					
North American Education	**2,002**	1,667	20%	11%	3%
International Education	**866**	735	18%	11%	2%
Professional	**244**	226	8%	1%	1%
Pearson Education	**3,112**	2,628	18%	10%	2%
FT Publishing	**390**	344	13%	9%	4%
Interactive Data	**406**	344	18%	10%	9%
FT Group	**796**	688	16%	9%	7%
Penguin	**903**	846	7%	0%	3%
Total	**4,811**	4,162	16%	8%	3%
Adjusted operating profit					
North American Education	**303**	273	11%	5%	(2)%
International Education	**135**	92	47%	26%	16%
Professional	**36**	27	33%	26%	26%
Pearson Education	**474**	392	21%	11%	4%
FT Publishing	**74**	56	32%	9%	0%
Interactive Data	**121**	97	25%	15%	13%
FT Group	**195**	153	27%	13%	8%
Penguin	**93**	74	26%	4%	4%
Total	**762**	619	23%	11%	5%
Discontinued	**-**	15			