Group's net borrowings in US dollars and sterling at each year end) fell by 0.3% to 0.4%. This reduction in floating market interest rates drove the Group's lower interest charge. However the low rates on deposited funds coupled with the impact on the calculation of significantly lower net debt, created an increase in the Group's average net interest payable of 5.3% to 7.9%. The Group's average net debt fell by £681m, reflecting the impact of the Interactive Data disposal. Finance charges relating to post-retirement plans were £12m in both 2010 and 2009.

Other net finance costs relating to foreign exchange and short-term fluctuations in the market value of financial instruments included a net foreign exchange loss of £7m in 2009 compared to a gain of £9 in 2010. In 2009 the loss mainly relates to losses on cross currency swaps and in 2010 the gain relates to exchange on new US dollar borrowing raised in the year. For a more detailed discussion of our borrowings and interest expenses see "— Liquidity and Capital Resources — Capital Resources" and "— Borrowings" below and "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

Taxation

The total tax charge in 2010 of £146m represents 22% of pre-tax profits compared to a charge of £146m or 28% of pre-tax profits in 2009. Our overseas profits, which arise mainly in the US, are largely subject to tax at higher rates than the UK corporation tax rate (which had an effective statutory rate of 28% in 2010 and in 2009). Higher tax rates were partly offset by the recognition of tax losses and credits in the year including pre-acquisition and capital losses that were utilised in connection with the Interactive Data sale. The tax charge relating to that sale in July 2010 is included in the profit on discontinued businesses.

Non-controlling interest

The non-controlling interest in the income statement comprises mainly the publicly-held share of Interactive Data for the period to disposal in July 2010. There are also non-controlling interests in the Group's businesses in South Africa, Nigeria, China and India although none of these are material to the Group numbers. The non-controlling interest in the Group's newly acquired Brazilian business, Sistema Educacional Brasileiro, is expected to be bought out in the first half of 2011.

Discontinued operations

On 29 July 2010, Pearson's 61% share in Interactive Data Corporation was sold to Silver Lake and Warburg Pincus for $2bn. The results of Interactive Data have been included as discontinued operations up to the date of sale on 29 July 2010. Included in discontinued operations in 2010 is Interactive Data's results for the seven months to the date of sale, the gain on sale of £1,037m and the attributable tax charge of £306m. The total profit from discontinued operations, after taking account of the above items, was £776m in 2010 compared to £85m in 2009.

Profit for the year

The profit for the financial year in 2010 was £1,300m compared to a profit in 2009 of £462m. The overall increase of £838m was mainly due to the gain on sale of Interactive Data but also due to the improved operating performance and decrease in net finance costs.

Earnings per ordinary share

The basic earnings per ordinary share, which is defined as the profit for the financial year divided by the weighted average number of shares in issue, was 161.9p in 2010 compared to 53.2p in 2009 based on a weighted average number of shares in issue of 801.2m in 2010 and 799.3m in 2009. The increase in earnings per share was due to the increase in profit for 2010 described above and was not significantly affected by the movement in the weighted average number of shares.

The diluted earnings per ordinary share of 161.5p in 2010 and 53.1p in 2009 was not significantly different from the basic earnings per share in those years as the effect of dilutive share options was again not significant.

Exchange rate fluctuations

The strengthening of the US dollar and other currencies against sterling on an average basis had a positive impact on reported sales and profits in 2010 compared to 2009. 2010 sales, translated at 2009 average exchange rates, would have been lower by £128m and operating profit, translated at 2009 average exchange rates, would have been lower by £37m. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk" for a discussion regarding our management of exchange rate risks.

Sales and operating profit by division

The following tables summarize our sales and operating profit for each of Pearson's business segments. Adjusted operating profit is a non-GAAP financial measure and is included as it is a key financial measure used by management to evaluate performance and allocate resources to business segments. See also note 2 of "Item 18. Financial Statements".

In our adjusted operating profit we have excluded amortization of acquired intangibles and acquisition costs. The amortization of acquired intangibles is the amortization of intangible assets acquired through business combinations and acquisition costs are the direct costs of acquiring those businesses. Neither of these charges are considered to be fully reflective of the underlying performance of the Group. Other net gains and losses that represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets are excluded from adjusted operating profit as they distort the performance of the Group.

Adjusted operating profit enables management to more easily track the underlying operational performance of the Group. A reconciliation of operating profit to adjusted operating profit for continuing operations is included in the tables below:

	Year Ended December 31, 2010						
£m	North American Education	International Education	Professional	FT Group	Interactive Data	Penguin	Total
Sales	2,640	1,234	333	403	—	1,053	5,663
	47%	*22%*	*6%*	*7%*	—	*18%*	*100%*
Total operating profit	415	119	42	62	—	105	743
	56%	*16%*	*6%*	*8%*	—	*14%*	*100%*
Add back:							
Other net gains and losses	—	10	—	(12)	—	—	(2)
Acquisition costs	1	7	2	1	—	—	11
Amortization of acquired intangibles	53	35	7	9	—	1	105
Adjusted operating profit: continuing operations	469	171	51	60	—	106	857
Adjusted operating profit: discontinued operations	—	—	—	—	81	—	81
Total adjusted operating profit	469	171	51	60	81	106	938
	50%	*18%*	*5%*	*6%*	*9%*	12%	*100%*

£m	North American Education	International Education	Professional	FT Group	Interactive Data	Penguin	Total
	Year Ended December 31, 2009						
Sales	2,470	1,035	275	358	—	1,002	5,140
	48%	*20%*	*6%*	*7%*	—	*19%*	*100%*
Total operating profit	354	109	42	31	—	83	619
	57%	*18%*	*7%*	*5%*	—	*13%*	*100%*
Add back:							
Amortization of acquired intangibles	49	32	1	8	—	1	91
Adjusted operating profit: continuing operations	403	141	43	39	—	84	710
Adjusted operating profit: discontinued operations	—	—	—	—	148	—	148
Total adjusted operating profit	403	141	43	39	148	84	858
	47%	*16%*	*5%*	*5%*	*17%*	10%	*100%*

North American Education

North American Education sales increased by £170m, or 7%, to £2,640m in 2010, from £2,470m in 2009 and adjusted operating profit increased by £66m, or 16%, to £469m in 2010 from £403m in 2009. The results were affected by the relative strength of the US dollar, which we estimate increased sales by £53m and adjusted operating profit by £10m when compared to the equivalent figures at constant 2009 exchange rates. At constant exchange and after taking account of the contribution from acquisitions there was underlying growth in sales of 4% and profits of 12%. Growth was driven by the US Higher Education business.

The US School publishing market grew 3.2% in 2010, according to the Association of American Publishers. State budgets continue to be under pressure but the industry returned to growth, benefiting from the stronger new adoption opportunity this year (total opportunity of $800m in 2010 against $500m in 2009). The US School curriculum business gained share with a strong performance from enVisionMATH, our digital math curriculum. Successnet, our online learning platform for teachers and students which supports Pearson’s digital instruction, assessment and remediation programs, grew strongly, achieving almost 6 million registrations in 2010, up 33% on 2009, with the number of assessments taken through the system rising 53% to more than 8m. We continue to develop digital programs, platforms and mobile apps to boost achievement and to increase access and affordability. We successfully launched three major new school programs: digits (http://bit.ly/i9NcId), our digital middle school math program, which provides services for teachers including embedded assessment, differentiation of students and automation of administrative tasks; Writing Coach (http://www.phwritingcoach.com/) which is a blended print and online program that helps middle and high school students in writing and grammar with personalized assignments and grading; and Online Learning Exchange (www.onlinelearningexchange.com) which is an open education resource that allows teachers to create personalized digital learning programs using standards-based Pearson content as well as teacher-generated material. Poptropica (www.poptropica.com) is the largest virtual world for young children in the US with average monthly unique visitors growing by 40% to 8.1m from more than 100 countries and speaking more than 70 languages. Poptropica launched seven new islands and was the fifth most searched-for video game on Google.com in 2010. In September 2010 we acquired America’s Choice to boost Pearson’s services in school reform, a major focus of the US education department. America’s Choice brings together instruction, assessment, leadership development, professional development, coaching and ongoing consulting services.

Revenues at our US Assessment & Information division were broadly level against 2009. State funding pressures produced tough market conditions for our state assessment and teacher licensure testing businesses. This was offset by good growth in clinical and diagnostic assessments. We saw good profit growth at Assessment and Information as we benefited from a shift to premium products and further efficiencies generated from the integration of the Harcourt Assessment business. We renewed two important contracts, extending our long-standing relationships with the College Board to administer the SATs and with the Texas Education Agency to administer state-wide student assessments. We continue to achieve strong growth in secure online testing, delivering 13.3 million secure online tests in 2010, up 41% over 2009. Our market leading student information systems business in the US continued to achieve rapid organic growth further boosted by the acquisition of Administrative Assistants Limited in 2010. We now support almost 16 million US students, an increase of 49% over 2009. We achieved strong growth with AIMSWEB, our progress monitoring service which enables early intervention and remediation for struggling students. AIMSWEB now supports almost four million students, an increase of more than 20%.

The US Higher Education publishing market grew 7.3% in 2010, according to the Association of American Publishers with the industry benefiting from healthy enrolment growth and good demand for instructional materials. Pearson gained share from its lead in technology and customisation. Our US Higher Education business has now grown faster than its industry for 12 consecutive years. The pioneering 'MyLab' digital learning, homework and assessment programs again grew strongly with student registrations up 32% to more than 7.3m in North America. We launched LearningStudio which provides a broad suite of learning management technologies including eCollege and Fronter. LearningStudio increased fully online enrolments by 54% to 8.3m in North America. Renewal rates remained high at approximately 90% by value.

Overall adjusted operating margins in the North American Education business were higher at 17.8% in 2010 compared to 16.3% in 2009 with the majority of the increase attributable to cost efficiencies and the relative success of higher margin digital products.

International Education

International Education sales increased by £199m, or 19%, to £1,234m in 2010, from £1,035m in 2009 and adjusted operating profit increased by £30m, or 21%, to £171m in 2010 from £141m in 2009. The sales results benefit from exchange gains and a full year contribution from acquisitions made in 2009.

The International Education business is active in more than 70 countries. More than 670,000 students outside America used our MyLab digital learning, homework and assessment programs, an increase of more than 40%. They included 150,000 users of our online English-language products MyEnglishLabs and MyNorthStarLab, a 170% increase. Our eCollege learning management system won new contracts in Malaysia and Colombia. Our Fronter learning management system continued to grow strongly with unique registration rising more than 20% to 1.1 million students in more than 8,700 schools, colleges and universities around the world. Pearson Learning Solutions, which combines products and services from across Pearson to deliver a systematic approach to improving student performance, won new contracts in South Africa, Malta, Vietnam and the UK. During the year, the International Education business acquired Wall Street Institute (WSI), which provides premium spoken English training for adults, for $101m in cash. WSI has about 340 franchised learning centers in 25 territories in Asia, Europe, the Middle East and Africa. The acquisition reunites Wall Street Institute with Wall Street English, the Chinese arm of the company acquired by Pearson in 2009.

In the UK, BTEC, our flagship vocational qualification, attracted more than 1.4 million student registrations, up 28% on 2009. Registrations for our NVQ work-based learning qualification grew 45% to more than 165,000, and we introduced the BTEC Apprenticeship to serve the work-based learning market. We marked more than 5.4 million A/AS Level and GCSE and Diploma scripts in the 2009-2010 academic year, with 90% now marked onscreen. Pearson marked and delivered 3.4 million tests in six weeks for the National Curriculum Tests at Key Stage 2. We established a new school improvement business in the UK, which will work with schools to help them train teachers, improve strategic planning and structure teaching methods.

In Italy, adoption of our Linx digital secondary science program increased three-fold, helping Pearson to grow strongly and become joint market leader for combined lower and upper secondary education. Linx is built around content from our North American science programs customized for the Italian market. We began to develop a broader range and depth of digital products and services, including teacher training, to personalize learning and increase educational effectiveness. In the Netherlands, we launched iPockets, the first fully digital Early English course for 4-8 year-olds in Primary Education. The course is 100% digital and subscription based and customized for the Dutch market.

In South Africa's Western Cape province, we won a three-year contract to prepare, administer and report all Grade 9 student assessments. The tests focus on both individual student results and the systemic performance of schools and districts. Pearson won new national contracts in Ethiopia, to supply 2.9 million Biology, Physics and English learning materials for Senior Secondary Grades 9 to 12. In Zimbabwe, we were awarded a contract by UNICEF to deliver 13.5 million textbooks to children in Grades 1 to 7 in Mathematics, Environmental Science, English, Shona and Ndebele.

We generated strong growth in the Gulf region in higher education with integrated technology products in Business & Economics and Science. Student enrolments at our Wall Street English schools in China increased by 27% and we announced plans to open 50 new English language centers in China over the next three to five years, adding to the 66 centers and schools already operating under the Wall Street English and Longman English brands

Pearson announced a strategic partnership with Sistema Educacional Brasileiro (SEB) in Brazil to provide services to its educational institutions and to acquire its school learning systems ("sistema") business for $517m. A sistema is an integrated learning system incorporating curriculum design, teacher support and training, print and digital content, technology platforms, assessment and other services. SEB's sistemas serve more than 450,000 students across both private and public schools. Our School Curriculum business grew strongly, particularly in Mexico, Colombia, Chile and Peru, as we continued to build our locally developed materials as well as Spanish language adaptations of US school programmes. There was strong growth of English Language Teaching materials across Latin America underpinned by performance in Brazil, Colombia, Argentina, Chile, Dominican Republic and Peru.

International Education adjusted operating margins improved slightly from 13.6% in 2009 to 13.9% in 2010.

Professional

Professional sales increased by £58m, or 21%, to £333m in 2010 from £275m in 2009. Adjusted operating profit increased by £8m or 19% to £51m in 2010, from £43m in 2009. Sales growth in the assessment and training businesses was strong and benefited from the acquisition of Melorio in June 2010.

In professional testing we continued to see good growth at Pearson VUE which administered more than 8 million tests in 2010, up 3% on 2009. Average revenues per test are increasing as we develop a broader range of services and enhance our systems and assessments to meet our customer's needs. Pearson VUE renewed a number of major contracts including the Driving Standards Agency (DSA) of Great Britain and the Driver & Vehicle Agency (DVA) of Northern Ireland; Cisco; and Colorado Department of Regulatory Agencies. We also won a number of new contracts to deliver computer-based tests in the US, UK, UAE, Saudi Arabia, Egypt and Bahrain, covering the real estate, accountancy, legal, healthcare, skills and finance sectors.

In professional training, we acquired Melorio plc, one of the UK's leading vocational training groups, for £98m, supporting our vocational education strategy by combining Melorio's training delivery skills with our existing complementary strengths in educational publishing, technology and assessments. Melorio traded well in the second half of the year securing a number of large key contracts for training delivery, and successfully graduating and placing the largest IT graduate cohort in the history of the business. Our investment in systems, streamlining the course offering and training centres and back office integration are all on track.

Our Professional publishing business was level in 2010 with steady margins as strong growth in digital products and services offset continued challenging trading conditions in the retail market and a planned reduction in the number of print titles published. We launched online learning products with customisable content, assessment and personalised study paths and also delivered 450 hours of technical training through online subscriptions for the IT certification market. We developed applications for social networks and mobile devices to extend the reach and accessibility of our content and videos available within our Safari Books Online platform.

Overall adjusted operating margins in the Professional business were slightly lower at 15.3% in 2010 compared to 15.6% in 2009 as margins were impacted by the acquisition of Melorio.

FT Group

Sales at FT Group increased by £45m or 13%, from £358m in 2009 to £403m in 2010. Adjusted operating profit increased by £21m, from £39m in 2009 to £60m in 2010. The sales and profit increase is mainly from the *Financial Times* which saw increased demand for digital products and a pick up in advertising in the year. The Economist and other joint ventures and associates also contributed to the profit growth.

The *Financial Times* saw strong and accelerating growth in digital readership with digital subscriptions up over 50% to 207,000, more than 1,000 direct corporate customers and registered users up 79% to more than 3 million. It generated over 900,000 downloads of FT apps on mobile phones and tablet devices and won a prestigious Apple Design Award for its iPad app. The FT's combined paid print and digital circulation reached 597,000 in the fourth quarter of 2010. After weak advertising markets in 2009, we saw good advertising growth in 2010 although the visibility for advertising revenues is poor. We extended the breadth and depth of FT's premium subscription services through the launch of FT Tilt, focused on emerging markets; the launch of MandateWire US, extending the reach of this successful European brand into new markets; and the acquisition of Medley Global Advisors, a premier provider of macro policy intelligence.

Mergermarket benefited from improving market conditions and its flexibility in adapting to new client investment strategies, which supported stronger renewal rates and new business revenues. An increase in global merger and acquisition activity benefited Mergermarket and dealReporter; while continued volatility in debt markets helped sustain the strong performance of DebtWire. We saw strong growth in developing markets supported by new product launches including our first local language version of Mergermarket in China. In March 2010 we acquired Xtract research, which provides bond covenant data to allow investors to understand how covenants might impact on valuation.

The Economist, in which Pearson owns a 50% stake, increased global weekly circulation by 3.7% to 1.47 million (for the July-December 2010 ABC period) and total annual online visits increased to 118 million, up 21% on 2009. FTSE, our 50% owned joint venture with the London Stock Exchange, increased revenues by 20% and acquired the remaining 50% of FXI, FTSE's joint venture with Xinhua Finance in China. Business Day and Financial Mail (BDFM), our 50% owned joint-venture in South Africa with Avusa, returned to profitability with revenue increasing by 5%. The business benefited from a recovery in advertising and the closure of non-profitable operations.

Overall adjusted operating margins at FT Publishing increased from 10.9% in 2009 to 14.9% in 2010 as advertising revenue fell through to the bottom line.

The Penguin Group

Penguin sales increased by £51m or 5%, to £1,053m in 2010 from £1,002m in 2009 and adjusted operating profit was up 26% to £106m in 2010 from £84m in 2009. Both sales and adjusted operating profit were affected by the stronger US dollar which we estimate increased sales by £32m and adjusted operating profit by £13m when compared to the equivalent figures at constant 2009 exchange rates. In 2010, Penguin benefited from a series of organisational changes in the UK made in 2009. These were designed to strengthen its publishing, reduce costs and accelerate the transition to digital production, sales channels and formats and to lower cost markets for design and production. Penguin's 2009 results include approximately £9m of charges relating to these organisational changes.

Penguin saw a strong and consistent publishing performance across imprints and territories producing market share gains in the US, UK and Australia, our three largest markets. Strong growth in developing markets was boosted by the launch of new imprints and the increasing breadth and depth of our local publishing programs in India, China and South Africa. There was continued investment in global publishing with the launch of Penguin's Classics in Portuguese and Arabic, joining existing Mandarin and Korean editions, the launch in India of a new imprint in partnership with bestselling author Shobhaa De, and the continued international roll-out of our non-fiction imprint Allen Lane in Canada.

eBook sales were up 182% on the previous year and now account for 6% of Penguin revenues worldwide. We accelerated our investment in digital products and innovation with new app releases in the children's market including Spot, Peppa Pig, The Little Engine That Could, Ladybird's Babytouch and the Mad Libs app, which was named one of the best apps at the 2010 E-Book Summit. For adults, we launched the groundbreaking myFry app; published the amplified ebook of Ken Follett's international bestselling novel *The Pillars of the Earth*, featuring video, art and music from the original TV series; and we introduced ten DK Eyewitness Top Ten Travel Guides apps with more to follow in 2011. Penguin continued to invest to transform its internal publishing processes onto Pearson-wide digital platforms enabling faster product development and more efficient creation and re-use of content.

Penguin performed strongly in the US with a broad range of number one bestsellers from repeat authors such as Charlaine Harris, Nora Roberts, Tom Clancy, Ken Follett and Patricia Cornwell. Kathryn Stockett's *The Help* stayed on the *New York Times* bestseller list for the whole of 2010 and has sold more than three million copies to date. Our outstanding performance in the UK, resulting in our market share rising two percentage points to 10%, was led by Jamie Oliver's *30 Minute Meals*. It sold 1.2 million copies to become the UK's biggest selling non-fiction title of the last decade. Major bestsellers included Stephen Fry's *The Fry Chronicles*, Kathryn Stockett's *The Help*, and *The History of the World in 100 Objects* (published in partnership with the BBC and the British Museum), as well as the *Percy Jackson* and *Diary of a Wimpy Kid* series. DK produced a very good year thanks in part to its top-performing franchise LEGO (*Lego Star Wars Visual Dictionary* was on the *New York Times* bestseller list for the whole of 2010 with 18 weeks at number one). Other bestselling titles included *The Masterchef Cookbook*, *Complete Human Body* and *Natural History*. DK continues to benefit from the organisation changes made in 2009 as well as the ongoing development of its publishing centre in India. Penguin Children's had an excellent year in both the US, with Penguin Young Readers Group achieving a record 39 *New York Times* bestsellers, and in the UK, where we reclaimed our position as the number one children's publisher with significant market share gains.

Penguin adjusted operating margins improved in 2010 to 10.1% from 8.4% in 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

Consolidated results of operations

Sales

Our total sales from continuing operations increased by 735m, or 17%, to £5,140m in 2009, from £4,405m in 2008. The increase reflected growth, on a constant exchange rate basis, at our North American Education and International Education businesses together with additional contributions from acquisitions made in both 2008 and 2009. The year on year growth was impacted by movements in exchange rates, particularly in the US dollar. 2009 sales, translated at 2008 average exchange rates, would have been £4,558m.

Pearson Education increased sales by £668m or 21% from £3,112m to £3,780m. The North American business was the major contributor to the increase although a high proportion of that increase was due to exchange. We estimate that after excluding acquisitions, Pearson Education saw sales growth of 4% at constant last year exchange rates. The North American Education business grew ahead of the market in its US Curriculum and Higher Education businesses which together grew at 5% compared to the industry which remained flat according to the Association of American Publishers. There was also a strong performance in the US Assessment and Information division which benefited from the successful integration of the Harcourt Assessment business acquired at the start of 2008. In International Education sales also benefited from exchange and a contribution from the acquisitions of Wall Street English and Fronter (a European online learning company based in Oslo) and the increased shares of Longman Nigeria and Maskew Miller Longman (MML), our publishing businesses in West Africa and South Africa respectively, which were all acquired in 2009. After excluding the effect of acquisitions we estimate that there was growth of 4% at constant last year exchange rates in the International Education business. Professional sales increased in 2009 by 13% although all of this increase was due to exchange and in terms of constant last year exchange rates there was a small decline in sales of 1%. This decline was entirely due to weakness in the professional publishing market which has offset growth in the professional testing and certification businesses.

FT Group sales were 8% behind last year or 12% after excluding the effect of exchange rates with adverse variances at the *Financial Times*. FT Group's sales decline mainly reflects tough market conditions for financial and corporate advertising. The impact of advertising revenue declines was partially mitigated by growth in content revenues, the resilience of our subscription businesses and an increase in paying online subscribers at FT.com.

Penguin's sales were up 11% in 2009 but this represents a 2% decline at constant last year exchange rates and before the effect of portfolio changes. Much of the underlying decline was due to a fall in sales of illustrated reference books which offset good performances in other categories.

Pearson Education, our largest business sector, accounted for 74% of our continuing business sales in 2009 compared to 71% in 2008. North America continued to be the most significant source of our sales and as a proportion of total continuing sales contributed 65% in 2009 and 63% in 2008.

Cost of goods sold and operating expenses

The following table summarizes our cost of sales and net operating expenses:

	Year Ended December 31	
	2009	2008
	£m	£m
Cost of goods sold	2,382	2,046
Distribution costs	275	235
Administration and other expenses	2,014	1,687
Other operating income	(120)	(102)
Total	2,169	1,820

Cost of goods sold. Cost of sales consists of costs for raw materials, primarily paper, printing and binding costs, amortization of pre-publication costs, royalty charges and the cost of service provision in our assessment and testing businesses. Our cost of sales increased by £336m, or 16%, to £2,382m in 2009, from £2,046m in 2008. The increase corresponds to the increase in sales with cost of sales at 46.3% of sales in 2009 compared to 46.4% in 2008.

Distribution costs. Distribution costs consist primarily of shipping costs, postage and packing and remain a fairly constant percentage of sales.

Administration and other expenses. Our administration and other expenses increased by £327m, or 19%, to £2,014m in 2009, from £1,687m in 2008. As a percentage of sales they remained consistent at 38% in 2008 and 39% in 2009.

Other operating income. Other operating income mainly consists of freight recharges, sub-rights and licensing income and distribution commissions together with income from the sale of assets. Other operating income increased to £120m in 2009 compared to £102m in 2008 although much of this increase can be ascribed to exchange.

Share of results of joint ventures and associates

The contribution from our joint ventures and associates increased from £25m in 2008 to £30m in 2009. The majority of the profit comes from our 50% interest in the Economist.

Operating profit

The total operating profit increased by £55m, or 10%, to £619m in 2009 from £564m in 2008. 2009 operating profit, translated at 2008 average exchange rates, would have been £40m lower.

Operating profit attributable to Pearson Education increased by £99m, or 24%, to £505m in 2009, from £406m in 2008. The increase was attributable to strong performances in the US Higher Education business and both the US and International Assessments businesses and due to the positive impact of exchange. Operating profit attributable to the FT Group decreased by £36m to £31m in 2009, from £67m in 2008. The decrease reflects the decline in profitability at the *Financial Times*, as they faced tough conditions in the advertising market. Operating profit attributable to the Penguin Group decreased by £8m, or 9%, to £83m in 2009, from £91m in 2008. This decrease was principally due to charges relating to reorganisation of the business in the UK.

Net finance costs

Net finance costs increased from £95m in 2008 to £96m in 2009. Net interest payable in 2009 was £86m, down from £93m in 2008. The Group’s net interest payable decreased by £7m in 2009 as we benefited from a fall in average interest rates on our floating US dollar debt and a decrease in our overall level of average net debt. Year on year, average three month LIBOR (weighted for the Group’s net borrowings in US dollars and sterling at each year end) fell by 2.4% to 0.7%. This reduction in floating market interest rates was partially offset by higher fixed bond coupons prevailing at the time of our 2009 bond issue. The overall result was a decrease in the Group’s average net interest rate payable by 0.6% to 5.3%. In 2009 the net finance income relating to post-retirement plans was a charge of £12m compared to an income of £8m in the previous year reflecting lower returns on plan assets.

Other net finance costs relating to foreign exchange and short-term fluctuations in the market value of financial instruments included a net foreign exchange loss of £7m in 2009 compared to a loss of £11m in 2008. The losses in 2008 mainly relate to the retranslation of foreign currency bank accounts together with other net losses on inter-company items. In 2009 the loss mainly relates to losses on cross currency swaps. For a more detailed discussion of our borrowings and interest expenses see "— Liquidity and Capital Resources — Capital Resources" and "— Borrowings" below and "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

Taxation

The total tax charge in 2009 of £146m represents 28% of pre-tax profits compared to a charge of £125m or 27% of pre-tax profits in 2008. Our overseas profits, which arise mainly in the US are largely subject to tax at higher rates than the UK corporation tax rate (28% in 2009 compared to 28.5% in 2008). Higher tax rates were partly offset by releases from provisions reflecting continuing progress in agreeing our tax affairs with the authorities.

Non-controlling interest

This comprises mainly the non-controlling interest in Interactive Data. Our share of Interactive Data was 61% in 2009, compared to 62% in 2008.

Discontinued operations

On 29 July 2010, Pearson's 61% share in Interactive Data Corporation was sold to Silver Lake and Warburg Pincus for $2bn. The results of Interactive Data have been included as discontinued operations in both 2009 and 2008. Discontinued operations in 2008 also relate to the disposal of the Data Management business (in February 2008). The results of the Data Management business were included in discontinued operations to the date of disposal in 2008. The loss before tax on disposal in 2008 was £53m, mainly relating to the cumulative translation adjustment. There was a tax charge of £37m on the sale.

Profit for the year

The profit for the financial year in 2009 was £462m compared to a profit in 2008 of £323m. The overall increase of £139m was mainly due to the absence of the loss on discontinued operations in 2009 but also benefited from the improved operating performance offset by a small increase in net finance costs.

Earnings per ordinary share

The basic earnings per ordinary share, which is defined as the profit for the financial year divided by the weighted average number of shares in issue, was 53.2p in 2009 compared to 36.6p in 2008 based on a weighted average number of shares in issue of 799.3m in 2009 and 797.0m in 2008. The increase in earnings per share was due to the increase in profit for 2009 described above and was not significantly affected by the movement in the weighted average number of shares.

The diluted earnings per ordinary share of 53.1p in 2009 and 36.6p in 2008 was not significantly different from the basic earnings per share in those years as the effect of dilutive share options was again not significant.

Exchange rate fluctuations

The strengthening of the US dollar and other currencies against sterling on an average basis had a positive impact on reported sales and profits in 2009 compared to 2008. 2009 sales, translated at 2008 average exchange rates, would have been lower by £582m and operating profit, translated at 2008 average exchange rates, would have been lower by £40m. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk" for a discussion regarding our management of exchange rate risks.

Sales and operating profit by division

The following tables summarize our sales and operating profit for each of Pearson's divisions. Adjusted operating profit is a non-GAAP financial measure and is included as it is a key financial measure used by management to evaluate performance and allocate resources to business segments. See also note 2 of "Item 18. Financial Statements".

In our adjusted operating profit we have excluded amortization of acquired intangibles. The amortization of acquired intangibles is the amortization of intangible assets acquired through business combinations. The charge is not considered to be fully reflective of the underlying performance of the Group.

Adjusted operating profit enables management to more easily track the underlying operational performance of the Group. A reconciliation of operating profit to adjusted operating profit for continuing operations is included in the tables below:

	Year Ended December 31, 2009						
£m	North American Education	International Education	Professional	FT Group	Interactive Data	Penguin	Total
Sales	2,470	1,035	275	358	—	1,002	5,140
	48%	*20%*	*6%*	*7%*	—	*19%*	*100%*
Total operating profit	354	109	42	31	—	83	619
	57%	*18%*	*7%*	*5%*	—	*13%*	*100%*
Add back:							
Amortization of acquired intangibles	49	32	1	8	—	1	91
Adjusted operating profit: continuing operations	403	141	43	39	—	84	710
Adjusted operating profit: discontinued operations	—	—	—	—	148	—	148
Total adjusted operating profit	403	141	43	39	148	84	858
	47%	*16%*	*5%*	*5%*	*17%*	10%	*100%*

	Year Ended December 31, 2008						
£m	North American Education	International Education	Professional	FT Group	Interactive Data	Penguin	Total
Sales	2,002	866	244	390	—	903	4,405
	45%	*20%*	*6%*	*9%*	—	*20%*	*100%*
Total operating profit	258	113	35	67	—	91	564
	46%	*20%*	*6%*	*12%*	—	*16%*	*100%*
Add back:							
Amortization of acquired intangibles	45	22	1	7	—	2	77
Adjusted operating profit: continuing operations	303	135	36	74	—	93	641
Adjusted operating profit: discontinued operations	—	—	—	—	121	—	121
Total adjusted operating profit	303	135	36	74	121	93	762
	40%	*17%*	*5%*	*10%*	*16%*	*12%*	*100%*

North American Education

North American Education sales increased by £468m, or 23%, to £2,470m in 2009, from £2,002m in 2008 and adjusted operating profit increased by £100m, or 33%, to £403m in 2009 from £303m in 2008. The results were significantly affected by the relative strength of the US dollar, which we estimate increased sales by £365m and adjusted operating profit by £60m when compared to the equivalent figures at constant 2008 exchange rates. At constant exchange and after taking account of the contribution from acquisitions there was underlying growth in sales of 5% and profits of 13%. Although the contribution from the US school curriculum business declined due to State budget pressures and a fall in the adoption market there were strong contributions from the US Higher Education, US Assessment and Information and Canadian businesses.

In the US school market, the Association of American Publishers' estimated that there was an overall decrease for the industry in 2009 of 13.8% as state budget pressures and a slower new adoption year caused particular weakness in the basal publishing market. Though Pearson's US School publishing sales declined we attained an estimated 37% of new adoptions we competed for (our highest market share for a decade) and 32% of the total new adoption market. Pearson's enVisionMATH (www.envisionmath.com), an integrated print-and-digital program, was the top-selling basal program in the United States in 2009. It helped the School Curriculum business to an estimated 46% share of all math adoptions and sold strongly across the open territories. Successnet, the online learning platform for teachers and students which supports all Pearson's digital instruction, assessment and remedial programs, also grew strongly achieving more than 4 million registrations in 2009.

The US Assessment and Information business saw significant profit improvement in 2009, benefiting from the successful integration of the Harcourt Assessment business acquired in 2008. Our National Services assessment business renewed its contract with the College Board, worth $210m over 10 years, to process and score the SAT and contracts to support the College Board's new Readi-Step and ACCUPLACER diagnostics programs. Our State Services business won a number of significant new contracts including new programs in Florida and Arizona. We continued to gain share, winning 60% of the contracts bid for by value, and to be a leader in online testing, delivering 9 million secure online assessments in 2009, up more than 100% on 2008. Our Evaluation Systems teacher certification business secured contract extensions in California, Illinois, Arizona and Washington; won re-bids in Michigan and New York, each for five years; and added new contracts in California and Minnesota. In Clinical Assessments, our AIMSWeb response-to-intervention data management and progress monitoring service for children who are having difficulty learning, continued to grow and had more than 3 million students on the system at the end of 2009. Our Edustructures business, which provides interoperable systems to support data collection and reporting between school districts and state governments, doubled the number of students served to 8 million. Our Student Information Systems (SIS) business grew strongly, benefiting from strong demand for its services that help teachers automate and manage student attendance records, gradebooks, timetables and the like. It supported more than 12 million students — 8 million of them through its flagship PowerSchool product which was available in more than 50 countries. In 2009 it won contracts for new school districts including Nova Scotia Department of Education (133,000 students), Newark, NJ (45,000 students), and the Hamilton County DOE, TN (40,000 students).

The US Higher Education publishing market grew 11.5% in 2009, according to the Association of American Publishers, benefiting from strong enrolment growth and federal government action to support student funding. Our US Higher Education business grew faster than the industry and outperformed the market for the eleventh straight year, continuing to see strong demand for instructional materials enhanced by technology and customization. Our sustained investment in content and technology continues to grow existing franchises and build new ones. In Engineering Mechanics, our market leading textbook, Hibbeler's Statistics and Dynamics 12th Edition, gained an additional four percentage points of market share with the addition of our newly launched MasteringEngineering digital learning and assessment platform. Pearson became market leader in psychology supported by the recently launched textbook Psychology 2nd Edition by Cicarelli with MyPsychLab. The 'MyLab' digital learning, homework and assessment programs again grew strongly. Our MyLab products saw more than 6 million student registrations globally, 39% higher than in 2008. In North America, student registrations grew 37% to more than 5.6 million. Custom Solutions grew strongly across both bespoke books and customized services including content creation, technology, curriculum, assessments and courseware. We partnered with the Kentucky Virtual Learning Initiative, for example, to deliver personalized mathematics instruction mapped to state college entry standards and have begun to extend this program into transitional English and Reading. eCollege, our platform for fully-online distance learning in higher education, increased online enrolments by 36% to 3.5 million and benefited from continued strong renewal rates of 95% by value, new contract wins and strong growth in the usage of the platform, particularly by US for-profit colleges. Thirteen Pearson higher education and school products in ten categories were nominated as America's best educational software products in the Software & Information Industry Association's 25th Annual CODiE Awards. They include MyMathLab, Miller & Levine Biology, PowerSchool, Prentice Hall Literature, myWorld Geography, MyWritingLab, CourseConnect and eCollege.

Overall adjusted operating margins in the North American Education business were higher at 16.3% in 2009 compared to 15.1% in 2008 with the majority of the increase attributable to the Harcourt Assessment integration costs that were charged in 2008.

International Education

International Education sales increased by £169m, or 20%, to £1,035m in 2009, from £866m in 2008 and adjusted operating profit increased by £6m, or 4%, to £141m in 2009 from £135m in 2008. The sales results benefit from exchange gains and a full year contribution from acquisitions made in 2009. At the adjusted operating profit level the 2008 results benefited from transactional exchange gains that were not repeated in 2009.

In the UK, we received over 3.7 million registrations for vocational assessment and general qualifications. We marked 4.5 million 'A'-level and GCSE scripts on-screen and successfully delivered the 2009 National Curriculum test series and were awarded the contract to administer the 2010 National Curriculum Tests at Key Stage 2. We made significant investments in supporting the new Diploma qualification for 14-19 year-olds; the IGCSE qualifications to meet the needs of International schools and colleges; and BTEC, our flagship vocational qualification. BTEC registrations totalled more than 1 million for the first time and were up almost 30% on 2008. Our UK Higher Education business grew strongly, helped by the success of new first editions, the rapid take up of MyLabs adapted to meet local requirements, and the growing popularity of custom publishing. Sales of UK primary resources fell, on the back of minimal curriculum change and some signs of schools managing their budgets more tightly.

In Continental Europe, the launch of our digi libre (Content Plus) products helped us to gain share in the lower and upper secondary markets in Italy and positioned us well for major curriculum reforms in 2010. In Spain, our sales were down sharply with pressures on central and regional government spending and a worsening retail environment. Our ELT sales continued to grow in Poland, and across central and Eastern Europe we saw good demand for our publishing and digital resources and our fledgling Language Learning Solutions activities. The Fronter learning management system continued to grow very strongly with more than 6 million students in more than 8,000 schools, colleges and Universities around the world at the end of 2009.

In the Middle East we successfully implemented the Abu Dhabi Education Council's (ADEC) External Measurement of Student Achievement (EMSA) program covering English, Arabic, Math and Science in April 2009. In South Africa, we launched Platinum, the first blended print and online course developed for the South African National Curriculum. In addition 7,000 students registered for MyMathLab+ at the University of Witwatersrand in 2009.

In China, we acquired Wall Street English, the leading provider of premium English language training to adults, for £101m. The combination of Longman Schools and Wall Street English gives Pearson a leading position in the English language teaching market in China, serving students from elementary school to professional levels. We stepped up our presence in the Indian education market with two investments totalling $30m: a 50:50 joint-venture with Educomp, called IndiaCan, to offer vocational and skills training through 120 training centres across the country; and a 17.2% stake in TutorVista, which provides online tutoring for K-12 and college students.

New editions of the proven bestsellers, BackPack and Pockets, along with the successful launch of two new courses, CornerStone and KeyStone, helped to deliver strong growth in the sales of ELT materials across Latin America. In Brazil, which has one of Latin America's largest and fastest-growing university populations, our virtual library supported 30 post-secondary institutions. And, in Panama, 75,000 high school students were learning Biology and Chemistry, using Prentice Hall Virtual Labs.

On a global basis our 'MyLab' digital learning, homework and assessment programmes were used by more than 470,000 students, up almost 60% on 2008, and are now sold in more than 200 countries. In 2009, we launched the Pearson Test of English, our new test of Academic English which will be delivered in up to 200 Pearson VUE testing centers in 37 countries. Approximately 1,000 academic programs worldwide now recognise, or are in the process of recognising, the Pearson Test of English. Our eCollege learning management system is growing rapidly in international markets, winning new contracts in Australia, Brazil, Mexico, Colombia, Puerto Rico and Saudi Arabia in 2009. Our new Pearson Learning Solutions business won its first contracts in the UK, the Gulf and Africa. It combines a broad range of products and services from across Pearson to deliver a systematic approach to improving student performance.

International Education adjusted operating margins declined from 15.6% in 2008 to 13.6% in 2009 as the benefit from transactional exchange gains at the profit level in 2008 weren’t repeated in 2009.

Professional

Professional sales increased by £31m, or 13%, to £275m in 2009 from £244m in 2008. Adjusted operating profit increased by £7m or 19% to £43m in 2009, from £36m in 2008. The sales growth was entirely due to exchange rates which increased sales by £33m when compared to the equivalent figures at constant 2008 exchange rates.

In Professional testing and certification in the UK, we extended our contract with the Driving Standards Agency to deliver the UK drivers theory test until 2014. More than seven million secure online tests were delivered in more than 4,000 test centers worldwide in 2009, an increase of 9% over 2008. Registration volumes for the Graduate Management Admissions Council test rose 8% worldwide in 2009, including a 16% increase outside the US. In the US, Pearson VUE won a number of new contracts with organizations including Oracle, Citrix, Novell, VMWare, and Adobe, the National Registry of Food Safety Professionals and the National Institute for Certification in Engineering Technologies. Pearson VUE extended its international reach, signing an agreement with the Dubai Road and Transport Authority to deliver a new, high-tech Driver Testing System and launching the Law School Admission Test in India.

Our Professional education business experienced tough trading conditions in the retail market but benefited from the increased breadth of its publishing and range of revenue streams, from online retail through digital subscriptions. A best-selling product in 2009 was CCNA Network Simulator, which are digital networking labs designed, developed and published by Pearson, to help candidates successfully pass the Cisco CCNA certification exam. Pearson launched new learning solutions for IT Professionals preparing for certification accreditation. Cert Flash Card applications were launched for students studying for Cisco CCNA, CompTIA and Microsoft certification exams and are accessible through web browsers and iPhone and iPod Touch devices. FT Press launched a new e-publishing imprint, FT Press Delivers, providing essential insights from some of its leading business authors including Jim Champy, Brian Solis, Mark Zandi, Jon M. Huntsman, John Kao, Michael Abrashoff, and Seth Goldman.

Overall adjusted operating margins in the Professional business continued to improve and were higher at 15.6% in 2009 compared to 14.8% in 2008 as margins improved again in both the testing and professional publishing businesses.

FT Group

Sales at FT Group decreased by £32m or 8%, from £390m in 2008 to £358m in 2009. Adjusted operating profit decreased by £35m, from £74m in 2008 to £39m in 2009. The sales and profit decrease is mainly from the FT Newspaper business which faced tough market conditions for financial and corporate advertising. The impact of advertising revenue declines was partially mitigated by growth in content revenues, the resilience of our subscription businesses and early actions to manage our cost base tightly.

We continued to see good demand in 2009 for high-quality analysis of global business, finance, politics and economics which resulted in a 15% increase in paying online subscribers to more than 126,000 with registered users on FT.com up 85% to 1.8 million and users up 12% to 1.4 million on FTChinese.com. *Financial Times* worldwide newspaper circulation was 7% lower at 402,799 (for the July-December 2009 ABC period) although subscription circulation grew modestly. We continued to invest in fast-growing digital formats. We launched a new luxury lifestyle website, to complement our existing *How To Spend It* magazine; a new iPhone application which has received more than 200,000 downloads; and, in association with Longman, Lexicon, an online glossary of economic, financial and business terms.

Mergermarket faced challenging conditions in some of its markets with reduced Mergers and Acquisition activity impacting the merger arbitrage sector serviced by dealReporter whilst Debtwire benefited from an increased focus on distressed debt. Mergermarket continued to launch new products and expand globally. MergerID was launched in September 2009, providing a secure online environment for principals and professionals to post and view merger and acquisition opportunities globally and by the end of 2009 had secured over 1,500 active users in more than 450 companies across the globe.

The Economist, in which Pearson owns a 50% stake, increased global weekly circulation by 2.2% to 1.42 million (for the July — December 2009 ABC period). FTSE, our 50% owned joint-venture with the London Stock Exchange, increased revenues 17% and made a strong improvement in profits.

Overall adjusted operating margins at FT Group decreased from 19.0% in 2008 to 10.9% in 2009 as lost advertising revenue fell through to the bottom line.

The Penguin Group

Penguin sales increased by £99m or 11%, to £1,002m in 2009 from £903m in 2008 but adjusted operating profit was down 10% to £84m in 2009 from £93m in 2008. Both sales and adjusted operating profit were affected by the stronger US dollar which we estimate increased sales by £109m and adjusted operating profit by £7m when compared to the equivalent figures at constant 2008 exchange rates. In 2009, Penguin implemented a series of organisational changes in the UK designed to strengthen its publishing, reduce costs and accelerate the transition to digital production, sales channels and formats and to lower cost markets for design and production. Penguin's 2009 results include approximately £9m of charges relating to these organisational changes.

In the US, Penguin had 30 number 1 *New York Times* bestsellers, Penguin's most ever, and placed 243 bestsellers on *New York Times* lists. Bestsellers included works from debut novels such as Kathryn Stockett's *The Help* and Janice Y.K. Lee's *The Piano Teacher*, along with books by established authors such as Charlaine Harris and Nora Roberts.

In the UK, top-selling titles included Marian Keyes' *This Charming Man*, Malcolm Gladwell's *Outliers*, Ant and Dec's *Ooh! What a Lovely Pair* and Antony Beevor's *D-Day*. Penguin Children's list had a very strong year with standout performances from brands such as *The Very Hungry Caterpillar* (which celebrated its 40th anniversary) and *Peppa Pig*. Through an iPhone app, consumers were offered a try-before-you buy model of Paul Hoffman's *The Left Hand of God*, providing free downloads of the first three chapters.

In Australia, Penguin was named Publisher of the Year for the second year running at the Australian Book Industry Awards. Number 1 bestselling authors included Bryce Courtenay, Tom Winton, Clive Cussler and Richelle Mead. In Canada, top-selling local authors included Joseph Boyden and Alice Munro, who was awarded the International Man Booker prize, and our international authors Greg Mortenson and Elizabeth Gilbert led the paperback non-fiction category. In India, Penguin is the largest English language trade publisher, with bestselling authors in 2009 including Narayana Murthy and Nandan Nilekani. In South Africa, top-selling Penguin authors included John van de Ruit and Justin Bonello.

eBook sales grew fourfold on the previous year. 14,000 eBook titles were available at the end of 2009, benefiting from the popularity of e-readers such as Amazon's Kindle, the Sony Reader and Barnes and Noble's nook as well as new devices such as Apple's iPad.

Penguin's adjusted operating margins deteriorated in 2009, dropping to 8.4% from 10.3% in 2008. The main reason for the decline was the charges in 2009 relating to the reorganisation of the UK business.

Liquidity and capital resources

Cash flows and financing

Net cash generated from operations increased by £157m (or 16%), to £1,169m in 2010 from £1,012m in 2009. This increase reflected strong cash contributions, particularly from our education businesses. The exchange rate for translation of dollar cash flows was $1.57 in 2010, $1.61 in 2009 and $1.44 in 2008. In 2010, the average working capital to sales ratio for our book publishing businesses improved to 20.1% from 25.1% in 2009, reflecting tight working capital management and the financial impact of the shift to more digital and service-orientated products and businesses. Average working capital is the average month end balance in the year of inventory (including pre-publication), receivables and payables. Net cash generated from operations increased by £118m (or 13%), to £1,012m in 2009 from £894m in 2008. This increase reflected strong cash contributions from all businesses, together with the significant strengthening of the US dollar against sterling. In 2009, the headline average working capital to sales ratio for our book publishing businesses improved to 25.1% from 26.1% in 2008, reflecting tight working capital management and the favourable working capital profile of 2009 acquisitions.

Net interest paid decreased to £68m in 2010 from £87m in 2009. The decrease reflects the repayment of a US Dollar bond in 2009 and lower variable interest rates. Net interest paid increased to £87m in 2009 from £76m in 2008. The increase is due to the timing of payments on bonds issued in 2008 and 2009.

Capital expenditure on property, plant and equipment was £76m in 2010, £62m in 2009 and £75m in 2008. The increase in 2010 reflects a return to a more normal level of expenditure given the improved economic environment and exchange rate movements. The reduction in spend in 2009 reflects a more cautious approach to capital investment, given the uncertain economic environment, particularly in the first half of the year.

The acquisition of subsidiaries, joint ventures and associates accounted for a cash outflow of £557m in 2010 against £222m in 2009 and £400m in 2008. The principal acquisitions in 2010 were of Sistema Educacional Brasileiro for £228m, Melorio for £98m, Wall Street Institute for £65m and America's Choice for £65m. The principal acquisitions in 2009 were of Wall Street English for £101m and a controlling interest in Maskew Miller Longman for £54m, comprising £49m in cash and £5m in other consideration.

The sale of subsidiaries and associates produced a net cash inflow of £734m in 2010 against £nil in 2009 and £99m in 2008. The proceeds in 2010 relate to the sale of Interactive Data, with proceeds received being £984 and tax paid relating to this disposal of £250m. Proceeds of £99m in 2008 relate to the sale of the Data Management business.

The cash outflow from financing of £92m in 2010 reflects a further increase in the group dividend and the purchase of treasury shares, with some offset from a $350m US Dollar Note issued in the year. The cash outflow from financing of £366m in 2009 reflects the repayment of one $350m bond, the repayment of borrowings under the Group's committed borrowing facility and an increase of the dividend in line with earnings. Offsetting this, the Group issued £300m of sterling bonds in the year. The cash outflow from financing of £137m in 2008 reflects the repayment at maturity of one £100m bond, the repayment of borrowings against a short-term bridge financing facility and a further increase in the dividend. Offsetting this, the Group issued $900m of US Dollar bonds.

Capital resources

Our borrowings fluctuate by season due to the effect of the school year on the working capital requirements in the educational materials business. Assuming no acquisitions or disposals, our maximum level of net debt normally occurs in July, and our minimum level of net debt normally occurs in December. Based on a review of historical trends in working capital requirements and of forecast monthly balance sheets for the next 12 months, we believe that we have sufficient funds available for the Group's present requirements, with an appropriate level of headroom given our portfolio of businesses and current plans. Our ability to expand and grow our business in accordance with current plans and to meet long-term capital requirements beyond this 12-month period will depend on many factors, including the rate, if any, at which our cash flow increases and the availability of public and private debt and equity financing, including our ability to secure bank lines of credit. We cannot be certain that additional financing, if required, will be available on terms favorable to us, if at all.

At December 31, 2010, our net debt was £430m compared to net debt of £1,092m at December 31, 2009. Net debt is defined as all short-term, medium-term and long-term borrowing (including finance leases), less all cash, cash equivalents and liquid resources. Cash equivalents comprise short-term deposits with a maturity of up to 90 days, while liquid resources comprise short-term deposits with maturities of more than 90 days and other marketable instruments which are readily realizable and held on a short-term basis. Short-term, medium-term and long-term borrowing amounted to £2,312m at December 31, 2010, compared to £2,008m at December 31, 2009 reflecting the $350m US Dollar Note issued in the year and the strengthening of sterling relative to the US Dollar. At December 31, 2010, cash and liquid resources were £1,736m, compared to £750m at December 31, 2009. This increase in cash is due to receipt of the proceeds from the sale of Interactive Data, only partially re-invested in acquisitions, and strong cash generation in our education businesses.

Contractual obligations

The following table summarizes the maturity of our borrowings, our obligations under non-cancelable leases, and pension funding obligations, exclusive of anticipated interest payments.

	At December 31, 2010				
	Total	Less than one year	One to two years	Two to five years	After five years
	£m	£m	£m	£m	£m
Gross borrowings:					
Bank loans, overdrafts and commercial paper	73	73	—	—	—
Bonds	2,226	325	—	1,077	824
Finance lease obligations	13	6	4	3	—
Operating lease obligations	1,437	164	151	337	785
UK Pension funding obligations	410	41	41	123	205
Total	**4,159**	**609**	**196**	**1,540**	**1,814**

At December 31, 2010 the Group had capital commitments for fixed assets, including finance leases already under contract, of £13m (2009: £15m). There are contingent liabilities in respect of indemnities, warranties and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries and associates. In addition there are contingent liabilities in respect of legal and royalty claims. None of these claims or guarantees is expected to result in a material gain or loss.

In 2010, the Group negotiated a new $1,750m committed revolving credit facility which matures in November 2015. The Group is committed to an annual fee of 0.2625% payable quarterly, on the unused amount of this facility.

Off-Balance sheet arrangements

The Group does not have any off-balance sheet arrangements, as defined by the SEC Final Rule 67 (FR-67), “Disclosure in Management’s Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations”, that have or are reasonably likely to have a material current or future effect on the Group’s financial position or results of operations.

Borrowings

The Group finances its operations by a mixture of cash flows from operations, short-term borrowings from banks and commercial paper markets, and longer term loans from banks and capital markets.

We have in place a committed revolving credit facility of $1.75bn, which matures in November 2015. At December 31, 2010, the full $1.75bn was available under this facility. This credit facility contains two key covenants measured for each 12 month period ending June 30 and December 31:

We must maintain the ratio of our profit before interest, tax and amortization to our net interest payable at no less than 3:1; and

We must maintain the ratio of our net debt to our EBITDA, which we explain below, at no more than 4:1.

“EBITDA” refers to earnings before interest, taxes, depreciation and amortization. We are currently in compliance with these covenants.

Treasury policy

Our treasury policy is described in note 19 of “Item 18. Financial Statements”. For a more detailed discussion of our borrowing and use of derivatives, see “Item 11. Quantitative and Qualitative Disclosures about Market Risk”.

Related parties

There were no significant or unusual related party transactions in 2010, 2009 or 2008. Refer to note 34 in “Item 18. Financial Statements”.