



Home-grown products

We're investing in new content and services

We're constantly re-creating our newspapers, books and online services – in some cases every minute of every day. At the same time, we're building their quality and value for the long term. Last year we invested around £700m in our research and development: improving each one of our businesses by investing in new areas of content, by pushing into new markets and by applying new technology and services to make the publishing more personal and more valuable.



Personal publishing Five years ago, when college professors asked us for textbooks that could be tailored to their particular courses, we began to invest in a new model of textbook publishing. Our custom publishing business builds course materials to order around an individual professor's course objectives. The typical book includes chapters from our conventional textbooks; the course agenda, lecture notes and assignments for that particular class; and selected articles from newspapers, magazines and academic journals. This special way of delivering our content has grown five-fold in five years to top \$100m in sales in 2003.

A print run of one Dorling Kindersley, renowned for its unique, beautifully illustrated reference books, is pioneering personal publishing. In 2003 DK published *America 24/7*, a photographic collection of

a week in America taken from more than one million photos submitted online. DK made publishing history by offering readers the chance to order a customised book jacket, complete with their own favourite photograph.



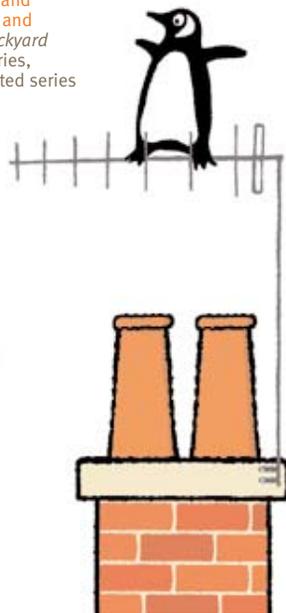
Above: Katie Bradshaw, Cathy Melnicki, Jeannie Guman, Connie Carson. Dorling Kindersley, US.

Stars of page and screen In 2003 we extended the power of the Penguin brand to the screen when we launched Penguin Television. It commissions factual and children's programming based on Penguin and DK books. Current programmes include *Backyard Science*, a 52-part live-action children's series, and *The Way Things Work*, a 26-part animated series and a Gold World Award winner for best children's programme at the New York Festival's Television Programming and Promotion Awards.



Have it your

way Our expansion of the *Financial Times* around the world and online has transformed the *FT* into a 24-hour global news service. FT.com, the newspaper's internet edition, has some 3.3 million unique monthly users and in 2002 we began converting them into paying customers by launching a range of subscription services. Today 74,000 people subscribe for real-time and customised services such as live Lex notes throughout the day, personalised news alerts and tools to track their investments.





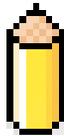
PASS

Scoring in testing Our school testing business, Pearson Educational Measurement, dates back to the 1920s when E F Lindquist, a professor at the University of Iowa, developed standardised tests to measure student achievement. Since then, we have been at the forefront of the industry, developing and using state-of-the-art technologies from optical scanning to complex data management and enterprise application software. We won \$300m of new US testing contracts in 2003 and are applying these skills in new markets including Australia and the UK through our partnership with examination board Edexcel.



Learning online More than two million college students are studying online through a Pearson programme. We provide professors

with online tools they use to customise learning materials by combining our content with their own; conduct online assessments; and access a range of resources and communication tools. At the touch of a button, professors can make their own course available to their students online.



Social climbing When Pearson bought Simon & Schuster's education businesses back in 1998, we combined two of America's most famous names in elementary school publishing: Scott Foresman and Silver Burdett Ginn. Since then, we've been investing to build a leadership position across all key disciplines including reading, math, science and music. In 2003, our new elementary social studies programme swept the market, winning more than half of all available adoption opportunities.

Real time alerts Over the past six years, we've turned our financial information business IDC from a \$140m to an \$440m company. We've steadily built IDC's base business of providing essential pricing data to financial institutions. And at the same time, we've invested in buying a series of smaller companies which extend the services that IDC can provide its customers. The most recent acquisition was Comstock in 2003, which provides real-time data from more than 180 stock exchanges and other sources worldwide.



Measuring up We're applying the skills we've learnt in testing school students to professional customers. We're part-way through an investment of some £15m in more than 400 Pearson professional testing centres around the world. Those centres are becoming the destinations for software engineers certifying their IT skills; nurses taking their medical exams; drivers sitting their licence theory test; and aspiring business school students taking the world-famous Graduate Management Admissions Test.

