

Corporate and Operating Measures

Sales – underlying and constant exchange rate movement

Sales movement for total operations (including Pearson Government Solutions) excluding the impact of acquisitions and disposals and movements in exchange rates.

All figures in £ millions	2006
Underlying increase	178
Portfolio changes	197
Exchange differences	(48)
Total sales increase	327
Underlying increase	4%
Constant exchange rate increase	9%

Adjusted income statement

Reconciliation of the Consolidated Income Statement to the adjusted numbers presented as non-GAAP measures in the financial statements.

All figures in £ millions	2006						Adjusted Income Statement
	Income Statement	Re-analyse discontinued operations	Other net gains and losses	Amortisation of acquired intangibles	Other net finance costs/income	Recognition of tax losses	
Sales	4,137	286	–	–	–	–	4,423
Gross profit	2,220	59	–	–	–	–	2,279
Operating expenses	(1,704)	(37)	–	35	–	–	(1,706)
Share of results of joint ventures and associates	24	–	(4)	–	(1)	–	19
Operating profit	540	22	(4)	35	(1)	–	592
Net finance costs	(74)	–	–	–	(16)	–	(90)
Profit before tax	466	22	(4)	35	(17)	–	502
Income tax	(11)	(8)	(4)	(10)	5	(127)	(155)
Profit for the year from continuing operations	455	14	(8)	25	(12)	(127)	347
Profit for the year from discontinued operations	14	(14)	–	–	–	–	–
Profit for the year	469	–	(8)	25	(12)	(127)	347
Minority interest	(23)	–	–	(3)	–	–	(26)
Earnings	446	–	(8)	22	(12)	(127)	321

Amortisation of acquired intangibles includes a £7m adjustment to goodwill on recognition of pre-acquisition deferred tax.

Corporate and Operating Measures *Continued*

All figures in £ millions	2005						
	Income Statement	Re-analyse discontinued operations	Other net gains and losses	Amortisation of acquired intangibles	Other net finance income/costs	Recognition of tax losses	Adjusted Income Statement
Sales	3,808	288	–	–	–	–	4,096
Gross profit	2,021	80	–	–	–	–	2,101
Operating expenses	(1,559)	(63)	–	11	–	–	(1,611)
Other net gains and losses	40	306	(346)	–	–	–	–
Share of results of joint ventures and associates	14	–	–	–	2	–	16
Operating profit	516	323	(346)	11	2	–	506
Net finance costs	(70)	–	–	–	(14)	–	(84)
Profit before tax	446	323	(346)	11	(12)	–	422
Income tax	(116)	(9)	(2)	(4)	3	–	(128)
Profit for the year from continuing operations	330	314	(348)	7	(9)	–	294
Profit for the year from discontinued operations	314	(314)	–	–	–	–	–
Profit for the year	644	–	(348)	7	(9)	–	294
Minority interest	(20)	–	–	(2)	–	–	(22)
Earnings	624	–	(348)	5	(9)	–	272

Adjusted sales include sales from discontinued operations held throughout the current and previous years.

Adjusted operating profit – underlying and constant exchange rate movement

Operating profit movement excluding the impact of acquisitions and disposals and movements in exchange rates.

All figures in £ millions	2006
Underlying increase	76
Portfolio changes	17
Exchange differences	(7)
Total adjusted operating profit increase	86
Underlying increase	15%
Constant exchange rate increase	18%

Free cash flow per share

Operating cash flow for continuing and discontinued operations before tax, finance charges and integration costs paid, divided by the weighted average number of shares in issue.

All figures in £ millions	2006	2005
Adjusted operating profit	592	506
Cash conversion	97%	113%
Operating cash flow	575	570
Operating tax paid	(59)	(65)
Net operating finance costs paid	(82)	(65)
Operating free cash flow	434	440
Non operating finance costs paid	–	(7)
Integration costs paid	(1)	(2)
Total free cash flow	433	431
Weighted average number of shares in issue (millions)	798.4	797.9
Operating free cash flow per share	54.4p	55.1p
Total free cash flow per share	54.2p	54.0p

Return on invested capital

Adjusted operating profit less cash tax expressed as a percentage of gross invested capital.

All figures in £ millions	2006	2005
Adjusted operating profit	592	506
Cash tax (15%)	(89)	(76)
Return	503	430
Gross goodwill	5,477	5,663
Net operating assets	803	792
Invested capital	6,280	6,455
Return on invested capital	8.0%	6.7%