Our performance: 2011 financial overview

In 2011, Pearson increased sales by 4% in headline terms to £5.9bn and adjusted operating profit from continuing operations by 10% to £942m.

The headline growth rates were reduced by currency movements and helped by acquisitions. Currency movements reduced sales by £122m and operating profits by £16m. This was the result of the weakening of the US dollar and other currencies against sterling: we generated approximately 60% of our sales and profits in US dollars and the average exchange rate moved from £1:$1.54 in 2010 to £1:$1.60 in 2011. At constant exchange rates (i.e. stripping out the impact of those currency movements), our sales and adjusted operating profit grew 6% and 12% respectively.

Acquisitions, primarily in our education company, contributed £262m to sales and £39m to operating profits. This includes integration costs and investments related to our newly-acquired companies, which we expense.

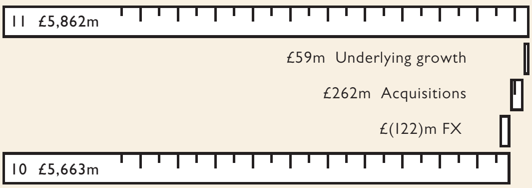
Our reshaping of Pearson continues to have a significant impact on our financial results. We sold Interactive Data in July 2010: it contributed seven months of sales, profits and cash in that year and none in 2011. We sold our 50% stake in FTSE International to the London Stock Exchange for net proceeds of £428m in December 2011: it contributed 2.2p to Pearson's earnings per share in 2011.

Our underlying revenue and operating profit (i.e. stripping out the benefit of both portfolio changes and currency movements) grew 1% and 7% respectively.

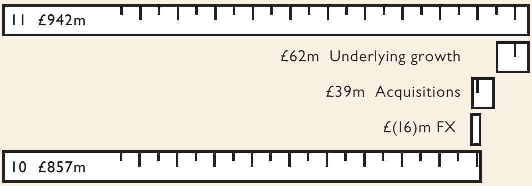
Our tax rate in 2011 was 22.4%, compared to 25.2% in 2010, reflecting a non-recurring benefit from settlement of various prior year tax affairs.

We increased adjusted earnings per share by 12% in headline terms to 86.5p.

SALES GROWTH £m



OPERATING PROFIT GROWTH £m



Our performance: 2011 financial overview continued

Cash generation

Headline operating cash flow declined by £74m as cash conversion returned to a more normalised rate of 104% (compared to 113% in 2010). The contribution to cash from working capital reduction was £39m (£149m in 2010, which was unusually high because in a strong adoption year pre-publication amortisation exceeded investment). Free cash flow declined by £132m to £772m, additionally reflecting higher tax payments following utilisation of the remaining available tax losses in 2010. Our average working capital to sales ratio improved by a further 3.2 percentage points to 16.9% reflecting the benefits of our shift to more digital and service-orientated businesses.

Return on invested capital

Our return on average invested capital was 9.1%, well ahead of our cost of capital. It was lower than the 2010 figure of 10.3%, due to several factors: the sale of Interactive Data, one of our least capital-intensive businesses; integration charges related to acquisitions; and an increased cash tax rate.

Statutory results

Our statutory results show an increase of £483m in operating profit to £1,226m (£743m in 2010). Basic earnings per share were 119.6p in 2011, down from 161.9p in 2010, with the profits on the sale of FTSE International in 2011 not matching those for Interactive Data in 2010.

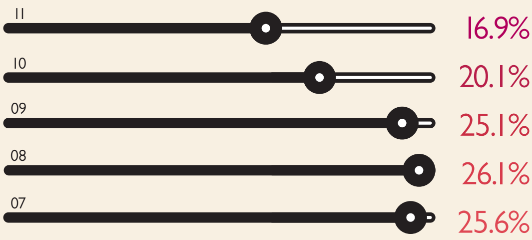
Balance sheet

Our net debt increased modestly to £499m (£430m in 2010). We benefited from the proceeds from the sale of FTSE International and strong cash generation, offset by acquisition investment of £896m and sustained investment in our businesses. Since 2000, Pearson's net debt/EBITDA ratio has fallen from 3.9x to 0.5x and our interest cover has increased from 3.1x to 18.1x.

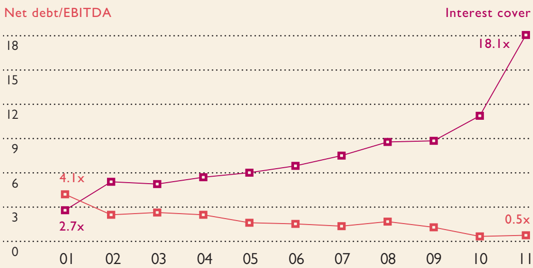
Dividend

The board is proposing a dividend increase of 9% to 42.0p, subject to shareholder approval. 2011 will be Pearson's 20th straight year of increasing our dividend above the rate of inflation. Over the past ten years we have increased our dividend at a compound annual rate of 7%, returning more than £2.5bn to shareholders. We have a progressive dividend policy: we intend to sustain our dividend cover at around 2.0x over the long term, increasing our dividend more in line with earnings growth.

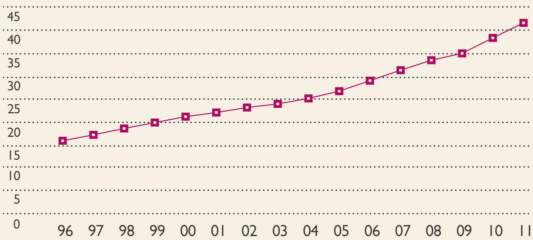
AVERAGE WORKING CAPITAL/SALES %



BALANCE SHEET STRENGTH



DIVIDEND PER SHARE PAID IN FISCAL YEAR
PENCE



Outlook: 2012

The external environment is likely to remain challenging in 2012 in the face of turbulent macroeconomic conditions and rapid structural change in our industries. However, we will once again make progress on our strategic goals of making Pearson more digital, more exposed to fast-growing markets and more directly engaged in helping students succeed.

Our 2012 financial results will reflect the sale of our 50% stake in FTSE International (which contributed no sales, £20m of operating profit and 2.2p of adjusted EPS in 2011) and higher tax rates (after one-off benefits in 2011). At this early stage in the year we expect Pearson to achieve growth in sales and operating profits in 2012. Margins will reflect integration costs on acquisitions made in 2011 (which are expensed) and the FTSE sale. This guidance is struck at current exchange rates (£1:$1.59).

Education

In Education, we expect to achieve continued growth in 2012. In North America, we anticipate modest growth in higher education as rapid take-up of our technology and services is partially offset by lower college enrolments and challenging conditions in the market for printed textbooks. We expect our Assessment and Information business to remain resilient as it prepares for the transition to next-generation Common Core assessments. We expect good growth in digital school programmes and services, but another tough year for the School textbook publishing industry, which will continue to be affected by pressure on state budgets and delays in purchasing decisions during the transition to the new Common Core standards.

International

We expect our International education business to show good growth. Austerity measures will continue to affect education spending in much of the developed world, but we see significant opportunity in emerging markets in China, south-east Asia, Latin America, the Middle East and Sub-Saharan Africa – which together accounted for more than 40% of our International education revenues in 2011. Across our education company, we will be integrating acquisitions made in 2011 (and expensing the costs) and making a series of organic investments in fast-growing segments including digital learning, English language teaching and institutional services.

Professional

We expect our Professional education business to grow again, benefiting from the continued strength of our worldwide professional testing business. In the UK, government funding pressures and policy change relating to apprenticeships are creating a tough trading environment in professional training.

FT Group

The FT Group's profits will be lower in 2012 than in 2011, reflecting the sale of our 50% stake in FTSE International and further actions weighted towards the first half of the year to accelerate the shift from print to digital. The Financial Times and The Economist Group (in which Pearson owns a 50% stake) are predicting weak advertising markets but strong growth in digital subscription revenues. Mergermarket will benefit from its high subscription renewal rates, although the outlook for M&A activity remains uncertain.

Penguin

Penguin has performed strongly in recent years in the context of rapid structural change in the consumer publishing industry. We expect it to perform in line with the overall industry this year, facing tough conditions in the physical bookstore channel but helped by its strong position in digital. eBook revenues accounted for 12% of Penguin revenues worldwide in 2011, up from 6% in 2010, and we expect this percentage to increase significantly again in 2012.

Interest and tax

In 2012, our net interest charge will be broadly level with 2011. We anticipate our P&L tax charge against adjusted earnings to be in the 24–26% range with our cash tax rates around the same level.

Exchange rates

Pearson generates approximately 60% of its sales in the US. A five cent move in the average £:$ exchange rate for the full year (which in 2011 was £1:$1.60) has an impact of approximately 1.3p on adjusted earnings per share.

North American Education

North American Education is Pearson's largest business, with 2011 sales of £2.6bn and operating profit of £493m.

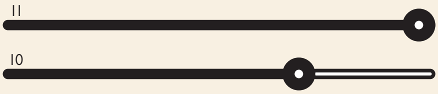
Watch an interview with
Will Ethridge, Chief executive,
North American Education
www.pearson.com/ar2011/will-ethridge

KEY PERFORMANCE INDICATORS

£ millions	2011	2010	Headline growth	CER growth	Underlying growth
Sales	2,584	2,640	(2)%	1%	(1)%
Adjusted operating profit	493	469	5%	9%	8%

SCHOOL PUBLISHING ADOPTION CYCLE WIN RATES

Win rate %

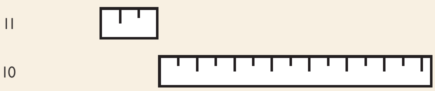


11: 37%
10: 28%

Pearson's market share by value of new business in the US adoption states. Market share is quoted as a percentage of the total value of adoptions that we participated in.

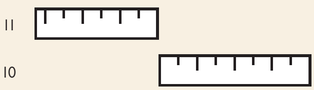
US EDUCATION PUBLISHING SCHOOL AND COLLEGE SALES GROWTH VS INDUSTRY

Pearson %



11: (0.7)%
10: 7.7%

Industry %

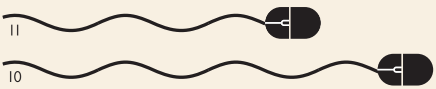


11: (3.5)%
10: 4.4%

Pearson's total year-on-year sales growth in school and college education publishing products in the US versus the year-on-year sales growth of the total US industry.

ASSESSMENT AND INFORMATION TESTING CONTRACT WIN RATES

Win rate %

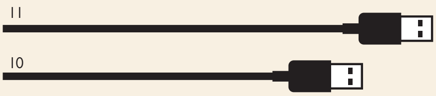


11: 61%
10: 79%

The lifetime value of the US testing contracts won by Pearson this year as a percentage of the total lifetime value of competitive contracts bid for this year.

ONLINE LEARNING USERS

MyLab Registrations no.



11: 8.9m
10: 7.3m

The number of registrations by students to access one of our North American MyLabs online homework and assessment programmes.

North American Education is Pearson's largest business, with 2011 sales of £2.6bn and operating profit of £493m. Building on our roots as a leading publisher of educational materials and provider of assessment services, we have made significant investments and changes to transform Pearson into a world-leading provider of learning technologies for students and enterprise services for educational institutions. These technology services – including LearningStudio (formerly known as eCollege), OpenClass, PowerSchool, the MyLabs, Data Solutions (Edustructures), Schoolnet and Connections Education – are the backbone of our strategy to help educators raise student performance and institutions to become more effective. In 2011, our strength in digital and services businesses enabled us to perform ahead of our more traditional print publishing markets, which were adversely affected by state budget pressures and decline in college enrolments.

Higher Education highlights in 2011 include:

› The US higher education publishing market was broadly level with 2010, according to the Association of American Publishers, with solid revenue growth in public colleges offset by enrolment declines in for-profit colleges following changes in Federal regulations.

› Pearson gained share, benefiting from its lead in technology and customisation, and has now grown faster than the US higher education industry for 13 consecutive years.

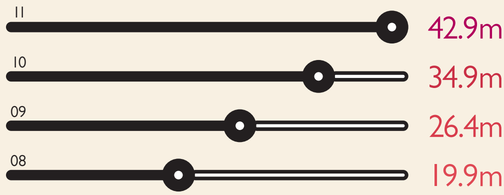
› Pearson's pioneering 'MyLab' digital learning, homework and assessment programmes grew strongly with student registrations in North America up 22% to almost nine million. Usage continues to grow strongly with graded submissions up 39% to almost 250 million across the globe. Evaluation studies show that the use of MyLab programmes can significantly improve student test scores and institutional efficiency (http://bit.ly/ymMMAi).

Digital learning platforms

In 2011 student registrations on our digital learning platforms increased by 23% to 43 million.

DIGITAL LEARNING PLATFORMS

Users, million



Watch our new digital highlights film:
www.pearson.com/ar2011/digital

› We developed a new model of enterprise-wide support for online higher education with Arizona State University Online and Ocean Community College. Through these long-term partnerships, Pearson runs the full online learning programmes for these institutions and earns revenues based on the success of the institution and its students.

› Pearson LearningStudio increased fully-online student enrolments by 20% to ten million. Renewal rates remain high at more than 80% by value with fewer large accounts up for renewal in the year.

› We launched OpenClass, a dynamic, scalable and cloud-based Learning Management System which encourages social learning and is easy and free to use.

North American Education continued

Assessment and Information highlights in 2011 include:

- Revenues at our Assessment and Information division grew modestly in 2011. State funding pressures and the transition to Common Core assessments continued to make market conditions tough for our state assessment and teacher testing businesses; these were offset by good growth in diagnostic and clinical assessments.
- We signed several important contracts including state-wide student assessment contracts in New York, Kentucky and Arizona; Race to the Top Florida formative assessment; Indiana educator licensing and Ohio pre-service teacher assessment. We also renewed three important contracts, extending our relationships with Virginia and Maryland for state-wide student assessments and with ETS to service state-wide assessments for California.
- We signed an agreement with Stanford University to provide the capability to deliver the Teacher Performance Assessment (TPA) – a nationally available, web-based performance assessment for measuring the effectiveness of teacher candidates nationally.
- We delivered 13 million secure online tests in 2011 with strong growth in automated written and spoken assessment scoring volumes. We won the Online Assessment Readiness Tool contract from both the PARCC and SBAC Common Core consortia to help the 45 states prepare for the transition to online assessments.
- PowerSchool supported more than ten million students, up 6% on 2010, and developed its platform to enable 18 additional languages to be used on the PowerSchool parent portal.
- Our clinical assessment business grew well boosted by strong growth at AIMSweb, our progress monitoring service which enables early intervention and remediation for struggling students. Usage of AIMSweb increased dramatically with 47 million assessments delivered in 2011, up more than 40%.
- We acquired Schoolnet, a fast-growing and innovative education technology company that aligns assessment, curriculum and other services to help individualise instruction and improve teacher effectiveness. Schoolnet serves more than five million US pre K-12 students through partnerships with districts and states, supporting about one-third of America's largest cities.

Insight for learning

Schoolnet provides assessment, curriculum and other services to help personalise learning and improve teacher effectiveness. It supports more than five million students in primary and secondary education through partnerships with districts and states across the US.

Watch our new film about Schoolnet:
www.pearson.com/ar2011/schoolnet

School highlights in 2011 include:

- The US school textbook publishing market declined 9% in 2011, according to the Association of American Publishers. There were several pressures on the industry including weakness in state budgets, a lower new adoption opportunity (total opportunity of $650m in 2011 against $800m in 2010) and delays in purchasing decisions during the transition to the new Common Core standards.
- Pearson gained share with a strong adoption performance boosted by our blended print-and-digital programmes including Writing Coach, Prentice Hall Math and enVisionMATH. We took an estimated 37% of new adoptions competed for (or 31% of the total new adoption market).
- We acquired Connections Education which operates online K-12 schools in 21 states and a nationwide charter school programme. It served 33,200 students in 2011, up 43% from 2010. Connections Academy Schools have consistently high performance ratings, particularly in states focused on measuring growth in student learning.
- SuccessNet, our online learning platform for school teachers and students, generated more than six million registrations in 2011, up 5% on 2010. The number of assessments taken through SuccessNet increased by 32% to more than 11 million.
- We continue to develop digital programmes, platforms and apps to boost achievement, access and affordability. We launched two major new school programmes aimed at meeting rising literacy standards under the Common Core:

  i-lit (http://redefiningliteracy.com), a personalised digital reading programme. It combines our proven literacy model (with many students making two years of literacy growth in a single year), automated assessment capabilities and compelling literature from Penguin and Dorling Kindersley, all delivered through iPads.

  Pearson English Learning System, which benchmarks, monitors and tracks both student progress and teacher best practice to boost English language skills.
- Poptropica (www.poptropica.com) is one of the largest virtual worlds for young children in the US and was named by *Time* as one of 'The 50 Best Websites of 2011'. Poptropica has up to 9.7 million monthly unique visitors from more than 130 countries.

Bringing education home

Connections Education operates online or 'virtual' schools for more than 33,000 students in 21 states across the US. Virtual schools serve a diverse population of students including those who may be gifted, struggling, pursuing careers in sports or the arts, in need of scheduling flexibility, or who have chosen home schooling.

Watch our new film about Connections Education:
www.pearson.com/ar2011/connections-education

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International Education

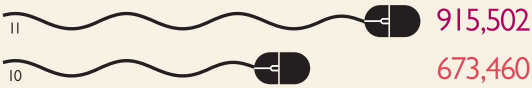
Our International Education company is active in more than 70 countries.

KEY PERFORMANCE INDICATORS

£ millions	2011	2010	Headline growth	CER growth	Underlying growth
Sales	1,424	1,234	15%	15%	4%
Adjusted operating profit	196	171	15%	13%	2%

ONLINE LEARNING USERS

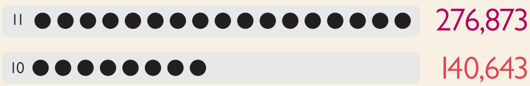
MyLab Registrations no.



The number of registrations by students and professors to access one of our International Education MyLab online homework and assessment programmes.

ONLINE LEARNING LOGINS

Logins no.



Number of logins by users of International Education's online results service.

Watch an interview with John Fallon, Chief executive, International Education www.pearson.com/ar2011/john-fallon

Our International Education company is active in more than 70 countries. It is a major focus of our strategy, and sales and profits have broadly doubled since 2007. Our strategy is to combine educational content, assessment, technologies and related services to help educational institutions become more effective and their students more successful. We expect to benefit from a series of powerful long-term global trends: increasing public and private spending on education (despite current pressures on public spending in developed markets); growing participation rates; the demand for assessment to provide measures of achievement; the growing technology infrastructure in educational institutions; and the rise of English as a global language. In 2011, we continued to make significant organic investments in expanding the footprint of Wall Street English in China and the roll-out of our school services business in India as well as incurring significant charges from the integration of acquisitions, most notably the school systems business of SEB in Brazil.

Global highlights in 2011 include:

- Wall Street English, Pearson's worldwide chain of English language centres for professionals, increased student numbers by 9% to more than 190,000. We opened 19 new centres around the world, bringing the total number close to 450.
- More than 0.9 million students registered for our MyLab digital learning, homework and assessment programmes, an increase of 36%. They included more than 150,000 MyEnglishLab registrations, up 70%, and 28,000 registrations for our high school mathematics programme MathXL, a 54% increase.

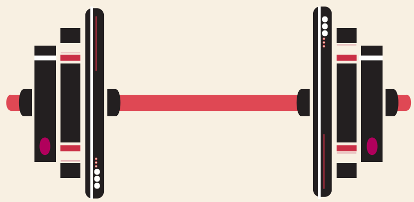
- We developed a new model of enterprise-wide support for online higher education with the University of New England (UNE) in Australia which will launch in 2012. The partnership enables UNE to expand its distance learning capacity and access to higher education and ties Pearson's revenue to the success of the institution and its students.
- Our Fronter learning management system grew strongly with new contracts won in Malta, Tasmania and Poland. Active users rose by 18% to 1.3 million and their logins by 11% to 154 million.
- Student test volumes for the Pearson Test of English Academic saw robust growth supported by recognition from almost 1,900 institutions including the Australian Department of Immigration & Citizenship and 95% of UK Universities.
- The Organisation for Economic Co-operation and Development chose Pearson to develop a competency and assessment framework for the 2015 cycle of The Programme of International Student Assessment (PISA) tests, one of the world's most prestigious programmes of international tests.

Developing markets highlights in 2011 include:

- In China, student enrolments at our Wall Street English centres increased 25% to 53,000, boosted by strong underlying demand and the launch of 11 new centres. Our students continue to rapidly acquire high-level English skills with average grade levels achieved by our students rising by 11% during 2011.
- We acquired Global Education and Technology Group, a leading provider of test preparation services for English Language and other professional qualifications, for $155m in cash. Global Education has approximately 450 (115 owned and 335 franchised) learning centres in 150 cities across China.
- In South Africa we gained share in school publishing, but market conditions were tougher than expected during a year of major curriculum reform. Student enrolments grew strongly at CTI, up 13% to 8,700, which continues to deliver significantly better completion rates than its peers and strong job placement rates of 70%. We delivered half a million secondary textbooks for Physics, Biology and History to all government secondary schools in Uganda, one million Junior African Writer readers to the Ministry of Education in Sierra Leone and almost two million textbooks in five subjects to secondary schools in Zimbabwe.
- In Brazil, we successfully completed the first stage of the SEB Pearson Sistemas integration with major investments and improvements across the business. Our Virtual Library grew strongly and now reaches two million students across 100 universities, and we entered the K-12 publishing market. In Colombia, we implemented a bilingual teacher training programme in several states and in Chile we won a contract to evaluate the national college admissions test.

In training for an international education

Global Education is a leading provider of test preparation services for students in China who are learning English. It has a network of 450 test preparation and training centres across 150 cities in China and also provides English language training for children, tutoring in a range of subjects and teaching for other foreign languages.



Watch our new film about Global Education:
www.pearson.com/ar2011/global-education

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International Education continued

- In India, we incurred costs related to the acquisition of TutorVista and invested to grow the business. We have doubled the number of schools managed by TutorVista to 24 and the installations of its multimedia teaching tool Digiclass to approximately 10,000. Vocational and Professional enrolments at our IndiaCan joint-venture grew more than 50% to 86,000, with particular strength in spoken English, Chartered Accountancy, Engineering and MBA qualifications.
- In the Middle East, our performance was boosted by sales of Reading Street and Scott Foresman Math in Saudi Arabian schools; Giancoli Physics and Thomas Calculus along with strong MyLabs uptake in Turkish colleges; and Haeussler Mathematics and Hubert Engineering along with strong MyLab redemptions in Egypt.

United Kingdom highlights in 2011 include:

- Our UK business made solid progress during the year despite significant regulatory and policy changes in its markets, most notably in vocational and general qualifications, apprenticeships and in higher education.
- We marked more than 5.7 million GCSE, A/AS Level and other examinations with 90% using onscreen technology. We marked more than 3.8 million test scripts for over half a million pupils taking National Curriculum Tests at Key Stage Two in 2011 and have been selected to mark tests in 2012.
- Our Bug Club digital reading programme for primary schools combines engaging phonics-based books with games, assessments and teacher diagnostic tools to boost reading enjoyment and comprehension. In 2011, more than 145,000 online users in almost 900 schools subscribed to Bug Club online.
- We acquired EDI plc, a leading provider of education and training qualifications and assessment services, with a strong reputation for the use of information technology to administer learning programmes and deliver on-screen assessments. Registrations for our own BTEC Apprenticeships more than doubled to 80,000 students.

Rest of World highlights in 2011 include:

- We launched the Australian edition of our pioneering US digital maths curriculum, enVisionMATH. We have more local versions in development to bring high quality digital curriculum to new markets across the globe.
- In Italy, our new digital curriculum helped us gain significant share in lower secondary adoptions and to see good growth overall.
- In Germany, we acquired Stark Holding, a leading provider of education materials including test preparation resources for pupils and teachers.
- In Japan, we faced major disruption following the March 2011 tsunami but maintained operations and achieved notable successes, particularly with the Versant Test of Communicative English and the launch of BTEC.

Here's a conversation starter

Wall Street English provides spoken English training for adults in 450 learning centres in 25 territories across Asia, Europe, the Middle East and Latin America. In 2011 we opened 19 new centres around the world.

Professional Education

Our Professional Education business is focused on publishing, training, testing and certification for professionals.

Over the past five years, we have increased operating profit from £27m in 2007 to £66m in 2011. We expect this business to benefit from rising demand for work-related skills and qualifications in both developed and developing markets, and from close connections with professional content and customers in other parts of Pearson.

Professional testing highlights in 2011 include:

- We continued to see good revenue and profit growth at Pearson VUE, which administered more than seven million tests during the year, benefiting from sales of additional services to customers and contractual fee increases. We won a number of new contracts including the Construction Industry Training Board in the UK, the National Council of Examiners for Engineering and Surveying in the US, and the HP certification examination worldwide.
- We formed a joint venture with the American Council on Education to develop an online General Educational Development (GED) test aligned with new Common Core standards. The GED test measures an adults' high school level knowledge and skills in math, reading, writing, science and social science.
- We launched a new touch-screen theory driving test for the Roads and Transport Authority for Dubai. The test is delivered in Arabic, English and Urdu. The new test follows the opening last year of a new Pearson VUE office in Dubai to meet the Middle East's demand for computer-based testing.

KEY PERFORMANCE INDICATORS

£ millions	2011	2010	Headline growth	CER growth	Underlying growth
Sales	382	333	15%	17%	2%
Adjusted operating profit	66	51	29%	31%	10%

Professional training

- Despite significant regulatory and policy changes in the apprenticeship market, Pearson in Practice successfully graduated its largest IT cohort and launched or enhanced several new apprenticeship programmes in logistics, construction, management and customer service, business and health.
- We acquired TQ Holdings Ltd which provides technical education and training services to governments, institutions and corporations around the world with particular expertise in skills related to the defence, engineering, oil and gas and construction sectors.

Professional publishing highlights in 2011 include:

- Our resilient performance in the US benefited from the breadth of our publishing and range of revenue streams, from online retail through digital subscriptions. As a result, digital products and services now account for more than 25% of our professional publishing revenues in the US. In some International markets such as Japan, professional publishers continued to face very challenging trading conditions.
- In the US, we launched MyGraphicsLab which integrates 50 hours of videos, 250 creative projects, 50 presentations and 1,000 quiz questions with real-world assignments to prepare students for the job market.

Financial Times Group

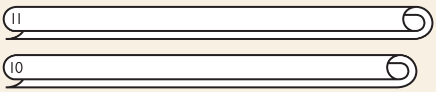
The FT Group is a leading provider of essential information in attractive niches of the global business information market.

KEY PERFORMANCE INDICATORS

£ millions	2011	2010	Headline growth	CER growth	Underlying growth
Sales	427	403	6%	8%	7%
Adjusted operating profit	76	60	27%	22%	17%

TOTAL PAID CONTENT

Average no. of customers thousands



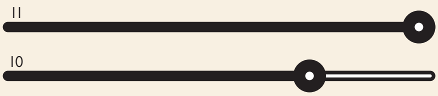
601k

597k

The average number of daily and global FT paying customers across print and online.

FT.COM REGISTERED USERS

No. millions



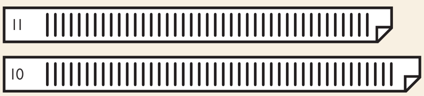
4.3m

3.2m

The average number of monthly registered users.

MERGERMARKET RENEWAL RATES

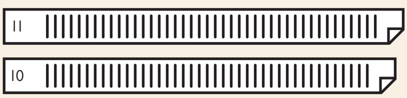
Mergermarket %



99.1%

105.5%

DebtWire %



101.6%

99.6%

The current year value of sales to existing customers as a percentage of their spend in the previous year.

Watch an interview with Rona Fairhead, Chief executive, Financial Times Group
www.pearson.com/ar2011/rona-fairhead

The FT Group is a leading provider of essential information in attractive niches of the global business information market. These include insight, news and analysis offered through a growing number of print, digital and mobile channels. In recent years, the FT Group has significantly shifted its business towards digital, subscription and content revenues, divested its data businesses and has continued to invest in talent and in services in faster-growing emerging markets. In 2011, FT Group produced strong revenue and profit growth with digital and services now accounting for 47% of FT Group revenues, up from 25% in 2007. Content revenues comprised 58% of total revenues, up from 41% in 2007, while advertising accounted for 42% of FT Group revenues, down from 59% in 2007.

Financial Times highlights in 2011 include:

- The FT produced strong and accelerating growth in its digital readership with online subscriptions up 29% to 267,000, 2,000 direct corporate licences and FT.com registered users up 33% to more than four million. Combined paid print and digital circulation reached 600,000 in 2011, the highest circulation in the history of the FT. At the end of 2011, digital subscribers exceeded print circulation in the US for the first time. The Average Daily Global Audience across print and online grew 3% to 2.2 million people worldwide, our largest audience ever.
- Readership continues to migrate online and to mobile, which now generates 19% of traffic to FT.com. We launched FT web apps optimised for iPad and Android devices including a custom app for India. The web apps provide FT subscribers access to our content online and through mobile devices with a single subscription and data analytics allow us to better serve our customers.

We also acquired Assanka, the FT's web app development partner, which we expect to yield benefits in FT Group and across Pearson.

- Advertising was generally weak and volatile with poor visibility. Growth in online advertising and the luxury category was offset by weakness in corporate advertising.
- FT Conferences had a very strong year, operating 75 events in 37 cities worldwide. Almost 9,000 senior executives from around the world attended these events.
- We launched the FT Non-Executive Certificate (in partnership with Pearson LearningStudio and Edexcel) in April 2011, enrolling more than 100 students. The certificate is designed to aid the professionalisation of the sector and increase diversity on UK boards. It is the first fully accredited formal education product for non-executive directors.
- We extended the breadth and depth of the FT's premium subscription services through the launch of Brazil Confidential, extending our successful China Confidential franchise into another growth market; Medley Global Advisors (MGA) grew modestly despite challenging conditions for its customers due to new contract wins; Money-Media grew strongly fuelled by an increase in subscriptions and advertising.

Mergermarket highlights in 2011 include:

- Mergermarket's strong editorial analysis continued to benefit from its global presence and product breadth. Usage increased, new sales grew and renewal rates were strong. Continued volatility in debt markets helped sustain the strong performance of Debtwire whilst volatile equity markets benefited dealReporter's event-driven strategy. Mergermarket saw strong growth in Asia-Pacific and the Americas while MergerID continued to benefit from a broadening network of users and strong growth in transaction matches.
- We launched a large number of new products, extending our reach into new geographies (US wealthmonitor, ABS Europe, dealReporter Middle East, dealReporter Russia Desk), new strategies (multi-strategy products), new coverage areas (municipal bonds, dividend arbitrage) and new platforms (mergermarket iPad app).

FT for everyone

The FT was the first major news publisher to launch an app that uses HTML5 technology and allows users to download the app directly from a browser. Since June 2011, the FT Web App has had over 1.3 million visitors and won an award for Best Mobile Innovation for Publishing at the Global Mobile Awards. In January 2012 the FT acquired Assanka, its partner in developing the app, which we expect to yield benefits within the FT Group and across Pearson.

Watch our new digital highlights film:
www.pearson.com/ar2011/digital

Joint ventures and associates highlights in 2011 include:

- **The Economist**, in which Pearson owns a 50% stake, increased global weekly circulation by 1% to 1.49 million (for the July – December 2011 ABC period) with an additional digital circulation in excess of 100,000; total annual online visits increased to 165 million, up 39% on 2010.
- **Business Day and Financial Mail (BDFM)**, our 50% owned joint-venture in South Africa with Avusa, improved profitability with revenue increasing by 10%. The business benefited from growth in advertising and circulation revenues.
- We sold our 50% stake in **FTSE International** to the London Stock Exchange for net proceeds of £428m in December 2011: it contributed £20m to Pearson's operating profit in 2011.

Penguin

Penguin is one of the most famous brands in book publishing, known around the world for the quality of its publishing and its consistent record of innovation.

KEY PERFORMANCE INDICATORS

£ millions	2011	2010	Headline growth	CER growth	Underlying growth
Sales	1,045	1,053	(1)%	1%	1%
Adjusted operating profit	111	106	5%	8%	8%

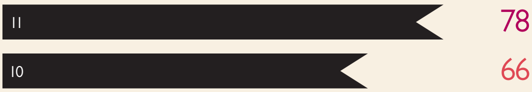
US BESTSELLERS

Bestsellers no.

The number of Penguin books entering the Top Ten bestseller lists in the US (New York Times).

UK BESTSELLERS

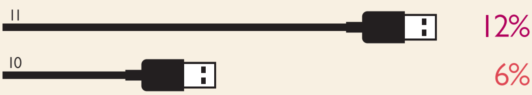
Bestsellers no.



The number of Penguin books entering the Top Ten bestseller lists in the UK (Nielsen BookScan Top Ten).

E-BOOK SALES

Sales %



Penguin global e-book sales as a percentage of Penguin Group net sales.

Watch an interview with
John Makinson, Chairman and chief executive, Penguin Group
www.pearson.com/ar2011/john-makinson

Penguin is one of the most famous brands in book publishing, known around the world for the quality of its publishing and its consistent record of innovation. Market conditions in 2011 were tough following the collapse of two major customers: Borders in the US and the REDGroup in Australia and New Zealand. Despite this, Penguin achieved robust sales and profits and gained market share in each of its major markets – the US, the UK and Australia.

Global highlights in 2011 include:

- A strong and consistent publishing performance across imprints and territories produced market share gains in the US, UK and Australia, our three largest markets in a very challenging retail environment with the closure of more than 750 stores.
- Growth in developing markets was boosted by the strength of the direct marketing channel and strong publishing in India, including its first 100,000 copy bestseller (Ravinder Singh's *Can Love Happen Twice?*). In China, Penguin launched a new English language publishing programme.
- Global publishing properties such as LEGO®, Wimpy Kid, Jamie Oliver and Kathryn Stockett's *The Help* sold in significant numbers in multiple markets.
- In January 2012, we acquired 45% of Companhia das Letras, a leading trade book publisher in Brazil, with whom we have an existing Classics publishing partnership.

Digital highlights in 2011 include:

- eBook revenues doubled on the previous year and accounted for 12% of Penguin revenues worldwide, and more than 20% in the US, in 2011. Since the beginning of 2008, digital downloads of apps and ebooks across the Group have totalled approximately 50 million.
- Penguin continued to invest in digital innovation, launching more than 100 apps and enhanced eBooks, including *Wreck this App*, *On the Road* and *Moshi Monsters*, and a new global digital-only publishing programme, *Penguin Shorts*.
- DK launched its first non-travel apps including the award-winning *DK Human Body*. In January 2012 DK became the first consumer publisher to publish four iBooks2 titles using Apple's new authoring tool.
- Penguin continued to invest in direct-to-consumer initiatives including new digital platforms for readers, specifically aNobii in the UK and Bookish in the US. In Australia Penguin acquired the REDGroup's online business. Penguin also signed its first author through its new self-publishing platform BookCountry. Its websites and social media channels around the world now have a global following of more than 11 million.
- Penguin continued to leverage Pearson-wide digital platforms to transform its internal publishing processes, enabling faster product development and greater re-use of content.

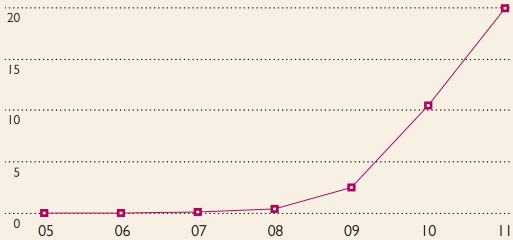
Publishing performance highlights in 2011 include:

- In the US Penguin published a record 254 *New York Times* bestsellers including some of its repeat bestselling authors such as Tom Clancy, Patricia Cornwell, Ken Follett, Nora Roberts and Clive Cussler, as well as new talent such as Deborah Harkness, Amor Towles and Eleanor Brown. Kathryn Stockett's *The Help* was the bestselling title across the US industry selling five million copies in print and digital in its third year since publication. The Young Readers' division had another strong year achieving a high of 41 *New York Times* bestsellers.
- Penguin UK published 78 top ten bestsellers, an increase of 15 on 2010, including two of the top five industry titles with Jamie Oliver's *30-Minute Meals* and Dawn French's *A Tiny Bit Marvellous*, and a robust performance by Penguin Children's who were named Children's Publisher of the Year in 2011. For a second consecutive year, Jamie Oliver secured the coveted Christmas number one slot with *Jamie's Great Britain*. Jeff Kinney's new *Wimpy Kid* title *Cabin Fever* sold 300,000 copies and was the fastest selling book of 2011.

Penguin takes off

Penguin saw eBook revenues in 2011 double on the previous year. In 2011 they accounted for 12% of Penguin revenues worldwide and more than 20% in the US. Since 2008, digital downloads of apps and ebooks across Penguin have totalled approximately 50 million.

PENGUIN: US EBOOK VOLUMES
(MILLIONS)



Watch our new digital highlights film:
www.pearson.com/ar2011/digital

Consumer Publishing: Penguin continued

- DK's bestseller success continued in 2011 with its LEGO® titles dominating the bestseller charts including *The LEGO® Ideas Book*, *LEGO® Star Wars Character Encyclopaedia* and *LEGO® Star Wars Visual Dictionary*. Titles from authors such as Annabel Karmel, Karl Pilkington and Mary Berry and the *MasterChef* titles also performed strongly.
- In Australia, Penguin had the two top-selling titles across the industry with Jamie's *30-Minute Meals* and Jeff Kinney's *Cabin Fever* and hit number one 24 times through the course of the year.
- Penguin has a strong publishing list for 2012 with major new books from authors including Tom Clancy, Ken Follett, Charlaine Harris, Nora Roberts, Deborah Harkness, Junot Diaz, Kofi Annan, John Grisham and Richelle Mead in the US, and Jamie Oliver, David Walliams, Pippa Middleton, Dawn French, Marian Keyes, Clare Balding, Zadie Smith, Neil MacGregor, Michelle Paver, Philip Pullman and Jacqueline Wilson in the UK. DK will launch more LEGO® titles including the *Ninjago Character Encyclopaedia, LEGO® Batman: The Visual Dictionary and LEGO® Friends Brickmaster*, as well as titles from bestselling authors such as Mary Berry and a new *MasterChef* title. New digital properties for 2012 include *Skylanders* and global gaming franchise, *Risen*.

Pick of the year

In 2011, Penguin enjoyed bestseller success around the world, including publishing 254 *New York Times* bestsellers and 78 top ten bestsellers in the UK. Here's a taste of the highlights:

Other financial information

Net finance costs

£ millions	2011	2010
Net interest payable	(55)	(73)
Finance income/(costs) in respect of retirement benefit plans	3	(12)
Net finance costs reflected in adjusted earnings	(52)	(85)
Other net finance (costs)/income	(19)	12
Total net finance costs	(71)	(73)

Net finance costs reported in our adjusted earnings comprise net interest payable and net finance costs relating to post-retirement plans.

Net interest payable in 2011 was £55m, down from £73m in 2010. Although our fixed rate policy reduces the impact of changes in market interest rates, we were still able to benefit from low average US dollar and sterling interest rates during the year. 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 0.1% to 0.3%. This reduction in floating market interest rates helped drive the Group's lower interest charge. These low rates, coupled with interest income on deposits in higher yielding currencies created a decrease in the Group's average net interest payable from 7.9% to 6.5%. The Group's average net debt fell by £82m, reflecting the timing of the reinvestment during 2011 of the proceeds from the Interactive Data disposal.

Net finance income relating to post-retirement plans was £3m in 2011 compared to a net charge of £12m in 2010. Also included in the statutory definition of net finance costs are finance costs on put options and deferred consideration associated with acquisitions, foreign exchange and other gains and losses. Finance costs for put options and deferred consideration are excluded from adjusted earnings as they relate to future earn outs and similar payments on acquisitions and do not reflect cash expended. Foreign exchange and other gains and losses are excluded from adjusted earnings as they represent short-term fluctuations in market value and are subject to significant volatility.

These other gains and losses may not be realised in due course as it is normally the intention to hold the related instruments to maturity. In 2011, the total of these items excluded from adjusted earnings was a charge of £19m compared to a profit of £12m in 2010. The majority of the loss in 2011 relates to foreign exchange differences on a proportion of the unhedged US dollar proceeds from the Interactive Data sale. In 2010 the gain arose largely from foreign exchange on US dollar denominated debt.

Funding position and liquid resources

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. Our objective is to secure continuity of funding at a reasonable cost from diverse sources and with varying maturities. The Group does not use off-balance sheet special purpose entities as a source of liquidity or for any other financing purposes.

The net debt position of the Group is set out below.

£ millions	2011	2010
Cash and cash equivalents	1,369	1,736
Marketable securities	9	12
Net derivative assets	174	134
Bonds	(1,955)	(2,226)
Bank loans and overdrafts	(78)	(73)
Finance leases	(18)	(13)
Net debt	(499)	(430)

Through acquisition activity in 2011, the Group largely reinvested the proceeds of the Interactive Data disposal received in 2010, but these cash outflows were largely offset by cash generated from operations and the proceeds from the disposal of FTSE International, leading to a relatively minor change in the Group's net debt. Reflecting the geographical and currency split of our business, a large proportion of our debt is denominated in US dollars (see note 19 for our policy). The weakening of sterling against the US dollar during 2011 (from $1.57 to $1.55:£1) slightly increases the sterling equivalent value of our reported net debt.

Other financial information continued

The Group's credit ratings remained unchanged during the year. The long-term ratings are Baa1 from Moody's and BBB+ from Standard & Poor's, and the short-term ratings are P2 and A2 respectively. The Group's policy is to strive to maintain a rating of Baa1/ BBB+ over the long term.

In June 2011, the Group repaid a $500m bond on its scheduled maturity from available cash and cash equivalents.

The Group has a $1,750m committed revolving credit facility which matures in November 2015. At 31 December 2011 this facility was undrawn. The facility is used for short-term drawings and providing refinancing capabilities, including acting as a back-up for our US commercial paper programme. This programme is primarily used to finance our US working capital requirements, in particular our US educational businesses which have a peak borrowing requirement in June. At 31 December 2011, no commercial paper was outstanding.

The Group also maintains other committed and uncommitted facilities to finance short-term working capital requirements in the ordinary course of business.

Further details of the Group's approach to the management of financial risks are set out in note 19 to the financial statements.

Taxation

The effective tax rate on adjusted earnings in 2011 was 22.4% as compared to an effective rate of 25.2% in 2010. Our overseas profits, which arise mainly in the US, are largely subject to tax at higher rates than that in the UK (which had an effective statutory rate of 26.5% in 2011 and 28% in 2010). These higher tax rates were offset by amortisation-related tax deductions and, in 2011, by prior year adjustments arising from settlements with tax authorities.

The reported tax charge on a statutory basis was £199m (17.2%) compared to a charge of £146m (21.8%) in 2010. The reduction in the statutory rate is largely due to the low tax charge on the gain on disposal of FTSE together with the effect of the prior year adjustments referred to above.

In total these two items outweighed the favourable effect in 2010 from recognition of tax losses and credits 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.

Tax paid in 2011 was £151m compared to £335m in 2010. The 2010 payment included £250m relating to the Interactive Data sale. After taking account of the Interactive Data sale, there were higher tax payments in 2011 in the US, following the use of the remaining available losses in 2010, and in the UK.

Discontinued operations

There are no discontinued operations in 2011. Discontinued operations in 2010 relate to Interactive Data Corporation which was sold in July 2010.

Non-controlling interest

In 2011 there are non-controlling interests in the Group's businesses in South Africa, China and India although none of these are material to the Group numbers. The non-controlling interest in the Group's Brazilian business, Sistema Educacional Brasileiro (SEB), was bought out in the first half of 2011. The non-controlling interest in 2010 comprised mainly the publicly-held share of Interactive Data for the period until its disposal in July 2010.

Other comprehensive income

Included in other comprehensive income are the net exchange differences on translation of foreign operations. The loss on translation of £44m in 2011 compares to a gain in 2010 of £173m. Although the Group is principally exposed to movements in the US dollar as a significant proportion of the Group's operations are based in the US, these movements have been less volatile over the course of the last two years and translation gains and losses have been relatively low. In 2010 the US dollar strengthened from an opening rate of £1:$1.61 to a closing rate at the end of that year of £1:$1.57. The dollar strengthened slightly again in 2011 closing at £1:$1.55.

Also included in other comprehensive income in 2011 is an actuarial loss of £64m in relation to post-retirement plans. This loss arose largely because the discount rate assumptions used in the actuarial valuation contributed to an increase in the value of liabilities, offsetting further improvement in asset returns for the UK Group pension plan. In 2010 there was a gain of £71m which arose largely from improved asset returns.

Dividends

The dividend accounted for in our 2011 financial statements totalling £318m represents the final dividend in respect of 2010 (25.7p) and the interim dividend for 2011 (14.0p). We are proposing a final dividend for 2011 of 28p, bringing the total paid and payable in respect of 2011 to 42.0p, a 9% increase on 2010. This final 2011 dividend was approved by the board in February 2012, is subject to approval at the forthcoming AGM and will be charged against 2012 profits. For 2011, the dividend is covered 2.1 times by adjusted earnings.

We seek to maintain a balance between the requirements of our shareholders for a rising stream of dividend income and the reinvestment opportunities which we identify around the Group and through acquisitions. The board expects to raise the dividend above inflation, more in line with earnings growth, thereby maintaining dividend cover at around two times earnings in the long term.

Pensions

Pearson operates a variety of pension plans. Our UK Group plan has by far the largest defined benefit section. We have some smaller defined benefit sections in the US and Canada but, outside the UK, most of our companies operate defined contribution plans.

The charge to profit in respect of worldwide pensions and post-retirement benefits for continuing operations amounted to £93m in 2011 (2010: £102m) of which a charge of £96m (2010: £90m) was reported in operating profit and a net benefit of £3m (2010: net charge £12m) was reported against net finance costs.

The overall deficit on the UK Group plan of £5m at the end of 2010 has become a surplus of £25m at 31 December 2011. This decrease is principally due to continued deficit funding in the year together with improved asset performance. In total, our worldwide deficit in respect of pensions and post-retirement benefits fell from a deficit of £148m in 2010 to a deficit of £141m at the end of 2011.

Acquisitions

In May 2011 the North American Education business acquired Schoolnet, a leading provider of data-driven education software for students and teachers. In June 2011, the International Education business completed the acquisition of EDI plc, a UK-listed education services company operating primarily in the work based learning sector. In November 2011 the North American Education business acquired Connections Education, a company that operates online or virtual public schools in the US and in December 2011 the International Education business acquired Global Education and Technology Group, a leading provider of test preparation services for students in China who are learning English.

Also in the year to 31 December 2011, the Group completed the acquisitions of CTI Education in South Africa, Tutorvista in India, Stark Holding in Germany, TQ in the UK and various other smaller acquisitions.

Net cash consideration for all acquisitions made in the year ended 31 December 2011 including the purchase of the remaining minority in SEB was £896m and provisional goodwill recognised was £620m. In total, acquisitions completed in the year contributed an additional £129m of sales and £9m of operating profit before acquisition costs and intangible amortisation.

Return on invested capital (ROIC)

Our ROIC is calculated as total adjusted operating profit less cash tax, expressed as a percentage of average gross invested capital. ROIC decreased by 1.2 percentage points from 10.3% in 2010 to 9.1% in 2011. This decrease reflects the impact of the Interactive Data disposal, reinvestment of proceeds which (after integration costs) yield lower returns in their first year and higher tax payments following utilisation of US tax losses and settlements.

Other financial information continued

Capital expenditure

Net capital expenditure in the year on property, plant equipment and software amounted to £156m. The analysis of capital expenditure and details of capital commitments are shown in notes 10, 11 and 35 of the financial statements.

Related party transactions

Transactions with related parties are shown in note 36 of the financial statements.

Post balance sheet events

There were no significant post balance sheet events.

Supplier payment policy

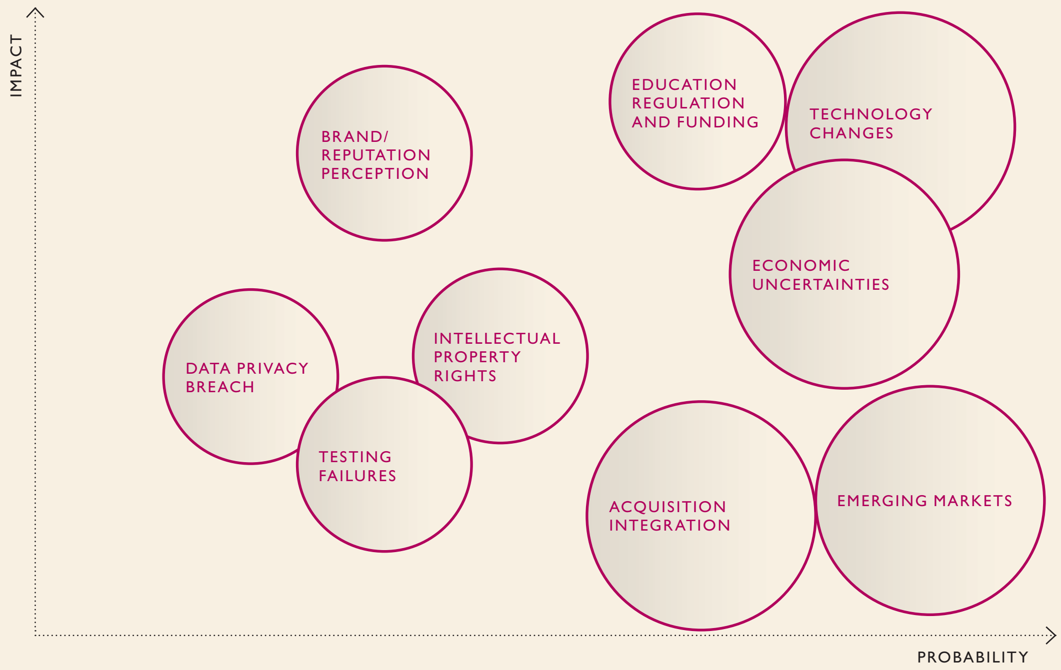
Operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. These supplier payment terms vary by operating company reflecting the different industries and countries in which they operate. It is company policy that suppliers are aware of such terms of payment and that payments to them are made in accordance with these, provided that the supplier is also complying with all the relevant terms and conditions. Group trade creditors at 31 December 2011 were equivalent to approximately 32 days of purchases during the year ended on that date. The company does not have any significant trade creditors and therefore is unable to disclose average supplier payment terms.

Principal risks and uncertainties

Our principal risks and uncertainties are outlined below. These are the most significant risks that may adversely affect our business strategy, financial position or future performance. The risk assessment process evaluates the probability of the risk materialising and the financial or strategic impact of the risk. Those risks which have a strong probability and significant impact on strategy, reputation or operations or a financial impact greater than £40 million are identified as principal risks. The risk assessment and reporting criteria are designed to provide the board with a consistent, Group-wide perspective of the key risks. The reports to the board, which are submitted every six months, include an assessment of the probability and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.

We conduct regular risk reviews to identify risk factors which may affect our business and financial performance and to assist management in prioritising their response to those risks. Our Group internal audit and risk assurance function facilitates risk reviews with each business, shared service operations and corporate functions, identifying measures and controls to mitigate these risks. These reviews are designed so that the different businesses are able to tailor and adapt their risk management processes to suit their specific circumstances. Management is responsible for considering and executing the appropriate action to mitigate these risks whenever possible. It is not possible to identify every risk that could affect our businesses, and the actions taken to mitigate the risks described below cannot provide absolute assurance that a risk will not materialise and/or adversely affect our business or financial performance.

PRINCIPAL RISKS – IMPACT AND PROBABILITY



Principal risks and uncertainties continued

Principal risks	Mitigating factors
Technology changes Our education, business information and book publishing businesses will be impacted by the rate of and state of technological change, including the digital evolution and other disruptive technologies. We operate in markets which are dependent on Information Technology (IT) systems and technological change.	We are transforming our products and services for the digital environment along with managing our print inventories. Our content is being adapted to new technologies across our businesses and is priced to drive demand. We develop new distribution channels by adapting our product offering and investing in new formats. We continue to monitor contraction in the consumer book market to minimise the downturn of bankruptcy. We mitigate these IT risks by establishing strong IT policies and operational controls, employing project management techniques to manage new software developments and/or systems implementations and have implemented an array of security measures to protect our IT assets from attacks or failures that could impact the confidentiality, availability or integrity of our systems.
Education regulation and funding Our US educational solutions and assessment businesses and our UK training businesses may be adversely affected by changes in government funding resulting from either general economic conditions, changes in government educational funding, programs, policy decisions, legislation and/or changes in the procurement processes.	In the US we actively monitor changes through participation in advisory boards and representation on standard setting committees. Our customer relationship teams have detailed knowledge of each state market. We are investing in new and innovative ways to expand and combine our product and services to provide a superior customer offering when compared to our competitors, thereby reducing our reliance on any particular funding stream in the US market. We work through our own government relations team and our industry trade associations including the Association of American Publishers. We are also monitoring municipal funding and the impact on our education receivables. In the UK we maintain relationships with those government departments and agencies that are responsible for policy and funding. We work proactively with them to ensure our training and apprenticeship programmes meet existing and new government objectives at the right quality.
Economic uncertainties Global economic conditions may adversely impact our financial performance. A significant deterioration in Group profitability and/or cash flow caused by prolonged economic instability could reduce our liquidity and/or impair our financial ratios, and trigger a need to raise additional funds from the capital markets and/or renegotiate our banking covenants. We generate a substantial proportion of our revenue in foreign currencies, particularly the US dollar, and foreign exchange rate fluctuation could adversely affect our earnings and the strength of our balance sheet.	The Group's approach to funding is described on page 29 and the Group's approach to the management of financial risks is set out in note 19 to the financial statements.

Principal risks	Mitigating factors
Intellectual property rights If we do not adequately protect our intellectual property and proprietary rights our competitive position and results may be adversely affected and limit our ability to grow.	We seek to mitigate this type of risk through general vigilance, co-operation with other publishers and trade associations, advances in technology, as well as recourse to law as necessary. Data rights management standards and monitoring programs have been developed. We have established a piracy task force to identify weaknesses and remediate breaches. We monitor activities and regulations in each market for developments in copyright/intellectual property law and enforcement and take legal action where necessary.
Emerging markets Our investment into inherently riskier emerging markets is growing and the returns may be lower than anticipated.	We draw on our experience of developing businesses outside our core markets and our existing international infrastructure to manage specific country risks. We have strengthened our financial control and managerial resources in these markets to manage expansion. The diversification of our international portfolio, and relative size of 'emerging markets' in relation to the Group, further minimises the effect any one territory could have on the overall Group results.
Data privacy breach Failure to comply with data privacy regulations and standards or weakness in internet security result in a major data privacy breach causing reputational damage to our brands and financial loss.	Through our global security we have established various data privacy and security programmes. We constantly test and re-evaluate our data security procedures and controls across all our businesses with the aim of ensuring personal data is secured and we comply with relevant legislation and contractual requirements. We pursue appropriate privacy accreditations, e.g., TRUSTe Privacy and Safe Harbor Seal. We regularly monitor regulation changes to assess impact on existing processes and programmes.
Testing failures A control breakdown or service failure in our school assessment businesses could result in financial loss and reputational damage. Our professional services and school assessment businesses involve complex contractual relationships with both government agencies and commercial customers for the provision of various testing services. Our financial results, growth prospects and/or reputation may be adversely affected if these contracts and relationships are poorly managed.	We seek to minimise the risk of a breakdown in our student marking with the use of robust quality assurance procedures and controls and oversight of contract performance, combined with our investment in technology, project management and skills development of our people. In addition to the internal business procedures and controls implemented to ensure we successfully deliver on our contractual commitments, we also seek to develop and maintain good relationships with our customers to minimise associated risks. We also look to diversity our portfolio to minimise reliance on any single contract.
Acquisition integration Failure to generate anticipated revenue growth, synergies and/or cost savings from acquisitions could lead to goodwill and intangible asset impairments.	We perform pre-acquisition due diligence and closely monitor the post-integration performance to ensure we are meeting operational and financial targets. Any divergence from these plans will result in management action to improve performance and minimise the risk of any impairments. Executive management and the board receive regular reports on the status of acquisition performance.
Brand/reputation perception Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our business.	We mitigate this risk through the development of comprehensive processes to enable our business units to effectively manage relationships with stakeholders, customers, communities and employees. We establish an ongoing process to understand and evaluate potential brand threats and monitor and evaluate information about our brand across media sources.