

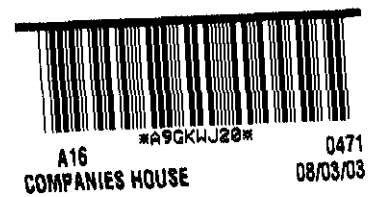
THE WHITEHALL TRUST LIMITED

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2002**

Registered Office:

**80 Strand
London
WC2R 0RL**

**Registered in England
Number 156543**



THE WHITEHALL TRUST LIMITED

Directors

J C Makinson
Lord Stevenson
R A Fairhead

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2002.

The company is an investment company.

The loss for the year after taxation was £2,501,000 (2001 loss of £598,000). The directors do not recommend a final dividend (2001: £nil), leaving a loss of £2,501,000 (2001: loss £598,000) to be transferred to reserves.

The present directors are listed above. All directors served throughout the year.

The ultimate parent undertaking is Pearson plc. The interests of the directors in the ordinary shares of 25p and debentures and loan stocks of Pearson plc and its undertakings are shown in the register of the company kept for the purpose of Section 324 of the Companies Act 1985.

Lord Stevenson, J C Makinson and R A Fairhead are directors of Pearson plc and their interests are not shown in this company's financial statements as they are disclosed in the financial statements of Pearson plc. Details of Pearson plc's option and other share schemes are disclosed in the financial statements of Pearson plc.

During the year to 31 December 2002 the company maintained insurance covering officers of the company against liabilities arising in relation to the company in accordance with section 310(3)(a) of the Companies Act 1985.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 January 2003. A resolution to appoint the new firm PricewaterhouseCoopers LLP, as auditors to the company was passed at a meeting of the Directors on 31 January 2003.

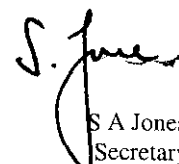
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board


S A Jones
Secretary

25 February 2003

THE WHITEHALL TRUST LIMITED

Profit and Loss Account for the year ended 31 December 2002

	<u>Notes</u>	<u>2002</u> £000	<u>2001</u> £000
Exchange gains / (losses)		141	(38)
Other income and administrative expenses		—	30
Profit / (loss) before interest and taxation		141	(8)
Bank interest receivable		<u>91</u>	<u>95</u>
Profit on ordinary activities before taxation		232	87
Taxation on ordinary activities	4	(2,733)	(685)
Retained loss for the financial year	6	<u>(2,501)</u>	<u>(598)</u>

The company has no material recognised gains and losses other than those included in the loss above, and therefore, no statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss transferred to reserves for the year stated above, and their historical cost equivalents.

THE WHITEHALL TRUST LIMITED

Balance Sheet at 31 December 2002

	<u>Notes</u>	<u>2002</u> £000	<u>2001</u> £000
<u>Current Assets</u>			
Debtors	5	44,133	77,654
Cash at bank		<u>1,069</u>	<u>4,073</u>
		45,202	81,727
<u>Creditors: amounts falling due within one year</u>			
Corporation tax creditor		(813)	(34,836)
Other creditors		<u>(217)</u>	<u>(218)</u>
		(1,030)	(35,054)
<u>Net current assets</u>		<u>44,172</u>	<u>46,673</u>
<u>Net assets</u>		<u>44,172</u>	<u>46,673</u>
<u>Capital and Reserves</u>			
Called up share capital			
Authorised, allotted and fully paid			
100,000,000 shares of 25p each		25,000	25,000
Share premium reserve	6	14,345	21,673
Profit and loss reserve	6	<u>4,827</u>	<u>-</u>
<u>Equity shareholders' funds</u>	7	<u>44,172</u>	<u>46,673</u>

The financial statements on pages 3 to 6 were approved by the board on 25 February 2003.



Director

THE WHITEHALL TRUST LIMITED

Notes to the financial statements for the year ended 31 December 2002

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the UK. A summary of the more important accounting policies, which have been applied consistently, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain investments as noted in (b) below.

b) Retained profits of overseas subsidiaries, partnerships and associated undertaking.

No provision is made for any additional taxation, less double taxation relief, which would arise on the remittance of profits retained.

c) Overseas currencies

Transactions in overseas currencies are translated into sterling at average rates and assets and liabilities at closing rates. Exchange differences are taken to the profit and loss account where they relate to trading transactions and directly to reserves where they relate to loans and investments.

2. Directors' emoluments and employee costs

The directors are employed by another group company and are remunerated by that company in respect of their services as group employees. They received no emoluments from the company. No one was employed by the company at any time during the year.

3. Auditors Remuneration

Auditors' remuneration is borne by a fellow group company.

4. Taxation

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Current tax:		
UK corporation tax on profits of the period	(70)	-
Adjustment in respect of previous periods	(2,663)	(685)
Total current tax	<u>(2,733)</u>	<u>(685)</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained as shown:

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Profit on ordinary activities before tax	<u>232</u>	<u>87</u>
Profit on ordinary activities multiplied by standard rate in the UK		
30% (2001 - 30%)	(70)	(26)
Effects of:		
Non taxable income		26
Adjustments to tax charge in respect of previous period	(2,663)	(685)
Current tax charge for the period	<u>(2,733)</u>	<u>(685)</u>

THE WHITEHALL TRUST LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

5.	<u>Debtors</u>	<u>2002</u> £000	<u>2001</u> £000
	<u>Amounts falling due within one year</u>		
	Owed by ultimate parent undertaking	<u>44,133</u>	<u>77,654</u>

6.	<u>Reserves</u>	Share Premium <u>Account</u> £000	Profit and Loss <u>Account</u> £000	<u>Total</u> £000
	At 1 January 2002	14,345	7,328	21,673
	Retained loss	-	<u>(2,501)</u>	<u>(2,501)</u>
	At 31 December 2002	<u>14,345</u>	<u>4,827</u>	<u>19,172</u>

7. Reconciliation of movements in equity shareholders' funds

	<u>2002</u> £000	<u>2001</u> £000
Loss for the financial year	(2,501)	(598)
Opening shareholders' funds	<u>46,673</u>	<u>47,271</u>
Closing shareholders' funds	<u>44,172</u>	<u>46,673</u>

8. Contingent liabilities and other financial commitments

The company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and 34 of its subsidiaries, "the guarantors", are combined, with cleared debit and credit balances being offset for interest calculation purposes. In order to comply with banking regulations, each guarantor to this arrangement has provided a multilateral guarantee in respect of the overdraft obligations (but no other debts due to the bank) of each of the other participants. The net balance under this arrangement at 31 December 2002 was a cash balance of £9,194,609.

The maximum amount of this guarantee is limited to a net overdraft of £42,300,000.

At 31 December 2002 this was the company's potential liability.

As at 31 December 2002 the potential liability arising from these guarantee arrangements amounted to £42,300,000 for the parent undertaking and fellow subsidiary undertakings and nil for the subsidiary undertakings of the company.

9. Cash flow statement

The company is a wholly owned subsidiary of Pearson plc and the cash flows of the company are included in the consolidated group cash flow statement of Pearson plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

10. Ultimate parent undertaking

The company is wholly owned by Pearson plc. Pearson plc (incorporated in Great Britain) is the company's ultimate holding company and also its ultimate controlling party. Copies of the consolidated financial statements of Pearson plc may be obtained from The Secretary, Pearson plc, 80 Strand, London WC2R 0RL.

THE WHITEHALL TRUST LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF THE WHITEHALL TRUST LIMITED

Independent Auditors' Report to the Members of The Whitehall Trust Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.


Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 Feb 2003