

PEARSON AUSTRALIA FINANCE UNLIMITED

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2009**

Registered Office:

**80 Strand
London
WC2R 0RL**

**Registered in England
Number 5578463**

WEDNESDAY



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PEARSON AUSTRALIA FINANCE UNLIMITED
Number 5578463

Directors' Report for the year ended 31 December 2009

Directors

A C Miller
D H Colville

The directors present their report and the audited financial statements for Pearson Australia Finance Unlimited (the "company") for the year ended 31 December 2009

Principal activity

The company is an investment company. The directors believe that the company will continue in this activity for the foreseeable future. The directors' report has been prepared in accordance with the special provisions of Part 15 chapter 1 of the Companies Act 2006 relating to small companies.

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the consolidated accounts of Pearson plc (the "group") and are not managed separately. Accordingly, the principal risks and uncertainties of Pearson plc, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Results and Dividends

The profit for the year after taxation was A\$6,260,000 (2008: A\$10,433,000). In the year a final dividend of A\$10,500,000 (2008: A\$9,700,000) on the ordinary shares was paid. The retained loss for the period has been transferred to reserves.

As the share capital of the company and substantially all of its transactions are denominated in Australian dollars, the functional currency of the company is Australian dollars. The financial statements have accordingly been prepared in Australian dollars.

Directors

The directors listed above held office during the year and up to the date of signing the accounts.

During the year to 31 December 2009 the company maintained insurance covering officers of the company against liabilities arising in relation to the company in accordance with Section 233 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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Directors' Report for the year ended 31 December 2009 (continued)

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 2006. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

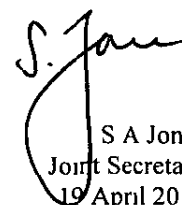
In the case of each of the persons who are directors at the time when this report is approved, the following applies:

- so far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- each director has taken all the steps that he/ she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP will continue in office as auditors of the company in accordance with Section 485 of the Companies Act 2006.

By order of the board


S A Jones
Joint Secretary
19 April 2010

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Profit and Loss Account for the year ended 31 December 2009

	<u>Notes</u>	<u>2009</u> A\$000	<u>2008</u> A\$000
Interest receivable from fellow subsidiary undertaking		7,455	13,582
Interest receivable from ultimate parent undertaking		1,025	576
Interest payable to fellow subsidiary undertaking		—	(212)
Profit on ordinary activities before taxation		8,480	13,946
Taxation on ordinary activities	4	<u>(2,220)</u>	<u>(3,513)</u>
Profit for the financial year		6,260	10,433
Dividend on ordinary shares		<u>(10,500)</u>	<u>(9,700)</u>
Retained profit/(loss) for the period		<u>(4,240)</u>	<u>733</u>

The company has no recognised gains and losses other than those included in the profit/(loss) above and, therefore, no statement of total recognised gains or losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents

All the above results are derived from continuing operations

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Balance Sheet at 31 December 2009

	<u>Notes</u>	<u>2009</u> A\$000	<u>2008</u> A\$000
Non current assets			
Due from fellow subsidiary undertakings	5	158,764	158,764
Current assets			
Due from ultimate parent undertaking	6	7,758	12,936
Creditors Amounts falling due within one year			
Taxation		<u>(1,471)</u>	<u>(2,409)</u>
Net current assets		6,287	10,527
Net assets		<u>165,051</u>	<u>169,291</u>
Capital and Reserves			
Called up share capital	8	158,764	158,764
Profit and loss account	7	<u>6,287</u>	<u>10,527</u>
Total shareholders' funds	9	<u>165,051</u>	<u>169,291</u>

The financial statements and notes on pages 4 to 8 were approved by the board of directors on 19 April 2010, and signed on its behalf by



A C Miller
Director

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Notes to the financial statements for the year ended 31 December 2009

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principle accounting policies, which have been applied consistently through the year, are set out below.

- a) Basis of accounting - the financial statements are prepared under the historical cost convention
- b) Corporation tax payable is provided on taxable profits at the current rate
- c) Transactions in currencies other than Australian dollars are translated into Australian dollars at the rate of exchange at date of transaction. Monetary assets and liabilities, denominated in currencies other than Australian dollars are translated into Australian dollars at the rate of exchange ruling at the balance sheet date. All differences arising on translation are taken to the profit and loss account, except those that arise from the settlement of group relief which have been included as part of the taxation charge.

2 Directors' emoluments and employee costs

The emoluments of the directors are paid by their employing company, another group undertaking. The directors' services to this company and to a number of fellow subsidiaries are chiefly of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to their employing company. Accordingly, the above details include no emoluments in respect of the directors. No one was employed by the company at any time during the year (2008: no one).

3 Auditors' remuneration

Auditors' remuneration is borne by a fellow group company.

4 Taxation

	<u>2009</u> A\$000	<u>2008</u> A\$000
Current tax:		
UK corporation tax on profits of the period	(1,629)	(2,616)
Current year tax foreign exchange difference	157	207
Prior period adjustment	<u>(3)</u>	<u>254</u>
UK Corporation tax liability	(1,475)	(2,155)
Foreign taxation	<u>(745)</u>	<u>(1,358)</u>
Total current tax	<u>(2,220)</u>	<u>(3,513)</u>

The tax for the current and prior year is lower than the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The differences are explained below.

	<u>2009</u> A\$000	<u>2008</u> A\$000
Profit on ordinary activities before tax	<u>8,480</u>	<u>13,946</u>
Profit on ordinary activities multiplied by standard rate in the UK of 28% (2008: 28.5%)	2,374	3,974
Effects of:		
Current year tax foreign exchange difference	(157)	(207)
Adjustments to tax charge in respect of previous period	<u>3</u>	<u>(254)</u>
Current tax charge for the period	<u>(2,220)</u>	<u>(3,513)</u>

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements.

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Notes to the financial statements for the year ended 31 December 2009 (continued)

5 Amounts due from fellow subsidiary undertakings

Amounts due from fellow subsidiary undertakings are unsecured, interest is charged at rates of LIBOR + 400 basis points and LIBOR + 65 basis points. The loans are repayable on 30 September 2011.

6 Amounts due from ultimate parent undertaking

Amounts due from the ultimate parent undertaking are unsecured and repayable on demand, during the period the interest was charged at a rate of Bank of England base rate with margins ranging from 368 basis points to 412 basis points.

7 Reserves

	<u>2009</u> A\$000
At 1 January	10,527
Profits for the financial year	<u>(4,240)</u>
At 31 December	<u>6,287</u>

8 Share capital

	<u>2009</u> A\$000	<u>2008</u> A\$000
Issued and fully paid		
158,764,000 (2008: 158,764,000) ordinary shares of A\$1 each	<u>158,764</u>	<u>158,764</u>

On 18th April 2008, the authorised share capital of the company was increased from A\$145,000,000 to A\$161,000,000 by the creation of 16,000,000 ordinary shares of A\$1 each, to be ranked pari passu with the existing ordinary shares of A\$1 each in the capital of the company.

On 18th April 2008, the company issued 16,914,000 ordinary shares of A\$1 each to Pearson International Finance Limited, in repayment of its loan to the company.

9 Reconciliation of movements in shareholders' funds

	<u>2009</u> A\$000	<u>2008</u> A\$000
Opening shareholders' funds	169,291	151,644
Newly issued shares for the period	-	16,914
Profit for the financial year	6,260	10,433
Dividends paid in the financial year	<u>(10,500)</u>	<u>(9,700)</u>
Closing shareholders' funds	<u>165,051</u>	<u>169,291</u>

10 Related party transactions

The company is a wholly owned subsidiary within Pearson plc and utilises the exemption contained in FRS 8 Related Party Disclosures not to disclose any transactions with entities that are part of the Pearson Group. The address at which Pearson plc consolidated financial statements are publicly available is shown in note 12.

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Notes to the financial statements for the year ended 31 December 2009 (continued)

11 Cash flow statement

The company is a wholly owned subsidiary of Pearson plc and is included in the consolidated financial statements of Pearson plc, which are publicly available. The company has taken advantage of the exemption in FRS 1 "Cash flow statements (revised 1996)" from the requirement to present a cash flow statement on the grounds that it is a small company.

12 Ultimate parent undertaking

The immediate parent undertaking is Pearson International Finance Limited, a company registered in England and Wales. The ultimate parent undertaking is Pearson plc, which is also registered in England and Wales. The only group in which the financial statements of the company as at 31 December 2009 are consolidated, is that headed by Pearson plc. Copies of the consolidated financial statements for Pearson plc may be obtained from The Secretary, Pearson plc, 80 Strand, London WC2R 0RL.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARSON AUSTRALIA FINANCE UNLIMITED

We have audited the financial statements of Pearson Australia Finance Unlimited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as applicable to financial statements prepared in accordance with the small companies regime of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us,
- the financial statements are not in agreement with the accounting records and returns,
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare financial statements and the directors' report in accordance with the small company regime.

R.S.

Ranjan Sriskandan (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 April 2010