

CHATELAIN ESTATES LIMITED

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2005**

Registered Office:

**80 Strand
London
WC2R 0RL**

**Registered in England
Number 1073856**



CHATELAIN ESTATES LIMITED

Directors

A C Miller
S A Jones

Report of the Directors

The directors present their report and the audited financial statements for Chatelain Estates Limited (the "Company") for the year ended 31 December 2005.

The Company has not traded in the current or prior year. No transactions have occurred in the current or prior year that have an impact on the profit and loss account. Consequently no profit and loss account for the year ended 31 December 2005 has been prepared.

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

The ultimate parent company is Pearson plc. The interests of the directors in the ordinary shares of 25p and loan stock of Pearson plc and its subsidiaries, as shown by the register of the Company kept for the purpose of Section 324 of the Companies Act 1985 are as follows:

	At 1.1.2005	SAYE/ Granted	Exercised	Lapsed	At 31.12.2005
A C Miller					
Pearson plc:					
Ordinary shares	27,485	885	-	-	28,370
SAYE options on ordinary shares	3,359	-	-	-	3,359
Executive Options on ordinary shares	49,840	-	(10,080)	-	39,760
Long Term Incentive Plan options	12,600	-	-	-	12,600
Long Term Incentive Plan shares	2,500	5,000	(1,500)	-	6,000
S A Jones					
Pearson plc:					
Ordinary shares	26	421	-	-	447
SAYE options on ordinary shares	2,224	-	-	-	2,224
Annual Bonus Matching Shares	-	393	-	-	393
Executive Options on ordinary shares	1,500	-	-	-	1,500
Long term incentive plan options	2,100	-	-	-	2,100
Long term incentive plan shares	1,800	2,000	(300)	-	3,500

CHATELAIN ESTATES LIMITED

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 with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 5 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

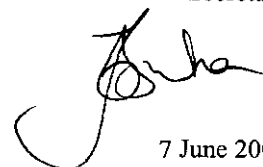
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

The Company has passed Elective Resolutions in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as Auditors of the Company pursuant to Section 386 of the Companies Act 1985.

However, pursuant to Section 253(2) of the Companies Act 1985, any Member or the Auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts and reports to Members.

By order of the board
J S Burton
Secretary



7 June 2006

CHATELAIN ESTATES LIMITED

Balance Sheet at 31 December 2005

	<u>Notes</u>	<u>2005</u> £000	<u>2004</u> £000
<u>Fixed assets investment</u>			
Loan to fellow subsidiary undertaking	5	<u>1,500</u>	<u>1,500</u>
<u>Current assets</u>			
Amount owed by parent undertaking	6	1,364	1,364
Cash at bank and in hand		<u>331</u>	<u>331</u>
		<u>1,695</u>	<u>1,695</u>
<u>Net current assets</u>		<u>1,695</u>	<u>1,695</u>
<u>Total assets less current liabilities</u>		3,195	3,195
<u>Creditors: Amounts falling due after more than one year</u>	7	<u>1,000</u>	<u>1,000</u>
<u>Net assets</u>		<u>2,195</u>	<u>2,195</u>
<u>Capital and reserves</u>			
Called up share capital	8	10	10
Profit and loss account	9	<u>2,185</u>	<u>2,185</u>
<u>Equity shareholders' funds</u>	10	<u>2,195</u>	<u>2,195</u>

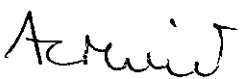
For the year ended 31 December 2005 the Company was entitled to the exemption under section 249AA(1) of the Companies Act 1985.

Members have not required the Company to obtain an audit in accordance with section 249 (B)(2) of the Companies Act 1985.

The directors acknowledge their responsibility for:

- (i) ensuring the Company keeps accounting records which comply with section 221; and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of its profit and loss for the financial year, in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

The financial statements on pages 4 to 6 were approved by the board on 7 June 2006.



Director

CHATELAIN ESTATES LIMITED

Notes to the accounts - 31 December 2005

1. Accounting policies

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

a) Fixed assets are stated at cost less provisions for diminution of value.

2. 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 1 from publishing a cash flow statement.

3. Auditors' remuneration

Auditors' remuneration was borne by a fellow group company.

4. 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 receive no emoluments from the company in respect of qualifying services. No one was employed by the company at any time during the year.

5. Fixed asset investment

Loan to fellow subsidiary undertaking - interest free unsecured loan stock 2075 of £1,500,000 (2004: £1,500,000).

6. <u>Owed by parent undertaking</u>	<u>2005</u> £	<u>2004</u> £
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Deposited interest free, repayable on demand.	1,364	1,364
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7. <u>Creditors: amounts falling due after more than one year</u>	<u>2005</u> £000	<u>2004</u> £000
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Interest free unsecured loan stock 2075.	1,000	1,000
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The unsecured loan stock is held by Pearson plc.

8. <u>Share capital</u>	<u>2005</u> £000	<u>2004</u> £000
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Authorised 250,000 ordinary shares of £1 each	250	250
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Called up, allotted and fully paid 10,000 ordinary shares of £1 each	10	10
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9. <u>Profit and Loss Account</u>	<u>2005</u> £000	<u>2004</u> £000
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At 1 January 2005 and 31 December 2005	2,185	2,185
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Notes to the accounts (continued)

10.	<u>Reconciliation of movements in equity shareholders funds</u>	<u>2005</u>	<u>2004</u>
		<u>£000</u>	<u>£000</u>
	Opening shareholders funds	<u>2,195</u>	<u>2,195</u>
	Closing shareholders funds	<u>2,195</u>	<u>2,195</u>

11. Contingent liabilities

The company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and 40 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 is joint and severally liable for the guarantee in respect of the overdraft obligations (but no other debts due to the bank) of each of the other participants. The net overdraft position under this arrangement at 31 December 2005 was £5,305,476.

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000. At 31 December 2005 this was the company's potential liability.

As at 31 December 2005 the potential liability arising from these guarantee arrangements amounted to £50,000,000 for the parent undertaking and fellow subsidiary undertakings.

12. Transactions with directors

No director had a material interest in any contract or arrangement with the company during the year.

13. 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 14.

14. Ultimate Parent Company

The immediate and ultimate parent company is Pearson plc, which is registered in England and Wales. Copies of the consolidated financial statements of Pearson plc may be obtained from The Secretary, Pearson plc, 80 Strand, London, WC2R 0RL.