

**PEARSON INVESTMENT SERVICES LIMITED**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2000**

**Registered Office:**

**3 Burlington Gardens  
London  
W1S 3EP**

**Registered in England  
Number 59713**



**PEARSON INVESTMENT SERVICES LIMITED**

**Directors**

S A Jones  
A J Midgley  
J E Powney

**Report of the Directors**

The directors present their report and the audited financial statements for the year ended 31 December 2000.

The company is an investment holding company and holds investments in fellow subsidiary companies of the Pearson group.

The result for the year after taxation amounted to £nil (1999: £979,000). The directors do not recommend a dividend. The profit has been transferred to reserves.

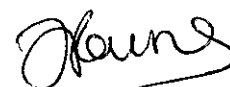
The present directors are listed above. J E Gomm resigned on 28 April 2000. S A Jones was appointed on 20 April 2000. All the other directors served throughout the year.

The ultimate parent company is Pearson plc. The interests of the directors in shares and debentures and loan stocks of Pearson plc and its subsidiaries, as shown by the register kept for the purpose of section 324 of the Companies Act 1985, are as follows:

	At 1.1.2000 or date of appointment	SAYE/ Granted	Exercised	Rights Issue Adjustment to 1.1.2000	At 31.12.2000
<b>S A Jones</b>					
Pearson plc:					
SAYE options on ordinary shares	-	406	-	-	406
Executive options on ordinary shares	-	1,500	-	-	1,500
<b>A Midgley</b>					
Pearson plc:					
SAYE options on ordinary shares	1,267			152	1,419
Executive options on ordinary shares	6,000	3,000	-	1,079	10,079
Pearson Bonus Plan	15	12	-	4	31
<b>J E Powney</b>					
Pearson plc:					
SAYE options on ordinary shares	284	181	-	55	520
Executive options on ordinary shares	1,000	1,500	-	299	2,799
Pearson Bonus Plan	15	12	-	-	27

During the year to 31 December 2000 the company maintained an 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.

By order of the board



J E Powney  
Secretary

27 February 2001

**PEARSON INVESTMENT SERVICES LIMITED**

**Profit and Loss Account for the Year ended 31 December 2000**

	<u>Notes</u>	<u>2000</u> £000	<u>1999</u> £000
Exchange gains		-	1,403
Other income		<u>-</u>	<u>1</u>
Profit on ordinary activities before taxation		-	1,404
Taxation on profit on ordinary activities	5	<u>-</u>	(425)
Retained profit for the year		-	<u>979</u>
Profit and loss account brought forward		<u>(14,165)</u>	<u>(15,144)</u>
Profit and loss account carried forward		<u>(14,165)</u>	<u>(14,165)</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 and losses has been presented.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

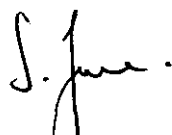
All the above results derive from continuing operations.

**PEARSON INVESTMENT SERVICES LIMITED**

**Balance Sheet at 31 December 2000**

	<u>Notes</u>	<u>2000</u> £000	<u>1999</u> £000
<u>Fixed assets</u>			
Investments	6	<u>34,148</u>	<u>34,148</u>
<u>Current assets</u>			
Due from fellow subsidiary		25,259	361,426
Taxation		-	-
Cash at bank and in hand		<u>205</u>	<u>205</u>
		<u>25,464</u>	<u>361,631</u>
<u>Creditors: amounts falling due within one year</u>			
Owed to parent undertaking		-	336,149
Owed to fellow subsidiary undertakings		-	-
Taxation		<u>257</u>	<u>257</u>
		<u>257</u>	<u>336,406</u>
<u>Net current assets</u>		<u>25,207</u>	<u>25,225</u>
<u>Total assets less current liabilities</u>		59,355	59,373
<u>Provisions for liabilities and charges</u>	7	( 555)	( 573)
<u>Net assets</u>		<u>58,800</u>	<u>58,800</u>
<u>Capital and reserves</u>			
Called up share capital	8	53,092	53,092
Share premium account		19,873	19,873
Profit and loss account		<u>(14,165)</u>	<u>(14,165)</u>
Equity shareholders' funds	9	<u>58,800</u>	<u>58,800</u>

The financial statements on pages 3 to 7 were approved by the board on 27 February 2001.

  
Director

# PEARSON INVESTMENT SERVICES LIMITED

## Notes to the financial statements

### 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.
- b) Fixed asset investments are stated at cost less provisions for diminution in value.
- c) Foreign currencies - gains or losses on the translation of non UK investments are taken to reserves, net of exchange differences arising on related foreign currency borrowings to the extent that exchange differences on related borrowings offset exchange gains or losses on translation of non UK investments. Exchange differences on related borrowings exceeding those on non UK investments are taken to the profit and loss account.

### 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 No 1 from publishing a cash flow statement.

### 3. Profit on ordinary activities before taxation

Auditors' remuneration is borne by the ultimate parent 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. No one was employed by the company at any time during the year.

### 5. Taxation on profit/(loss) on ordinary activities

	<u>2000</u> £000	<u>1999</u> £000
UK Corporation Tax at 30% (1999: 30.25%)	—	<u>(425)</u>

### 6. Fixed asset investments

Subsidiary undertakings:-

At 1 January 2000 and 31 December 2000	<u>34,148</u>
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Details of the company's subsidiaries are shown below:

	<u>Country of Incorporation</u>	<u>Beneficial Percentage Held</u>
Pearson Services Limited	UK	100%

Group accounts have not been prepared as Pearson Investment Services Limited is a wholly owned subsidiary of Pearson plc, which is registered in England and Wales. In the opinion of the directors the value of investments in subsidiaries is not less than the amounts at which they are stated in the balance sheet.

# **PEARSON INVESTMENT SERVICES LIMITED**

## Notes to the financial statements (continued)

### 7. Provisions for Liabilities and Charges

Guarantees of  
former subsidiary  
undertaking  
£000

At 1 January 2000	573
Utilised during the year	(18)
At 31 December 2000	<u>555</u>

The provision relates to the company's obligations in respect of damp proofing services provided by a former subsidiary.

### 8. Called up Share Capital

2000                      1999

£000                      £000

Authorised 240 million ordinary shares of 25p each	<u>60,000</u>	<u>60,000</u>
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Called up, allotted and fully paid 212,367,046 ordinary shares of 25p each	<u>53,092</u>	<u>53,092</u>
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### 9. Reconciliation of movement in shareholders' funds

2000                      1999  
£000                      £000

Opening shareholders' funds	58,800	57,821
Profit / (loss) for the year	<u>-</u>	<u>979</u>
Closing shareholders' funds	<u>58,800</u>	<u>58,800</u>

### 10. Contingent Liabilities

The company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and thirty-two 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 2000 was a net cash balance of £6,792,000.

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000. As at 31 December 2000 this was the company's potential liability.

As at 31 December 2000 the potential liability arising from these guarantee arrangements amounted to £50,000,000 for the parent undertakings and fellow subsidiary undertakings and £nil for the subsidiary undertakings of the company.

### 11. Transactions with directors

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

### 12. Related party transactions

The company is a wholly owned subsidiary of 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 13.

**PEARSON INVESTMENT SERVICES LIMITED**

**Notes to the financial statements (continued)**

13. **Ultimate parent company**

The 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, 3 Burlington Gardens, London W1S 3EP.

## PEARSON INVESTMENT SERVICES LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the year 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 apply them consistently and make judgements and estimates that are reasonable and prudent.

The directors must also state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements which must be prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for the maintenance of adequate accounting records in compliance with the Companies Act 1985, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

### REPORT OF THE AUDITORS TO THE MEMBERS OF PEARSON INVESTMENT SERVICES LIMITED

We have audited the financial statements on pages 3 to 7, which have been prepared under the historical cost convention and the accounting policies set out on page 5.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statement, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.


#### **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 judgements 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
1, Embankment Place  
London  
WC2N 6NN

27 / 2 / 2001