

VERA CRUZ (MEXICO) RAILWAYS LIMITED

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 1998

Registered Office:

3 Burlington Gardens
London
W1X 1LE

Registered in England
Number 66525



VERA CRUZ (MEXICO) RAILWAYS LIMITED

Directors

J E Gomm
A J Midgley
J E Powney
P T B Vickers

Report of the Directors

The directors present their report and the financial statements for the year ended 31 December 1998.

The company has not traded during the year or the previous year.

The present directors are listed above. A V Lawless resigned on 1 May 1998, A C Whiffin resigned on 24 August 1998 and P T B Vickers was appointed on 3 June 1998. The other directors served throughout the year.

The company is a wholly owned subsidiary of Pearson Management Services Limited, and its 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 1.1.98	SAYE/ Granted	Lapsed/ Exercised	At 31.12.98
J E Gomm				
Pearson plc:				
Ordinary shares	619			nil
SAYE options on ordinary shares	904	-	462	442
A J Midgley				
Pearson plc:				
SAYE options on ordinary shares	nil	1,267	-	1,267
Executive options on ordinary shares	1,000	2,500	-	3,500
J E Powney	nil			nil
P T B Vickers				
Pearson plc:				
Ordinary shares	nil			105
SAYE options on ordinary shares	nil	2,535		2,535
Executive options on ordinary shares	14,500	10,000	-	24,500

The Directors are aware of the need for the company to be Year 2000 compliant and the Pearson Group has established an overall Year 2000 programme. The details of this programme are contained in the consolidated financial statements of Pearson plc.

During the year to 31 December 1998 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

14 June 1999

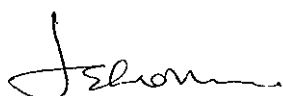
VERA CRUZ (MEXICO) RAILWAYS LIMITED

Balance Sheet at 31 December 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<u>Current Assets</u>			
Debtors: amounts falling due within one year			
Due from parent undertaking	2	168,380	168,380
Cash at bank and in hand		84	84
		168,464	168,464
<u>Creditors: amounts falling due within one year</u>			
Other creditors		(84)	(84)
<u>Net current assets</u>		<u>168,380</u>	<u>168,380</u>
<u>Net assets</u>		<u>168,380</u>	<u>168,380</u>
<u>Capital and Reserves</u>			
Called up share capital	3	500,000	500,000
Capital deficit		(246,987)	(246,987)
Profit and loss account		(84,633)	(84,633)
<u>Equity shareholders' interests</u>		<u>168,380</u>	<u>168,380</u>

The company was dormant (within the meaning of Section 250 of the Companies Act 1985) throughout the year ended 31 December 1998.

The financial statements on pages 3 and 4 were approved by the board on 14 June 1999.



J E Gomm

Director

VERA CRUZ (MEXICO) RAILWAYS LIMITED

Notes to the financial statements for the year ended 31 December 1998

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.

Basis of accounting - the financial statements are prepared under the historical cost convention.

2. <u>Due from parent undertaking</u>	<u>1998</u> £	<u>1997</u> £
Deposited with parent undertaking, Pearson Management Services Limited, interest free, repayable on demand	<u>168,380</u>	<u>168,380</u>

3. Called up share capital

Authorised

37,500 ordinary shares of £10 each	<u>375,000</u>	<u>375,000</u>
37,500 4.2% cumulative preference shares of £10 each	<u>375,000</u>	<u>375,000</u>

Allotted, issued and fully paid

25,000 ordinary shares	250,000	250,000
37,500 preference shares	375,000	375,000
less 12,500 surrendered to the company	(125,000)	(125,000)
	<u>500,000</u>	<u>500,000</u>

4. Approval of the Court is required to cancel the preference shares surrendered to the company.

5. Arrears of dividend on the cumulative preference shares at 31 December 1998 amounted to £770,000 (excluding any tax credit).

6. Ultimate parent undertaking

The ultimate parent undertaking 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 W1X 1LE.

VERA CRUZ (MEXICO) RAILWAYS 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.