

THE WHITEHALL TRUST LIMITED

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2006**

Registered Office:

**80 Strand
London
WC2R 0RL**

**Registered in England
Number 156543**

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COMPANIES HOUSE

THE WHITEHALL TRUST LIMITED

Directors

D H Colville
A C Miller

Report of the Directors

The directors present their report and the audited financial statements for The Whitehall Trust Limited ("the company") for the year ended 31 December 2006

The company is an investment company. The directors believe that the company will continue in this activity for the foreseeable future.

The profit for the year after taxation was £444,000 (2005 profit of £1,832,000). The directors do not recommend a final dividend (2005 £nil). The retained profit for the year has been transferred to reserves.

The directors for the year are listed above. Both of the 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 subsidiaries are shown in the register of the company kept for the purpose of Section 324 of the Companies Act 1985, as follows:

	At 01 01 2006	SAYE/ Granted	Exercised	Lapsed	At 31 12 2006
D H Colville					
Pearson plc					
Ordinary shares	25,865	6,312	(4,895)	-	27,282
SAYE options on ordinary shares	2,295	564	(1,161)	-	1,728
Annual Bonus Matching Shares	2,864	1,073	(580)	-	3,357
Reward Plan					
Pearson Premium Options	13,861	-	-	(3,464)	10,397
Executive Options on ordinary shares	13,328	-	-	-	13,328
Long term incentive plan options	17,040	-	-	-	17,040
Long term incentive plan shares	11,745	6,000	(3,001)	-	14,744
A C Miller					
Pearson plc					
Ordinary shares	28,370	2,519	-	-	30,889
SAYE options on ordinary shares	3,359	-	(2,224)	-	-
Executive Options on ordinary shares	39,760	-	(3,360)	-	36,400
Long Term Incentive Plan options	12,600	-	-	-	12,600
Long Term Incentive Plan shares	6,000	6,000	(500)	-	11,500

THE WHITEHALL TRUST 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 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.

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

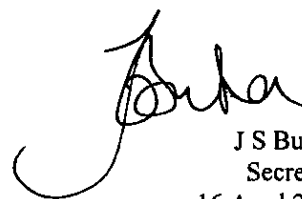
- so far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the director has taken all the steps that he/ she ought to have taken as a director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

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
16 April 2007

THE WHITEHALL TRUST LIMITED

Profit and Loss Account for the year ended 31 December 2006

	<u>Notes</u>	<u>2006</u> £000	<u>2005</u> £000
Other operating income		—	219
Profit on ordinary activities before interest and taxation		-	219
Interest receivable from parent undertaking		2,477	2,361
Bank interest receivable		-	36
Interest payable		(572)	-
Profit on ordinary activities before taxation		1,905	2,616
Tax on profit on ordinary activities	4	(1,461)	(784)
Retained profit for the financial year	6	<u>444</u>	<u>1,832</u>

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

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

All the above results are derived from continuing operations

THE WHITEHALL TRUST LIMITED

Balance Sheet at 31 December 2006

	<u>Notes</u>	<u>2006</u> £000	<u>2005</u> £000
Current Assets			
Amounts due from parent undertaking	5	50,387	48,694
Creditors: amounts falling due within one year			
Accruals and deferred income		(572)	-
Corporation tax creditor		<u>(1,461)</u>	<u>(784)</u>
		<u>(2,033)</u>	<u>(784)</u>
Net current assets		48,354	47,910
Net assets		48,354	47,910
Capital and Reserves			
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	14,345
Profit and loss reserve	6	<u>9,009</u>	<u>8,565</u>
Total shareholders' funds	7	48,354	47,910

The financial statements on pages 4 to 7 were approved by the board on 16 April 2007



Director

THE WHITEHALL TRUST LIMITED

Notes to the financial statements for the year ended 31 December 2006

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.

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 in respect of qualifying services. 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 Tax on profit for the financial year

	<u>2006</u> £'000	<u>2005</u> £'000
Current tax		
UK corporation tax on profits of the year	572	784
Overseas taxation in respect of previous period	<u>889</u>	<u>-</u>
	<u>1,461</u>	<u>784</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%) for the current year, for the prior year the tax assessed is equal to the standard rate of corporation tax in the UK (30%).

The differences for the current year are explained as shown:

	<u>2006</u> £'000	<u>2005</u> £'000
Profit on ordinary activities before tax	<u>1,905</u>	<u>2,616</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 - 30%)	572	784
Effects of:		
Provision for overseas tax in respect of a disposal in a previous period	<u>889</u>	<u>-</u>
Current tax charge for the period	<u>1,461</u>	<u>784</u>

5 Owed by ultimate parent undertaking

Amounts owed by the ultimate parent undertaking are unsecured. Interest is charged at LIBOR plus 25 basis points and the balance is repayable on demand.

6 Reserves

	<u>Share</u> <u>Premium</u> £000	<u>Profit</u> <u>and Loss</u> £000	<u>Total</u> £000
At 1 January 2006	14,345	8,565	22,910
Retained profit	<u>-</u>	444	444
At 31 December 2006	<u>14,345</u>	<u>9,009</u>	<u>23,354</u>

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Notes to the financial statements for the year ended 31 December 2006 (continued)

7 Reconciliation of movements in shareholders' funds

	<u>2006</u>	<u>2005</u>
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	444	1,832
Opening shareholders' funds	<u>47,910</u>	<u>46,078</u>
Closing shareholders' funds	<u>48,354</u>	<u>47,910</u>

8 Transactions with directors

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

9 Contingent liabilities

The company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and 41 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 2006 was £2,259,464.

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000.

As at 31 December 2006 the potential liability arising from these guarantee arrangements amounted to £49,999,994 for the parent undertaking and fellow subsidiary undertakings.

10 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.

11 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 12.

12 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHITEHALL TRUST LIMITED

We have audited the financial statements of Whitehall Trust Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

15th April 2007