

CHATELAIN PROPERTIES LIMITED

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 1997**

Registered Office:

**3 Burlington Gardens
London
W1X 1LE**

**Registered in England
Number 1101779**

1101779



CHATELAIN PROPERTIES LIMITED

Directors

J C Makinson
A C Miller
P T B Vickers

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 1997.

The company is a property development company. The profit for the year after taxation was £54,143 (1996: £487,958) which has been taken to reserves.

J C Makinson was appointed on 9 January 1997 and A C Miller was appointed on 23 May 1997. R A Pledger resigned on 25 April 1997. D H Colville was appointed on 13 January 1997 and resigned on 23 May 1997. A V Lawless was appointed on 13 June 1997 and resigned on 1 May 1998. P T B Vickers was appointed on 28 May 1998.

The ultimate parent company is Pearson plc. The interests of the directors in shares 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 1.1.97	SAYE/ Granted	Lapsed/ Exercised	At 31.12.97
A C Miller				
Pearson plc:				
Ordinary shares	1,309	-	-	3,992
SAYE options on ordinary shares	8,631	657	-	9,288
Executive options on ordinary shares	27,000	10,000	-	37,000

The interests of J C Makinson, who is also directors of Pearson plc, are not shown in this company's financial statements as they are also disclosed in the financial statements of Pearson plc.

During the year to 31 December 1997 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

30 July 1998

CHATELAIN PROPERTIES LIMITED

Profit and Loss Account for the year ended 31 December 1997

	<u>Notes</u>	<u>1997</u> £000	<u>1996</u> £000
Rent receivable		184	87
Administrative expenses	2	(35)	(55)
(Loss)/profit on disposal of land		(74)	748
Operating profit		75	780
Interest receivable/(payable)		4	(36)
Profit before taxation		79	744
Taxation	3	(25)	(256)
Retained profit for the year		54	488
Profit and loss account brought forward		(595)	(1,083)
Profit and loss account brought forward		<u>(541)</u>	<u>(595)</u>

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

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

All the above results derive from continuing operations.

The notes on pages 5 to 6 form part of these accounts.

CHATELAIN PROPERTIES LIMITED

Balance Sheet at 31 December 1997

	<u>Notes</u>	<u>1997</u> £000	<u>1996</u> £000
<u>Current Assets</u>			
Stock	4	2,827	8,387
Trade debtors		203	104
Prepayments and accrued income		31	756
Amounts owed by group undertaking		1	-
Cash at bank and in hand		<u>6,285</u>	<u>165</u>
		<u>9,347</u>	<u>9,412</u>
<u>Creditors: amounts falling due within one year</u>			
Trade creditors		-	40
Owed by group undertakings		271	275
Owed to ultimate parent undertakings		3,359	3,299
Other creditors		9	110
Taxation		<u>261</u>	<u>295</u>
		<u>3,900</u>	<u>4,019</u>
<u>Net current assets</u>		5,447	5,393
<u>Creditors: amounts falling due after one year</u>			
Owed to fellow subsidiary undertaking	6	(1,500)	(1,500)
<u>Provision for liabilities and charges</u>			
Deferred tax	5	<u>(188)</u>	<u>(188)</u>
<u>Net assets</u>		<u>3,759</u>	<u>3,705</u>
<u>Capital and reserves</u>			
Share capital	9	4,300	4,300
Profit and loss account		<u>(541)</u>	<u>(595)</u>
<u>Equity shareholders' funds</u>	8	<u>3,759</u>	<u>3,705</u>

The notes on pages 5 to 6 form part of these accounts.

The financial statements were approved by the board on 30 July 1998.



Director

CHATELAIN PROPERTIES LIMITED

Notes to the accounts for the year ended 31 December 1997

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the UK and 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 in accordance with the historical cost convention, modified by the revaluation of investment properties (see note 4).
- b) Deferred taxation - provision is made, by the liability method, at the expected applicable rates for taxation deferred in respect of all timing differences between accounting and taxation treatment, except where it is thought reasonably probable that the tax effects of such deferrals will continue for the foreseeable future.
- c) Cash flow - the company is a wholly owned subsidiary of Pearson plc and the cash flow of the company is included in the consolidated group cash flow statement of Pearson plc. Consequently the company is exempt under the terms of Financial Reporting Standard number one from publishing a cash flow statement.

2. Administrative expenses include auditors' remuneration of £500 (1996 - £500).

3. Taxation

	<u>1997</u> £000	<u>1996</u> £000
UK corporation tax at 31.5% (1996: 33%)	(25)	(152)
Prior year adjustment	-	(9)
Deferred tax	-	(95)
	<u>(25)</u>	<u>(256)</u>

4. Stock

The company's land holdings as at 31 December 1997 were valued by Pepper Angliss and Yarwood as at 31 December 1995 at an open market value which was greater than the historic cost. The current assets are stated at lower of cost and net realisable value, in accordance with Statement of Standard Accounting Practice No.9.

5. Provision for liabilities and charges

Deferred
Taxation
£000

Balance at 31 December 1996 and at 31 December 1997 (188)

6. Creditors

Amounts falling due after one year of £1,500,000 relates to an interest free, Unsecured Loan Stock 2075, due to a fellow subsidiary undertaking.

7. Directors' emoluments

No director has received any emoluments during the year or previous year and the company has no other employees.

8. Equity shareholders' funds

	<u>1997</u> £000	<u>1996</u> £000
Profit for the financial year	54	488
Opening shareholders' funds	<u>3,705</u>	<u>3,217</u>
Closing shareholders' funds	<u>3,759</u>	<u>3,705</u>

CHATELAIN PROPERTIES LIMITED

Notes to the accounts (continued)

9.	<u>Share Capital</u>	<u>1997</u> £	<u>1996</u> £
	Authorised 4,300,000 ordinary shares of £1 each	<u>4,300,000</u>	<u>4,300,000</u>
	Allotted, called up and fully paid 4,300,000 shares of £1 each	<u>4,300,000</u>	<u>4,300,000</u>

10. Contingent liabilities

The company participates in an arrangement with Midland Bank plc whereby the accounts of Pearson plc and forty-six 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 1997 was £374,045.

The maximum amount of this guarantee is limited to a net overdraft of £35,000,000. At 31 December 1997 this was the company's potential liability.

As at 31 December 1997 the potential liability arising from these guarantee arrangements amounted to £35,000,000 for the parent undertakings and fellow 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 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 the Pearson plc consolidated financial statements are publicly available is shown in note 13.

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 W1X 1LE.

CHATELAIN PROPERTIES 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 CHATELAIN PROPERTIES LIMITED

We have audited the financial statements on pages 3 to 6, which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London

14 August 1998