

CHATELAIN PROPERTIES LIMITED

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

Registered Office:

**3 Burlington Gardens
London
W1S 3EP**

**Registered in England
Number ~~1104179~~**

1101779



CHATELAIN PROPERTIES LIMITED

Directors

J C Makinson
A C Miller
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 a property development company.

The profit for the year after taxation was £1,276,482 (1999: £2,105,999) which has been taken to reserves. The directors do not recommend the payment of a dividend.

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

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 1.1.2000 or date of appointment	SAYE/ Granted	Exercised	Rights Issue Adjustment to 1.1.2000	At 31.12.2000
A C Miller					
Pearson plc:					
Ordinary shares	8,021				24,367
SAYE options on ordinary shares	3,239	211		411	3,861
Executive options on ordinary shares	52,000	7,500	(15,000)	5,340	49,840
Pearson Bonus Plan	15	12	-	4	31
Shares held in trust under the FT	212	-	(163)	13	62
Employee Share Scheme	-	-	-	-	-
J E Powney					
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

The interests of J C Makinson, who is also a director 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 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

26 February 2001

CHATELAIN PROPERTIES LIMITED

Profit and Loss Account for the year ended 31 December 2000

	<u>Notes</u>	<u>2000</u> £000	<u>1999</u> £000
Rent receivable		101	100
Administrative expenses		(106)	(136)
Profit on disposal of land		<u>1,828</u>	<u>2,993</u>
Operating profit		1,823	2,957
Interest receivable		<u>-</u>	<u>43</u>
Profit on ordinary activities before taxation		1,823	3,000
Taxation on ordinary activities	5	<u>(547)</u>	<u>(895)</u>
Retained profit for the financial year	10	<u>1,276</u>	<u>2,105</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 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 2000

	<u>Notes</u>	<u>2000</u> £000	<u>1999</u> £000
<u>Current Assets</u>			
Stock	6	1,070	1,747
Trade debtors		310	536
Prepayments and accrued income		16	-
Amounts owed by group undertaking		-	1
Cash at bank and in hand		<u>14,747</u>	<u>12,213</u>
		<u>16,143</u>	<u>14,497</u>
<u>Creditors: amounts falling due within one year</u>			
Amounts due to group undertakings		(480)	(2,082)
Amounts due to ultimate parent undertakings		(3,795)	(3,782)
Accruals and deferred income		(76)	(239)
Taxation		<u>(3,009)</u>	<u>(887)</u>
		<u>(7,360)</u>	<u>(6,990)</u>
<u>Net current assets</u>		8,783	7,507
<u>Creditors: amounts falling due after one year</u>			
Amounts due to fellow subsidiary undertaking	7	(1,500)	(1,500)
<u>Provision for liabilities and charges</u>			
Deferred tax	8	<u>(188)</u>	<u>(188)</u>
<u>Net assets</u>		<u>7,095</u>	<u>5,819</u>
<u>Capital and reserves</u>			
Capital up share capital	9	4,300	4,300
Profit and loss account	10	<u>2,795</u>	<u>1,519</u>
<u>Equity shareholders' funds</u>	11	<u>7,095</u>	<u>5,819</u>

The financial statements on pages 3 to 6 were approved by the board on 26/2/2001.



Director

CHATELAIN PROPERTIES LIMITED

Notes to the accounts for the year ended 31 December 2000

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards in the UK.

- a) 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.

2. Cash Flow Statement

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 has taken advantage of the exemption under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.

3. Auditors Remuneration

No expense for auditors' remuneration was charged in the year.

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 received no emoluments from the company. No one was employed by the company at any time during the year.

5. Tax on ordinary activities

	<u>2000</u>	<u>1999</u>
	<u>£000</u>	<u>£000</u>
UK corporation tax at 30% (1999: 30.25%)	<u>(547)</u>	<u>(895)</u>

6. Stock

Stock represents the development of the company's land holdings held for resale.

The company's land holdings as at 31 December 2000 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.

7. 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.

8. Provision for liabilities and charges

Deferred
Taxation
£000

Balance at 31 December 1999 and at 31 December 2000 (188)

9. Share Capital

	<u>2000</u>	<u>1999</u>
	<u>£000</u>	<u>£000</u>
Authorised 4,300,000 ordinary shares of £1 each	<u>4,300</u>	<u>4,300</u>
Allotted, called up and fully paid 4,300,000 shares of £1 each	<u>4,300</u>	<u>4,300</u>

CHATELAIN PROPERTIES LIMITED

Notes to the accounts for the year ended 31 December 2000 (continued)

10. Profit and Loss Account

£000

At 1 January 2000	1,519
Retained profit for the financial year	<u>1,276</u>
At 31 December 2000	<u>2,795</u>

11. Reconciliation of movements in shareholders' funds

2000
£000

1999
£000

Profit for the financial year	1,276	2,105
Opening shareholders' funds	<u>5,819</u>	<u>3,714</u>
Closing shareholders' funds	<u>7,095</u>	<u>5,819</u>

12. 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 cash balance £6,792,000.

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000. 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 undertaking and fellow subsidiary undertakings.

13. Transactions with directors

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

14. 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 15.

15. 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.

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 historical cost convention (as modified by the revaluation of certain fixed assets) 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 in the Statement of Directors' Responsibilities, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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.

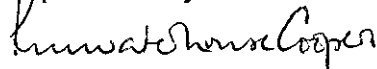
Basis of audit opinion

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
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