Company Registration No. 3879547 (England and Wales)

MERGERMARKET LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

MERGERMARKET LIMITED

COMPANY INFORMATION

Directors	Louisa Burdett Rona Fairhead Caspar Hobbs (Resigned 1 March 2010) Hamilton Matthews (Appointed 1 March 2010)
Joint Secretaries	Alison Fortescue Elaine Richardson (appointed 31 March 2010) Number One Southwark Bridge London SE1 9HL
Company number	3879547
Registered office	Number One Southwark Bridge London SE1 9HL
Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Business address	80 Strand London WC2R 0RL

MERGERMARKET LIMITED

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Reliance on this document

Our Business Review on pages 1 to 3 has been prepared in accordance with the Directors' Report Business Review Requirements of section 417 of the Companies Act 2006

The intention of this document is to provide information to the shareholder and is not designed to be relied upon by any other party or for any other purpose

The document contains forward-looking statements These are made by the Directors in good faith based on information available to them at the time of their approval of this report These statements should be treated with caution as there are inherent uncertainties underlying any forward-looking information

MERGERMARKET LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors present their report and the audited financial statements for the year ended 31 December 2009

Principal Activity and Review of the Business
The principal activity of the Company in the year under review was the provision of information services regarding mergers and acquisitions, stressed and distressed debt, special situations in the equity markets and wealth generation The Directors believe that the Company will continue in these activities for the foreseeable future

Future Outlook
Mergermarket's products are focused on the M&A advisory and hedge fund markets Recent turbulence in these core markets has acted to increase the amount of churn in our client base and limit price increases we would normally have expected However, our clients and markets began to stabilize towards the end of 2009 and we expect less volatility in 2010

Principal Risks and Uncertainties
The management of the business and execution of the Company's strategy are subject to a number of risks The key business risks and uncertainties affecting the Company are considered to relate to consolidation of the customer base, employee retention and the regulatory environment In 2010 continued market uncertainty is also likely to increase business risk

The principal risks and uncertainties are integrated with the principal risks of the Pearson group Accordingly, the principal risks and uncertainties of the Financial Times group, which include those of the Company, are discussed in detail on pages 33 - 35 of the Pearson plc annual report which does not form part of this report

Key Performance Indicators (KPIs)
Turnover for the year decreased by 7% and operating profit by 26% when compared to the prior year The primary driver of this was a reduction of renewal rates which reduced revenues without a corresponding shift in the cost base

More detail on the development, performance and position of Financial Times group, which includes the Company, is discussed on pages 20 and 21 of the Pearson plc annual report which does not form part of this report

Results and Dividends
The results for the year are set out on page 6 The profit for the year after taxation was £9,750,194 (2008 £14,450,955) A dividend of £32,082,984 was proposed and paid during the year (2008 nil)

Supplier Payment Policy
The Company aims to pay all its suppliers within a reasonable period of their invoices being received and in any case within the suppliers' own payment periods Trade creditors at the year end represented 38 days (2008 16 days) of purchases

Financial Risk
Financial risk is managed on a group basis by Pearson plc Pearson plc's approach to the management of financial risk is set out on pages 33 to 35 of the Pearson plc annual report which does not form part of this report

MERGERMARKET LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

Employment of Disabled Persons
Applications for employment by disabled persons are considered on the same basis as other applications, giving full and fair consideration to the respective skills, knowledge and abilities of the applicant concerned and the requirements of the work involved In the event of members of staff becoming disabled, every effort is made to assist them in ensuring that their employment can continue within the Company The training, career development and promotion of disabled employees are, as far as possible, identical to that of employees who do not suffer from a disability

Employee Information
Employees are provided with information by a variety of methods including the Pearson intranet, notes from management and a regular team briefing programme on a cascade basis

In line with the European directive on works councils, Pearson plc has introduced an employee forum where matters of relevance are discussed with elected employee representatives

All qualifying employees may participate in the Pearson plc Save As You Earn share option scheme Employees are encouraged to maintain an interest in the financial and economic factors affecting the Pearson Group's performance

The Company is an equal opportunities employer

Directors
The following Directors have held office during the year ended 31 December 2009

L Burdett
R Fairhead
C Hobbs (resigned 1 March 2010)
H Matthews (appointed 1 March 2010)

Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law, the Directors must not approve the financial statements unless they are satisfied that they 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 In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

MERGERMARKET LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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

Directors' Insurance
During the year to 31 December 2009 the Company maintained insurance covering officers of the Company against liabilities arising in relation to the Company This is a qualifying third party indemnity provision for the purposes of Companies Act 2006

Statement of Disclosure of Information to Auditors

In accordance with Section 418, Directors' reports shall include a statement, in the case of each Director in office at the date the Directors' report is approved, that

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he/she 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

Approved and authorised by the Board of Directors and signed on its behalf by

Rona Fairhead
Director
24 ~~March~~ 2010
May

MERGERMARKET LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERGERMARKET LIMITED

We have audited the financial statements of Mergermarket Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement, set out on Page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion, the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MERGERMARKET LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Giles Hannam (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 May 2010

MERGERMARKET LIMITED

Company Registration No 3879547 (England and Wales)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
Turnover	2	**31,383,127**	33,717,549
Cost of sales		**(16,469,818)**	(18,251,369)
Gross Profit		**14,913,309**	15,466,180
Administrative expenses		**(7,674,389)**	(4,178,335)
Other operating income	3	**6,045,436**	6,770,329
Operating Profit	4	**13,284,356**	18,058,174
Profit On Ordinary Activities Before Interest and Taxation		**13,284,356**	18,058,174
Other interest receivable and similar income	5	**364,484**	2,256,147
Interest payable and similar charges	6	**(6,134)**	(6,003)
Profit On Ordinary Activities Before Taxation		**13,642,706**	20,308,318
Tax on profit on ordinary activities	7	**(3,892,512)**	(5,857,363)
Profit For the Financial Year	16	**9,750,194**	14,450,955

The results relate solely to continuing activities

There are no recognised gains and losses other than those passing through the profit and loss account

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

The notes on pages 8 to 23 form part of these financial statements

MERGERMARKET LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2009

	Notes	2009 £	2008 £
Fixed Assets			
Tangible assets	8	**557,693**	362,762
Investments	9	**-**	-
		557,693	362,762
Current Assets			
Debtors amounts falling due within one year	10	**22,482,842**	10,374,697
Debtors amounts falling due after more than one year	10	**1,439,181**	7,467,413
Cash at bank and in hand		**13,692,503**	44,783,024
		37,614,526	62,625,134
Creditors amounts falling due within one year	11	**(22,154,568)**	(24,765,600)
Net Current Assets		**15,459,958**	37,859,534
Total Assets Less Current Liabilities		**16,017,651**	38,222,296
Creditors amounts falling due after more than one year	11	**-**	(7,025)
Provisions For Liabilities and Charges	12	**(14,898)**	(48,235)
		16,002,753	38,167,036
Capital And Reserves			
Called up share capital	15	**39,778**	39,778
Share premium account	15	**6,044,274**	6,044,274
Profit and loss account	16	**9,918,701**	32,082,984
Equity Shareholders' Funds	17	**16,002,753**	38,167,036

The Financial Statements on pages 6 to 23 were approved by the Board of Directors on 24 May 2010 and were signed on its behalf by

Rona Fairhead
Director

MERGERMARKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting Policies

1.1 Basis of Accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and with applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently, are set out below

1.2 Turnover

Turnover represents subscriptions to the information service and income from research reports The turnover relating to subscriptions is received in advance and the amount recognised in the profit and loss account represents the proportion receivable on a time basis appropriate to the year covered by the accounts The proportions receivable relating to periods after the balance sheet date are treated as deferred income and included in creditors The income from research reports is recorded in the same accounting period in which the report is published

1.3 Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Computer and office equipment	33 3% straight line
Fixtures & fittings	20 0% straight line

1.4 Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1.5 Fixed Asset Investments

The Company's investments in subsidiary undertakings are stated at cost less provision required to take account of any permanent diminution in value

1.6 Deferred Taxation

Provision is made in full for deferred tax that arises from timing differences that have originated but not reversed by the balance sheet date on transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be taxable profits from which the underlying timing differences can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax assets and liabilities are not discounted No deferred tax is provided in respect of any future remittance of earnings of foreign subsidiaries or associates where no commitment has been made to remit such earnings

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting Policies (continued)

1.7 Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to profit and loss account Non-monetary assets and liabilities are held at the historical exchange rate and not re-translated at the balance sheet date

1 8 Pension Costs

The Company, through Pearson plc, operates a defined contribution scheme for the benefit of its employees Contributions payable are charged to the profit and loss account in the year in which they are payable

1.9 Basis of Consolidation

Consolidated financial statements have not been prepared as the Company is itself a wholly-owned subsidiary undertaking of Pearson plc, a company incorporated in Great Britain and registered in England and Wales, which prepares consolidated financial statements

1.10 Cash Flow Statement

The cash flows of the Company are included in the consolidated cash flow statement of Pearson plc which is publically available Consequently, the Company has taken advantage of the exemption under the terms of FRS 1 "Cash Flow Statements" from preparing a cash flow statement

1.11 Share-Based Payments

Options and shares are awarded to the Company's employees under Pearson share and option plans The fair value of options granted is recognised as an employee expense after taking into account the Company's best estimate of the number of awards expected to vest Fair value is measured at the date of grant and is spread over the vesting period of the option or share The fair value of the options granted is measured using an option model that is most appropriate to the award The fair value of shares awarded is measured using the share price at the date of grant unless another method is more appropriate

The Company's employees are entitled to shares and options under the following equity-settled employee option and share plans

Save-for-Shares Plans Under these plans, employees can save a portion of their monthly salary over periods of three, five or seven years At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equivalent to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan Options that are not exercised within six months of the third, fifth or seventh anniversary after grant lapse unconditionally

Long-Term Incentive Plan This plan was introduced in 2007 and consists of restricted shares

The vesting of restricted shares is normally dependent on continuing service and/or upon the satisfaction of corporate performance targets over a three-year period These targets may be based on market and/or non-market performance criteria Restricted shares awarded to senior management in October 2007 vest dependent on relative shareholder return, return on invested capital and a combination of earnings per share growth The award was split equally across all three measures

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

2 Turnover

Geographical markets supplied by destination:

	2009	2008
	£	£
United Kingdom	**17,134,141**	19,141,531
Rest of Europe	**10,850,107**	10,782,829
North America	**2,311,695**	2,680,119
Rest of the world	**1,087,184**	1,113,070
	31,383,127	33,717,549

3 Other Operating Income

	2009	2008
	£	£
Other operating income includes the following items		
Amounts due from Group undertakings	**6,045,436**	6,770,329

4 Profit on Ordinary Activities Before Taxation

	2009	2008
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible assets (note 8)	**291,460**	353,497
Amounts written off fixed asset investments (note 9)	**300,000**	-
Operating lease rentals land and buildings	**69,235**	22,113
Auditors' remuneration for audit services	**40,000**	50,000
Loss/(profit) on foreign exchange transactions	**159,782**	(1,001,510)
Staff costs (note 21)	**13,175,069**	13,321,173

5 Interest Receivable and Similar Income

	2009	2008
	£	£
Bank interest	**233,658**	1,272,237
Loan interest due from Group undertakings	**130,826**	983,910
	364,484	2,256,147

MERGERMARKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

6	Interest Payable And Similar Charges	2009	2008
		£	£
	Bank interest	297	166
	Lease finance charges	5,837	5,837
		6,134	6,003

7	Taxation	2009	2008
		£	£
	Domestic current tax:		
	UK corporation tax charge on current year profit	4,057,871	5,895,617
	Adjustment in respect of prior periods	98,267	161,035
		4,156,138	6,056,652
	Deferred tax:		
	Origination and reversal of timing differences	(97,114)	(176,120)
	In respect of share based payments	(79,432)	(22,595)
	Adjustment in respect of prior periods	(87,080)	(574)
		3,892,512	5,857,363

The tax assessed for the year is higher than (2008 higher than) the standard rate of corporation tax in the UK The differences are explained below

	2009	2008
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	13,642,706	20,308,318
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2008 - 28 5%)	3,819,958	5,787,871
Effects of		
Expenses not deductible for tax purposes	93,617	(97,288)
Accelerated capital allowances	(27,219)	27,021
Other timing differences	171,515	178,013
Adjustment in respect of prior periods	98,267	161,035
	336,180	268,781
Current tax charge for the year	4,156,138	6,056,652

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

8 Tangible Assets

	Fixtures & Fittings	Computer and office equipment	Total
	£	£	£
Cost			
At 1 January 2009	31,728	1,298,121	1,329,849
Additions	-	486,391	486,391
Disposals	-	(8,201)	(8,201)
At 31 December 2009	**31,728**	**1,776,311**	**1,808,039**
Depreciation			
At 1 January 2009	8,546	958,541	967,087
Charge for the year	6,346	285,114	291,460
Disposals	-	(8,201)	(8,201)
At 31 December 2009	**14,892**	**1,235,454**	**1,250,346**
Net book value			
At 31 December 2009	**16,836**	**540,857**	**557,693**
At 31 December 2008	**23,182**	**339,580**	**362,762**

Included above are assets held under finance leases or hire purchase contracts as follows

	Plant and machinery
	£
Net book values	
At 31 December 2009	**7,025**
At 31 December 2008	18,225
Depreciation charge for the year	
At 31 December 2009	**11,200**
At 31 December 2008	11,200

MERGERMARKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

9 Investments

The Company has interests in the following subsidiary undertakings

Company	Country of registration or incorporation	Shares held Class	%
Directly owned			
Mergermarket Consulting Limited	Hong Kong	Ordinary shares	100 00
MergerID Limited	United Kingdom	Ordinary shares	75 00%
Indirectly owned			
Mergermarket Consulting Singapore PTE Limited*	Singapore	Ordinary Shares	100 00

*Held directly by a subsidiary undertaking of the Company

The primary activity of the above subsidiaries is the provision of information services regarding mergers and acquisitions, stressed and distressed debt, special situations in the equity markets and wealth generation

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Principal activity	Capital and reserves 2009 £	Profit/ (Loss) for the year 2009 £
Mergermarket Consulting Limited	Information services	(8,173,243)	(2,137,638)
Mergermarket Consulting Singapore PTE Limited	Information services	139,310	50,098
MergerID Limited	Information services	400,000	-

On 17 December 2009, the Company took a 75% stake in MergerID Limited for consideration of £300,000 The consideration was settled by the transfer of Intellectual Property of £300,000 to Merger ID The investment was fully written down in the year

MERGERMARKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

9 Investments (continued)

	Fixed asset investment
	£
Cost	
At 31 December 2008	-
Additions	300,000
At 31 December 2009	**300,000**
Provision for impairment	
At 31 December 2008	-
Charge for the year	300,000
At 31 December 2009	**300,000**
Net book value	
At 31 December 2009	**-**
At 31 December 2008	-

10 Debtors

	2009	2008
	£	£
Amounts falling due within one year		
Trade debtors	**8,528,693**	7,122,308
Amounts owed by group undertakings	**13,003,400**	2,227,540
Other debtors	**43,892**	466,203
Prepayments and accrued income	**208,807**	124,222
Deferred tax asset (see note 13)	**698,050**	434,424
	22,482,842	10,374,697

Amounts falling due after one year

	2009	2008
	£	£
Amounts owed by group undertakings	**1,439,181**	7,467,413

Amounts due from group undertakings are unsecured Interest is charged at LIBOR, SIBOR or HIBOR plus 3 4% (2008 0 65%) on a quarterly basis on the balance outstanding as at the end of the previous quarter

MERGERMARKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

11 Creditors

	2009	2008
	£	£
Amounts falling due within one year		
Trade creditors	**1,124,148**	725,958
Corporation tax	**1,948,459**	3,339,688
Other taxes and social security costs	**895,335**	1,061,649
Accruals and deferred income	**17,418,715**	19,132,687
Amounts due to group undertakings	**651,138**	463,365
Net obligations under finance leases	**7,025**	11,200
Other creditors	**109,748**	31,053
	22,154,568	24,765,600

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned Amounts owed to group undertakings are unsecured, interest free and repayable on demand

	2009	2008
	£	£
Amounts falling due after more than one year		
Net obligations under finance leases	-	7,025

12 Provision For Liabilities and Charges

	Relocation	Total
	£	**£**
Provision at 1 January 2009	48,235	48,235
Charged to profit and loss account	-	-
Utilisation in the year	(33,337)	(33,337)
Provision at 31 December 2009	**14,898**	**14,898**

The relocation provision relates to the removal costs associated with relocating the Company's head office The relocation provision is expected to be fully utilised in 2010

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

13 Deferred Tax

	2009 £	2008 £
Balance at 1 January 2009	**434,424**	235,135
Profit and loss account (see note 7)	**176,546**	198,715
Adjustment in respect of prior periods	**87,080**	574
Balance at 31 December 2009	**698,050**	434,424

	2009 £	2008 £
Accelerated capital allowances	**133,113**	160,804
Other timing differences	**564,937**	273,620
	698,050	434,424

14 Pension Costs

The Company participates in the Pearson Group Pension Scheme, which is a hybrid scheme with both defined benefit contribution sections but, predominantly, consisting of defined benefit liabilities The Company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme owing to information regarding non-active members, and changes to the group structure including acquisitions and disposals Accordingly, the Company accounts for its participation in the scheme as defined contribution under the multi-employer rules of FRS 17 The sponsoring entity to this scheme is Pearson Services Limited

The profit and loss charge for the Company in respect of its participation in the scheme, representing regular contributions paid was £597,937 (2008 £549,464)

The total market value of assets in the Pearson Group Pension Scheme was £1,609m million as at 31 December 2009 (2008 £1,478 million) and the value of liabilities calculated in accordance with FRS 17 was £1,787 million as at 31 December 2009 (2008 £1,420 million) Hence the total FRS 17 deficit for Pearson Group Pension Scheme was £178 million (2008 £58 million surplus) This was determined by an actuarial valuation using the projected unit method

The Company will be required to make incremental contributions as part of the Group's obligations to fund the scheme and any deficit arising Normal contributions are expected to remain at similar levels to current year in 2010

Pension contributions

	2009 £	2008 £
Contributions payable by the Company for the year	**597,937**	549,464

MERGERMARKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

15 **Share Capital**	**2009**	2008
	£	£
Authorised		
3,000,000 Ordinary shares of 1p each (2008 3,000,000)	**30,000**	30,000
1,000,000 A Ordinary shares of 1p each (2008 1,000,000)	**10,000**	10,000
1,200,000 B Ordinary shares of 1p each (2008 1,200,000)	**12,000**	12,000
500,000 C Ordinary shares of 1p each (2008 500,000)	**5,000**	5,000
	57,000	57,000
Allotted, called up and fully paid		
2,001,557 Ordinary shares of 1p each (2008 2,001,557)	**20,016**	20,016
837,900 A Ordinary shares of 1p each (2008 837,900)	**8,379**	8,379
878,300 B Ordinary shares of 1p each (2008 878,300)	**8,783**	8,783
260,000 C Ordinary shares of 1p each (2008 260,000)	**2,600**	2,600
	39,778	39,778

The rights of the A, B and C Ordinary shares are as follows
- rank parri passu with the Ordinary shares as regards dividends,
- upon a winding-up of the Company any surplus shall be applied first to paying the subscription price for each A, B and C share held and then secondly paying all the shareholders the balance, and
- the voting rights are as Ordinary shares

	Share premium account
	£
Balance at 1 January 2009	6,044,274
Premium on shares issued during the year	-
Balance at 31 December 2009	**6,044,274**

MERGERMARKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

16 Reserves

	Profit and loss account	Other Reserves	Total
	£	£	£
Balance at 1 January 2009	31,919,410	163,574	32,082,984
Retained profit for the year	9,750,194	-	9,750,194
Dividends paid	(32,082,984)	-	(32,082,984)
Share-based payment charge	-	168,507	168,507
Balance at 31 December 2009	**9,586,620**	**332,081**	**9,918,701**

17 Reconciliation Of Movements In Equity Shareholders' Funds

	2009	2008
	£	£
Opening equity shareholders' funds	**38,167,036**	23,584,081
Profit for the financial year	**9,750,194**	14,450,955
Dividend paid in the year	**(32,082,984)**	-
Share-based payment charge	**168,507**	132,000
Closing equity shareholders' funds	**16,002,753**	38,167,036

18 Dividends

	2009	2008
	£	£
Interim dividend of £806 55 (2008 £nil) per share	**32,082,984**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

19 Finance Lease Commitments

Future minimum payments under finance leases are as follows

	2009 £	2008 £
Within one year	**10,687**	17,036
In more than one year, but not more than five years	**-**	10,687
Total Gross payments	**10,687**	27,723
Less Finance lease charges included above	**(3,662)**	(9,498)
	7,025	18,225

20 Directors' Emoluments

	2009 £	2008 £
Emoluments for qualifying services	**504,948**	322,682
Company pension contributions to money purchase schemes	**14,112**	13,032
	519,060	335,714

Two of the directors are remunerated by another group company (2008 2) They received no emoluments from the Company in respect of qualifying services (2008 £nil)

As at 31 December 2009, there was one Director for whom retirement benefits were accruing under money purchase pension schemes (2008 1)

There were no Directors who exercised share options in the Company during the year (2008 nil)

Emoluments disclosed above include the following amounts paid to the highest paid Director

	2009 £	2008 £
Emoluments for qualifying services	**504,948**	322,682
Company pension contributions to money purchase schemes	**14,112**	13,032

During the year, no options were exercised by the highest paid Director (2008 nil)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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21 Employees

Number of employees
The average monthly number of employees (including Directors) during the year was

	2009 Number	2008 Number
Management	3	3
Administration	21	25
Sales	48	45
Research and journalism	140	133
	212	206

Employment costs	2009 £	2008 £
Wages and salaries	11,548,164	11,931,258
Social security costs	860,461	708,451
Other pension costs	597,937	549,464
Share option expense	168,507	132,000
	13,175,069	13,321,173

22 Ultimate Parent Company

The Company's immediate parent company is Financial Times Group Limited

The ultimate parent company is Pearson plc, a company incorporated in Great Britain and registered in England and Wales

Pearson plc is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of the consolidated financial statements of Pearson plc are available to the public from The Company Secretary, Pearson plc, 80 Strand, London, WC2R 0RL

23 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 plc group The address at which the Pearson plc consolidated financial statements are publicly available is shown in note 22

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

24 Share-Based Payments

The Company's employees are entltled to shares and optlons under the followlng equlty-settled employee optlon and share plans

Save-for-Shares Plans Under these plans, employees can save a portlon of thelr monthly salary over penods of three, five or seven years At the end of thls penod, the employee has the optlon to purchase ordlnary shares wlth the accumulated funds at a purchase pnce equlvalent to 80% of the market pnce prevalllng at the tlme of the commencement of the employee's partlclpatlon ln the plan Optlons that are not exerclsed wlthln slx month of the thlrd, fifth or seventh annlversary after grant lapse uncondltlonally

Long-Term Incentlve Plan Thls plan was lntroduced ln 2007 and conslsts of restncted shares

The vestlng of restncted shares ls normally dependent on contlnulng servlce and/or upon the satlsfactlon of corporate performance targets over a three-year penod These targets may be based on market and/or non-market performance cntena Restncted shares awarded to senlor management ln 2007 and 2008 vest dependent on relatlve shareholder return, return on lnvested capltal and a comblnatlon of earnlngs per share growth The award was spllt equally across all three measures

The movement and welghted average exerclse pnces of share optlons granted under these schemes are as follows

	2009 Number of share optlons 000s	2009 Welghted average exerclse pnce £	2008 Number of share optlons 000s	2008 Welghted average exerclse pnce £
Outstandlng at beglnnlng of year	33	6 00	29	6 90
Granted dunng the year	21	5 47	27	5 35
Exerclsed dunng the year	-	-	-	-
Forfelted dunng the year	(11)	5 89	(22)	6 38
Explred dunng the year	-	-	-	-
Transferred dunng the year	1	6 86	-	-
Outstandlng at end of year	**44**	**5.81**	**33**	**6.00**
Optlons exerclsable at the end of year	-	-	-	-

The welghted average share pnce dunng the year was £7 15 (2008 £6 44) Early exerclses are treated as an acceleratlon of vestlng and the Company therefore recognlzed lmmedlately the amount that otherwlse would have been recognlzed for servlces recelved over the remalnder of the onglnal vestlng penod ln the profit and loss account

24 Share-Based Payments (continued)

The options outstanding at the end of the year have a weighted average remaining contractual lives and exercise prices as follows

Range of exercise prices £	2009 Number of share options 000s	2009 Weighted average contractual life Years	2008 Number of share options 000s	2008 Weighted average contractual life Years
0-5	-	-	-	-
5-10	44	2 74	33	2 93
10-15	-	-	-	-
15-20	-	-	-	-
20-25	-	-	-	-
>25	-	-	-	-
	44	**2.74**	**33**	**2.93**

The weighted average estimated fair values and the inputs to the Black-Scholes model are as follows

	2009 Weighted average	2008 Weighted average
Fair value	1 70	1 65
Weighted average share price	7 13	6 96
Weighted average exercise price	5 47	5 35
Expected volatility	27 43%	21 06%
Expected life	4 5	4 0
Risk free rate	2 58%	4 28%
Forfeiture rate	4 0%	3 5%
Expected dividend yield	4 74%	4 54%

The expected volatility is based on the historical volatility of the Company's share price over the previous 3 to 7 years depending on the vesting term of the options

During the year, the following shares were granted under restricted share arrangements

	2009 Number of shares 000s	2009 Weighted average fair value £	2008 Number of shares 000s	2008 Weighted average fair value £
Long-term incentive plan	34	6 23	31	6 23

24 Share-Based Payments (continued)

Participants of the Long-Term Incentive Plan are entitled to dividends during the vesting period The fair value of shares granted under the Long-Term Incentive Plan that vest unconditionally was determined using the share price at the date of grant The number of shares to vest was adjusted based on historical experience to account for any potential forfeitures Restricted shares with a market performance condition were valued by an independent actuary using a Monte Carlo model Restricted shares with a non-market performance condition were fair valued based on the share price at the date of grant Non-market performance conditions were considered by adjusting the number of shares expected to vest based on the most likely outcome of the relevant performance criteria

25 Contingent Liabilities

Bank guarantees

The Company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and 34 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 2009 was a debit balance of £4,238,177

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000 At 31 December 2009 this was the Company's potential liability

As at 31 December 2009 the potential liability arising from these guarantee arrangements amounted to £50,000,000 (2008 £50,000,000) for the parent undertaking and fellow subsidiary undertakings and £nil (2008 £nil) for the subsidiary undertakings of the Company