

**PEARSON FUNDING ONE PLC
(FORMERLY PEARSON STERLING TWO PLC)**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2008**

Registered Office:

**80 Strand
London
WC2R 0RL**

**Registered in England
Number 2911143**

Directors' Report for the year ended 31 December 2008

Directors

D H Colville
M G Day
A J Midgley (resigned 23 February 2009)
S J Ellis (appointed 24 February 2009)

The directors present their report and the audited financial statements for Pearson Funding One plc (formerly Pearson Sterling Two plc) (the "company") for the year ended 31 December 2008.

Principal Activities

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

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the consolidated accounts of Pearson plc (the "group") and are not managed separately. Accordingly, the principle risks and uncertainties of Pearson plc, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Furthermore, given the nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the company.

Results and Dividends

The profit for the year after taxation amounted to £511,000 (2007: £548,000). The profit for the year has been transferred to reserves.

Three of the directors listed above held office during the year. A J Midgley resigned on 23 February 2009. S J Ellis was appointed as a director of the company with effect from 24 February 2009. D H Colville and M G Day served throughout the year.

On 23 February 2009, the company changed its name from Pearson Sterling Two plc to Pearson Funding One plc.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

PEARSON FUNDING ONE PLC (FORMERLY PEARSON STERLING TWO PLC)

Directors' Report for the year ended 31 December 2008 (continued)

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

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.

Provision of information to Auditors

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
- each 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 previously passed an elective resolution under the Companies Act 1985 dispensing with, amongst other things, the need for the annual appointment of auditors. Under the Companies Act 2006, the relevant sections of which came into force on 1 October 2007, this resolution remains in force in relation to the annual appointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the Company.

By order of the board



J S Braunhofer
Secretary
19 March 2009

PEARSON FUNDING ONE PLC (FORMERLY PEARSON STERLING TWO PLC)

Profit and Loss Account for the year ended 31 December 2008

	<u>Notes</u>	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Interest receivable from ultimate parent undertaking		715	782
Profit on ordinary activities before taxation		715	782
Tax on profit on ordinary activities	4	<u>(204)</u>	<u>(234)</u>
Profit for the financial year		<u>511</u>	<u>548</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 material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

All the above results are derived from continuing operations.


PEARSON FUNDING ONE PLC (FORMERLY PEARSON STERLING TWO PLC)

Balance Sheet at 31 December 2008

	<u>Notes</u>	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Current assets			
Amounts due from parent undertaking	5	<u>14,769</u>	<u>14,278</u>
Creditors: amounts falling due within one year			
Corporation tax		(214)	(234)
Net current assets		<u>14,555</u>	<u>14,044</u>
Total assets less current liabilities		<u>14,555</u>	<u>14,044</u>
Net assets		<u>14,555</u>	<u>14,044</u>
Capital and Reserves			
Called up share capital	7	12,500	12,500
Profit and loss account	6	<u>2,055</u>	<u>1,544</u>
Total shareholders' funds	8	<u>14,555</u>	<u>14,044</u>

The financial statements on pages 4 to 7 were approved by the board of directors on 19 March 2009, and signed on its behalf by:

Director



PEARSON FUNDING ONE PLC (FORMERLY PEARSON STERLING TWO PLC)

Notes to the financial statements for the year ended 31 December 2008

1. Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principle accounting policies, which have been applied consistently through the year, are set out below.

- a) Basis of accounting - The financial statements are prepared under the historical cost convention.
- b) Corporation tax payable is provided on taxable profits at the current rate.

2. Directors' emoluments and employee costs

The emoluments of the directors are paid by their employing company, another group undertaking. The directors' services to this company and to a number of fellow subsidiaries are chiefly of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to their employing company. Accordingly, the above details include no emoluments in respect of the directors. No one was employed by the company at any time during the year (2007: no one).

3. Auditors' remuneration

Auditors' remuneration is borne by a fellow group company.

4. Taxation on profit on ordinary activities

	<u>2008</u>	<u>2007</u>
	£000	£000
Current tax:		
UK corporation tax on profits of the year	(204)	(234)
Total current tax	(204)	(234)

The tax assessed for the year and for the prior year equals that resulting from applying the standard rate of corporation tax in the UK of 28.5% (2007: 30%) to the profit before tax.

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements.

5. Amounts due from ultimate parent undertaking

Amounts due from ultimate parent undertaking are unsecured, and repayable on demand. During the year, interest was charged at Bank of England base rate plus 25 basis points.

6. Reserves

	<u>2008</u>
	£000
At 1 January	1,544
Profits for the financial year	<u>511</u>
At 31 December	<u>2,055</u>

PEARSON FUNDING ONE PLC (FORMERLY PEARSON STERLING TWO PLC)

Notes to the financial statements for the year ended 31 December 2008 (continued)

7.	<u>Share capital</u>		
		<u>2008</u>	<u>2007</u>
		£000	£000
	Authorised		
	12,500,000 (2007: 12,500,000) ordinary shares of £1 each	<u>12,500</u>	<u>12,500</u>
	Allotted, called up and fully paid		
	12,500,000 (2007: 12,500,000) ordinary shares of £1 each	<u>12,500</u>	<u>12,500</u>

8.	<u>Reconciliation of movements in shareholders' funds</u>		
		<u>2008</u>	<u>2007</u>
		£000	£000
	Opening shareholders' funds	14,044	13,496
	Profit for the financial year	511	548
	Closing shareholders' funds	<u>14,555</u>	<u>14,044</u>

9. Related party transactions

The company is a wholly owned subsidiary within the Pearson plc group and utilises the exemption contained in FRS8 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 11.

10. Cash flow statement

The company is a wholly owned subsidiary of Pearson plc and is included in the consolidated financial statements of Pearson plc, which are publicly available. The company has taken advantage of the exemption in FRS 1 "Cash flow statements (revised 1996)" from the requirement to present a cash flow statement on the grounds that it is a small company.

11. Ultimate parent undertaking

The immediate and ultimate parent undertaking is Pearson plc, a company incorporated in England and Wales. Pearson plc is the parent undertaking of the only group to consolidate these financial statements at 31 December 2008. Copies of the consolidated financial statements for Pearson plc may be obtained from The Secretary, Pearson plc, 80 Strand, London, WC2R 0RL.

PEARSON FUNDING ONE PLC (FORMERLY PEARSON STERLING TWO PLC)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARSON FUNDING ONE PLC

We have audited the financial statements of Pearson Funding One plc (formerly Pearson Sterling Two plc) for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we 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 2008 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*

20 March 2009