Directors' Report

The directors are pleased to present their report to shareholders, together with the financial statements for the year ended 31 December 2007 on pages 50 to 52 and 54 to 101 respectively. Details of the businesses, the development of the Group and its subsidiaries and likely future developments are given on pages 1 to 24. Sales and profits of the different sectors and geographical markets are given on pages 59 to 61.

Principal business activities

Pearson is an international media company with market-leading businesses in education, business information and consumer publishing. With more than 32,000 employees based in 60 countries, we are a large family of businesses focused on making the reading and learning experience as enjoyable and as beneficial as it can possibly be.

Results and dividend

The profit for the financial year ended 31 December 2007 was £310m (2006: £469m) and has been transferred to reserves. A final dividend of 20.5p per share is recommended for the year ended 31 December 2007. This, together with the interim dividend already paid, makes a total for the year of 31.6p (2006: 29.3p). The final dividend will be paid on 9 May 2008 to shareholders on the register at close of business on 11 April 2008, the record date.

Business review

The chairman's statement and chief executive's review on pages 2 to 6, report on the development and performance of the Group during the year ended 31 December 2007 and our likely future development. The elements covered in these reports are required by the business review and are incorporated into the directors' report by reference. The business review itself can be found on pages 8 to 24.

Significant acquisitions and disposals

During the year, Pearson announced the acquisition of Harcourt Assessment and Harcourt Education International from Reed Elsevier for $950m in cash. Harcourt Assessment has an extensive catalogue of high quality research-based education and clinical assessment products for children and adults. In international education, Harcourt publishes textbooks and online learning materials for teachers and students in primary and secondary schools and the vocational market. The Harcourt Education International acquisition was completed in stages during 2007 and the Harcourt Assessment acquisition was completed in January 2008.

In July 2007, Pearson completed the acquisition of eCollege, a leading provider of eLearning and enrollment services to post-secondary education, for $491m in cash.

Pearson also made a number of other smaller acquisitions during the year, mainly within the FT Group. Net consideration paid for all acquisitions during the year ended 31 December 2007 was £472m and provisional goodwill recognised was £304m.

In total the acquisitions made in 2007 contributed an additional £90m of sales and £13m of operating profit.

On 15 February 2007, Pearson completed its sale of Government Solutions and on 24 December 2007, the Group sold Les Echos to LVMH for €240m.

Transactions with related parties

Details of transactions with related parties, which are reportable under IAS 24 'Related party disclosures', are given in note 35 to the accounts on page 94.

Capital expenditure

The analysis of capital expenditure and details of capital commitments are shown in notes 10, 11 and 34 to the accounts on pages 68 to 70 and 94.

Events after the balance sheet date

On 2 January 2008, the Group completed its acquisition of Money-Media a US-based company offering online news and commentary for the money management industry.

On 30 January 2008, the Group completed its acquisition of Harcourt Assessment from Reed Elsevier, after receiving clearance from the US Department of Justice.

Also on 30 January 2008 the Group announced that it had agreed to sell its 50% interest in Financial Times Deutschland to its joint venture partner, Gruner + Jahr.

On 22 February 2008, the Group completed the sale of its Data Management business to M & F Worldwide Corp. for $225m.

Directors

The present members of the board, together with their biographical details, are shown on page 25. Details of directors' remuneration, interests and dealings in ordinary shares and options of the company are contained in the report on directors' remuneration on pages 35 to 49.

Four directors, Terry Burns, Ken Hydon, Glen Moreno and Marjorie Scardino will retire by rotation at the forthcoming annual general meeting (AGM) on 25 April 2008. All of them, being eligible, will offer themselves for re-election.

Details of directors' service contracts can be found on page 42. No director was materially interested in any contract of significance to the company's business.

Corporate governance

Introduction

A detailed account of how we comply with the provisions of the 2006 Combined Code on Corporate Governance (the Code) can be found on our website at www.pearson.com/investor/corpgov.htm

The board believes that we are in full compliance with the Code with one exception: since the resignation of Rana Talwar last April, our personnel committee is made up of only two independent non-executive directors and the chairman. The board is aware of this issue and intends to appoint an additional independent director in due course.

Composition of the board

The board consists of the chairman, Glen Moreno, five executive directors including the chief executive, Marjorie Scardino, and five independent non-executive directors.

Senior independent director

Terry Burns was appointed as our senior independent director in 2004. His role includes being available to shareholders if they should have concerns that have not been addressed through the normal channels, and attending meetings with shareholders in order to gain a balanced understanding of what those concerns might be. The senior independent director also meets with the non-executive directors at least once a year in order to appraise the performance of the chairman, and would be expected to chair the nomination committee on those occasions when it is considering succession to the role of chairman of the board.

Independence of directors

The board considers all of the non-executive directors to be independent. Particular consideration was given to the assessment of Terry Burns' independence since he has now served on the board for almost nine years. Terry has been asked by the chairman to remain on the board because of his experience, knowledge and effectiveness as a non-executive director and he has indicated that he is willing to stand for re-election as a director of the company on an annual basis. A resolution for his re-election will be proposed at the forthcoming AGM. The board believes that it is in shareholders' interests for Terry Burns to be re-elected as an independent non-executive director of the company. They believe that he continues to challenge rigorously the executive directors, the board and the committees on which he sits and brings a wealth of useful experience both in his position as a non-executive director and as the senior independent director.

Board meetings

The board meets six times a year and at other times as appropriate. The following table sets out the attendance of our directors at the board and committee meetings during 2007:

	Board meetings (maximum 6)	Audit committee meetings (maximum 4)	Personnel committee meetings (maximum 5)	Nomination committee meetings (maximum 2)
Chairman				
Glen Moreno	6/6	–	5/5	2/2
Executive directors				
Marjorie Scardino	6/6	–	–	2/2
David Bell	5/6	–	–	–
Rona Fairhead	6/6	–	–	–
Robin Freestone	6/6	–	–	–
John Makinson	6/6	–	–	–
Non-executive directors				
David Arculus	6/6	4/4	5/5	2/2
Terry Burns	6/6	–	5/5	2/2
Patrick Cescau	6/6	4/4	–	2/2
Susan Fuhrman	6/6	4/4	–	2/2
Ken Hydon	6/6	4/4	–	2/2
Rana Talwar[1]	1/2	–	2/2	1/2

[1] Resigned on 30 April 2007

The role and business of the board

The formal matters reserved for the board's decision and approval include: the company's strategy and reviewing performance against it; major changes to the company's corporate structure; approval of all shareholder documents; acquisitions, disposals and capital expenditure projects above certain thresholds; all guarantees over £10m; treasury policies; the interim and final dividends and the financial statements; borrowing powers; ensuring adequate succession planning for the board and senior management; appointments to the board; and the appointment and removal of the company secretary.

The board receives timely, regular and necessary management and other information to fulfil its duties. Directors can obtain independent professional advice at the company's expense in the performance of their duties as directors. All directors have access to the advice and services of the company secretary.

In addition to these formal roles, we endeavour to give the non-executive directors access to the senior managers of the business via involvement at both formal and informal meetings. In this way we hope that the experience and expertise of the non-executive directors can be garnered to the benefit of the company. At the same time, the non-executive directors develop an understanding of the abilities of the most senior managers which will help them judge the company's prospects and plans for succession.

Board evaluation

Following the chairman's review of the effectiveness of our board and of the board committees, as described last year, the board identified four areas where it could most effectively contribute to the company's success: strategy, governance, operating effectiveness and management succession.

The board cycle was adapted to ensure that at least one board meeting per year is primarily devoted to each of these themes, with significant time for thorough review and discussion.

In addition, the chairman asked the deputy secretary to meet with each of the directors to gather their views on the level of support they felt they were receiving as board directors. The deputy secretary duly met with each of the directors and asked for feedback on a number of matters, including the Pearson induction programme, their ongoing training needs, the logistical support they receive and their thoughts on the process for board and committee meetings. Following this review a paper was tabled at a subsequent board meeting which set out the findings from these one to one sessions and detailed what the company planned to do to address some of the concerns that were expressed. As a result of this review a number of actions have been taken, including making changes to the balance of board meetings held outside of the UK and deciding on the process for the next board evaluation.

In early 2008 the chairman asked the directors to complete an evaluation questionnaire on the board and each of its committees. Responses will be gathered and communicated to the board at a forthcoming meeting.

During the course of the year the executive directors were evaluated by the chief executive on their performance against personal objectives under the company's standard appraisal mechanism. The chairman leads the assessment of the chief executive and the senior independent director conducts a review of the chairman's performance.

Directors' training

Directors receive a significant induction programme and a range of information about the company when they join the board. This includes background information on Pearson and details of board procedures, directors' responsibilities and various governance-related issues, including procedures for dealing in Pearson shares and their legal obligations as directors. The induction also includes a series of meetings with members of the board, presentations regarding the business from senior executives and a briefing on Pearson's investor relations programme. We supplement the existing directors' training programme through continuing presentations about the company's operations at board meetings and by making available to the directors the opportunity for additional visits to operating company divisions as well as meetings with local management. Externally run courses are also made available should directors wish to make use of them.

Directors' indemnities

The company grants an indemnity to all of its directors in accordance with section 232 of the Companies Act 2006 in relation to costs incurred by them in defending any civil or criminal proceedings and in connection with an application for relief under section 144(3) or (4) or section 727 of the Companies Act 1985, so long as it is repaid not later than when the outcome becomes final if: i) they are convicted in the proceedings; ii) judgement is given against them; or iii) the court refuses to grant the relief sought.

The company has purchased and maintains directors' and officers' insurance cover against certain legal liabilities and costs for claims in connection with any act or omission by such directors and officers in the execution of their duties.

Dialogue with institutional shareholders

There is an extensive programme for the chairman, CEO, executive directors and senior managers to meet with institutional shareholders. The non-executive directors meet informally with shareholders both before and after the AGM, and respond to shareholder queries and requests. The chairman and senior independent director make themselves available to meet any significant shareholder as required. Makinson Cowell reports to the board on the results of an extensive survey on major shareholders' views.

Furthermore, reports on changes in shareholder positions and views are given to the board at every board meeting.

Board committees

The board has established three committees: the audit committee, the personnel committee and the nomination committee. Chairmen and members of these committees are appointed by the board on the recommendation (where appropriate) of the nomination committee and in consultation with each requisite committee chairman.

i Audit committee

The audit committee comprises Ken Hydon (chairman), David Arculus, Patrick Cescau and Susan Fuhrman.

All of the committee members are independent non-executive directors and have financial and/or related business experience due to the senior positions they hold or held in other listed or publicly traded companies and/or similar public organisations. Ken Hydon is our designated financial expert.

The committee has written terms of reference which clearly set out its authority and duties. These are reviewed annually and can be found on the company website at www.pearson.com/investor/corpgov.htm

The committee has been established by the board primarily for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company.

The committee is responsible for assisting the board's oversight of the quality and integrity of the company's external financial reporting and statements and the company's accounting policies and practices. The Group's internal and external auditors have direct access to the committee to raise any matter of concern and to report on the results of work directed by the committee. The committee reports to the full board on a regular basis. It also reviews the objectivity of the external auditors, including services supplied, and ensures that there is an appropriate audit relationship.

The committee met four times during the year with the chief financial officer, head of internal audit and other members of the senior management team, together with the external auditors, in attendance. The committee also met regularly in private with the external auditors and the head of internal audit.

The committee receives regular technical updates as well as specific or personal training as required.

During the course of the year the audit committee considered, amongst other things, the following matters:

- The annual report and accounts and preliminary announcement, the interim statement and trading updates;
- The Group accounting policies;
- The annual accounts being prepared on a going concern basis;
- The Form 20-F and related disclosures including the annual Sarbanes – Oxley Act 404 attestation of financial reporting internal controls;
- Monitoring of the company's financial reporting, internal controls and risk management procedures;
- Review of company risk returns including Social, Ethical and Environmental (SEE) risks;
- Assessment of the effectiveness of the company's risk management and internal control systems, including appropriate disclosure requirements;
- The committees' and internal audit's terms of reference;
- The annual internal audit plan including resourcing of the internal audit function;
- Reports on the activities of the internal audit function, including the results of internal audits, risk reviews, project assurance reviews and fraud/whistleblowing;
- A review of its own effectiveness and both the internal and external auditors;
- Reporting of whistleblowing incidents;
- Reappointment of the external auditors;
- Approval of the external audit engagement, scope and fees;
- Receipt of the external auditor report on the year end audit and Form 20-F filing;
- Assessment of the external auditor relationship to confirm independence and compliance with professional and auditing standards;
- Approval of services and fees provided by the external auditor;
- Significant legal claims and regulatory issues (where applicable) in the context of the impact on financial reporting; and
- A review of treasury policy.

ii Personnel committee

The members of the committee comprise David Arculus (chairman), Terry Burns and Glen Moreno. The board will appoint an additional independent director in due course so as to comply with the Code.

The committee has responsibility for determining the remuneration and benefits packages of the executive directors, the chief executives of the principal operating companies and other members of the management committee, as well as recommending the chairman's remuneration to the board for its decision.

The committee takes independent advice from consultants when required. No director takes part in any discussion or decision concerning their own remuneration. The committee reports to the full board and its report on directors' remuneration, which has been considered and adopted by the board, is set out on pages 34 to 48.

The committee met five times during the year, and has written terms of reference which clearly set out its authority and duties. These can be found on the company website at www.pearson.com/investor/corpgov.htm

iii Nomination committee

The nomination committee comprises Glen Moreno (chairman), Marjorie Scardino, David Arculus, Terry Burns, Patrick Cescau, Susan Fuhrman and Ken Hydon, and meets as and when required. During 2007 the committee met twice to consider the ongoing search for a new non-executive director. The committee primarily monitors the composition and balance of the board and its committees, and identifies and recommends to the board the appointment of new directors.

When considering the appointment of a new director the committee reviews the current balance of skills and experience of the board.

Whilst the chairman of the board chairs this committee he is not permitted to chair meetings when the appointment of his successor is being considered or during discussion regarding his performance.

In accordance with the company's articles of association, directors are subject to reappointment at the AGM immediately following the date of their appointment, and thereafter must seek re-election no more than three years from the date they were last re-elected. The committee will recommend to the board the names of the directors who are to seek re-election at the AGM.

The committee has written terms of reference which clearly set out its authority and duties. These can be found on the company website at www.pearson.com/investor/corpgov.htm

Internal control

The board of directors has overall responsibility for Pearson's system of internal control, which is designed to manage the risks facing the Group, safeguard assets and provide reasonable, but not absolute, assurance against material financial misstatement or loss.

In accordance with the provisions of the Code, the directors confirm that they have reviewed the effectiveness of the Group's internal control system.

They also confirm there is an ongoing process allowing for the identification, evaluation and management of significant business risks. This process accords with the revised Turnbull guidance and has been in place throughout 2007 and up to the date of approval of this annual report.

The Group's internal control framework covers financial, operational and compliance risks. Its main features are described below:

i Board

The board of directors exercises its control through an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. To maintain effective control over strategic, financial, operational and compliance matters the board meets regularly, and has a formal schedule of matters that is brought to it, or its duly authorised committees, for attention. Responsibility for monitoring financial management and reporting, internal control and risk management has been delegated to the audit committee by the board. At each meeting, the audit committee considers reports from management, internal audit and the external auditors, with the aim of reviewing the effectiveness of the internal financial and operating control environment of the Group.

ii Operating company controls

The identification and mitigation of major business risks is the responsibility of operating company management. Each operating company, including the corporate centre, maintains internal controls and procedures appropriate to its structure and business environment, whilst complying with Group policies, standards and guidelines. These controls include those over external financial reporting which are documented and tested in accordance with the requirements of section 404 of the Sarbanes-Oxley Act, which is relevant to our US listing.

iii Financial reporting

There is a comprehensive strategic planning, budgeting and forecasting system with an annual operating plan approved by the board of directors. Monthly financial information, including trading results, balance sheets, cash flow statements and indebtedness, is reported against the corresponding figures for the plan and prior years, with corrective action outlined by operating company executives as appropriate. Group senior management meet, on a quarterly basis, with operating company management to review their business and financial performance against plan and forecast. Major business risks relevant to each operating company as well as performance against the stated strategic objectives are reviewed in these meetings.

In addition, the chief executive prepares a monthly report 11 times a year for the board on key developments, performance and issues in the business.

iv Risk management

Operating companies undertake formal, semi-annual risk reviews to identify new or potentially under-managed risks. The results of these reviews are submitted to internal audit for evaluation and onward reporting to the board, via the audit committee. Throughout the year, risk sessions facilitated by internal audit are held with operating company management and with the Pearson Management Committee to discuss and review the significant risks facing the business.

v Internal audit

The internal audit function is responsible for providing independent assurance to management on the effectiveness of internal controls. The annual internal audit plan, derived from a risk model, is approved by the audit committee. Internal audit activity is supplemented by annual financial control self-assessment returns, completed by the businesses. Recommendations to improve internal controls and/or to mitigate risks are agreed with operating company management after each audit. Formal follow-up procedures allow internal audit to monitor operating companies' progress in implementing its recommendations and to resolve any control deficiencies. The internal audit function also has a remit to monitor significant group projects, in conjunction with the central project management office, to provide assurance that appropriate project governance and risk management strategies are in place. Regular reports on the work of internal audit are provided to executive management and, via the audit committee, to the board.

The head of internal audit is jointly responsible with the group legal counsel for monitoring compliance with our Code of Business Conduct, and investigating any reported incidents.

vi Treasury management

The treasury department operates within policies approved by the board and its procedures are reviewed regularly by the audit committee. Major transactions are authorised outside the department at the requisite level, and there is an appropriate segregation of duties. Frequent reports are made to the chief financial officer and regular reports are prepared for the audit committee and the board.

vii Insurance

Insurance is provided through Pearson's insurance subsidiary or externally, depending on the scale of the risk and the availability of cover in the external market, with the objective of achieving the most cost effective balance between insured and uninsured risks.

Going concern

Having reviewed the Group's liquid resources and borrowing facilities, and the Group's 2008 and 2009 cash flow forecasts, the directors believe that the Group has adequate resources to continue as a going concern. For this reason, the financial statements have, as usual, been prepared on that basis.

Shareholder communication

Pearson has an extensive programme of communication with all of its shareholders – large and small, institutional and private. We also make a particular effort to communicate regularly with our employees, a large majority of whom are shareholders in the company. We post all company announcements on our website, www.pearson.com, as soon as they are released, and major shareholder presentations are made accessible via webcast or conference call. Our website contains a dedicated investor relations section with an extensive archive of past announcements and presentations, historical financial performance, share price data and a calendar of events. It also includes information about all of our businesses, links to their websites, and details of our corporate responsibility policies and activities.

We have an established programme of educational seminars for our institutional shareholders focusing on individual parts of Pearson. The seminars are available to all shareholders via webcast on www.pearson.com

Our AGM – which will be held on 25 April this year – includes opportunities to meet the company's managers, presentations about Pearson's businesses and the previous year's results as well as general AGM business.

People

During 2007, Pearson employed over 32,000 people in 60 countries. Each business has detailed employment practices for recruitment, remuneration, employee relations, health and safety, and terms and conditions designed for the different sectors and countries in which it operates.

We are committed to equality of opportunity for all regardless of gender, race, age, physical ability, religion or sexual orientation. This applies equally to recruitment and to the promotion, development and training of people who are already part of Pearson. The company takes seriously its obligations to the disabled and seeks not to discriminate against current or prospective employees because of any disability.

We are always willing to make reasonable adjustments to premises or employment arrangements if these substantially disadvantage a disabled employee or prospective employee. Every effort is made to find a suitable alternative job and, as necessary, training for those who are unable to continue in their existing role due to disability.

Pearson is committed to clear and timely communication with its people to ensure they understand the financial and economic factors that affect the performance of the company. Pearson supports employee representation to help positive employee relations.

We believe that the best way for employees to profit from the success of the company is for them to become shareholders. Pearson operates worldwide share plans taking account of local country tax and securities regulations. With most of our people based in the US, we have taken special care to make it easy for them to acquire shares in Pearson. The listing of our shares on the New York Stock Exchange allows us to operate a US Employee Stock Purchase Plan that makes share ownership in Pearson accessible to the majority of our employees.

Supplier payment policy

Operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. These supplier payment terms vary by operating company reflecting the different industries and countries in which they operate. It is company policy that suppliers are aware of such terms of payment and that payments to them are made in accordance with these, provided that the supplier is also complying with all relevant terms and conditions. Group trade creditors at 31 December 2007 were equivalent to 28 days of purchases during the year ended on that date. The company does not have any significant trade creditors and therefore is unable to disclose average supplier payment terms.

External giving

During 2007, Pearson's cash charitable giving totalled £7.2m (2006: £3.6m). In addition to cash donations, Pearson also provides in-kind support such as books, publishing expertise, advertising space and staff time. Through the Pearson Foundation, we focus our charitable giving on education and literacy projects around the world. We encourage our employees to support their personal charities by matching donations and payroll giving and by providing volunteering opportunities.

More details can be found in our 2007 CSR report at www.pearson.com/community/csr_report2007

Share capital

Details of share issues are given in note 26 to the accounts on page 88. The company has a single class of shares which is divided into ordinary shares of 25p each. The ordinary shares are in registered form. The company's current authorised share capital is £298,500,000 comprising 1,194,000,000 ordinary shares of which 808,028,141 were issued as at 31 December 2007. At the AGM held on 27 April 2007, the company was authorised, subject to certain conditions, to acquire up to 80 million of its ordinary shares by market purchase. Shareholders will be asked to renew this authority at the AGM on 25 April 2008.

At 29 February 2008, the company had been notified of the following substantial shareholdings (3% or more) in the capital of the company.

	Number of shares	Percentage
Aviva plc	40,126,002	4.96%
Legal & General Group plc	33,336,528	4.12%
Templeton Global Advisors Ltd	56,508,060	6.99%

Annual general meeting
The notice convening the AGM to be held at 12 noon on Friday, 25 April 2008 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE, is contained in a circular to shareholders to be dated 20 March 2008.

Registered auditors
In accordance with section 384 of the Companies Act 1985 and section 489 of the Companies Act 2006 resolutions proposing the reappointment of PricewaterhouseCoopers LLP (PwC) as auditors to the company will be proposed at the AGM, at a level of remuneration to be agreed by the directors.

Auditor independence
In line with best practice, our relationship with PwC, our independent auditor, is governed by our external auditor policy, which is reviewed and approved annually by the audit committee. The policy establishes procedures to ensure the auditors' independence is not compromised as well as defining those non-audit services that the independent auditor may or may not provide to Pearson. These allowable services are in accordance with relevant UK and US legislation.

The audit committee approves all audit and non-audit services provided by the independent auditor. Certain categories of allowable non-audit services have been pre-approved by the audit committee subject to the authorities below:

- Pre-approved non-audit services can be authorised by the chief financial officer up to £100,000 per project, subject to a cumulative limit of £500,000 per annum;
- Acquisition due diligence services up to £100,000 per transaction;
- Tax compliance and related activities up to the greater of £1m per annum or 50% of the external audit fee;
- For forward looking tax planning services we use the most appropriate advisor, usually after a tender process. Where we decide to use our independent auditor authority up to £100,000 per project, subject to a cumulative limit of £500,000 per annum has been delegated by the audit committee to management.

Services provided by the independent auditor above these limits and all other allowable non-audit services, irrespective of value, must be approved by the audit committee. Where appropriate, services will be tendered prior to awarding work to the auditor.

During 2007, Interactive Data appointed Ernst & Young LLP (Ernst & Young) as its independent auditor. To maintain Ernst & Young's independence we have restricted the services that Ernst & Young can provide to Pearson and its subsidiaries, similar to those we impose on PwC.

The audit committee receives regular reports summarising the amount of fees paid to the auditor.

A full statement of the fees for audit and services is provided in note 4 to the accounts on page 63.

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 Group as at the end of the year and of the profit or loss of the Group for that period. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985, Companies Act 2006 and the report on directors' remuneration.

They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps towards preventing and detecting fraud and other irregularities. In preparing the financial statements on pages 50 to 52 and 54 to 101 inclusive, the directors consider that appropriate accounting policies have been used and applied in a consistent manner, supported by reasonable and prudent judgements and estimates, and that all relevant accounting standards have been followed.

The directors confirm that the auditors have concluded that the directors' report is consistent with the financial statements.

The directors also confirm that, for all directors in office at the date of this report:

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.

Each director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the board on 13 March 2008 and signed on its behalf by

Philip Hoffman, *Secretary*