

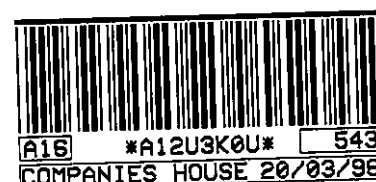
The Financial Times Limited

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Report and Financial Statements for the year ended 31 December 1995

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The Financial Times Limited

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A subsidiary of Pearson plc

DIRECTORS

F Barlow	(Chairman)
D C M Bell	(Chief Executive)
A C Miller	
R P Lambert	

SECRETARY AND REGISTERED OFFICE

D J Hall FCA
No 1 Southwark Bridge
London
SE1 9HL

REGISTERED AUDITORS

Coopers & Lybrand

BANKERS

Midland Bank plc
The Chase Manhattan Bank, N.A.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal Activities and Business Review

The principal activity of the Company during the year has been the production and publication of the international daily newspaper "Financial Times".

The Company continued printing its International edition in Roubaix, Frankfurt, New Jersey and Tokyo.

During the year the Company commenced printing in Sweden, Los Angeles, Leeds and Madrid. Printing is due to commence in Hong Kong in 1996.

The directors do not anticipate any significant changes in the Company's activities in the foreseeable future.

Results and Dividends

The loss for the year after taxation was £18,374,000. The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1995. The loss has been debited to the profit and loss account balance brought forward, leaving a deficit carried forward of £3,317,000.

Directors

The directors who served during the year are listed on page 2.

Directors' Interests in Shares and Debentures

All the directors are also directors of the immediate parent company, Financial Times Group Limited, and are not required to notify their interests to this Company.

Significant Changes in Fixed Assets

Details of fixed asset movements are included in note 7 to the financial statements.

In the opinion of the directors the present market value of land and buildings is in the region of £21 million below its net book value of £51 million. However, having discussed this matter with their professional advisers the directors are of the opinion that this does not represent a permanent diminution in value.

Directors' Report (Continued)

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 group. The training, career development, and promotion of disabled employees is, as far as possible, identical to that of employees who do not suffer from a disability.

The Company is an equal opportunities employer.

Employee Information

Employees are provided with information systematically on matters of concern to them as employees by means of a newsletter, the FT Focus, notes from management and a company-wide regular Team Briefing programme for the dissemination of information to all employees. The effectiveness of the methods of communication with employees is reviewed frequently.

The Company also has a variety of methods enabling employees to communicate upwards to management.

The Company operates an employee share scheme the distributions under which are based on the achievement of target levels for the Financial Times Group's trading margins.

All full-time employees of Pearson plc Group companies who are resident in the UK 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 Company's performance. Copies of the financial statements of the ultimate parent company are available to all employees and a statement summarising the performance of the Financial Times Group is also sent to all employees.

Directors' Report (Continued)

Health and Safety at Work

The Company retains the services of a leading physician supported by qualified nursing staff and a fully equipped medical clinic. Medical help is available at all times during the working hours of the Company.

There is also a joint committee of management and staff who monitor all aspects of health, safety and welfare at work of the employees of the Company.

The Company has a formal Health and Safety policy, a copy of which is distributed to all staff.

Officers' Liability Insurance

During the year to 31 December 1995 the Company, as part of a group arrangement, maintained insurance covering officers of the Company against liabilities arising in relation to the Company in accordance with section 310 (3) (a) of Companies Act 1985.

Elective Resolutions

The Company has passed an elective resolution whereby it has dispensed with the holding of an Annual General Meeting until such time as the election is revoked. Further elective resolutions passed at the same time were that the Company dispense with:


- a) The laying of the annual report and financial statements before the Company in General Meeting; and
- b) The requirement to re-appoint annually the registered auditors of the Company in General Meeting.

Auditors

As a consequence of the elective resolution in (b) above, Coopers & Lybrand are deemed to be re-appointed for each succeeding financial year.

By Order of the Board


D J Hall
Secretary

 March 1996

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 The Financial Times Limited

We have audited the financial statements on pages 8 to 27.

Respective responsibilities of directors and auditors

As described on page 6 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

7 March 1996

Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain land and buildings.

Turnover

Turnover represents net circulation, advertisement and other revenue receivable excluding value added tax.

Tangible fixed assets

Fixed assets are stated at cost or valuation and are depreciated over their estimated economic lives by equal annual instalments at the following rates:

Freehold buildings	: 2½%
Leasehold land and buildings	: 2% or over the period of the lease
Plant and machinery	: 5% - 20%
Fixtures, fittings and equipment	: 5% - 20%

Freehold land is not depreciated.

Finance and operating leases

Finance leases are recorded in the balance sheet by capitalising leased assets at their fair market value on acquisition and by recording the obligations to pay future rentals. These assets are depreciated over the shorter of the lease term and their estimated useful life. Finance charges payable under finance leases are charged to the profit and loss account using the actuarial method to give a constant periodic rate of charge on the remaining balance of the obligations. Operating lease rentals are charged to the profit and loss account as they are incurred.

Overseas currencies

Transactions, including purchases of fixed assets, are translated at the exchange rate ruling at the date of the transaction or at an appropriate average rate. Monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Resultant exchange differences are taken to the profit and loss account.

Accounting Policies (Continued)

Deferred taxation

The Company provides deferred taxation, at the applicable rate of taxation, to take account of timing differences which exist between the treatment of certain items for the purposes of the financial statements and their treatment for taxation purposes except to the extent that the directors consider it reasonable to assume that such timing differences will continue in the future.

Stock

Stock of newsprint, paper and other materials are valued at the lower of cost and net realisable value.

Fixed asset investments

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

Pension costs

The expected cost of the Company's defined benefit pension scheme is charged to the profit and loss account in order to apportion the cost of pensions over the service lives of employees in the scheme. Variations arising from a significant reduction in the number of employees are adjusted in the profit and loss account to the extent that the expected pension cost, reduced by other variations, exceeds contributions payable for that year. Other variations from cost are apportioned over the expected service lives of current employees in the scheme.

Profit and loss account for the year ended 31 December 1995

	<u>Notes</u>	<u>1995</u> £'000	<u>1994</u> £'000
Turnover - continuing operations	1	124,345	118,483
Cost of sales - continuing operations		(80,670)	(72,250)
Gross profit		43,675	46,233
Net operating expenses - continuing operations		(36,079)	(35,732)
Net exceptional operating (expenses)/income - continuing operations	2	(10,876)	5,841
Total net operating expenses	2	(46,955)	(29,891)
Operating (loss)/profit - continuing operations		(3,280)	16,342
Non operating items			
Loss on disposal of fixed assets		(24,878)	-
Income from interests in subsidiary undertakings		-	2,875
Income from associated undertaking		3,309	2,552
(Loss)/profit on ordinary activities before interest		(24,849)	21,769
Interest receivable		2,760	817
Interest payable and similar charges	5	(2,312)	(2,486)
(Loss)/profit on ordinary activities before taxation	3	(24,401)	20,100
Taxation on (loss)/profit on ordinary activities	6	6,027	(1,691)
(Loss)/profit for the financial year	16	(18,374)	18,409

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

This company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet as at 31 December 1995

	<u>Notes</u>	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
Fixed assets			
Tangible fixed assets	7	92,256	123,509
Investments:			
Subsidiary undertakings	8	49	49
Associated undertakings	9	900	900
Other investments	10	3,151	25
		<u>96,356</u>	<u>124,483</u>
Current assets			
Stocks	11	1,231	641
Debtors: amounts falling due within one year	12	33,659	35,217
Cash at bank and in hand		13,583	17,759
		<u>48,473</u>	<u>53,617</u>
Creditors: amounts falling due within one year	13	<u>(54,762)</u>	<u>(67,953)</u>
Net current liabilities		<u>(6,289)</u>	<u>(14,336)</u>
Total assets less current liabilities		<u>90,067</u>	<u>110,147</u>
Creditors: amounts falling due after more than one year	13	<u>(52,000)</u>	<u>(52,000)</u>
Provisions for liabilities and charges			
Deferred taxation	14	(7,172)	(15,257)
Other provisions	14	(9,212)	(2,833)
		<u>(16,384)</u>	<u>(18,090)</u>
Net assets		<u>21,683</u>	<u>40,057</u>
Capital and reserves			
Called up share capital	15	25,000	25,000
Profit and loss account	16	(3,317)	15,057
Equity Shareholders' funds	17	<u>21,683</u>	<u>40,057</u>

The financial statements on pages 8 to 27 were approved by the Board of Directors on 3 March 1996 and were signed on its behalf by:



A C Miller
Director

Notes to the financial statements for the year ended 31 December 1995

1	Turnover - continuing operations	<u>1995</u> £'000	<u>1994</u> £'000
Geographical markets supplied:			
United Kingdom		89,372	87,590
Europe		17,471	13,240
North America		11,108	10,377
South America		382	647
Africa		993	1,508
Asia		4,864	5,020
Australasia		155	101
		<u>124,345</u>	<u>118,483</u>

The Company treats invoices to agents in the United Kingdom as United Kingdom turnover regardless of the country of residence of the customer.

2 Operating expenses

	<u>1995</u> £'000	<u>1995</u> £'000	<u>1994</u> £'000	<u>1994</u> £'000
Continuing operations:				
Distribution costs		5,315		5,557
Administrative expenses	30,951		30,204	
Net exceptional administrative expenses/(income)	<u>10,876</u>		<u>(5,841)</u>	
Total administrative expenses		41,827		24,363
Less: other operating income		(187)		(29)
Total net operating expenses		<u>46,955</u>		<u>29,891</u>

**Notes to the financial statements
for the year ended 31 December 1995 (Continued)**

2 Operating expenses (Continued)

The net exceptional administrative expenses/(income) consist of:

	<u>1995</u> £'000	<u>1994</u> £'000
Provision for reorganisation costs	6,800	-
Set up/(release) of provision in respect of amounts due from subsidiary undertakings	4,076	(5,841)
	<u>10,876</u>	<u>(5,841)</u>

3 (Loss)/profit on ordinary activities before taxation

	<u>1995</u> £'000	<u>1994</u> £'000
(Loss)/profit on ordinary activities before taxation is arrived at after charging/(crediting):		
Staff costs (see note 4)	39,123	30,810
Depreciation of tangible fixed assets (see note 7)	8,384	8,092
Auditors' remuneration:		
- for audit services	65	44
- for non audit services	150	85
Operating lease rentals - plant and machinery	230	231
Operating lease rentals - land and buildings	407	322
Loss/(profit) on sale of fixed assets	24,832	(39)
	<u>24,832</u>	<u>(39)</u>

Notes to the financial statements for the year ended 31 December 1995 (Continued)

4 Directors and employees	<u>1995</u> Number	<u>1994</u> Number
The average weekly number of persons (including directors) employed by the Company during the year was:		
Production	841	640
Distribution	40	48
Administration	214	204
	<u>1,095</u>	<u>892</u>
	<u>1,095</u>	<u>892</u>
	<u>1995</u> £'000	<u>1994</u> £'000
Staff costs comprised:		
Wages and salaries	36,094	28,429
Social security costs	2,987	2,356
Other pension costs	42	25
	<u>39,123</u>	<u>30,810</u>
	<u>39,123</u>	<u>30,810</u>
Pension costs in 1995 represent the Company's contributions to employees' personal pension schemes (1994:£25,000).		
The remuneration paid to directors was:	<u>1995</u> £'000	<u>1994</u> £'000
Fees and other emoluments	496	429
Pension scheme contributions	53	48
	<u>549</u>	<u>477</u>
	<u>549</u>	<u>477</u>

**Notes to the financial statements
for the year ended 31 December 1995 (Continued)**

4 Directors and employees (Continued)

	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:		
Chairman	-	-
Highest paid director	203	169

The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	<u>1995</u> <u>Number</u>	<u>1994</u> <u>Number</u>
£ 0 - £ 5,000	1	2
£110,001 - £115,000	-	1
£115,001 - £120,000	1	-
£145,001 - £150,000	-	1
£165,001 - £170,000	-	1
£170,001 - £175,000	1	-
£200,001 - £205,000	1	-

5 Interest payable and similar charges

	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
On bank loans, overdrafts and other loans repayable within five years, not by instalments:		
To group undertakings	2,312	2,486

**Notes to the financial statements
for the year ended 31 December 1995 (Continued)**

6 Taxation on (loss)/profit on ordinary activities

	<u>1995</u> £'000	<u>1994</u> £'000
UK Corporation tax charge/(credit) at 33% (1994:33%):		
Current	1,276	3,464
Deferred	(7,826)	159
	<u>(6,550)</u>	<u>3,623</u>
Less: Double Tax Relief	-	(26)
	<u>(6,550)</u>	<u>3,597</u>
Overseas tax	-	35
	<u>(6,550)</u>	<u>3,632</u>
Under/(over) provision in respect of prior years:		
Current	(62)	(69)
Deferred	(76)	(18)
Tax credits on franked investment income	661	510
Recoverable Advance		
Corporation Tax	-	(2,364)
	<u>(6,027)</u>	<u>1,691</u>

Included in the tax credit for 1995 is a credit of £7,394,000 relating to the exceptional loss on disposal of fixed assets of £24,878,000.

Notes to the financial statements for the year ended 31 December 1995 (Continued)

7 Tangible fixed assets

	Freehold L&B	Long Leasehold L&B	Plant & Machinery	Fixtures, fittings tools & equipment	Assets for Resale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation						
At 1 January 1995	62,750	25,497	59,893	13,491	-	161,631
Additions	247	-	1,831	3,007	-	5,085
Disposals	-	-	(30)	(1,102)	-	(1,132)
Intergroup transfers	-	-	413	196	-	609
Transfers to assets for resale	-	(25,497)	(33,596)	-	59,093	-
Assets sold	-	-	-	-	(11,376)	(11,376)
At 31 December 1995	<u>62,997</u>	<u>-</u>	<u>28,511</u>	<u>15,592</u>	<u>47,717</u>	<u>154,817</u>
Depreciation						
At 1 January 1995	10,570	2,484	18,908	6,160	-	38,122
Charge for the year	1,865	421	4,125	1,973	-	8,384
Eliminated in respect of disposals	-	-	(28)	(993)	-	(1,021)
Intergroup transfers	-	-	291	59	-	350
Transfers to assets for resale	-	(2,905)	(11,835)	-	14,740	-
Assets sold	-	-	-	-	(2,838)	(2,838)
Provision	-	-	-	-	19,564	19,564
At 31 December 1995	<u>12,435</u>	<u>-</u>	<u>11,461</u>	<u>7,199</u>	<u>31,466</u>	<u>62,561</u>
Net book value						
At 31 December 1995	<u>50,562</u>	<u>0</u>	<u>17,050</u>	<u>8,393</u>	<u>16,251</u>	<u>92,256</u>
At 31 December 1994	<u>52,180</u>	<u>23,013</u>	<u>40,985</u>	<u>7,331</u>	<u>0</u>	<u>123,509</u>

**Notes to the financial statements
for the year ended 31 December 1995 (Continued)****7 Tangible fixed assets (Continued)**

The net book value of plant and machinery includes £361,000 (1994:£721,000) in respect of assets held under finance leases. The depreciation charged to the profit and loss account in respect of the fixed assets held under finance leases was £361,000 (1994:£361,000).

During 1993 the directors took advice from their professional advisers regarding the market value of land and buildings. The directors were of the opinion that there had been a permanent diminution in value of land and buildings and provided £20 million against this at 31 December 1993, reducing the cost accordingly.

If freehold property had not been revalued it would be included at cost of £82,997,000 and accumulated depreciation of £12,935,000.

During the year the directors decided to sell the printing site at East India Dock and contract out the printing of the newspaper.

An agreement was entered into with West Ferry Printers Ltd for the sale of some of the plant and machinery at the printing site. At the balance sheet date an amount of £4,251,000 relates to plant that has been contracted for sale but not disposed of at the year end. This figure is included in the "assets for resale" column.

The remaining balance of "assets for resale" relates to other East India Dock assets which are currently the subject of negotiations for sale.

The directors consider that this sale will proceed as planned and therefore have included these assets at a valuation of £12,000,000 representing the expected sale proceeds."

8 Subsidiary undertakings

Cost of shares	£'000
At 1 January 1995 and 31 December 1995	869
	<hr/>
Amounts written off	
At 1 January 1995 and 31 December 1995	(820)
	<hr/>
Net book value at 31 December 1995	49
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Net book value at 31 December 1994	49
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Notes to the financial statements for the year ended 31 December 1995 (Continued)

8 Subsidiary undertakings (Continued)

Details of subsidiary undertakings, all of which are wholly-owned, are as follows:

Active subsidiary undertakings:

The Financial Times (Benelux) Limited
The Financial Times (France) Limited
F.T. (Germany Advertising) Limited
The Financial Times (Europe) Limited
The Financial Times (Europe) GmbH (incorporated in Germany)
The Financial Times (Switzerland) Limited
St. Clements Press Limited
The Financial Times (Spain) Limited
The Financial Times (Japan) Limited

Dormant subsidiary undertakings:

St. Clements Press (1988) Limited
St. Clements Press Pension Trustee Limited
The Financial Times Pension Trustee Limited
The Financial News Limited
The Financial Times (Hong Kong) Limited (incorporated in Hong Kong)
F.T. Prices Limited
FT (Sweden) AB (incorporated in Sweden)

All the above companies are registered in England and Wales except where indicated.

Group financial statements have not been prepared as the Company is itself the wholly-owned subsidiary undertaking of Financial Times Group Limited, a company incorporated in Great Britain and registered in England and Wales.

In the opinion of the directors the value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

Notes to the financial statements for the year ended 31 December 1995 (Continued)

9 Associated undertakings

	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
Cost of shares being also net book value	<u>900</u>	<u>900</u>

Details of the associated undertaking are as follows:

	<u>Held at</u> <u>31.12.1995</u> <u>% of issued shares held</u>	<u>Held at</u> <u>1.1.1995</u> <u>% of issued shares held</u>
The Economist Newspaper Limited		
22,680,000 5p ordinary shares	50	50
1,260,000 5p 'A' special shares	-	-
1,260,000 5p 'B' special shares	100	100
100 5p Trust shares	-	-

FT-SE International Limited

100 £1 ordinary shares	50	-
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The above Companies are registered in England and Wales. In the opinion of the directors the value of the investment in the associated undertakings are not less than the amount at which they are stated in the balance sheet.

10 Other investments

The Company acquired unlisted debentures of £41,000 in 1990 which are being amortised over a 10 year period. Amortisation of £4,000 (1994:£4,000) was charged to the profit and loss account during the year.

During the year the company acquired 100% of the £1 redeemable preference share capital, which was issued at par value of £3,000,000, of West Ferry Printers Limited, a company registered in England and Wales. At 31 December 1995 £30,000 of this balance had been called up and paid.

The latest available accounts for West Ferry Printers Limited are for the year ended 31 December 1994 and show capital and reserves of £623,000 and a retained loss for the year of £162,000.

Also included within investments is a 16.67% interest in the Newspaper Licensing Agency, a company registered in England and Wales.

Notes to the financial statements for the year ended 31 December 1995 (Continued)

11 Stocks	<u>1995</u> £'000	<u>1994</u> £'000
Raw materials and consumables	<u>1,231</u>	<u>641</u>

In the opinion of the directors, there is no material difference between the replacement cost and the balance sheet valuation of stock.

12 Debtors	<u>1995</u> £'000	<u>1994</u> £'000
Amounts falling due within one year:		
Trade debtors	28,454	21,724
Amounts owed by group undertakings:		
- parent company and fellow subsidiary undertakings	2,709	7,915
- subsidiary undertakings	663	4,142
Amounts owed by associated undertakings	34	-
Other debtors	705	713
Prepayments and accrued income	1,094	723
	<u>33,659</u>	<u>35,217</u>

13 Creditors	<u>1995</u> £'000	<u>1994</u> £'000
Amounts falling due within one year:		
Trade creditors	6,889	5,765
Amounts owed to group undertakings:		
- parent company and fellow subsidiary undertakings	25,571	43,182
- subsidiary undertakings	7,778	5,479
Corporation tax	354	2,252
Other taxation and social security	3,531	3,023
Other creditors	3,515	32
Accruals and deferred income	7,124	8,220
	<u>54,762</u>	<u>67,953</u>

**Notes to the financial statements
for the year ended 31 December 1995 (Continued)**

Included in amounts owed to group undertakings is an interest bearing loan of £21,000,000 which is subject to interest at ½% above LIBOR.

Amounts falling due after more than one year:	<u>1995</u> £'000	<u>1994</u> £'000
Interest free loans from ultimate parent undertaking	<u>52,000</u>	<u>52,000</u>

14 Provisions for liabilities and charges

a) Deferred taxation

Deferred taxation is provided in full at the applicable rate of taxation in the financial statements. The amounts for which provision has been made are as follows:

	Excess of Tax Allowances over <u>Depreciation</u> £'000	Other Short Term Timing <u>Differences</u> £'000	Timing Differences in connection <u>with Provisions</u> £'000	<u>Total</u> £'000
Provision/(asset) at 1 January 1995	16,358	(75)	(1,026)	15,257
Transfers from St Clements Press	(9)	-	(174)	(183)
Transferred (to)/from profit and loss account	<u>(11,227)</u>	<u>3,289</u>	<u>36</u>	<u>(7,902)</u>
Provision/(asset) at 31 December 1995	<u>5,122</u>	<u>3,214</u>	<u>(1,164)</u>	<u>7,172</u>

b) Other provisions

	Reorganisation Provisions £'000	Pension and Post Retirement Medical Benefits £'000	Total £'000
Provision at 1 January 1995	-	2,833	2,833
Transfer from St Clements Press	-	527	527
Transferred from/(to) profit and loss account	<u>5,858</u>	<u>(6)</u>	<u>5,852</u>
Provision at 31 December 1995	<u>5,858</u>	<u>3,354</u>	<u>9,212</u>

**Notes to the financial statements
for the year ended 31 December 1995 (Continued)**

15 Called up share capital

	<u>1995</u> £'000	<u>1994</u> £'000
Authorised, allotted, called up and fully paid:		
25,000,000 £1 ordinary shares	<u>25,000</u>	<u>25,000</u>

16 Reserves

	<u>Profit and Loss Account</u> £'000
At 1 January 1995	15,057
Loss for the financial year	(18,374)
At 31 December 1995	<u>(3,317)</u>

17 Reconciliation of movements in shareholders' funds

	<u>1995</u> £'000	<u>1994</u> £'000
(Loss)/profit for the financial year	(18,374)	18,409
Increase in share capital	<u>-</u>	<u>23,200</u>
Net (reduction)/increase in shareholders' funds	(18,374)	41,609
Opening shareholders' funds	<u>40,057</u>	<u>(1,552)</u>
Closing shareholders' funds	<u>21,683</u>	<u>40,057</u>

**Notes to the financial statements
for the year ended 31 December 1995 (Continued)**

18 Capital commitments

	<u>1995</u> £'000	<u>1994</u> £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>670</u>	<u>106</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>1,480</u>	<u>393</u>

19 Operating leases

	<u>1995</u>		<u>1994</u>	
	<u>Land and Buildings</u> £'000	<u>Other</u> £'000	<u>Land and Buildings</u> £'000	<u>Other</u> £'000
Annual commitments in respect of operating leases:				
Expiring within one year	30	20	53	-
Expiring between two and five years	201	-	95	230
Expiring in over five years	45	-	39	-
	<u>276</u>	<u>20</u>	<u>187</u>	<u>230</u>

20 Contingent liabilities

The company participates in an arrangement with Midland 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 cash balance under this arrangement at 31 December 1995 was £2,005,653.

The maximum amount of this guarantee is limited to a net overdraft of £35,000,000.

At 31 December 1995 this was the Company's potential liability.

Notes to the financial statements for the year ended 31 December 1995 (Continued)

20 Contingent liabilities (Continued)

As at 31 December 1995 the potential liability arising from these guarantee arrangements amounted to £35,000,000 for the parent undertakings and fellow subsidiary undertakings and £NIL for the subsidiary undertakings of the company.

The Company also has a similar arrangement with Chase Manhattan Bank NA in respect of US dollar sums owing by fellow group undertakings of Pearson plc. The liability which could ensue from these undertakings is limited to the amount standing to the credit of specified accounts of The Financial Times Limited and certain of its group undertakings with Chase Manhattan Bank NA.

The Company has guaranteed the performance and payment by F.T. Publications Inc, a fellow subsidiary undertaking of Pearson plc, of its contracts with Evergreen Printing and Publishing Company, and American Satellite company in connection with the printing of the Financial Times newspaper in the United States of America.

The Company, together with certain other group undertakings of Pearson plc has guaranteed interest on and repayment of £25,500,000 guaranteed unsecured loan stock of Pearson plc.

There are contingent liabilities in respect of outstanding libel claims amounting to £25,000 based on lawyers' estimates of settlements and costs.

The Company has guaranteed payment of the rent of £173,000 per annum in respect of premises occupied by F.T. Business Enterprises Limited a fellow subsidiary undertaking of Pearson plc.

The Company has a contingent liability to post a bond of US\$1,000,000 relating to the purchase of a computer aided publishing system.

The company has guaranteed payment of lease instalments in respect of computer equipment due by F.T. Business Enterprises Limited, a fellow subsidiary undertaking of Pearson plc. The total of instalments owing at 31 December 1995 was £653,000.

The Company has guaranteed a performance of obligations due by Extel Financial Limited a fellow subsidiary undertaking of Pearson plc under contracts with National Power Plc for the supply of electricity.

The Company has also guaranteed the payment of sums due by Extel Financial Limited to Computacentre in respect of the supply of goods and services.

Other contingent liabilities, in respect of bank guarantees, amounted to £27,000 at 31 December 1995.

Notes to the financial statements for the year ended 31 December 1995 (Continued)

20 Contingent liabilities (Continued)

The Company has agreed to provide, or arrange the provision of, funds to St Clements Press Limited, a subsidiary undertaking, and Extel Financial Limited, a fellow subsidiary undertaking, sufficient to meet obligations as they fall due until 31 March 1996 at which time this agreement will be reviewed.

At 31 December 1995 St Clements Press Limited had net liabilities of £9,000, Extel Financial Limited had net liabilities of £1,877,000 and The Broadcast Monitoring Company Limited had net liabilities of £2,536 after deducting amounts due to and from The Financial Times Limited.

21 Pension commitments

The Company is a member of The Pearson Group Pension Plan, which is primarily a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation as at 1 January 1994, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 1995. The pension costs relating to the group plan are assessed in accordance with the advice of a qualified actuary.

The valuation surplus on the group plan calculated by the actuary at 1 January 1994 and augmented by the merger of the plans of Thames Television Limited and Extel Limited is being apportioned over the expected service lives of the group's employees who are members of the scheme. The company's pension cost, net of surplus, is nil (1994:£Nil).

22 Post-retirement medical benefits

The Company provides for post-retirement medical benefits of certain employees. The most important assumption in assessing this obligation are the assumed rate of medical inflation of 8% and the discounted rate to be used of 7.5%.

During the year, the Company released £6,100 (1994:£Nil) to the profit and loss account. The provision for these benefits is included in provision for liabilities and charges (see note 14).

23 Cash flow statement

The cash flows of the Company are included in the consolidated group cash flow statement of Pearson plc, the ultimate parent company. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Notes to the financial statements for the year ended 31 December 1995 (Continued)

24 Ultimate parent company

The Company's ultimate parent company is Pearson plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of Pearson plc are available to the public from the following address:

Pearson plc
3 Burlington Gardens
LONDON
W1X 1LE