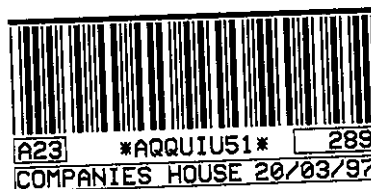


THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

Registered Number: 227590



THE FINANCIAL TIMES LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

	Pages
Directors' Report	1-3
Statement of Directors' Responsibilities	4
Report of the Auditors	5
Accounting Policies	6-7
Profit and Loss Account	8
Balance Sheet	9
Notes to the Financial Statements	10-23

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

A subsidiary of Pearson plc

DIRECTORS

DCM Bell (Chairman)

SG Hill (Chief Executive)

Appointed 1 March 1996

AC Miller

RP Lambert

F Barlow

SECRETARY AND REGISTERED OFFICE

AM Daw

No 1 Southwark Bridge

London SE1 9HL

REGISTERED AUDITORS

Price Waterhouse

BANKERS

Midland Bank plc

Chase Manhattan Bank NA

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1996.

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".

During the year the Company commenced printing in Hong Kong and in the UK transferred printing from its own print works at East India Dock to third party printers in London and Leeds.

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

RESULTS AND DIVIDENDS

The profit for the year after taxation was £6,472,000 (1995: loss £18,374,000). The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1996. The profit has been credited to the profit and loss account balance brought forward, leaving an accumulated profit carried forward of £3,155,000 (1995: deficit £3,317,000).

DIRECTORS

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

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.

LAND AND BUILDINGS

In the opinion of the directors the present market value of land and buildings is in the region of £31 million below its net book value of £61 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.

PAYMENT OF CREDITORS

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.

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

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 a variety of methods including a monthly newsletter FT Focus, notes from management and a Company wide regular team briefing programme on a cascade basis from the dissemination of information to all employees. The effectiveness of the methods are reviewed frequently. The Company also have a variety of methods enabling the employee to communicate upwards to management.

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

The Company has made a formal commitment to the Investors in People programme and hopes to achieve the standard by the end of 1997.

The Company operates an employee share scheme, the distributions under which are based on the achievement of target levels for the Company's trading margin.

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 group's performance. Copies of the financial statements of Pearson plc are available to all employees and a statement summarising the performance of the Company is also sent to all employees.

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

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.

The Company has a health and safety policy, a copy of which is distributed to all staff, and is reviewed and updated at regular intervals.

OFFICERS' LIABILITY INSURANCE

During the year to 31 December 1996 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 that the Company dispense with:

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

AUDITORS

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

By Order of the Board



**AM Daw
Secretary**

7 March 1997

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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.

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF THE FINANCIAL TIMES LIMITED

We have audited the financial statements on pages 6 to 23, which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4, 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

7 March 1997

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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.

TURNOVER

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

TANGIBLE FIXED ASSETS

Fixed assets are stated at cost less provision required to take account of any permanent diminution in value. These assets are depreciated over their estimated economic lives by equal annual instalments, starting in the year following acquisition, 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 capitalised 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.

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

ACCOUNTING POLICIES (Continued)

DEFERRED TAXATION

The Company provides deferred taxation, at the applicable rates 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 ASSETS 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 this 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.

THE FINANCIAL TIMES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £'000	1995 £'000
TURNOVER - continuing operations	1	131,409	124,345
Cost of sales		<u>(80,626)</u>	<u>(80,670)</u>
GROSS PROFIT		<u>50,783</u>	<u>43,675</u>
Net operating expenses		(35,397)	(36,079)
Net exceptional operating expenses	2	<u>(5,146)</u>	<u>(10,876)</u>
Total net operating expenses	2	<u>(40,543)</u>	<u>(46,955)</u>
OPERATING PROFIT/(LOSS) - continuing operations		10,240	(3,280)
Non operating items			
Loss on disposal of fixed assets		(8,000)	(24,878)
Income from subsidiary undertakings		1,500	-
Income from associated undertakings		4,253	3,309
Investment income		<u>116</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		8,109	(24,849)
Interest receivable		926	2,760
Interest payable and similar charges	5	<u>(1,394)</u>	<u>(2,312)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	7,641	(24,401)
Taxation on profit/(loss) on ordinary activities	6	<u>(1,169)</u>	<u>6,027</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	16	<u>6,472</u>	<u>(18,374)</u>


The Company has no recognised gains or losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

THE FINANCIAL TIMES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

	Notes	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible fixed assets	7	76,614	92,256
Investments:			
Subsidiary undertakings	8	47	49
Associated undertakings	9	900	900
Other investments	10	<u>3,102</u>	<u>3,151</u>
		80,663	96,356
CURRENT ASSETS			
Stocks	11	529	1,231
Debtors: amounts falling due within one year	12	32,683	33,659
Cash at bank and in hand		<u>35,162</u>	<u>13,583</u>
		68,374	48,473
CREDITORS: amounts falling due within one year	13	<u>(60,933)</u>	<u>(54,762)</u>
NET CURRENT ASSETS/(LIABILITIES)		7,441	(6,289)
TOTAL ASSETS LESS CURRENT LIABILITIES		88,104	90,067
CREDITORS: amounts falling due after more than one year	13	(52,000)	(52,000)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	(3,746)	(7,172)
Other provisions	14	<u>(4,203)</u>	<u>(9,212)</u>
		(7,949)	(16,384)
NET ASSETS		28,155	21,683
CAPITAL AND RESERVES			
Called up share capital	15	25,000	25,000
Profit and loss account	16	<u>3,155</u>	<u>(3,317)</u>
EQUITY SHAREHOLDERS' FUNDS	17	28,155	21,683

The financial statements on pages 6 to 23 were approved by the Board of Directors on 7 March 1997 and were signed on its behalf by:


AC Miller
Director

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

1 TURNOVER

	<u>1996</u> £'000	<u>1995</u> £'000
Geographical markets supplied:		
United Kingdom	90,709	89,372
Europe	21,255	17,471
North America	13,056	11,108
South America	847	382
Africa	1,637	993
Asia	3,784	4,864
Australasia	<u>121</u>	<u>155</u>
	131,409	124,345
	<u><u> </u></u>	<u><u> </u></u>

The company treats invoices to agents in the UK as UK turnover regardless of the country of residence of the customer.

2 OPERATING EXPENSES

	<u>1996</u> £'000	<u>1995</u> £'000
Administrative expenses	31,075	30,951
Net exceptional administrative expenses	<u>5,146</u>	<u>10,876</u>
Total administrative expenses	36,221	41,827
Distribution costs	5,102	5,315
Less: other operating income	<u>(780)</u>	<u>(187)</u>
Total net operating expenses	40,543	46,955
	<u><u> </u></u>	<u><u> </u></u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

2 OPERATING EXPENSES (Continued)

The net exceptional administrative expenses consist of:

	<u>1996</u> £'000	<u>1995</u> £'000
Provision for reorganisation costs	(189)	6,800
Redundancy costs	5,396	-
Set up/(release) of provision in respect of amounts due from subsidiary undertakings	<u>(61)</u>	<u>4,076</u>
	5,146	10,876
	<u><u> </u></u>	<u><u> </u></u>

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is arrived at after charging:

	<u>1996</u> £'000	<u>1995</u> £'000
Staff costs (see note 4)	34,926	39,123
Depreciation of tangible fixed assets (see note 7)	6,636	8,384
Auditors' remuneration for audit services	35	65
Auditors' remuneration for non audit services:		
- current auditors	9	-
- previous auditors	162	150
Operating lease rentals - plant and machinery	94	230
Operating lease rentals - land and buildings	351	407
Loss on sale of fixed assets	7,978	24,832
	<u><u> </u></u>	<u><u> </u></u>

4 DIRECTORS AND EMPLOYEES

The average weekly number of persons (including directors) employed by the Company during the year was:

	<u>1996</u> Number	<u>1995</u> Number
Production	686	841
Distribution	39	40
Administration	<u>175</u>	<u>214</u>
	900	1,095
	<u><u> </u></u>	<u><u> </u></u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

4 DIRECTORS AND EMPLOYEES (Continued)

	<u>1996</u> £'000	<u>1995</u> £'000
Staff costs comprised:		
Wages and salaries	32,194	36,094
Social security costs	2,705	2,987
Other pension costs	<u>27</u>	<u>42</u>
	34,926	39,123

Pension costs in 1996 represent the Company's contributions to employees' personal pension schemes (1995: £42,000).

	<u>1996</u> £'000	<u>1995</u> £'000
The remuneration paid to directors was:		
Fees and other emoluments	477	496
Pension scheme contributions	<u>-</u>	<u>53</u>
	477	549

Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

Chairman	<u>38</u>	<u>-</u>
Highest paid director	<u>182</u>	<u>203</u>

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

	<u>1996</u> Number	<u>1995</u> Number
£ 0 - £ 5,000	1	1
£35,001 - £40,000	1	-
£115,001 - £120,000	-	1
£125,001 - £130,000	1	-
£130,001 - £135,000	1	-
£170,001 - £175,000	-	1
£180,001 - £185,000	1	-
£200,001 - £205,000	-	1

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

5 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1996</u> £'000	<u>1995</u> £'000
On bank loans, overdrafts and other loans repayable within five years, not by instalments:		
To group undertakings	1,394	2,312
	<u> </u>	<u> </u>

6 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>1996</u> £'000	<u>1995</u> £'000
UK Corporation tax charge/(credit) at 33% (1995: 33%):		
Current	3,985	1,276
Deferred	<u>(2,399)</u>	<u>(7,826)</u>
Overseas tax	1,586	(6,550)
(Over) provision in respect of prior years:	27	-
Current	(292)	(62)
Deferred	<u>(1,026)</u>	<u>(76)</u>
Tax credits on franked investment income	<u>874</u>	<u>661</u>
	<u>1,169</u>	<u>(6,027)</u>
	<u> </u>	<u> </u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

7 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings tools and equipment £'000	Assets for resale £'000	Total £'000
Cost					
At 1 January 1996	62,997	28,511	15,592	47,717	154,817
Additions	18	238	3,333	-	3,589
Disposals	-	-	(754)	(12,503)	(13,257)
Intergroup transfers	-	-	(342)	-	(342)
At 31 December 1996	63,015	28,749	17,829	35,214	144,807
Depreciation					
At 1 January 1996	12,435	11,461	7,199	31,466	62,561
Charge for the year	1,884	2,197	2,555	-	6,636
Eliminated in respect of disposals	-	-	(590)	(8,252)	(8,842)
Intergroup transfers	-	-	(162)	-	(162)
Provisions	-	-	-	8,000	8,000
At 31 December 1996	14,319	13,658	9,002	31,214	68,193
Net book value					
At 31 December 1996	48,696	15,091	8,827	4,000	76,614
At 31 December 1995	50,562	17,050	8,393	16,251	92,256

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

7 TANGIBLE FIXED ASSETS (Continued)

The net book value of plant and machinery includes £ nil (1995: £361,000) 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 (1995: £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 of 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 provided against it would be included at cost of £82,997,000 and accumulated depreciation of £12,935,000.

The "assets for resale" relates to East India Dock assets. During the year the directors provided a further £8,000,000 against these assets to write them down to the expected sale proceeds.

8 SUBSIDIARY UNDERTAKINGS

Cost of shares	£'000
At 1 January 1996	869
Disposals	<u>(2)</u>
At 31 December 1996	867
Amounts written off	<u>=====</u>
At 1 January and 31 December 1996	(820)
	<u>=====</u>
Net book value	
At 31 December 1996	47
	<u>=====</u>
At 31 December 1995	49
	<u>=====</u>

During the year the Company sold its interest in The Financial Times (Hong Kong) Limited (incorporated in Hong Kong) to Pearson Overseas Holdings Limited at net book value.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (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
FT (Germany Advertising) Limited
The Financial Times (Europe) Limited
The Financial Times (Switzerland) Limited
St Clements Press Limited
The Financial Times (Spain) Limited
The FinancialTimes (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
FT (Russia) Limited (formerly FT Prices Limited)
FT (Sweden) AB (incorporated in Sweden)

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

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.

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.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

9 ASSOCIATED UNDERTAKINGS

	<u>1996</u> £'000	<u>1995</u> £'000
Cost of shares being also net book value	900	900
	<u> </u>	<u> </u>

Details of the associated undertakings are as follows:

	Held at <u>31/12/96</u> % of issued shares held	Held at <u>1/1/96</u> % of issued shares held
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	50

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 (1995: £4,000) was charged to the profit and loss account during the year.

In 1995 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 1996 £3,000,000 of this balance had been called up and paid (1995: £30,000). The latest available accounts for West Ferry Printers Limited are for the year ended 31 December 1996 and show capital and reserves of £13,020,000 and a retained profit for the year of £3,617,000.

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

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

11 STOCKS

	<u>1996</u> £'000	<u>1995</u> £'000
Raw materials and consumables	529	1,231
	<u> </u>	<u> </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>1996</u> £'000	<u>1995</u> £'000
Amounts falling due within one year:		
Trade debtors	23,905	28,454
Amounts owed by group undertakings:		
- immediate parent company and fellow subsidiary undertakings	6,597	2,709
- subsidiary undertakings	49	663
Amounts owed by associated undertakings	-	34
Other debtors	1,036	705
Prépayments and accrued income	<u>1,096</u>	<u>1,094</u>
	<u>32,683</u>	<u>33,659</u>

13 CREDITORS

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts falling due within one year:		
Trade creditors	4,635	6,889
Amounts owed to group undertakings:		
- immediate parent company and fellow subsidiary undertakings	34,071	25,571
- subsidiary undertakings	1,393	7,778
Corporation tax	3,638	354
Other taxation and social security	3,146	3,531
Other creditors	671	3,515
Accruals and deferred income	<u>13,379</u>	<u>7,124</u>
	<u>60,933</u>	<u>54,762</u>

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>1996</u> £'000	<u>1995</u> £'000
Interest free loans from ultimate parent undertaking	<u>52,000</u>	<u>52,000</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

14 PROVISIONS FOR LIABILITIES AND CHARGES

a) Deferred taxation

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

	<u>Excess of tax allowances over depreciation</u> £'000	<u>Other short term timing differences</u> £'000	<u>Timing differences in connection with provisions</u> £'000	<u>Total</u> £'000
Provision/(asset) at 1 January 1996	5,122	3,214	(1,164)	7,172
Transferred (to)/from profit and loss account	<u>(863)</u>	<u>(2,571)</u>	<u>8</u>	<u>(3,426)</u>
Provision/(asset) at 31 December 1996	<u><u>4,259</u></u>	<u><u>643</u></u>	<u><u>(1,156)</u></u>	<u><u>3,746</u></u>

b) Other provisions

	<u>Reorganisation provisions</u> £'000	<u>Pension and post retirement medical benefits</u> £'000	<u>Total</u> £'000
Provision at 1 January 1996	5,858	3,354	9,212
Payments	(4,820)	-	(4,820)
Transferred to profit and loss account	<u>(189)</u>	<u>-</u>	<u>(189)</u>
Provision at 31 December 1996	<u><u>849</u></u>	<u><u>3,354</u></u>	<u><u>4,203</u></u>

15 CALLED UP SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
Authorised, allotted, called up and fully paid:		
25,000,000 £1 Ordinary shares	<u><u>25,000</u></u>	<u><u>25,000</u></u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

16 RESERVES

	Profit and loss account £'000
At 1 January 1996	(3,317)
Profit for the financial year	<u>6,472</u>
At 31 December 1996	<u>3,155</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Profit/(loss) for the financial year	<u>6,472</u>	<u>(18,374)</u>
Net increase/(reduction) in shareholders' funds	6,472	(18,374)
Opening shareholders' funds	<u>21,683</u>	<u>40,057</u>
Closing shareholders' funds	<u>28,155</u>	<u>21,683</u>

18 CAPITAL COMMITMENTS

	1996 £'000	1995 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>17</u>	<u>670</u>

19 OPERATING LEASES

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Annual commitments in respect of operating leases:				
Expiring within one year	73	-	30	20
Expiring between one and five years	166	89	201	-
Expiring in over five years	<u>91</u>	<u>-</u>	<u>45</u>	<u>-</u>
	<u>330</u>	<u>89</u>	<u>276</u>	<u>20</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

20 CONTINGENT LIABILITIES

The Company participates in an arrangement with Midland Bank plc whereby the accounts of Pearson plc and 36 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 1996 was £8,786,157. The maximum amount of this guarantee is limited to a net overdraft of £35,000,000. At 31 December 1996 this was the Company's potential liability.

As at 31 December 1996 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 FT 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 has guaranteed payment of the rent of £172,500 per annum in respect of premises occupied by Financial Times Information Limited (formerly named FT 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 a performance of obligations due by St Clements Press Limited, a subsidiary undertaking, and 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 £110,542 at 31 December 1996.

The Company has agreed to provide, or arrange the provision of, funds to St Clements Press Limited, and The Financial Times (Japan) Limited, subsidiary undertakings, sufficient to meet obligations as they fall due until 31 March 1997 at which time this agreement will be reviewed.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

20 CONTINGENT LIABILITIES (Continued)

At 31 December 1996 St Clements Press Limited and The Financial Times (Japan) Limited, had net liabilities of £23,000, and £1,074,000 respectively, 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 1996, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 1996. The pension costs relating to the group plan are assessed in accordance with the advice of an independent qualified actuary.

The valuation surplus on the group plan calculated by the actuary at 1 January 1996 is being apportioned over the expected service lives of the group's employees who are members of the scheme. The Company's pension cost in relation to the group plan, net of surplus, is £nil (1995: £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 £nil (1995: £6,100) 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 "Cash Flow Statements" from publishing a cash flow statement.

24 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary within Pearson plc and utilises the exemption contained in Financial Reporting Statement No 8 "Related Party Disclosures" not to disclose any transactions with entities that are part of the Pearson group. The address at which the Pearson plc consolidated financial statements are publicly available is shown in note 25.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)

25 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