

PEARSON TELEVISION LIMITED

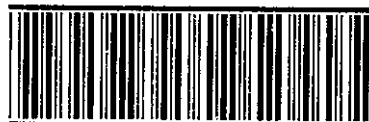
Directors' Report and Accounts For The Year Ended

31 December 1995

Registered Office:

**Teddington Studios, Broom Road,
Teddington, Middlesex, TW11 9NT**

Company Number: 353341



A17 *A2MS4K3H* 149
COMPANIES HOUSE 23/03/96

Board of Directors

Jamie Bennett
Tony Cohen
Greg Dyke
Anthony del Tufo
Victor Glynn
James Lee
Mike Phillips

Secretary

Sarah Tingay

Auditors

Coopers & Lybrand

Principal Bankers

National Westminster Bank PLC

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***Directors' report
for the year ended 31 December 1995***

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

Statement of directors' responsibilities

UK 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 and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The company is an investment company which holds investments in fellow subsidiary companies of the Pearson Group. In December 1993 55% of the shares of its principal subsidiary, Camco International Inc were sold on the New York stock exchange with the remainder of the shares sold in 1994. On 23 November 1994 the company's name was changed to Pearson Television Limited and the company became the holding company investing in Pearson's television interests.

Review and development of the business

In March 1995 the company acquired 100% of the entire share capital of Thames Television Limited for £113 million and disposed of its interests in Whitehall Securities Corporation Limited to another Pearson plc group company for £3.5 million.

In May 1995 the company acquired 100% of the share capital of Grundy Worldwide Limited for US\$279 million (excluding costs of acquisition).

The company holds a 25% shareholding in Channel Five Broadcasting Limited which has been awarded the licence to broadcast Channel Five. The shareholding will be reduced to 20% prior to the granting of the licence.

During 1995 the company lent a further £14m to European Channel Management Limited, a company in which a subsidiary undertaking, Thames Television Limited has a 45% interest. It is intended that this interest will be transferred to the company during 1996.

The company has advanced £1.3m to TV India Private Limited, a joint venture with Hindustan Times and TVB to produce television programmes for the Indian market.

Results and dividends

The profit for the year after taxation amounted to £13,468,000 (1994 - Profit £17,334,000).

The directors paid an interim dividend of £5,136,000 (1994 - nil). No final dividend is proposed (1994 - nil). The transfer to reserves was £8,332,000 (1994 - £17,334,000).

Post balance sheet events

The company, through its indirect subsidiary undertaking, Thames Television Holdings Limited, made an offer on 8th February 1996 for the whole of the share capital of SelectTV plc. (See note 16 on page 13). The advance to TV India Private Limited has been transferred to another Pearson plc group company post year end; this will be reflected in the company's 1996 results.

Directors

The present directors are listed on page 1.

Mr F Barlow and Mr M W Burrell resigned on 11 January 1995. Mr. S Nazzaro resigned on 17 February 1995. Mr R Dunn resigned on 17 March 1995.

Mr G Dyke was appointed on 11 January 1995, Mr M Phillips and Mr T Cohen were appointed on 12 July 1995 and Mr J Bennett and Mr V Glynn were appointed on 9 February 1996.

The ultimate parent company is Pearson plc.

The interests of the directors in shares and debentures and loan stocks of Pearson plc and its subsidiaries, as shown by the register kept for the purposes of section 324 of the Companies Act 1985, are as follows:

	At 1 Jan 1995 or date of appointment	SAYE/ Granted	Lapsed/ Exercised	At 31 Dec 1995
Greg Dyke				
Pearson plc:				
Ordinary Shares	nil			nil
SAYE options on ordinary shares	nil	-	-	nil
Executive options on ordinary shares	nil	73,300	-	73,300
Anthony del Tufo				
Pearson plc:				
Ordinary Shares	nil			1,393
SAYE options on ordinary shares	7,897	-	-	7,897
Executive options on ordinary shares	70,216	1,700	41,393	30,523
Michael Phillips				
Pearson plc:				
Ordinary Shares	nil			nil
SAYE options on ordinary shares	3,388	3,956	3,388	3,956
Executive options on ordinary shares	19,600	23,400	-	43,000
Tony Cohen				
Pearson plc:				
Ordinary Shares	nil			nil
SAYE options on ordinary shares	nil	-	-	nil
Executive options on ordinary shares	nil	-	-	nil

Results and dividends (continued)

	At 1 Jan 1995 or date of appointment	SAYE/ Granted	Lapsed/ Exercised	At 31 Dec 1995
James Lee				
Pearson plc:				
Ordinary Shares	5,740			5,891
SAYE options on ordinary shares	nil	-	-	nil
Executive options on ordinary shares	nil	-	-	nil

No director in office at 31 December 1995 had a material interest in any contracts with any group company during the year.

Employment:

The company employs only 3 permanent staff directly, any other staff are employed by other Pearson companies.

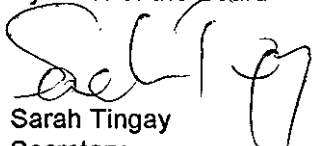
Directors' and fellow officers' insurance

During the year to 31 December 1995 the company maintained an insurance covering officers of the company against liabilities arising in relation to the company in accordance with section 310 (3) (a) of the Companies Act 1985.

Auditors

A resolution for the reappointment of Coopers & Lybrand as auditors of the company at a remuneration to be agreed by the directors is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Sarah Tingay
Secretary
6 March 1996

**Profit and loss account
for the year ended 31 December 1995**

	Note	<u>1995</u> £'000	<u>1994</u> £'000
Operating expenditure	2	(20,272)	(4,739)
Income from shares in group undertakings		32,750	-
Income from investments		-	650
Amount written back to investment	3	-	331
Gain / (loss) on exchange		52	(9)
Operating profit/ (loss)		<u>12,530</u>	<u>(3,767)</u>
Profit on sale of investment	4	-	21,618
Profit on ordinary activities before interest		<u>12,530</u>	<u>17,851</u>
Interest income		-	31
Profit on ordinary activities before taxation		<u>12,530</u>	<u>17,882</u>
Taxation	6	938	(548)
Profit on ordinary activities after taxation		<u>13,468</u>	<u>17,334</u>
Dividends:			
Interim paid		(5,136)	-
Final proposed		-	-
Retained profit and loss for the year		<u>8,332</u>	<u>17,334</u>
Profit and loss account brought forward		<u>28,371</u>	<u>11,037</u>
Profit and loss account carried forward		<u>36,703</u> =====	<u>28,371</u> =====

The company has no recognised gains and losses other than those included in the profits above and, therefore, no statement of total recognised gains and losses has been presented.

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

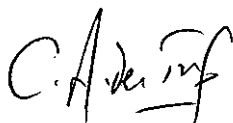
The company had no discontinued operations during the year or previous year.

Balance sheet as at 31 December 1995

	Note	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	7	16	-
Investments	8	291,856	3,543
		291,872	3,543
Current assets			
Investments	9	-	-
Debtors: amounts falling due within one year			
Dividend receivable from subsidiary		27,614	-
Owed by Pearson plc, the ultimate parent undertaking		35,248	143,970
Owed by fellow subsidiary undertakings		462	-
Other debtors		400	-
		63,724	143,970
Creditors: amounts falling due within one year			
Owed to related companies		2,045	-
Owed to Pearson plc, the ultimate parent undertaking		174,277	-
Owed to fellow subsidiary undertakings		238	396
Owed to subsidiary undertakings		27,537	-
Corporation tax		832	1,770
Other creditors		654	4,743
		205,583	6,909
Net current assets		(141,859)	137,061
Total assets less current liabilities		150,013	140,604
Provisions for liabilities and charges	10	(1,077)	-
Net assets		148,936	140,604
Capital and reserves			
Called up share capital	11	56,307	56,307
Share premium		50,000	50,000
Capital reserves		5,926	5,926
Profit and loss account		36,703	28,371
Equity shareholders' funds	12	148,936	140,604

The financial statements on pages 5 to 13 were approved by the board on 6 March 1996.

Anthony del Tufo
Director



**Notes to the accounts
for the year ended 31 December 1995**

1) Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the UK. A summary of the more important accounting policies, which have been applied consistently, is set out below.

- a) Basis of accounting - the financial statements are prepared under the historical cost convention.
- b) Fixed asset investments are stated at cost less provisions for diminution in value.
- c) Deferred taxation - provision is made, by the liability method, at the expected applicable rates for taxation deferred in respect of all timing differences between accounting and taxation treatment, except where it is thought reasonably probable that the tax effects of such deferrals will continue for the foreseeable future.
- d) Operating leases - costs in respect of operating leases are charged on the basis of matching income with expenditure.
- e) Foreign currencies - assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling on the balance sheet date.

Net exchange gains or losses on settled transactions and unsettled short-term monetary items denominated in foreign currencies are included as part of the profit for the period on ordinary activities.

2) Operating expenditure

	<u>1995</u> £'000	<u>1994</u> £'000
Operating lease charges:		
Technical and other equipment	386	-
Provision for operating lease charges:		
Technical and other equipment	602	-
Auditors remuneration:		
Auditors fees	16	-
Non audit related fees	338	-
Loan to European Channel Management Ltd:		
amount written off	13,169	4,739
Advance to TV India Private Ltd:		
amount written off	1,326	-
	=====	=====

The operating lease expenditure relates to a rental of a transponder.

**Notes to the accounts
for the year ended 31 December 1995 (continued)**

3) Amount written back to investment

	<u>1995</u> £'000	<u>1994</u> £'000
Amount written back	-	331
	=====	=====

4) Profit on sale of investment

	<u>1995</u> £'000	<u>1994</u> £'000
Sale of shares in Camco International Inc	-	21,618
	=====	=====

During 1995 the company sold all its shares in Whitehall Securities Company Limited to Pearson plc for £3.5 million. There was no profit or loss on this transaction.

5) Emoluments

Staff costs during the year, including directors' remuneration, were as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
Wages and salaries	815	-
Social security costs	57	-
Other pension costs	-	-
	-----	-----
	872	-
	=====	=====

The average number of persons engaged in the investment activities of the company during the year, including directors was six (1994, nil).

Directors' emoluments comprise:

	<u>1995</u> £'000	<u>1994</u> £'000
Fees	-	-
Other remuneration	851	-
	-----	-----
	851	-
	=====	=====

Fees, bonuses, and other remuneration of the directors were:

The chairman and highest paid director	361	-
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**Notes to the accounts
for the year ended 31 December 1995 (continued)**

	No. of directors	
	<u>1995</u>	<u>1994</u>
Fees, bonuses and other remuneration of the directors were:		
£75,001 - £80,000	1	-
£85,001 - £90,000	1	-
£130,000 - £135,000	1	-
£185,001 - £190,000	1	-
£360,001 - £365,000	1	-

6) Taxation

	<u>1995</u> £'000	<u>1994</u> £'000
United Kingdom		
Corporation tax at 33% (1994 - 33%)	(790)	231
Double tax relief	-	(214)
Deferred taxation	-	(10)
Under/(over) provision in prior years	(148)	290
Overseas tax	-	251
	<u>(938)</u>	<u>548</u>
	=====	=====

There was no tax on the sale of Whitehall Securities Corporation Limited shares since the shares were sold to fellow subsidiaries in the United Kingdom.

7) Tangible fixed assets

	Technical and other equipment £'000	Total £'000
Cost or valuation		
At 1 January 1995	-	-
Additions at cost	16	16
	<u>16</u>	<u>16</u>
	=====	=====
At 31 December 1995	16	16

No depreciation has been charged on these assets in 1995.

**Notes to the accounts
for the year ended 31 December 1995 (continued)**

8) Fixed assets - Investments and Associates

	<i>Associated Undertakings</i>	<i>Investment loans</i>	<i>Subsidiary Undertakings</i>	<i>Total</i>
At 1 January 1995	0	0	3,543	3,543
Additions	234	17,912	291,622	309,768
Capitalised costs	-	299	-	299
Disposals	-	-	(3,543)	(3,543)
Provisions	-	(13,468)	-	(13,468)
Transfers	-	(4,743)	-	(4,743)
	-----	-----	-----	-----
At 31 December 1995	234	0	291,622	291,856
	=====	=====	=====	=====

In March 1995 the company acquired 100% of the entire share capital of Thames Television Limited for £113 million, in May 1995 it acquired Grundy Worldwide Limited for £176 million and in September 1995 Reg Grundy Productions (GB) Limited was transferred to the company for £2 million.

Associate companies comprises a 25% shareholding in the ordinary equity shares of Channel Five Broadcasting Limited.

The loans were made to European Channel Management Limited.

The disposal in the year was Whitehall Securities Company Limited.

The directors are of the opinion that the value of the company's investments in its subsidiaries is not less than the amount at which they are stated in the balance sheet.

The company's subsidiaries at 31 December 1995 (all wholly owned) which are incorporated and operate in Great Britain are registered in England and Wales (unless otherwise stated):

Thames Television Limited
 Grundy Worldwide Limited (incorporated in Bermuda)
 Reg Grundy Productions (GB) Limited
 Pearson Holdings Singapore Private Limited (incorporated in Singapore)

Group accounts have not been prepared as Pearson Television Limited is a wholly owned subsidiary of Pearson plc, a company which is registered in England and Wales.

**Notes to the accounts
for the year ended 31 December 1995 (continued)**

9) Current asset investment

Cost or valuation	<u>1995</u> £'000	<u>1994</u> £'000
At 1 January	-	49,563
Additions	1,326	-
Capitalised costs	463	-
Provisions	(1,789)	-
Disposal	-	(49,563)
	-----	-----
At 31 December	-	-
	=====	=====

The disposal was an investment of shares in Camco International Inc. which have been sold. Additions and provisions comprises advances made to TV India Private Limited.

10) Provisions for liabilities and charges

Deferred Tax

	<u>1995</u> £'000	<u>1994</u> £'000
Provision at 1 January	-	10
Transfer to current tax	-	(10)
	-----	-----
	-	-
	=====	=====

Operating Provisions

	<u>1995</u> £'000	<u>1994</u> £'000
Provision at 1 January	-	-
Charges	1,077	-
	-----	-----
Provision at 31 December	1,077	-
	=====	=====

11) Called up share capital

	<u>Number</u>	<u>1995</u> £'000	<u>1994</u> £'000
Ordinary shares of 25p each			
Authorised	230,000,000	57,500	57,500
	-----	-----	-----
Allotted, called up and fully paid	225,226,410	56,307	56,307
	-----	-----	-----

Notes to the accounts
for the year ended 31 December 1995 (continued)

12) Movement in shareholders' funds	1995	1994
	£'000	£'000
Profit for the financial year	13,468	17,334
Dividends	(5,136)	-
	-----	-----
Retained profit for the year	8,332	17,334
Opening shareholders' funds	140,604	123,270
	-----	-----
	148,936	140,604
	=====	=====

13) Pension scheme

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 pensions 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 Ltd and Exel 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 this surplus, is nil. (1994, Nil).

14) Guarantees and other financial commitments

Channel Five Broadcasting Limited

Under the subscription and shareholders' agreement relating to Channel Five Broadcasting Limited the company agreed to subscribe for additional share capital of £291,553 and on later dates for further shares and loan stock at an aggregate consideration of £48, 914,997. The company also agreed to additional loan stock where so requested by the board up to a maximum of £24 million.

European Channel Management Limited

The company has agreed to lend up to £25 million to European Channel Management Limited, a company in which another subsidiary, Thames Television Limited has a 45% interest. The company has already advanced £18 million (including an accrual of £1.4m) to European Channel Management Limited in 1994 and 1995.

**Notes to the accounts
for the year ended 31 December 1995 (continued)**

15) *Contingent liabilities*

Transponder Lease

A guarantee has been given by the company in respect of 50% of the rental cost of a transponder lease up to a maximum of \$14.4m.

Allied Communications Inc. (ACI)

In connection with the acquisition by Pearson Television Inc of ACI in November 1995, guarantees have been given by the company to the former shareholders and continuing employees of ACI to make certain payments up to a maximum of US\$45 million of which US\$4 million has been made in 1995.

16) *Post balance sheet events*

The company, through its indirect subsidiary undertaking, Thames Television Holdings Limited (TTH) made an offer on 8th February 1996 for the whole of the share capital of SelecTV plc at 29p per share valuing SelecTV plc at approximately £46 million. The offer was declared unconditional on 1 March 1996 and it is expected that a subsidiary of MAI plc will acquire SelecTV's interest in the Meridian shares and loan notes for £30.4m under a Pearson Television put option entered into on 30 January 1995 by the company. Warranties have been given by SelecTV plc in connection with the sale of SelecTV Cable to Carlton Communications plc which are capped at £4.5 million. On 5 March 1996 SelecTV plc was acquired from TTH by the company.

17) *Cashflow statement*

The company is a wholly owned subsidiary of Pearson plc and the cashflows of the company are included in the consolidated group cashflow statement of Pearson plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cashflow statement.

18) *Ultimate parent undertaking*

The ultimate parent undertaking is Pearson plc, a company registered in England and Wales. Copies of the consolidated financial statements of Pearson plc may be obtained from:

The Secretary
Pearson plc
3 Burlington Gardens
London
W1X 1LE

***Report of the auditors to the members of
Pearson Television Limited***

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described above, 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 company's affairs at 31 December 1995 and of its profit 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
6 March 1996