

The Financial Times Limited

Registered Number

227590

Annual Report and Financial Statements
For the Year Ended

31 December 2012

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The Financial Times Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements of The Financial Times Limited (the "Company") for the year ended 31 December 2012

Principal activities and business review

The Company continues to be in the business of providing international business and financial news, data, comment and analysis including the publication of the international daily newspaper, Financial Times. The Company also provides users with access to detailed industry news, comments and analysis on the FT.com website and distributes third party information.

In addition, the Company offers a wide range of print magazines, websites, conferences and events targeting specific areas of the financial world. Published titles include Investors Chronicle, Money Management, Pensions Week, Professional Wealth Management, Financial Adviser, fDi Magazine, This is Africa, How to Spend It, China Confidential and The Banker.

The FT Non-Executive Director Certificate, a formally accredited, post-graduate level qualification launched in June 2011, sold 151 places in 2012. The course is the first of its kind to address the needs of aspiring and existing non-executive directors.

On 25 September 2012, St Clements Press (1988) Limited, a wholly owned subsidiary of the company, was appointed by Newsfax (Bow) Limited (in administration) ("Newsfax Bow") to operate a print-site located at Rick Roberts Way in Stratford, London which had previously been operated by Newsfax Bow prior to it entering into administration on the same date. On 7 December 2012, the operating agreement pursuant to which that appointment made was terminated, St Clements Press (1988) Limited acquired certain trade, assets and liabilities of Newsfax Bow and commenced operating the print-site in its own right.

Key performance indicators

The Financial Times newspaper and FT.com have a combined paid-for print and digital circulation of over 602,000 (2011 601,000), up 0.2% year on year. As at 31 December 2012, the Company had over 315,000 digital subscribers to FT.com, up 18% year on year (2011 267,000). During 2012, digital subscriptions overtook print circulation. The Financial Times has over 163,000 corporate users (2011 111,000), up 47% year on year, from 2,787 licences (2011 1,986), up 40% year on year.

In the twelve months to 31 December 2012, the total average circulation of The Economist, in which the Company has a 50% stake, was 1,610,000 (2011 1,578,000). This comprised a print circulation of 1,478,000 (2011 1,488,000) and a digital-only circulation of 132,000 (2011 91,000).

Mobile is an increasingly important channel for the FT, driving 30% of traffic and 15% of subscriptions. Since its launch in June 2011, the FT web app has seen more than 3.7m users.

Future developments

We expect the external environment to remain challenging in 2013 owing to a combination of cyclical and structural factors: the shift in our business model from print sales to digital subscriptions, changing consumer behaviour and a dynamic competitive landscape.

We expect to benefit from continued growth in digital and subscription revenues in 2013 but advertising to remain weak and volatile with profits reflecting further actions to accelerate the shift from print to digital.

Principal risks and uncertainties and financial risk management

The principal risks and uncertainties and financial risk management of the Company are integrated with the principal risks of the consolidated financial statements of Pearson plc (the "group") and are not managed separately. Accordingly they are discussed in the Business Review section of the group's annual report, which does not form part of this report.

Results and dividends

The loss for the financial year after taxation and a top up contribution to the Pearson Group pensions scheme of £26,428,000 (2011 £26,264,000) was £2,279,000 (2011 profit of £428,449,000).

The directors recommend the payment of a final dividend in respect of the year ended 31 December 2012 of £321,171,000 (2011 £Nil).

The Financial Times Limited

DIRECTORS' REPORT (Continued)

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below

FL Barber

LS Burdett (resigned 1 June 2012)

RA Fairhead (resigned 26 April 2013)

TS Henderson (resigned 6 February 2013)

BM Hughes (appointed 6 February 2013)

C O'Brien (appointed 12 June 2012, resigned 6 February 2013)

JJ Ridding

A Viglatzis (appointed 6 February 2013)

Directors' insurance

During the year ended 31 December 2012, the company maintained insurance covering the officers of the company against liabilities arising in relation to the company in accordance with Section 233 of the Companies Act 2006

Qualifying third party indemnity provisions

A qualifying third party indemnity provision has been granted to RA Fairhead by Pearson plc, in accordance with Section 234 of the Companies Act 2006. The indemnity was in force during the financial year.

Employees

The Company is committed to employment policies, which follow best practice based on equal opportunities for all employees irrespective of gender, marital status, race, ethnic or national origin, colour or nationality, religious and political beliefs, sexual orientation, disability or age.

Disabled Persons

The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If employees become disabled, the Company will offer to continue employment either in the same role, or an alternative position with appropriate retraining, subject to agreement with the employee and with regard to their particular circumstances.

Employee Involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employees are provided with information by a variety of methods including via the Pearson internal communications hub "NEO", notes from management, and a regular team briefing programme on a cascade basis. The Chief Executive Officer holds employee briefing sessions to update employees.

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

All qualifying employees 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 Pearson Group's performance.

The Company is an equal opportunities employer.

Policy and practice on payment of creditors

The Company aims to pay all its suppliers within a reasonable period of their invoices being received. Trade creditors at the year end represented 38 days (2011: 28 days) of purchases.

DIRECTORS' REPORT (Continued)

Health and Safety Policy

The Company retains the services of an occupational health advisor who works three days a week and offers an occupational health service for all employees. The Company also has appointed first aiders who are available at all times during the working hours of the Company, as well as being available out of hours. All security shift workers are first aid trained.

The Company has a health and safety policy, which is available on NEO for reference by all staff. Staff members are made aware of where to find the policy during the new starters' induction presentation.

The policy is reviewed and updated at least annually or if there are significant changes to legislation.

Senior employees and line management receive health and safety training and the Company has a full time health and safety advisor. Pearson health and safety advisers are accessible to the Company, with on-site representation as and when required.

The Company is covered by Pearson's OHSAS 18001 British Safety Council Accreditation for Health and Safety Management. The Company is represented at regular Pearson UK Group Health, Safety and Environment Forum meetings to discuss health & safety issues and keep abreast of relevant new legislation.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he / she has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



AM Fortescue
Company Secretary

29 April 2013

Company registered number
227590

The Financial Times Limited

Independent auditors' report to the members of : The Financial Times Limited

We have audited the financial statements of The Financial Times Limited (the "Company") for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Samuel Tomlinson
Senior Statutory Auditor

For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2013

The Financial Times Limited

PROFIT AND LOSS ACCOUNT

For the year ended :

31 December 2012

		2012	2011
			Re-
			presented
	Note	£'000	£'000
Continuing operations			
Turnover	3	296,828	306,161
Cost of sales		(175,074)	(178,917)
Gross profit		121,754	127,244
Distribution costs		(14,484)	(16,841)
Administrative expenses		(144,949)	(125,029)
Administrative expenses comprise			
Special pension contribution		(26,428)	(26,264)
Other		(118,521)	(98,765)
Operating loss	4	(37,679)	(14,626)
Income from other fixed asset investments		21,171	29,415
(Loss) / Profit on ordinary activities before interest and taxation		(16,508)	14,789
Profit on sale of investment		0	425,233
Interest receivable and similar income	7	8,065	773
Interest payable and similar charges	7	(386)	(264)
(Loss) / Profit on ordinary activities before taxation		(8,829)	440,531
Tax on (loss) / profit on ordinary activities	8	6,550	(12,082)
(Loss) / Profit for the financial year		(2,279)	428,449

There are no material differences between the (loss) / profit on ordinary activities before taxation and the (loss) / profit for the financial year stated above and their historical cost equivalents

The Financial Times Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended :

31 December 2012

	2012	2011
Note	£'000	£'000
(Loss) / Profit for the financial year	(2,279)	428,449
Total recognised gains and losses relating to the year	(2,279)	428,449

The Financial Times Limited

BALANCE SHEET

As at :

31 December 2012

	Note	2012 £'000	2011 Re- presented £'000
Fixed assets			
Intangible assets	9	33,894	37,005
Tangible assets	10	91,875	86,104
Investments	11	2,590	2,590
		128,359	125,699
Current assets			
Stocks	12	1,525	1,441
Debtors	13	540,507	529,609
Cash at bank and in hand		99,777	108,554
		641,809	639,604
Creditors - amounts falling due within one year	14	(135,678)	(130,108)
Net current assets		506,131	509,496
Total assets less current liabilities		634,490	635,195
Creditors - amounts falling due after more than one year	14	(3,061)	(2,321)
Provisions for liabilities	16	(1,856)	(2,186)
Net assets		629,573	630,688
Capital and reserves			
Called up share capital	18	185,000	185,000
Other reserves	19	2,799	2,846
Profit and loss account	19	441,774	442,842
Total shareholders' funds	20	629,573	630,688

The financial statements on pages 5 to 41 were approved by the board of directors on 29 April 2013 and were signed on its behalf by


A Viglatzis
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended :

31 December 2012

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Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

Basis of consolidation

The Company is a wholly-owned subsidiary of Pearson plc and is included in the consolidated financial statements of Pearson plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Turnover

Turnover represents net circulation, advertisement and other revenue receivable, net of discounts and excluding value added tax. Circulation and print advertising revenue is recognised when the newspaper or publication is published. Online advertising revenue is recognised either as page impressions are served or evenly over the period, depending on the terms of the contract. Subscription revenue is recognised over the life of the subscription.

Foreign currencies

Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction or at an appropriate average rate. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet.

Intangible fixed assets

Goodwill arising on acquisitions is capitalised and is amortised over a period not exceeding 20 years, being the period expected to benefit. The Company evaluates whether there are any triggers for goodwill impairment in each financial year which would result in an inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Other intangible assets comprise of customer lists and trade names acquired as part of acquisitions of businesses and are capitalised separately from goodwill if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits attributable to the asset will flow to the Company.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its estimated useful life as follows:

Customer lists - 10%

Trade names - 10%

Tangible fixed assets

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis.

Freehold buildings are depreciated straight line at 2.5%-10%

Plant and machinery is depreciated straight line at 10%-20%

Fixtures and fittings are depreciated straight line at 10%-33.3%

Freehold land is not depreciated

Leasehold buildings are depreciated over the period of the lease

Fixed asset investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended :
31 December 2012**

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Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is deemed recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

Pensions

The Company participates in the Pearson Group Pension Scheme, which is a hybrid with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities. The Company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme owing to information regarding non-active members and changes to the group structure including acquisitions and disposals. Accordingly, the Company accounts for its participation in the scheme as defined contribution under the multi-employer rules of FRS 17 "Retirement Benefits". The sponsoring entity to this scheme is Pearson Services Limited, a fellow subsidiary entity

Share-based payments

Options and shares are awarded to the Company's employees under Pearson share and option plans. The fair value of the options granted is recognised as an employee expense after taking account of the Company's best estimate of the number of awards expected to vest. Fair value is measured at the date of grant and is spread over the vesting period of the option or share. The fair value of the options granted is measured using an option model that is most appropriate to the award. The fair value of the shares awarded is measured using the share price at the date of grant unless another method is more appropriate

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

Trade debtors

Trade debtors are stated at fair value after provisions for bad and doubtful debts, credit notes, returns and volume discounts

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended :

31 December 2012

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Accounting policies (continued)

Re-presentation of prior year

There has been a presentation change that will improve the comparability of the Company's results with fellow group entities. The change has been applied retrospectively and listed below.

Revenue of £305,369,000 in 2011 has been revised upwards to £306,161,000. Cost of goods sold of £171,620,000 have been revised upwards to £178,917,000. Distribution costs of £46,712,000 have been revised downwards to £16,841,000. Administration costs of £101,663,000 have been revised upwards to £125,029,000.

These have been reanalysed on the face of the profit and loss account to more fairly reflect the nature of the revenue and costs.

There has been a reclassification of trade creditors and VAT balances to more appropriately reflect the debtor and creditor positions of the company in 2011 with no impact on net assets.

The disclosure of cost and accumulated depreciation in 2011 for assets held under finance leases in note 10 has been re-presented in order to provide a consistent basis for comparison with the current year. The reclassification has no impact on the net book value of the assets.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Cash flow statement and related party disclosure

The Company is a wholly-owned subsidiary of Pearson plc and is included in the consolidated financial statements of Pearson plc, which are publicly available. Consequently, the Company has taken exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) "Cash flow statements". The Company is also exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions with Pearson plc group or investees of the Pearson plc group.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended
31 December 2012

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Turnover

	2012	2011 Re- presented
	£'000	£'000
Turnover - geographical markets supplied by destination		
United Kingdom	162,575	162,430
Rest of Europe	68,149	71,818
North America	33,298	43,077
Asia and Middle East	25,622	22,270
Rest of world	7,184	6,566
	296,828	306,161

The Company's activities consist of one class of business namely the provision of international business and financial news, data, comment and analysis and associated advertising revenue

The Company treats invoices to agents in the United Kingdom as United Kingdom turnover, regardless of the country of residence of the customer. The Company has recognised £9,888,000 of barter revenue (2011 £6,626,000) on a gross basis consistent with the requirements of UITF 26 "Barter transactions for advertising"

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Operating loss

	2012	2011
	£'000	£'000
Operating loss is stated after charging / (crediting)		
Staff costs	132,291	126,206
Depreciation of tangible fixed assets		
- Owned assets	14,675	12,284
- Leased assets	537	473
Operating lease charges		
- Land and buildings	220	248
- Other	5,114	5,221
Amortisation of intangible fixed assets	3,111	3,111
Foreign exchange gain	(410)	(888)
Services provided by the Company's auditors		
- Fees payable for the audit	191	96

Fees paid to the company's auditor, PricewaterhouseCoopers LLP, and its associates for services other than the statutory audit of the company are not disclosed in the company's accounts since the consolidated accounts of the company's ultimate parent company, Pearson plc, are required to disclose non-audit fees on a consolidated basis

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Directors' emoluments

	2012	2011
	£'000	£'000
Aggregate emoluments	2,312	2,291
	2,312	2,291

The following directors' emoluments are excluded from the figures above

RA Fairhead, LS Burdett and C O'Brien were employed during the year by the parent company, Financial Times Group Limited, or by the ultimate parent company, Pearson plc, and no recharge for their services is made to the Company

	2012	2011
	Number directors	Number directors
Directors accruing benefits under defined benefit scheme	2	2
Directors who exercised share options	0	2
Directors entitled to shares under long-term incentive schemes	3	3

	2012	2011
	£'000	£'000
Highest paid director		
Aggregate emoluments	936	1,020
Defined benefit pension scheme - accrued pension at end of year	38	34
Shares received under long-term incentive scheme (number)	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended .
31 December 2012

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Employee information

	2012	2011
	£'000	£'000
Staff costs		
Wages and salaries	83,038	77,749
Social security costs	8,869	8,609
Other pension costs	39,220	38,256
Share-based payment costs	1,164	1,592
	132,291	126,206

Pension costs include £81,000 (2011 £269,000) representing the Company's contributions to employees' personal pension schemes. The remaining amounts of £39,139,000 (2011 £37,987,000) represent the charge for funding of the Pearson Group Pension Scheme.

	2012	2011
	Number	Number
Average monthly number of persons (including directors) employed by the Company during the year		
Production	915	912
Selling and distribution	125	194
Administration	267	158
	1,307	1,264

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended

31 December 2012

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Net interest receivable

	2012	2011
	£'000	£'000
Finance lease interest	207	68
Interest payable to group companies	158	194
Other interest	21	2
Interest payable and similar charges	386	264
Bank interest receivable	512	202
Interest receivable from group companies	7,406	378
Other interest	147	193
Interest receivable and similar income	8,065	773
Net interest receivable	7,679	509

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Tax on (loss) / profit on ordinary activities

	2012	2011
	£'000	£'000
Current tax		
UK corporation tax on profits / (losses) for the year	(7,126)	10,541
Adjustments in respect of prior years	(1,044)	(382)
Overseas taxation	234	401
Total current tax	(7,936)	10,560
Deferred tax		
Origination and reversal of timing differences	630	1,414
Deferred tax on share-based payments	78	(42)
Adjustments in respect of prior years	678	150
Total deferred tax	1,386	1,522
Tax (credit) /charge on (loss) / profit on ordinary activities	(6,550)	12,082
UK standard effective rate of corporation tax (%)	24.5	26.5

The tax assessed for the period differs from the standard effective rate of corporation tax in the UK as explained below

	2012	2011
	£'000	£'000
(Loss) / profit on ordinary activities before taxation	(8,829)	440,531
Profit / (loss) on ordinary activities before taxation multiplied by UK standard effective rate	(2,163)	116,741
Effects of		
Excess of capital allowances over depreciation for the year	187	(487)
Other expenses not deductible for tax purposes	1,103	745
Other timing differences	(570)	(548)
Adjustments in respect of prior years	(1,044)	(382)
Foreign tax	234	401
Non taxable UK dividend income	(5,187)	(7,795)
Share-based payments	(496)	(428)
Tax free income	0	(97,687)
Current tax charge / (credit) for the year	(7,936)	10,560

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company profits for this accounting period are taxed at an effective rate of 24.5% and deferred tax at 23.25%. Further reductions to the UK corporation tax were announced in the March 2013 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. The changes had not been enacted at the balance sheet date and therefore are not recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Intangible assets

	Customer lists	Trade names	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost :				
At 1 January 2012	1,351	265	58,974	60,590
At 31 December 2012	1,351	265	58,974	60,590
Accumulated amortisation :				
At 1 January 2012	326	65	23,194	23,585
Charge for the year	135	27	2,949	3,111
At 31 December 2012	461	92	26,143	26,696
Net book value :				
At 31 December 2011	1,025	200	35,780	37,005
At 31 December 2012	890	173	32,831	33,894

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Tangible assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost or valuation :				
At 1 January 2012	73,997	21,309	104,049	199,355
Additions	0	81	20,902	20,983
Reclassifications	13,740	(397)	(13,343)	0
At 31 December 2012	87,737	20,993	111,608	220,338
Accumulated depreciation :				
At 1 January 2012	30,509	17,195	65,547	113,251
Charge for the year	2,530	280	12,402	15,212
Reclassifications	5,187	1,545	(6,732)	0
At 31 December 2012	38,226	19,020	71,217	128,463
Net book value :				
At 31 December 2011	43,488	4,114	38,502	86,104
At 31 December 2012	49,511	1,973	40,391	91,875

If land and buildings had not been revalued they would be included at :

	2012	2011
	£'000	£'000

Cost	85,117	85,117
Accumulated depreciation	(35,259)	(34,406)
Net book value	49,858	50,711

	2012	2011
		Re-
		presented
	£'000	£'000
Assets held under finance leases .		
Cost	3,763	2,969
Accumulated depreciation	(1,316)	(779)
Net book value	2,447	2,190

In 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 for £20,000,000 at 31 December 1993, reducing the cost accordingly. The impairment was recorded in the profit and loss account as an operating expense.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Fixed asset investments

	2012	2011
	£'000	£'000
Subsidiary undertakings	1,352	1,352
Associated undertakings and joint ventures	900	900
Other	338	338
	2,590	2,590

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended

31 December 2012

11a

Fixed asset investments - subsidiary undertakings

	Total
	£'000
Cost :	
At 1 January 2012	7,331
At 31 December 2012	7,331
Impairment	
At 1 January 2012	5,979
At 31 December 2012	5,979
Net book value :	
At 31 December 2011	1,352
At 31 December 2012	1,352

The directors consider that giving full particulars of all subsidiary and associated undertakings would lead to a statement of excessive length. The following information relates to principal subsidiary undertakings.

Details of subsidiary undertakings:

Subsidiary	Principal activity	Class of shares held	Country of incorporation	2012	2011
				% owned	% owned
The Financial Times (Benelux) Limited	Advertising, circulation and promotional representative of The Financial Times Limited in Belgium	Ordinary	England	100%	100%
The Financial Times (France) Limited	Advertising, circulation and promotional representative of The Financial Times Limited in France	Ordinary	England	100%	100%
The Financial Times (Japan) Limited	Advertising, circulation and promotional representative of The Financial Times Limited in Japan	Ordinary	England	100%	100%
The Financial Times (Spain) Limited	Advertising, circulation and promotional representative of The Financial Times Limited in Spain	Ordinary	England	100%	100%
Financial Times (ASC) Limited (formerly Financial Times (SCP) Limited)	Management of printing contracts for The Financial Times Limited	Ordinary	England	100%	100%
St Clements Press (1988) Limited	Printing of the Financial Times and other newspapers	Ordinary	England	100%	100%
FT Labs Limited (formerly Assanka Limited)	Website development	Ordinary	England	100%	100%
The Financial Times (M-M UK) Limited	Provider of news and intelligence for investors	Ordinary	England	100%	100%

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

11b

Fixed asset investments - associated undertakings and joint ventures

	Total
	£'000
Cost :	
At 1 January 2012	900
At 31 December 2012	900
Net book value	
At 31 December 2011	900
At 31 December 2012	900

Details of associated undertakings and joint ventures

			2012	2011
Associated undertaking	Principal activity	Country of incorporation	% owned	% owned
The Economist Newspaper Limited (11,340,000 5p ordinary shares) (1,260,000 5p "B" special shares)	Provision, distribution and publication of business information	England	50%	50%
2TheDoor Limited	Provision, distribution and publication of business information	England	30%	30%

In the opinion of the directors, the value of the investments in associated undertakings and joint ventures is not less than the amount at which they are stated in the balance sheet

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

11c

Fixed asset investments - other

	Unlisted Debentures	Other Investments	Total
	£'000	£'000	£'000
Cost :			
At 1 January 2012	72	338	410
At 31 December 2012	72	338	410
Impairment			
At 1 January 2012	72	0	72
At 31 December 2012	72	0	72
Net book value			
At 31 December 2011	0	338	338
At 31 December 2012	0	338	338

Details of other investments :

		2012	2011
	Class of shares held	% owned	% owned
Newspaper Licensing Agency Limited	Ordinary	12.5%	12.5%

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

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Stocks

	2012	2011
	£'000	£'000
Raw materials and consumables	1,525	1,441
	1,525	1,441

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended
31 December 2012

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Debtors

	2012	2011 Re- presented
	£'000	£'000
Amounts falling due within one year :		
Trade debtors	54,641	39,656
Amounts owed by group undertakings	466,750	468,474
Deferred taxation	3,778	5,164
Other taxation	725	575
Other debtors	8,801	11,352
Prepayments and accrued income	5,812	4,388
Total Debtors	540,507	529,609

Amounts owed by group undertakings include loans attracting interest at LIBOR plus basis points ranging from 104-153 (2011 LIBOR plus basis points ranging from 95-155) The loans are unsecured and repayable on demand
The remaining amount owed by group undertakings is unsecured, interest free and repayable on demand

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended
31 December 2012

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Creditors

	2012	2011
		Re-
		presented
	£'000	£'000
Amounts falling due within one year .		
Trade creditors	19,763	14,546
Amounts owed to group undertakings	27,747	25,639
Finance leases	995	583
Other taxation and social security	6,501	8,261
Corporation tax	8,248	10,541
Other creditors	656	1,038
Accruals and deferred income	71,768	69,500
	135,678	130,108
Amounts falling due after more than one year .		
Trade creditors	1,563	522
Finance leases	1,498	1,799
	3,061	2,321

Amounts owed to group undertakings include loans attracting interest at LIBOR plus basis points ranging from 91-113 (2011 interest at 1.78% to 2.61%). The loans are unsecured and repayable on demand.
The remaining amount owed to group undertakings is unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
31 December 2012**

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Loans and other borrowings

Finance leases

Future minimum payments under finance leases are as follows

	2012	2011
	£'000	£'000
Within one year	1,095	669
In more than one year, but not more than five years	1,549	1,920
Total gross payments	2,644	2,589
Less finance charges included above	(151)	(267)
	2,493	2,322

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2012

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Provisions for liabilities

	Pensions	Re- organisations	Other Provisions	Total
	£'000	£'000	£'000	£'000
At 1 January 2012	804	1,109	273	2,186
Utilised in the year	(10)	(4,649)	0	(4,659)
Amounts charged to the profit and loss	0	3,540	789	4,329
At 31 December 2012	794	0	1,062	1,856

The reorganisation provision relates to redundancy obligations arising in the year

The pension provision relates to a defined benefit scheme for non-journalistic staff

Other provisions relate to dilapidations and onerous lease provisions and other amounts in respect of legal proceedings. The information required by FRS 12 "Provisions" is not disclosed because the directors believe that to do so would seriously prejudice the outcome of these proceedings.

The dilapidation provision is the current best estimate of the cost of bringing certain properties, held under operating leases, back to their original condition as required by the lease agreement. The provision is built up over the life of the lease with the associated cost recognised as an operating item in the profit and loss account. The provision will be utilised as the lease comes to an end and / or properties require repair.

A provision has been recognised for an onerous obligation under an operating lease where the property is vacant. The provision covers residual lease commitments after allowing for anticipated sublet rental income.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Deferred taxation

	Share based payments	Fixed Assets	Provisions	Total
Asset	£'000	£'000	£'000	£'000
At 1 January 2012	668	3,948	548	5,164
Amounts charged to the profit and loss	(78)	(1,021)	(287)	(1,386)
At 31 December 2012	590	2,927	261	3,778
			2012	2011
			£'000	£'000
Total deferred taxation			3,778	5,164

A further deferred tax asset of £4,360,000 (2011 £4,501,000) has not been recognised on losses available to carry forward due to the uncertainty regarding the timing of future taxable profits
The losses will be available to offset against future taxable profits

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Called up share capital

	2012	2011
	£'000	£'000
Total share capital	185,000	185,000

	2012	2011	2012	2011
	Number	Number	£'000	£'000
	'000s	'000s	£'000	£'000
Ordinary share £1 each				
Allotted and fully paid	185,000	185,000	185,000	185,000

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Reserves

	Profit and loss account	Other reserves	Total
	£'000	£'000	£'000
At 1 January 2012	442,842	2,846	445,688
Loss for the financial year	(2,279)	0	(2,279)
Share-based payments charge	0	1,164	1,164
Shares exercised / lapsed during year	1,211	(1,211)	0
At 31 December 2012	441,774	2,799	444,573

Other reserves comprise the accumulated charge for the parent company's share-based payment plans

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 December 2012 of £1 74 per share which will absorb an estimated £321,171,000 of shareholders' funds

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Reconciliation of movements in shareholders' funds

	2012	2011
	£'000	£'000
(Loss) / Profit for the financial year	(2,279)	428,449
Dividends paid	0	(20,779)
Share-based payments charge	1,164	1,592
Opening shareholders' funds	630,688	221,426
Closing shareholders' funds	629,573	630,688

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Share-based payments

The Company's employees are entitled to shares and options under the following equity-settled employee option and share plans

Save-for-Shares Plans

Under these plans, employees can save a portion of their monthly salary over periods of three, five or seven years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equivalent to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan. Options that are not exercised within six months of the third, fifth or seventh anniversary after grant lapse unconditionally.

Long-Term Incentive Plan

This plan was introduced in 2001, renewed in 2006 and again in 2011. The plan consists of restricted shares. The vesting of restricted shares is normally dependent on continuing service and/or upon the satisfaction of corporate performance targets over a three-year period. These targets may be based on market and/or non-market performance criteria. Restricted shares awarded to senior management in 2011 and 2012 vest dependent on relative shareholder return, return on invested capital and a combination of earnings per share growth. The award was split equally across all three measures. Other restricted shares awarded in 2011 and 2012 vest depending on continuing service over a three-year period.

Annual bonus share matching

This plan permits executive directors and senior executives to invest up to 50% of any after tax annual bonus in Pearson shares. If these shares are held and the group meets the earnings per share growth target, the company will match them on a gross basis of up to one share for every one held.

The movement and weighted average exercise prices of share options granted under the group's schemes are as follows

	2012 Number of share options '000s	2012 Weighted average exercise price £	2011 Number of share options '000s	2011 Weighted average exercise price £
Outstanding at beginning of year	530	6.52	941	8.04
Granted during the year	126	9.09	91	8.93
Exercised during the year	(144)	5.62	(224)	6.22
Forfeited during the year	(24)	8.41	(34)	7.73
Expired during the year	(7)	5.69	(211)	13.72
Transferred in during the year	37	8.74	1	5.41
Transferred out during the year	(5)	6.41	(34)	11.01
Outstanding at end of year	513	7.49	530	6.52
Options exercisable at end of year	26	5.66	18	5.58
Weighted average share price during the year of options exercised	(144)	12.01	(224)	6.22

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Share-based payments (continued)

Options were exercised regularly during the year. Early exercises are treated as an acceleration of vesting and the Company therefore recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the original vesting period in the profit and loss account.

The options outstanding at the end of the year have weighted average remaining contractual lives and exercise prices as follows:

	2012	2012	2011	2011
	Number of	Weighted	Number of	Weighted
	share	average	share	average
	options	contract	options	contract
	'000s	life	'000s	life
Range of exercise prices		Years		Years
£				
0-5	0	0.00	0	0.00
5-10	513	2.29	530	2.33
10-15	0	0.00	0	0.00
	513	2.29	530	2.33

In 2012 and 2011 options were granted under the Worldwide Save for Shares Plan. The weighted average estimated fair value for the options granted was calculated using a Black-Scholes option pricing model.

The weighted average estimated fair values and the inputs to the Black-Scholes model are as follows:

	2012	2011
	Weighted	Weighted
	average	average
Fair value	2.40	2.97
Weighted average share price	11.51	11.48
Weighted average exercise price	9.09	8.93
Expected volatility	23.84%	27.53%
Expected life	3.98	3.97
Risk-free rate	0.79%	1.90%
Forfeiture rate	3.48%	3.47%
Expected dividend yield	3.65%	3.37%

The expected volatility is based on the historical volatility of the Company's share price over the previous 3 to 7 years depending on the vesting term of the options.

During the year, the following shares were granted under restricted share arrangements:

	2012	2012	2011	2011
	Number of	Weighted	Number of	Weighted
	shares	average fair	shares	average fair
	'000s	value	'000s	value
		£		£
Annual Bonus Share Matching Plan	18	11.52	10	11.29
Long-term Incentive Plan	208	11.10	238	10.39

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Share-based payments (continued)

Restricted shares granted under the Annual Bonus Share Matching Plan are valued using the share price at the date of grant. From 2008 shares granted include the entitlement to dividends during the vesting period and therefore the share price is not discounted.

Participants of the Long-Term Incentive Plan are entitled to dividends during the vesting period. The fair value of shares granted under the Long-Term Incentive Plan that vest unconditionally was determined using the share price at the date of grant. The number of shares to vest was adjusted based on historical experience to account for any potential forfeitures. Restricted shares with a market performance condition were valued by an independent actuary using a Monte Carlo model. Restricted shares with a non-market performance condition were fair valued based on the share price at the date of grant. Non-market performance conditions were considered by adjusting the number of shares expected to vest based on the most likely outcome of the relevant performance criteria.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended
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Capital commitments

	2012	2011
	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements	2,987	3,791

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Operating lease commitments

	2012 Land and buildings £'000	2012 Other £'000	2011 Land and buildings £'000	2011 Other £'000
Expiring				
Within one year	220	247	43	55
Between two and five years	352	187	132	5,103
In over five years	90	0	45	0
	662	434	220	5,158

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Contingent liabilities

Bank guarantees

The Company participates in an arrangement with HSBC 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 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. Under this arrangement, the net cash position at 31 December 2012 was £155,614 (2011 net overdraft position £1,748,651). The maximum amount of this guarantee is limited to a net overdraft of £50,000,000 (2011 £50,000,000).

Other guarantees and indemnities

The Company has agreed to provide, or arrange the provision of, funds to Financial Times (ASC) Limited, a subsidiary undertaking of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2012, Financial Times (ASC) Limited had net liabilities of £2,047,000 (2011 £2,214,000).

The Company has agreed to provide, or arrange the provision of, funds to FT Personal Finance Limited, a subsidiary undertaking of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2012, FT Personal Finance Limited had net liabilities of £19,545,000 (2011 £19,474,000).

The Company has agreed to provide, or arrange the provision of, funds to The Financial Times (M-M UK) Limited, a subsidiary undertaking of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2012, The Financial Times (M-M UK) Limited had net liabilities of £2,344,000 (2011 £2,197,000).

The Company has agreed to provide, or arrange the provision of, funds to St Clements Press (1988) Limited, a subsidiary undertaking of the Company, sufficient to meet its finance lease obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2012, St Clements Press (1988) Limited had total finance lease commitments of £4,975,000 (2011 £nil).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Pension commitments

	2012	2011
	£'000	£'000
Profit and loss charge for the Company in respect of its participation in the scheme representing regular contributions paid	12,449	11,464

Pearson Group Pension Scheme :

(determined by an actuarial valuation using the projected unit method)

Total market value of assets	2,162,200	2,007,700
Value of liabilities (calculated in accordance with FRS 17)	(2,168,200)	(1,969,500)
Total FRS 17 surplus	(6,000)	38,200

The Company participates in the Pearson Group Pension Scheme

This is a hybrid with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities

The Company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme owing to information regarding non-active members and changes to the group structure including acquisitions and disposals. Accordingly, the Company accounts for its participation in the scheme as defined contribution under the multi-employer rules of FRS 17 "Retirement Benefits". The sponsoring entity to this scheme is Pearson Services Limited

The Company will be required to make incremental contributions as part of the group's obligations to fund the scheme and any deficit arising and contributions are expected to remain at similar levels to the current year in 2013

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
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Related party transactions

There are no material amounts on the balance sheet due to/from associates

The Company is a wholly owned subsidiary within Pearson plc and utilises the exemption contained in FRS 8 "Related Party Disclosures" not to disclose any transactions with entities that are part of the Pearson plc group. The address at which the Pearson plc consolidated financial statements are publicly available is shown in note 27.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

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Ultimate parent undertaking

The immediate parent undertaking is Financial Times Group Limited

The ultimate parent undertaking and controlling party is Pearson plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Pearson plc's consolidated financial statements can be obtained from the Company Secretary at Pearson plc, 80 Strand, London WC2R 0RL.