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THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985



THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

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THE FINANCIAL TIMES LIMITED

A subsidiary of Pearson plc

DIRECTORS

Viscount Blakenham - Chairman
F. Barlow - Chief Executive
R.A.F. McClean - Deputy Chief Executive
D.S. Gordon
M.C. Gorman
G.D. Owen
D.E. Prior-Palmer
H.J. Rogaly
A.G. Cox - Resigned 21st August 1985

SECRETARY AND REGISTERED OFFICE

D.J. Hall, F.C.A.
Bracken House,
Cannon Street,
London,
EC4P 4BY.

AUDITORS

Deloitte Haskins & Sells

BANKERS

Midland Bank plc

SOLICITORS

Freshfields

THE FINANCIAL TIMES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31st December 1985.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activity of the company during the year under review has been the publication of the international daily newspaper "Financial Times".

On 2nd July 1985 the Company commenced printing the Newspaper in the United States of America, using satellites to transmit copy from Europe to North America.

RESULTS AND DIVIDENDS

The profit of the company for the year, after taxation and extraordinary income, was £12,235,900. An interim dividend of £975,000 has been declared and paid. The directors propose a final dividend of £3,100,000, leaving a profit for the year of £8,160,900, which has been added to reserves.

DIRECTORS

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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 with 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.

EMPLOYEE INFORMATION

Employees are provided systematically with information on matters of concern to them as employees by means of a newsletter, the F.T. Perspective. In addition, joint consultative committees of management and union representatives meet regularly to discuss matters likely to affect employees' interests.

All employees of Pearson plc group companies may participate in the Pearson plc Save As You Earn Share Option Scheme. Employees are encouraged to maintain an interest in the financial and economic factors affecting the company's performance. Copies of the financial statements of the ultimate holding company are available to all employees and a statement summarising the performance of the Financial Times Group is also sent to all employees.

THE FINANCIAL TIMES LIMITED

HEALTH AND SAFETY AT WORK

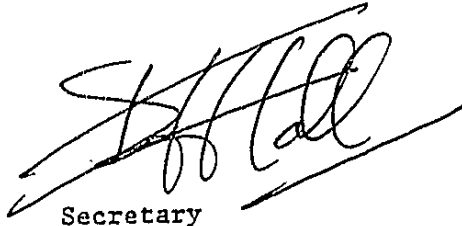
The Company retains the services of a leading physician supported by qualified nursing staff and a fully equipped medical clinic. Medical help is available at all times during the working hours of the Company.

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

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Deloitte Haskins & Sells as auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

A large, stylized handwritten signature in dark ink, likely belonging to the Secretary, is written over the word 'Secretary'.

Secretary

27th March 1986

AUDITORS' REPORT
TO THE MEMBERS OF THE FINANCIAL TIMES LIMITED

We have audited the financial statements on pages 6 to 19 in accordance with approved Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 31st December 1985 and of the profit for the year then ended and comply with the Companies Act 1985.

The financial statements do not include the statement of source and application of funds required by Statement of Standard Accounting Practice No. 10.

Albert Walker & Co

Chartered Accountants

London

27th March 1986

THE FINANCIAL TIMES LIMITED

ACCOUNTING POLICIES

Basis of accounting

The company prepares its financial statements on the historical cost basis of accounting.

Turnover

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

Associated company

The company's investment in the associated company is stated at cost in the balance sheet.

Tangible fixed assets

Fixed assets are stated at cost and are depreciated over their estimated economic lives by equal annual instalments at the appropriate rates between 5% and 25% per annum.

Overseas currencies

Assets and liabilities in overseas currencies are translated to sterling at the rates ruling at the balance sheet date, and profit and loss account items are translated at the rate ruling at the date of the transaction. The exchange difference arising on the annual translation of assets and liabilities is taken to profit and loss account.

Deferred taxation

The company provides deferred taxation, at the applicable rates, 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.

Stocks and work-in-progress

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

THE FINANCIAL TIMES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1985

	<u>Notes</u>	<u>1985</u> £	<u>1984</u> £
TURNOVER	1	78,825,962	66,505,325
COST OF SALES		(49,204,962)	(42,451,786)
GROSS PROFIT		29,621,000	24,053,539
DISTRIBUTION COSTS		(5,443,080)	(4,492,410)
ADMINISTRATIVE EXPENSES		(14,343,694)	(13,958,227)
OTHER OPERATING INCOME		67,754	31,416
INVESTMENT INCOME	4	3,490,305	762,189
INTEREST RECEIVABLE		1,818,937	1,781,961
INTEREST PAYABLE	5	(746,128)	(755,089)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,465,094	7,423,379
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	(4,679,194)	(3,350,725)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		9,785,900	4,072,654
EXTRAORDINARY INCOME LESS TAXATION	7	2,450,000	12,037,339
PROFIT AFTER TAXATION AND EXTRAORDINARY ITEMS		12,235,900	16,109,993
DIVIDENDS	8	(4,075,000)	(20,750,000)
RETAINED PROFIT (1984: LOSS) FOR THE YEAR	20	£ 8,160,900	£ (4,640,007)

THE FINANCIAL TIMES LIMITED

BALANCE SHEET
AS AT 31ST DECEMBER 1985

	<u>Notes</u>	<u>1985</u> £	<u>1984</u> £
FIXED ASSETS			
Tangible assets	9	2,730,814	3,023,509
Investments:			
Subsidiaries	11	1,876,103	1,899,603
Associated company	12	900,000	900,000
Other investments	13	10,815	21,530
		<u>5,517,732</u>	<u>5,844,642</u>
CURRENT ASSETS			
Stocks	15	607,858	862,144
Debtors	16	22,418,917	13,155,507
Cash at bank and in hand		13,110,318	7,402,857
		<u>36,137,093</u>	<u>21,420,508</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(21,360,805)	(16,410,361)
		<u>14,776,288</u>	<u>5,010,147</u>
NET CURRENT ASSETS		<u>20,294,020</u>	<u>10,854,789</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(5,111,871)	(3,652,086)
PROVISION FOR LIABILITIES AND CHARGES	18	(670,827)	(852,281)
Deferred taxation		<u>£14,511,322</u>	<u>£ 6,350,422</u>
NET ASSETS		<u><u>£14,511,322</u></u>	<u><u>£ 6,350,422</u></u>
CAPITAL AND RESERVES			
Called-up share capital	19	1,800,000	1,800,000
Profit and loss account	20	12,711,322	4,550,422
		<u>£14,511,322</u>	<u>£ 6,350,422</u>

The consolidated financial statements on pages 6 to 19 were approved by the Board of Directors on 27th March 1986 and were signed on its behalf by:

Frank Bailey
McGomas

) DIRECTORS

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

1. TURNOVER

	<u>1985</u>	<u>1984</u>
	£	£
Geographical markets supplied:		
United Kingdom	64,175,258	54,428,403
Europe	5,635,608	4,362,821
North America	5,168,151	3,902,517
South America	193,729	183,476
Africa	1,443,682	1,528,711
Asia	1,877,239	1,701,978
Australasia	332,295	397,419
	<u>£78,825,962</u>	<u>£66,505,325</u>

The company treats invoices to agents in the United Kingdom as United Kingdom turnover regardless of the country of residence of the customer. The comparative figures for 1984 have been reclassified in the interests of consistent presentation.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	£	£
Profit on ordinary activities before taxation is arrived at after charging:		
Staff costs (see Note 3)	15,236,366	12,514,294
Depreciation of tangible fixed assets	764,120	760,199
Auditors' remuneration (including expenses)	<u>38,000</u>	<u>33,000</u>

3. DIRECTORS AND EMPLOYEES

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

	<u>1985</u>	<u>1984</u>
	Number	Number
	<u>795</u>	<u>794</u>
	£	£
Staff costs comprised:		
Wages and salaries	13,471,053	11,921,791
Social security costs	720,349	652,416
Other pension costs	1,044,964	940,087
	<u>£15,236,366</u>	<u>£13,514,294</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

3. DIRECTORS AND EMPLOYEES (continued)

The number of senior employees of the company, other than directors, who received remuneration (excluding pension contributions) in the following ranges was:

	<u>1985</u>	<u>1984</u>
	Number	Number
£30,001 - £35,000	10	13
£35,001 - £40,000	15	2
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-

The remuneration paid to directors was:

	<u>1985</u>	<u>1984</u>
	£	£
Fees and other emoluments (including pension contributions)	511,235	381,502
Pensions paid to former directors	14,187	16,620
Compensation for loss of office	37,425	10,000
	<u>£562,847</u>	<u>£408,122</u>

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

	<u>1985</u>	<u>1984</u>
	£	£
Chairman	NIL	£14,684
Highest paid director	£ 90,009	£58,314

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

	<u>1985</u>	<u>1984</u>
	Number	Number
£0 - £5,000	1	1
£30,001 - £35,000	1	NIL
£35,001 - £40,000	NIL	1
£40,001 - £45,000	NIL	2
£45,001 - £50,000	NIL	2
£55,001 - £60,000	NIL	1
£60,001 - £65,000	1	NIL
£65,001 - £70,000	1	NIL
£70,001 - £75,000	1	NIL
£75,001 - £80,000	1	NIL
£80,001 - £85,000	1	NIL

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

4. INVESTMENT INCOME

	<u>1985</u>	<u>1984</u>
	£	£
Income from shares in group companies (excluding associates)	2,992,911	315,000
Income from investment in associate	478,800	403,200
Income from other listed fixed asset investments	18,594	43,989
	<u>£3,490,305</u>	<u>£762,189</u>

5. INTEREST PAYABLE

	£	£
On bank overdraft and loans:		
Repayable within 5 years, not by instalments	128	89
On loans from group companies	746,000	755,000
	<u>£746,128</u>	<u>£755,089</u>

6. TAXATION

	£	£
Current year:		
Corporation tax on the profit of the year at 41.25% (1984 46.25%)	5,114,482	3,376,630
Deferred taxation	(146,611)	(48,869)
	<u>4,967,871</u>	<u>3,327,761</u>
Prior year adjustments:		
Current taxation	(253,834)	18,258
Deferred taxation	(34,843)	4,706
	<u>£4,679,194</u>	<u>£3,350,725</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

7. EXTRAORDINARY INCOME

	<u>1985</u>	<u>1984</u>	<u>1984</u>
	£	£	£
Extraordinary income:			
Profit on sale of the leasehold interest in Bracken House to Pearson plc, the company's ultimate holding company, for £14,600,000 in circumstances which did not give rise to any capital gains tax liability	-		8,619,057
Profit on disposal of 349,189 capitalisation shares and 40,264 American depositary shares in Reuters Holdings plc for considerations of £651,606 and \$631,443 respectively		1,099,871 (278,825)	
Less taxation thereon			821,046
Profit on disposal of 1,154,613 "B" shares in Reuters Holdings plc to Pearson plc, the company's ultimate holding company, for a consideration of £2,597,879. This did not give rise to any capital gains tax liability			2,597,236
Provision against the cost of shares in F.T. Business Enterprises Limited now no longer required	2,450,000		
Extraordinary Income	<u>£ 2,450,000</u>		<u>£12,037,339</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

8. DIVIDENDS	<u>1985</u>	<u>1984</u>
	£	£
First interim paid	975,000	20,750,000
Proposed final	3,100,000	-
	<u>£ 4,075,000</u>	<u>£20,750,000</u>

9. TANGIBLE FIXED ASSETS

	<u>Plant and Machinery</u>	<u>Fixtures, Fittings, tools and equipment</u>	<u>Total</u>
	£	£	£
At 1st January 1985	1,677,705	3,192,002	4,869,707
Additions	136,257	399,452	535,709
Inter-company disposals	-	(12,904)	(12,904)
Disposals	-	(212,943)	(212,943)
At 31st December 1985	<u>1,813,962</u>	<u>3,365,607</u>	<u>5,179,569</u>
<u>Depreciation</u>			
At 1st January 1985	568,633	1,277,565	1,846,198
Charge for the year	308,261	455,859	764,120
Inter-company disposals	-	(8,947)	(8,947)
Eliminated in respect of disposals	-	(152,616)	(152,616)
At 31st December 1985	<u>876,894</u>	<u>1,571,861</u>	<u>2,448,755</u>
<u>Net book value</u>			
At 31st December 1985	<u>£ 937,068</u>	<u>£1,793,746</u>	<u>£2,730,814</u>
At 1st January 1985	<u>£1,109,072</u>	<u>£1,914,437</u>	<u>£3,023,509</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

10. OPERATING LEASES

	<u>Land and Buildings</u>	<u>Other Assets</u>	<u>Total</u>
Amount charged in financial statements for the period	£2,036,696	£9,254	£2,045,950

	<u>Land and Buildings</u> £	<u>Other</u> £
Annual commitments in respect of operating leases:		
Expiring within one year	9,375	-
Expiring in the second to fifth years inclusive	73,095	9,254
Expiring in over five years	1,954,226	-
	<u>£2,036,696</u>	<u>£9,254</u>

11. INVESTMENT IN SUBSIDIARIES

	<u>1985</u> £	<u>1984</u> £
Shares at cost less amounts written off	852,141	852,141
Loans and advances less provisions	<u>1,023,962</u>	<u>1,047,462</u>
	<u>£1,876,103</u>	<u>£1,899,603</u>

Details of subsidiaries:

	<u>Percentage of capital owned Ordinary</u>
F.T. (America Advertising) Limited	100
The Financial Times (Benelux) Limited	100
The Financial Times (France) Limited	100
F.T. (Germany Advertising) Limited	100
The Financial Times (Europe) Limited	100
The Financial Times (Switzerland) Limited	100
St. Clements Press Limited	100
St. Clements Press Pension Trustee Limited (dormant)	100
The Financial Times Pension Trustee Limited (dormant)	100
The Financial News Limited (dormant)	100
The Financial Times (Canada) Limited (dormant)	100

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

11. INVESTMENT IN SUBSIDIARIES (continued)

Group financial statements have not been prepared as the company is itself the wholly owned subsidiary of Financial Times Group Limited, a company incorporated in Great Britain.

In the opinion of the directors the value of the investment in subsidiaries is not less than the amount at which it is stated in the balance sheet.

12. INVESTMENT IN ASSOCIATED COMPANY

Shares at cost

<u>1985</u>	<u>1984</u>
<u>£900,000</u>	<u>£900,000</u>

Details of the associated company are as follows:

The Economist Newspaper Limited

4,536,000 25p ordinary shares
252,000 25p 'A' special shares
252,000 25p 'B' special shares
100 5p Trust shares

Held at
31st December 1985
% of issue

50

-

100

-

The associated company is unlisted and incorporated in the United Kingdom.

In the opinion of the directors the value of the investment in the associated company is not less than the amount at which it is stated in the balance sheet.

13. OTHER INVESTMENTS

At cost:

Shares in Reuters Holdings plc
Loan Stock in Fairplay Publications Limited

<u>1985</u>	<u>1984</u>
<u>£</u>	<u>£</u>
100	100
10,715	21,430
<u>£10,815</u>	<u>£21,530</u>

Summary of movements:

Cost

At 1st January 1985
Annual repayment of Loan Stock
Disposal of Reuters shares at cost

21,530	33,126
(10,715)	(10,714)
-	(882)
<u>£10,815</u>	<u>£21,530</u>

At 31st December 1985

In the opinion of the directors, the value of other investments is not less than the amount at which it is stated in the balance sheet.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

14. CAPITAL COMMITMENTS

	<u>1985</u>	<u>1984</u>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>NIL</u>	<u>NIL</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>NIL</u>	<u>NIL</u>

15. STOCKS

	<u>1985</u>	<u>1984</u>
	£	£
Stocks comprise:		
Raw materials and consumables	583,973	846,795
Work in progress	23,885	15,349
	<u>£607,858</u>	<u>£862,144</u>

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

16. DEBTORS

	<u>1985</u>	<u>1984</u>
	£	£
Amounts falling due within one year:		
Trade debtors	18,050,754	11,142,219
Amounts due from group companies	3,765,394	117,236
Taxation recoverable	-	211,494
Tax deposit certificates	-	118,500
Other debtors	352,192	698,666
Prepayments and accrued income	250,577	867,392
	<u>£22,418,917</u>	<u>£13,155,507</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

17. CREDITORS

	<u>1985</u>	<u>1984</u>
	£	£
Amounts falling due within one year:		
Trade creditors	2,547,723	2,394,000
Amounts owed to group companies	6,216,508	9,830,018
Dividends payable	3,100,000	-
Corporation tax	3,015,065	-
Other taxation and social security payable	2,471,992	301,284
Other creditors	1,379	61,866
Accruals and deferred income	4,008,138	3,823,193
	<u>£21,360,805</u>	<u>£16,410,361</u>
Amounts falling due after one year:		
Corporation tax	<u>£ 5,111,871</u>	<u>£ 3,652,086</u>

18. 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>Amount provided</u>	
	<u>1985</u>	<u>1984</u>
	£	£
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	700,939	939,000
	<u>(30,112)</u>	<u>(86,719)</u>
Other	<u>£670,827</u>	<u>£852,281</u>

The movements on the provision for deferred taxation are as follows:

	£
Provision at 1st January 1985	852,281
Transfer to profit and loss account	<u>(181,454)</u>
Provision at 31st December 1985	<u>£670,827</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

19. CALLED-UP SHARE CAPITAL

	<u>1985</u>	<u>1984</u>
	£	£
Authorised, allotted and fully paid:		
2,001,208 ordinary shares of 25p each	500,302	500,302
5,198,792 'A' ordinary shares of 25p each	1,299,698	1,299,698
	<u>£1,800,000</u>	<u>£1,800,000</u>

20. RESERVES

	<u>Profit and loss account</u>
	£
At 1st January 1985	4,550,422
Retained profit for the year	8,160,900
At 31st December 1985	<u>£12,711,322</u>

21. CONTINGENT LIABILITIES

The company has, together with certain fellow subsidiaries, given a guarantee to its bankers in respect of bank overdraft facilities provided to the company and those fellow subsidiaries.

In addition, there are contingent liabilities in respect of outstanding libel claims amounting to £30,000 based on lawyers' estimates of settlements and costs. A significant proportion of this amount would be covered by insurance.

Other contingent liabilities, in respect of bank guarantees, amounted to £20,947 at 31st December 1985.

22. CHARGE ON ASSETS

The company and certain of its subsidiaries together with certain other subsidiaries of Pearson plc has guaranteed interest on and repayment of £30,936,443 guaranteed unsecured loan stock of Pearson plc.

The company's leasehold interest in Bracken House is specifically charged to the Prudential Assurance Company Limited as trustees for the stockholders of £5,175,814 first mortgage debenture stocks of Pearson plc.

23. PENSION COMMITMENTS

Payments are made into a pension scheme in the United Kingdom. The actuaries to the schemes are Messrs. R. Watson & Sons and their last valuation as at 30th June 1983 disclosed a surplus on a discontinuance basis. Pending the result of the next valuation as at 30th June, 1986, present funding rates are being continued and the directors have no reason to believe that these are not adequate.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1985 (continued)

24. THE ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Pearson plc, a company incorporated in Great Britain.