The Financial Times Limited

Report And Financial Statements
For The Year Ended 31 December 1998

(Registered Number: 227590)

The Financial Times Limited

Report And Financial Statements
For The Year Ended 31 December 1998

The Financial Times Limited

Report And Financial Statements
For The Year Ended 31 December 1998

A subsidiary of Pearson plc

Directors

DCM Bell	(Chairman)
O Fleurot	
D Hardisty	
SG Hill	
RP Lambert	
RS Leishman	
A Miller	
M Murphy	

Secretary And Registered Office

G Leach
Number One Southwark Bridge
London SE1 9HL

Registered Auditors

PricewaterhouseCoopers

Bankers

Midland Bank plc
Chase Manhattan Bank NA

The Financial Times Limited

Report And Financial Statements
For The Year Ended 31 December 1998

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal Activities And Business Review

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

The Company commenced printing in Milan and Chicago during January 1998 and expects to open a further print site in the United States of America during 1999.

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

Results And Dividends

The profit for the year after taxation was £31,902,000 (1997: £22,554,000). Interim dividends of £8,805,000 were paid on 15 May 1998 and on 15 October 1998 (1997: £5,568,000). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 1998 (1997: £nil). The profit has been credited to the profit and loss account brought forward, leaving an accumulated profit carried forward of £34,433,000 (1997: £20,141,000).

Directors

The current directors of the Company are:

DCM Bell	
O Fleurot	(appointed 1 January 1999)
D Hardisty	
SG Hill	
RP Lambert	
RS Leishman	
AC Miller	
M Murphy	

Directors' Report (Continued)

Directors' Interests

The interests of directors who held office at the end of the financial year, and their families, in shares, debentures, and unsecured loan stock of Pearson plc and its subsidiaries were as follows:

	Shares		Share options		
25p ordinary shares	1 January 1998	31 December 1998	1 January 1998	Granted	31 December 1998
D Hardisty	-	-	9,500	8,767	18,267
M Murphy	2,049	84	18,016	9,538	27,554

Messrs Bell, Hill, Lambert, Leishman and Miller being directors of the immediate parent company, Financial Times Group Limited, are not required to notify their interests to this Company.

Land And Buildings

In the opinion of the directors the present market value of land and buildings is in the region of £11 million below its net book value of £45 million. However, having discussed this matter with their professional advisers the directors are of the opinion that this does not represent a permanent diminution in value.

Payment Of Creditors

The Company aims to pay all its suppliers within a reasonable period of their invoices being received and in any case within the suppliers' own payment periods. Trade creditors at the year end represented 33 days (1997: 28 days) of purchases.

Charitable Contributions

The contributions made by the Company during the year for charitable purposes were £17,909.

Employment Of Disabled Persons

Applications for employment by disabled persons are considered on the same basis as other applications, giving full and fair consideration to the respective skills, knowledge and abilities of the applicant concerned and the requirements of the work involved. In the event of members of staff becoming disabled every effort is made to assist them in ensuring that their employment can continue within the Company. The training, career development, and promotion of disabled employees is, as far as possible, identical to that of employees who do not suffer from a disability.

The Financial Times Limited

Report And Financial Statements
For The Year Ended 31 December 1998 (Continued)

Directors' Report (Continued)

Employee Information

Employees are provided with information by a variety of methods including a newsletter, FT focus, notes from management and a regular team briefing programme on a cascade basis. The Chief Executive 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.

The Company continues with its formal commitment to Investors in People programme and expects to achieve the standard required during 1999.

All full time qualifying employees of the Pearson plc group companies who are resident in the UK may participate in the Pearson Plc Save As You Earn Share Option Scheme. Employees are encouraged to maintain an interest in the financial and economic factors affecting the group's performance.

The Company is an equal opportunities employer.

Health And Safety At Work

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

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

Year 2000

Pearson plc has launched a Year 2000 programme in which all the operating companies are participating. The Financial Times Limited, within this structure, has created a project steering group to ensure that the Company and its suppliers are compliant. The directors have reviewed the impact of the change of date, planned to ensure compliance by the Company and its third parties, and reviewed the impact of the compliance programme on the financial statements.

Directors' Report (Continued)

Elective Resolutions

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

a) the laying of the annual report and financial statements before the Company in General Meeting; and

b) the requirements to re-appoint annually the registered auditors of the Company in General Meeting.

Registered Auditors

Our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998. A resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the Company was passed at a Board Meeting held on 31 July 1998.

By Order of the Board

G Leach
Secretary

8 March 1999

Statement Of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and apply them consistently and make judgements and estimates that are reasonable and prudent.

The directors must also state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements which must be prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for the maintenance of adequate accounting records in compliance with the Companies Act 1985, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
No 1 London Bridge
London SE1 9QL
Telephone +44 (0) 171 939 3000
Facsimile +44 (0) 171 403 5265

Auditors' Report To The Members Of The Financial Times Limited

We have audited the financial statements on pages 9 to 26 which have been prepared under the historical cost convention and the accounting policies set out on page 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 6 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

8 March 1999

Accounting Policies

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

Basis Of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Turnover

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

Tangible Fixed Assets

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

Freehold buildings : 2½% - 10%
Plant and machinery : 5% - 33%
Fixtures, fittings and equipment : 5% - 33%

Freehold land is not depreciated.

Finance And Operating Leases

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

Overseas Currencies

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

Accounting Policies (Continued)

Deferred Taxation

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

Stock

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

Fixed Assets Investments

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

Pension Costs

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

The Financial Times Limited

Profit And Loss Account
For The Year Ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Turnover - Continuing Operations	1	**176,202**	147,513
Cost of sales		**(89,849)**	(78,805)
Gross Profit		**86,353**	68,708
Net operating expenses		**(51,710)**	(40,045)
Net exceptional administrative expenses	2	**(2,300)**	(1,528)
Total net operating expenses	2	**(54,010)**	(41,573)
Operating Profit - Continuing Operations		**32,343**	27,135
Profit on disposal of fixed assets	8	**4,038**	-
Income from associated undertakings	10	**5,513**	4,883
Investment income	11	**419**	225
Profit On Ordinary Activities Before Interest And Taxation		**42,313**	32,243
Interest receivable and similar income		**5,430**	3,272
Interest payable and similar charges	5	**(54)**	(1,124)
Profit On Ordinary Activities Before Taxation	3	**47,689**	34,391
Taxation on profit on ordinary activities	6	**(15,787)**	(11,837)
Profit For The Financial Year		**31,902**	22,554
Dividends Paid	7	**(17,610)**	(5,568)
Transferred To Reserves	17	**14,292**	16,986

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

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

The notes on pages 9 and 10 and 13 to 26 form part of these financial statements.

The Financial Times Limited

Balance Sheet
At 31 December 1998

	Notes	1998 £'000	1997 £'000
Fixed Assets			
Tangible fixed assets	*8*	**63,584**	69,505
Investments:			
Subsidiary undertakings	*9*	**51**	47
Associated undertakings	*10*	**900**	900
Other investments	*11*	**3,093**	3,097
		67,628	73,549
Current Assets			
Stocks	*12*	**705**	465
Debtors	*13*	**32,560**	33,964
Cash at bank and in hand		**102,037**	54,073
		135,302	88,502
Creditors: amounts falling due within one year	*14*	**(86,249)**	(58,282)
Net Current Assets		**49,053**	30,220
Total Assets Less Current Liabilities		**116,681**	103,769
Creditors: amounts falling due after more than one year	*14*	**(52,000)**	(52,000)
Provision For Liabilities And Charges			
Deferred taxation	*15*	**(3,506)**	(4,850)
Other provisions	*15*	**(1,742)**	(1,778)
		(5,248)	(6,628)
Net Assets		**59,433**	45,141
Capital And Reserves			
Called up share capital	*16*	**25,000**	25,000
Profit and loss account	*17*	**34,433**	20,141
Equity Shareholders' Funds	*18*	**59,433**	45,141

The financial statements on pages 9 to 26 were approved by the Board of Directors on 8 March 1999 and were signed on its behalf by:

RS Leishman
Director

The Financial Times Limited

Notes To The Financial Statements
For The Year Ended 31 December 1998

1 Turnover

	1998 £'000	1997 £'000
Geographical markets supplied:		
United Kingdom	**101,656**	93,926
Europe	**41,027**	27,452
North America	**24,806**	17,666
South America	**1,080**	1,705
Africa	**1,647**	1,519
Asia	**5,851**	5,060
Australasia	**135**	185
	176,202	147,513

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

2 Net Operating Expenses

	1998 £'000	1997 £'000
Administrative expenses	**44,778**	35,826
Net exceptional administrative expenses (see below)	**2,300**	1,528
Total administrative expenses	**47,078**	37,354
Distribution costs	**10,601**	5,087
Other operating income	**(3,669)**	(868)
	54,010	41,573

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

2 Operating Expenses (Continued)

The net exceptional administrative expenses consist of:

	1998 £'000	1997 £'000
Reorganisation and redundancy costs	2,318	1,210
Release of provision in respect of amounts due from subsidiary undertakings	(18)	(55)
Costs associated with East India Dock	-	373
	2,300	1,528

3 Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is arrived at after charging:

	1998 £'000	1997 £'000
Staff costs (see note 4)	34,315	30,432
Depreciation of tangible fixed assets (see note 8)	7,062	6,627
Auditors' remuneration:		
- for audit services	56	35
- for non audit services	203	77
Operating lease rentals:		
- plant and machinery	322	89
- land and buildings	234	325
Loss/(gain) on sale of fixed assets	60	(26)

4 Directors And Employees

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

	1998 Number	1997 Number
Production	629	604
Distribution	41	38
Administration	110	129
	780	771

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

4 Directors And Employees (Continued)

	1998 £'000	1997 £'000
Staff costs comprised:		
Wages and salaries	**32,601**	29,477
Social security costs	**2,922**	2,559
Pension costs	**(1,345)**	(1,604)
Post-retirement benefits	**137**	-
	34,315	30,432

Pension costs of £31,000 (1997: £37,000) represent the Company's contributions to employees' personal pension schemes and were offset in 1998 by the release of £1,376,000 (1997: £1,641,000) of the pension provisions. Costs of £137,000 represent the Company's contributions to the employees post retirement medical benefits scheme.

	1998 £'000	1997 £'000
The remuneration paid to directors was:		
Aggregate emoluments	**904**	831

	1998 £'000	1997 £'000
The highest paid director received:		
Aggregate emoluments	**290**	232
Defined benefit pension scheme - accrued benefit at end of year	33	28

Retirement benefits are accruing to five directors (1997: seven) under the defined benefit scheme.

Three directors, including the highest paid director, exercised share options in the ultimate parent company in the year, and seven directors, including the highest paid director, became entitled to receive shares under a long term incentive scheme.

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

5 Interest Payable And Similar Charges

	1998 £'000	1997 £'000
On bank loans, overdrafts and other loans repayable within five years, not by instalments:		
Group undertakings	53	1,124
Other	1	-
	54	1,124

6 Taxation On Profit On Ordinary Activities

	1998 £'000	1997 £'000
UK Corporation tax charge at 31% (1997: 31.5%):		
Current	15,909	9,647
Deferred	(559)	678
	15,350	10,325
Overseas tax	17	17
Under/(over) provision in respect of prior years:		
Current	58	47
Deferred	(785)	426
Tax credits on franked investment income	1,147	1,022
	15,787	11,837

The under provision of deferred tax in respect of prior years includes a credit of £117,340 (1997: £227,000) relating to the change in tax rates in the year.

7 Dividends Paid

	1998 £'000	1997 £'000
Interim equity dividends paid:		
15 May - 35.22p per share (1997: 11.14p per share)	8,805	2,784
15 October - 35.22p per share (1997: 11.14p per share)	8,805	2,784
	17,610	5,568

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

8 Tangible Fixed Assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, Fittings and equipment £'000	Assets for resale £'000	Total £'000
Cost					
At 1 January 1998	63,015	29,549	17,957	12,487	123,008
Additions	-	853	2,454	-	3,307
Disposals	-	(3,587)	(4,433)	(12,487)	(120,507)
At 31 December 1998	63,015	26,815	15,978	-	105,808
Depreciation					
At 1 January 1998	16,214	16,019	10,283	10,987	53,503
Charge for the year	1,895	2,414	2,753	-	7,062
Disposals	-	(3,590)	(3,764)	(10,987)	(18,341)
At 31 December 1998	18,109	14,843	9,272	-	42,224
Net book amount					
At 31 December 1998	44,906	11,972	6,706	-	63,584
At 31 December 1997	46,801	13,530	7,674	1,500	69,505

During 1993 the directors took advice from their professional advisers regarding the market value of land and buildings. The directors were of the opinion that there had been a permanent diminution in value of land and buildings and provided £20,000,000 against this at 31 December 1993, reducing the cost accordingly. If the freehold property had not been provided against it would be included at cost of £82,997,000 (1997: £82,997,000) and accumulated depreciation of £18,877,000 (1997: £16,625,000).

The "assets for resale" relates to East India Dock assets which were sold in 1998 realising a net profit on sale of £4,038,000.

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

9 Subsidiary Undertakings

	£'000
Cost of shares	
At 1 January 1998	867
Increase in cost (see below)	4
At 31 December 1998	871
Amounts written off	
At 1 January 1998 and 31 December 1998	(820)
Net book amount	
At 31 December 1998	51
At 31 December 1997	47

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

Active subsidiary undertakings:

The Financial Times (Benelux) Limited
The Financial Times (France) Limited
The Financial Times (Switzerland) Limited
St Clements Press Limited
The Financial Times (Spain) Limited
The Financial Times (Japan) Limited

Dormant subsidiary undertakings:

St Clements Press (1988) Limited
The Financial Times (Europe) Limited
St Clements Press Pension Trustee Limited
The Financial Times Pension Trustee Limited
FT (Germany Advertising) Limited
The Financial News Limited
FT (Russia) Limited
FT (Sweden) AB (incorporated in Sweden)

All the above companies are registered in England and Wales except where indicated. The active subsidiary undertakings are primarily concerned with the provision and/or publication of business information.

The increase in cost is the result of an increase in the share capital of FT (Sweden) AB. The new shares were acquired by the Company.

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

9 Subsidiary Undertakings (Continued)

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

Group financial statements have not been prepared as the Company is itself a wholly-owned subsidiary undertaking of Pearson plc, a company incorporated in Great Britain and registered in England and Wales which prepares consolidated financial statements.

10 Associated Undertakings

	1998 £'000	1997 £'000
Cost of shares being also net book amount	**900**	900

Details of the associated undertakings are as follows:

	1998	1997
	% of issued shares held	
The Economist Newspaper Limited		
22,680,000 5p ordinary shares	**50**	50
1,260,000 5p 'B' special shares	**100**	100
FT-SE International Limited		
100 £1 ordinary shares	**50**	50

The above companies are registered in England and Wales. In the opinion of the directors the value of the investment in the associated undertakings are not less than the amount at which they are stated in the balance sheet.

The associates are primarily concerned with the provision and/or publication of business information.

The Financial Times Limited

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

11 Other Investments

The Company acquired unlisted debentures of £41,000 in 1990 which are being amortised over a 10 year period. Amortisation of £4,000 (1997: £5,000) was charged to the profit and loss account during the year.

In 1995 the Company acquired 100% of the £1 redeemable preference share capital which was issued at par value of £3,000,000, of West Ferry Printers Limited, a company registered in England and Wales. The latest available accounts for West Ferry Printers Limited are for the year ended 31 December 1997 and show capital and reserves of £17,037,000 and a retained profit for the year of £4,017,000.

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

12 Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	**705**	465

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

13 Debtors

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Trade debtors	**26,322**	23,801
Amounts owed by group undertakings:		
- immediate parent company and fellow subsidiary undertakings	**2,782**	6,540
- subsidiary undertakings	**1,909**	2,052
Other debtors	**482**	571
Prepayments and accrued income	**1,065**	1,000
	32,560	33,964

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

14 Creditors

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Trade creditors	13,603	8,995
Amounts owed to group undertakings:		
- immediate parent company and fellow subsidiary undertakings	27,006	17,182
- subsidiary undertakings	6,313	4,187
Corporation tax	15,632	10,045
Other taxation and social security	3,093	1,591
Accruals and deferred income	20,241	16,252
Other creditors	361	30
	86,249	58,282

Amounts falling due after more than one year:

	1998 £'000	1997 £'000
Interest free loans from ultimate parent undertaking	52,000	52,000

15 Provisions For Liabilities And Charges

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:

	Excess of tax allowances over depreciation £'000	Other short term timing differences £'000	Timing differences in connection with provisions £'000	Total £'000
Provision/(asset) at 1 January 1998	5,064	384	(598)	4,850
Transferred (to)/from profit and loss account	(1,002)	(656)	314	(1,344)
Provision/(asset) at 31 December 1998	4,062	(272)	(284)	3,506

The Financial Times Limited

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

15 Provisions For Liabilities And Charges (Continued)

Other provisions

	Reorganisation provisions £'000	Pension and post retirement medical benefits £'000	Total £'000
Provision at 1 January 1998	65	1,713	1,778
Utilisation in the year	(978)	-	(978)
Charged/(released) to profit and loss account	2,318	(1,376)	942
Provision at 31 December 1998	1,405	337	1,742

16 Called Up Share Capital

	1998 £'000	1997 £'000
Authorised, allotted, called up and fully paid:		
25,000,000 £1 Ordinary shares	**25,000**	25,000

17 Profit and Loss Account

	£'000
At 1 January 1998	20,141
Transferred to reserves	14,292
At 31 December 1998	34,433

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

18 Reconciliation Of Movements In Shareholders' Funds

	1998 £'000	1997 £'000
Profit for the financial year	**31,902**	22,554
Dividends paid	**(17,610)**	(5,568)
Net increase in shareholders' funds	**14,292**	16,986
Opening shareholders' funds	**45,141**	28,155
Closing shareholders' funds	**59,433**	45,141

19 Capital Commitments

	1998 £'000	1997 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**715**	136

20 Operating Leases

	1998		1997	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Annual commitments in respect of operating leases:				
- expiring within one year	**95**	**78**	7	-
- expiring between one and five years	**42**	**100**	157	89
- expiring in over five years	**91**	**-**	91	-
	228	**178**	255	89

The Financial Times Limited

Notes To The Financial Statements
For The Year Ended 31 December 1998 (Continued)

21 Contingent Liabilities

The Company participates in an arrangement with Midland Bank plc whereby the accounts of Pearson plc and 40 of its subsidiaries, "the guarantors", are combined, with cleared debit and credit balances being offset for interest calculation purposes. In order to comply with banking regulations, each guarantor to this arrangement has provided a multilateral guarantee in respect of the overdraft obligations (but no other debts due to the bank) of each of the other participants. The net balance under this arrangement at 31 December 1998 was an overdraft of £1,989,438 (1997: £374,045). The maximum amount of this guarantee is limited to a net overdraft of £50,000,000 (1997: £35,000,000). At 31 December 1998 this was the Company's potential liability.

As at 31 December 1998 the potential liability arising from these guarantee arrangements amounted to £50,000,000 (1997: £35,000,000) for the parent undertakings and fellow subsidiary undertakings and £nil (1997: £588,360) for the subsidiary undertakings of the Company.

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

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

The Company has guaranteed payment of the rent of £172,500 per annum in respect of premises occupied by Financial Times Information Limited, a fellow subsidiary undertaking of Pearson plc.

The Company has guaranteed payment of postal costs to the Royal Mail to a maximum of £130,000.

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

The Company has guaranteed the payment of rent of £10,500 per annum in respect of premises occupied by FT Business Information Limited, a fellow subsidiary undertaking of Pearson plc.

The Company has indemnified both County Natwest Securities and Goldman Sachs & Co Limited in respect of any cases brought against them as a result of their usage of the FT Actuaries World Indices.

The Company has indemnified the Institute and Facility of Actuaries for losses, costs, damages and expenses resulting from their usage of indices published by the Company.

The Company has indemnified FT Business Information Limited and its subsidiary companies against various libel and copyright claims arising.

21 Contingent Liabilities (Continued)

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

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

The Company has agreed to provide, or arrange the provision of, funds to St Clements Press Limited, a subsidiary undertaking, sufficient to meet obligations as they fall due until 31 March 1999 at which time this agreement will be reviewed.

At 31 December 1998 St Clements Press Limited had net liabilities of £38,000, after deducting amounts due to and from The Financial Times Limited.

Other contingent liabilities, in respect of bank guarantees, amounted to £130,732 at 31 December 1998 (1997: £54,516).

22 Pension Commitments

The Company is a member of The Pearson Group Pension Plan, which is primarily a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation as at 1 January 1996, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 1998. The pension costs relating to the group plan are assessed in accordance with the advice of an independent qualified actuary.

The valuation surplus on the group plan calculated by the actuary at 1 January 1996 is being apportioned over the expected service lives of the group's employees who are members of the scheme. The Company's pension cost in relation to the group plan is £nil (1997: £nil).

23 Post Retirement Medical Benefits

The Company provides for post-retirement medical benefits of certain employees. The most important assumption in assessing this obligation are the assumed rate of medical inflation of 8% and the discounted rate to be used of 7.5%. The provision for these benefits is included in provision for liabilities and charges (see note 15).

24 Cash Flow Statement

The cash flows of the Company are included in the consolidated group cash flow statement of Pearson plc, the ultimate parent company. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) "Cash Flow Statements" from publishing a cash flow statement.

25 Related Party Transactions

The Company is a wholly owned subsidiary within Pearson plc and utilises the exemption contained in Financial Reporting Statement No 8 "Related Party Disclosures" not to disclose any transactions with entities that are part of the Pearson plc group. The address at which the Pearson plc consolidated financial statements are publicly available is shown in note 26.

26 Ultimate Parent Company

The Company's immediate parent company is Financial Times Group Limited.

The ultimate parent company is Pearson plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of Pearson plc are available to the public from Pearson plc, 3 Burlington Gardens, London W1X 1LE.