

DATA MANAGEMENT SERVICES GROUP LIMITED
(Registered number: 3011070)

Directors' Report And Financial Statements

31 December 1997



DATA MANAGEMENT SERVICES GROUP LIMITED

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 1997. Prior period comparatives are for the eleven months ended 31 December 1996.

Principal Activities

On 1 April 1997 the company transferred its assets and liabilities at book value to The Register Group Limited (formerly the Television Commercials Register Limited) and now trades as one of its divisions.

The principal activity of the company up to 1 April 1997 was the provision of marketing information and related services. Following the transfer of its assets and liabilities, it ceased trading.

Results

The result for the year was a profit of £113,501 (period ended 31 December 1996: £402,287) which will be transferred to reserves. The directors do not recommend the payment of a dividend (1996: Nil).

Directors And Their Interests

The directors who served during the year were as follows:

R Laven
P Warwick (Resigned 17 October 1997)
M Silver (Resigned 31 December 1997)
G Elton (Resigned 5 March 1998)
R Hanks (Appointed 5 March 1998)

None of the directors had any beneficial interest in the shares of the company.

Mr Elton's interests in the shares and options of Pearson plc were as follows:

Mr G Elton		<u>31 December 1997</u>		<u>1 January 1997</u>
		<u>Number</u>	<u>Granted</u>	<u>Number</u>
Pearson plc	- 25 p ordinary shares	2,463	-	2,643
	- options over ordinary shares	71,196	13,800	57,396

The directors in common with other employees of Pearson plc Group Companies, may participate in the Pearson plc Save As You Earn (SAYE) Option Scheme under which rights are granted to purchase ordinary shares upon the expiry of 5 or 7 year periods. Options taken up under the current scheme are exercisable at prices ruling on the Stock Exchange at the close of dealing on the day before the offer is made, less such discount (not exceeding 20%) as the Board of Pearson plc may determine. In addition, the directors are eligible to participate in the Pearson plc Senior Executive Share Option Scheme.

Officers' Liability Insurance

During the year to 31 December 1997, the company, as part of a group arrangement, maintained insurance covering officers of the company against liabilities arising in relation to the company in accordance with Section 310 (3)(a) of the Companies Act 1985.

DATA MANAGEMENT SERVICES GROUP LIMITED

Directors' Report (Continued)

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

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

Auditors

A resolution to reappoint Price Waterhouse as auditors, in accordance with Section 385 of the Companies Act 1985, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board.

 (R. LAVEN)
Director

29/5/1998

Price Waterhouse



Report of the Auditors to the shareholders of Data Management Services Group Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity of error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
and Registered Auditors

29 May 1998

DATA MANAGEMENT SERVICES GROUP LIMITED

Profit And Loss Account For The Year Ended 31 December 1997

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
Turnover	1	455,531	1,478,303
Cost of sales		(36,417)	(143,225)
Gross profit		419,114	1,335,078
Administrative expenses		(264,382)	(827,308)
Operating profit	2	154,732	507,770
Interest payable and similar charges	3	(1,525)	(7,912)
Profit on ordinary activities before taxation		153,207	499,858
Taxation on profit on ordinary activities	5	(39,706)	(97,571)
Retained profit for the year		113,501	402,287

There are no recognised gains and losses other than those passing through the profit and loss account.

Turnover and profit on ordinary activities before tax are derived solely from continuing activities.


¹ The notes on pages 6 to 12 form an integral part of these financial statements.

DATA MANAGEMENT SERVICES GROUP LIMITED

Balance Sheet As At 31 December 1997

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
Fixed assets			
Tangible fixed assets	6	-	176,641
Investments	7	-	450,000
		-	626,641
Current assets			
Debtors	8	270,460	791,900
Cash at bank and in hand		-	72,760
		270,460	864,660
Creditors: amounts falling due within one year	9	-	(1,325,338)
Net current assets/(liabilities)		270,460	(460,678)
Total assets less current liabilities		270,460	165,963
Creditors: amounts falling due after more than one year	10	-	(9,004)
		270,460	156,959
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	270,360	156,859
Equity shareholders' funds	13	270,460	156,959

Approved by the Board of Directors on 29/5/1998.

 (R. LAVEN)
Director

² The notes on pages 6 to 12 form an integral part of these financial statements.

DATA MANAGEMENT SERVICES GROUP LIMITED

Notes To The Financial Statements For The Year Ended 31 December 1997

1 Accounting Policies

(1) Accounting convention

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards.

(2) Cashflow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 (revised 1996) from the requirement to produce a cashflow statement on the grounds that it is a subsidiary of a company which prepares a consolidated cashflow statement.

(3) Turnover

Turnover represents amounts receivable for goods and services provided in the United Kingdom and Europe net of VAT and trade discounts. Subscription income is deferred over the period of the subscription in equal instalments.

(4) Goodwill

Goodwill arising on the acquisition of an unincorporated business is written off against the profit and loss reserve in the year of acquisition.

(5) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Leasehold properties	-	Straight line over the life of the lease
Computer, equipment	-	Straight line over 4 years
Motor vehicles	-	Straight line over 5 years
Furniture and fittings	-	Straight line over 7 years

(6) Lease and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

DATA MANAGEMENT SERVICES GROUP LIMITED

Notes To The Financial Statements For The Year Ended 31 December 1997 (Continued)

1 Accounting Policies (Continued)

(7) Pensions

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 1997. 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, net of this surplus, is nil (1996:Nil).

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The company has no post-retirement benefit commitments.

2 Operating Profit

Operating profit is stated after charging:

	1997	1996
	£	£
Wages and salaries	160,015	548,851
Social security	12,042	44,000
Depreciation of tangible fixed assets	16,358	44,339
Hire of equipment	-	9,714
Operating lease rentals - land and buildings	14,873	19,205
Auditors' remuneration	2,500	3,500

3 Interest Payable And Similar Charges

	1997	1996
	£	£
Sundry interest	-	-
Hire purchase interest	1,525	7,779
Factoring interest	-	133
	1,525	7,912

DATA MANAGEMENT SERVICES GROUP LIMITED

Notes To The Financial Statements For The Year Ended 31 December 1997 (Continued)

4 Directors And Employees

The average number of employees, including directors, employed by the company during the period was:

	<u>1997</u> Number	<u>1996</u> Number
Selling and distribution	3	8
Administration	7	28
	<u>10</u>	<u>36</u>

The remuneration paid to directors was:

	<u>£</u>	<u>£</u>
Remuneration	-	59,349

5 Taxation On Profit On Ordinary Activities

	<u>1997</u> £	<u>1996</u> £
Corporation Tax at 31.5% (1996: 33%)	51,064	97,571
Overprovision in respect of prior year	(11,358)	-
	<u>39,706</u>	<u>97,571</u>

DATA MANAGEMENT SERVICES GROUP LIMITED

Notes To The Financial Statements For The Year Ended 31 December 1997 (Continued)

6 Tangible Fixed Assets

	<u>Furniture and fittings</u>	<u>Land and buildings</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£	£
Cost					
At 1 January 1997	24,531	30,085	191,603	7,750	253,969
Additions	1,750	3,716	26,214		31,680
Transfers	(26,281)	(33,801)	217,817	(7,750)	(285,649)
At 31 December 1996	-	-	-	-	-
Depreciation					
At 1 January 1997	2,275	3,023	69,086	2,944	77,328
Charge for period	938	2,008	13,024	388	16,358
On Transfers	(3,213)	(5,031)	(82,110)	(3,332)	(93,686)
At 31 December 1996	-	-	-	-	-
Net book value					
At 31 December 1997	-	-	-	-	-
At 31 December 1996	22,256	27,062	122,517	4,806	176,641

7 Fixed Asset Investment

	<u>Share in subsidiary undertaking</u>
	£
Cost at 1 January 1997	450,000
Transferred	(450,000)
At 31 December, 1997	-

The company holds 100% of the ordinary shares of Black Box Publishing Limited, a company registered in England and Wales. The business of the subsidiary undertaking was that of publishing. It is now dormant.

DATA MANAGEMENT SERVICES GROUP LIMITED

Notes To The Financial Statements For The Year Ended 31 December 1997 (Continued)

8 Debtors

	<u>1997</u>	<u>1996</u>
	£	£
Trade debtors	-	732,174
Prepayments	-	32,498
Amounts due from group undertakings	270,460	-
Amounts due from invoice factoring company	-	20,124
Other debtors	-	7,104
	<u>270,460</u>	<u>791,900</u>

9 Creditors: Amounts Falling Due Within One Year

	<u>1997</u>	<u>1996</u>
	£	£
Obligations under finance lease contracts	-	14,864
Trade creditors	-	67,120
Amounts owed to immediate parent company	-	-
Amounts owed to group undertakings	-	51,922
Deferred income	-	959,284
Other taxation and social security	-	48,254
Corporation tax	-	97,571
Other creditors and accruals	-	86,323
	-	<u>1,325,338</u>

10 Creditors: Amounts Falling Due After More Than One Year

	<u>1997</u>	<u>1996</u>
	£	£
Obligations under finance lease and hire purchase contracts		
Repayable within one year	-	19,671
Repayable between two and five years	-	12,101
	-	<u>31,772</u>
Finance charges and interest allocated to future accounting periods	-	(7,904)
	-	23,868
Included in current liabilities (Note 9)	-	(14,864)
Falling due after more than one year	-	<u>9,004</u>

DATA MANAGEMENT SERVICES GROUP LIMITED

Notes To The Financial Statements For The Year Ended 31 December 1997 (Continued)

11 Share Capital

	<u>1997</u>	<u>1996</u>
	£	£
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

12 Profit And Loss Account

	<u>1997</u>	<u>1996</u>
	£	£
Retained profit/(loss) brought forward	156,859	(245,428)
Retained profit for the year	113,501	402,287
Retained profit at 31 December 1997	270,360	156,859

13 Reconciliation Of Movements In Shareholders' Funds

	<u>1997</u>	<u>1996</u>
	£	£
Retained profit for the year	113,501	402,287
Opening shareholders' funds at 1 January 1997	156,959	(245,328)
Closing shareholders' funds at 31 December 1997	270,460	156,959

DATA MANAGEMENT SERVICES GROUP LIMITED

Notes To The Financial Statements For The Year Ended 31 December 1997 (Continued)

14 Contingent Liabilities

The company participates in an arrangement with Midland Bank plc whereby the accounts of Pearson plc and thirty six 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 1997 was an overdraft of £374,045

The maximum amount of this guarantee is limited to a net overdraft of £35,000,000. At 31 December 1997 this was the company's potential liability.

As at 31 December 1997 the potential liability arising from these guarantee arrangements amounted to £35,000,000 for the parent undertakings and fellow subsidiary undertakings of the company.

15 Ultimate Parent Company

At 31 December 1997 the company was a subsidiary of The Register Group Limited whose ultimate parent undertaking is Pearson plc. The registered office of Pearson plc is at 3 Burlington Gardens, London, W1X 1LE, from where copies of their annual report and financial statements may be obtained.

16 Related Party Transactions

As a wholly owned subsidiary of Pearson plc, the company has taken advantage of the exemption contained within Financial Reporting Standard No 8 (Related Party Transactions) not to disclose related party transactions within other members of the Pearson Group.