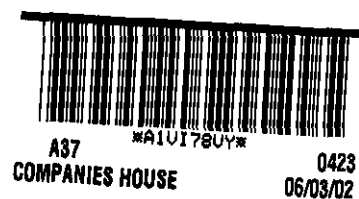


The Financial Times Limited

(Registered Number: 227590)

Annual Report And Financial Statements For The Year Ended 31 December 2001



The Financial Times Limited

Annual Report And Financial Statements For The Year Ended 31 December 2001

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The Financial Times Limited

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal Activities and Business Review

The principal activity of the Company during the year continues to be the production and publication of the international daily newspaper, "Financial Times".

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

Results and Dividends

The profit for the financial year after taxation was £12,535,000 (2000: £51,735,000). Two interim dividends totalling £45,020,000 were paid on 15 May and 13 October (2000: £30,670,000). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2001 (2000: £nil). The retained loss is £32,485,000, giving an accumulated profit carried forward of £41,214,000 (2000: £73,699,000).

Directors

The directors who served during the year were as follows:

DCM Bell
OH Fleurot
ARD Gowers (Appointed 15 October 2001)
SG Hill
RP Lambert (Resigned 28 December 2001)
AC Miller
DH Munns
MA Murphy (Appointed 24 October 2001)

Directors' Interests

The directors who held office at the year-end, had the following interests in shares and share options of the ultimate parent, Pearson plc:

25p ordinary shares	Ordinary shares		Incentive and reward Share plans	Share options			
	1 January 2001*	31 December 2001	31 December 2001	1 January 2001*	Granted	Exercised	31 December 2001
DH Munns	2,050	766	-	15,678	24,000	(1,120)	38,558
MA Murphy	11,970	11,983	10,564	87,052	20,010	-	107,062

The number of shares shown represents the maximum number of shares plus, in the case of the incentive plan, accumulated dividend shares, comprised in the original award which may be transferred to the individual concerned.

DCM Bell, OH Fleurot, ARD Gowers, SG Hill, RP Lambert and AC Miller, being directors of the immediate parent company, Financial Times Group Limited, are not required to notify their interests to this Company.

The Financial Times Limited

Directors' Report (Continued)

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 10 days (2000: 21 days) of purchases.

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.

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 Managing Director 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 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.

The Financial Times Limited

Directors' Report (Continued)

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that 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. The Directors are required to prepare financial statement on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable Accounting Standards have been followed.

The Directors are responsible for keeping proper accounting records that 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 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.

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.

Auditors

PricewaterhouseCoopers were appointed during the year ended 31 December 1998 and as a consequence of the elective resolution in (b) above, are deemed to be re-appointed for each succeeding financial year.

By Order of the Board



G Leach
Secretary

1 March 2002

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

We have audited the financial statements on pages 5 to 21.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 1985. 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6RH

1 March 2002

The Financial Times Limited

Profit And Loss Account For The Year Ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	232,774	277,257
Cost of sales		(103,531)	(115,030)
Gross Profit		129,243	162,227
Net operating expenses	3	(110,512)	(100,109)
Operating Profit		18,731	62,118
Income from interests in subsidiaries and associated undertakings	10	8,625	5,103
Investment income	11	180	180
Profit On Ordinary Activities Before Interest And Taxation		27,536	67,401
Interest receivable and similar income	4	7,334	6,079
Amounts written off investment	12	(16,888)	-
Interest payable and similar charges	6	(657)	(922)
Profit On Ordinary Activities Before Taxation	4	17,325	72,558
Taxation on profit on ordinary activities	7	(4,790)	(20,823)
Profit For The Financial Year		12,535	51,735
Dividends Paid	8	(45,020)	(30,670)
Retained (Loss) / Profit For The Financial Year	18	(32,485)	21,065

The results relate solely to continuing activities.

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 7 to 21 form part of these financial statements.

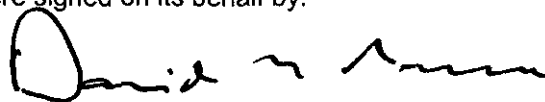
The Financial Times Limited

Balance Sheet At 31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed Assets			
Tangible fixed assets	9	63,127	62,695
Investments:			
Subsidiary undertakings	10	51	51
Associated undertakings	11	2,457	2,457
Other investments	12	3,147	20,527
		68,782	85,730
Current Assets			
Stocks	13	811	663
Debtors	14	43,351	84,098
Cash at bank and in hand		127,347	97,504
		171,509	182,265
Creditors: amounts falling due within one year	15	(95,716)	(93,985)
Net Current Assets		75,793	88,280
Total Assets Less Current Liabilities		144,575	174,010
Creditors: amounts falling due after more than one year	15	(68,669)	(68,669)
Provision For Liabilities And Charges			
Deferred taxation	16	(927)	(2,351)
Other provisions	16	(8,765)	(4,291)
		(9,692)	(6,642)
Net Assets		66,214	98,699
Capital And Reserves			
Called up share capital	17	25,000	25,000
Profit and loss account	18	41,214	73,699
Equity Shareholders' Funds	19	66,214	98,699

The financial statements on pages 5 to 21 were approved by the Board of directors on 1 March 2002 and were signed on its behalf by:

DH Munns
Director



The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001

1 Accounting Policies

The financial statements have been prepared in accordance with the historical cost convention and 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. FRS 18 'Accounting Policies' has been adopted and as a result certain comparatives in the profit and loss account have been reclassified to present costs on a comparative basis.

Turnover

Turnover represents net circulation, advertisement and other revenue receivable excluding value added tax and discounts. Circulation and advertising revenue is recognised when the newspaper or publication is published. Subscription revenue is recognised over the life of the subscription.

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.

Leasehold buildings are depreciated over the period of the lease.

Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

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.

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.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

1 Accounting Policies (Continued)

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.

Basis of Consolidation

Consolidated 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.

Pension Costs

The expected cost of the pension scheme (see note 22) is charged to the profit and loss account in order to apportion the cost of pensions over the service lives of employees in the 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 costs, reduced by the 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.

2 Turnover

	2001 £'000	2000 £'000
Geographical markets supplied:		
United Kingdom	146,769	148,806
Rest of Europe	52,311	55,332
North America	22,634	60,382
Asia and Middle East	7,630	9,634
Rest of World	3,430	3,103
	232,774	277,257

The segmental analysis relates to the destination of turnover. The Company treats invoices to agents in the United Kingdom as United Kingdom turnover, regardless of the country of residence of the customer.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

3 Net Operating Expenses

	2001 £'000	2000 £'000
Administrative expenses	86,612	76,457
Distribution costs	23,900	23,652
	110,512	100,109

4 Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Staff costs (note 5)	47,745	43,764
Depreciation of tangible fixed assets (note 9)	8,403	6,920
Auditors' remuneration:		
- for audit services	55	64
- for non-audit services	142	112
Bank interest receivable	7,334	6,079
Operating lease rentals:		
- plant and machinery	397	431
- land and buildings	432	507
Loss on sale of fixed assets	(41)	(38)

The Financial Times Limited

Notes To The Financial Statements

For The Year Ended 31 December 2001 (Continued)

5 Directors And Employees

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

	2001 Number	2000 Number
Production	758	757
Distribution	47	47
Administration	189	188
	994	992

	2001 £'000	2000 £'000
Staff costs comprised:		
Wages and salaries	40,360	39,654
Social security costs	3,971	3,989
Pension costs	3,414	121
	47,745	43,764

Pension costs of £156,000 (2000: £121,000) represent the Company's contributions to employees' personal pension schemes and £3,258,000 represents the charge for future funding of the Pearson Group Pension Scheme (2000: £Nil).

	2001 £'000	2000 £'000
The remuneration paid to directors was:		
Aggregate emoluments	1,258	1,357

	2001 £'000	2000 £'000
The highest paid director received:		
Aggregate emoluments	388	503

Defined benefit pension scheme – accrued benefit at end of year	-	76
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Retirement benefits are accruing to seven directors (2000: five), excluding the highest paid, under the defined benefit scheme.

Three directors (2000: two), including the highest paid director, exercised share options in the ultimate parent company in the year. Eight directors (2000: six), including the highest paid director, became entitled to receive shares under a long term incentive scheme.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

6 Interest Payable And Similar Charges

	2001 £'000	2000 £'000
On bank loans, overdrafts and other loans repayable within five years, not by instalments:		
Group undertakings	654	922
Other	3	-
	657	922

7 Taxation On Profit On Ordinary Activities

	2001 £'000	2000 £'000
UK Corporation Taxation		
Current tax on income for the period at 30% (2000: 30%)	9,449	20,619
Adjustments in respect of prior years	(3,234)	-
Foreign Taxation		
Current tax on income for the period	(1)	25
Total Current Taxation	6,214	20,644
Deferred Taxation		
Deferred tax (charge)/credit arising in current year	(1,424)	179
Total Deferred Taxation	(1,424)	179
Taxation on profit on ordinary activities	4,790	20,823

8 Dividends Paid

	2001 £'000	2000 £'000
Interim equity dividends paid:		
15 May 2001 – 90.04p per share (2000: 61.34p per share)	22,510	15,335
15 October 2001 – 90.04p per share (2000: 61.34p per share)	22,510	15,335
	45,020	30,670

The Financial Times Limited

Notes To The Financial Statements

For The Year Ended 31 December 2001 (Continued)

9 Tangible Fixed Assets

	Land and Buildings £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost				
At 1 January 2001	63,316	34,259	18,096	115,671
Transferred from other group undertaking	-	504	876	1,380
Additions	1,943	5,657	1,038	8,638
Fully depreciated assets written off	(142)	(1,585)	(2,899)	(4,626)
At 31 December 2001	65,117	38,835	17,111	121,063
Depreciation				
At 1 January 2001	21,412	18,715	12,849	52,976
Transferred from other group undertaking	-	358	769	1,127
Charge for the year	1,246	4,630	2,527	8,403
Fully depreciated assets written off	(142)	(1,549)	(2,879)	(4,570)
At 31 December 2001	22,516	22,154	13,266	57,936
Net book amount				
At 31 December 2001	42,601	16,681	3,845	63,127
At 31 December 2000	41,904	15,544	5,247	62,695

In a prior period, 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 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 £85,117,000 (2000: £83,316,000) and accumulated depreciation of £24,816,000 (2000: £23,412,000).

In the opinion of the directors, the present market value of the freehold land and buildings is not materially different from their carrying value as disclosed in the financial statements.

Included in land and buildings are amounts relating to short leasehold property of £1.9 million.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

10 Subsidiary Undertakings

	£'000
Cost of shares	
At 1 January 2001 and 31 December 2001	871
Amounts written off	
At 1 January 2001 and 31 December 2001	(820)
Net book amount	
At 1 January 2001 and 31 December 2001	51

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
The Financial Times (Spain) Limited
The Financial Times (Japan) Limited
St Clements Press Limited

Dormant subsidiary undertakings:

St Clements Press (1988) Limited
The Financial Times (Europe) Limited
St Clements Press Pension Trustee Limited
Financial Times Pension Trustee Limited
FT (Germany Advertising) Limited
The Financial News Limited
The Financial Times (Russia) Limited
The Financial Times (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 or production of business information.

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.

Consolidated 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.

The Financial Times Limited

Notes To The Financial Statements

For The Year Ended 31 December 2001 (Continued)

11 Associated Undertakings

	2001 £'000	2000 £'000
Cost of shares being also net book amount	2,457	2,457

Details of the associated undertakings are as follows:

	2001 <u>% of issued shares held</u>	2000
The Economist Newspaper Limited		
11,340,000 5p ordinary shares	50	50
1,260,000 5p 'B' special shares	100	100

FT-SE International Limited

500 (2000: 500) £1 ordinary shares	50	50
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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 2001 (Continued)

12 Other Investments

	Unlisted Debentures £'000	Other Investments £'000	Total £'000
Cost:			
At 1 January 2001	113	20,458	20,571
Additions	-	15	15
Disposals	(41)	-	(41)
At 31 December 2001	72	20,473	20,545
Amounts written off:			
At 1 January 2001	44	-	44
Amortisation charge for the year	7	-	7
Amounts written off investments	-	16,888	16,888
Reclassification	-	500	500
Disposals	(41)	-	(41)
At 31 December 2001	10	17,388	17,398
Net book amount:			
At 31 December 2001	62	3,085	3,147
At 31 December 2000	69	20,458	20,527

Details of the other investments are as follows:

Investments	Class of Shares held	Percentage of capital owned %
Business.com, Inc.	Convertible preferred shares	20.00
West Ferry Printers Limited	£1 redeemable preference shares	100.00
Newspaper Licensing Agency	Ordinary shares	16.67
Twickenham debentures	Unlisted debentures	-

The investment in Business.com, Inc has not been treated as an associated undertaking as Business.com, Inc. is controlled by its majority shareholders and, in the opinion of the directors, the Company is not able to exercise significant influence over its operations. In 2001, this investment was written down in full as in the opinion of the directors the carrying value was in excess of the recoverable amount. In the opinion of the directors the value of the other investments are not less than the amount at which they are stated in the balance sheet.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

13 Stock

	2001 £'000	2000 £'000
Raw materials and consumables	811	663

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

14 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Trade debtors	24,368	33,381
Amounts owed by group undertakings:		
- parent companies and fellow subsidiary undertakings	4,710	44,376
- subsidiary undertakings	4,823	2,804
Other taxation and social security	2,363	-
Other debtors	1,492	809
Prepayments and accrued income	1,092	1,728
	38,848	83,098
Amounts falling due after one year:		
Other debtors	4,503	1,000
	43,351	84,098

15 Creditors

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Trade creditors	6,553	11,522
Amounts owed to group undertakings:		
- parent companies and fellow subsidiary undertakings	37,283	28,715
- subsidiary undertakings	5,550	8,817
Corporation tax	18,284	12,144
Other taxation and social security	1,604	2,094
Accruals and deferred income	26,390	28,449
Other creditors	52	2,244
	95,716	93,985

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

15 Creditors (Continued)

Amounts falling due after more than one year:

	2001 £'000	2000 £'000
Interest free loans from ultimate parent undertaking	68,669	68,669

16 Provisions For Liabilities And Charges

(a) Deferred taxation

Deferred taxation is provided 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 relating to provisions £'000	Total £'000
Provision/(asset) at 1 January 2001	2,166	(352)	537	2,351
Transferred (to) / from profit and loss account	326	352	(2,102)	(1,424)
Provision/(asset) at 31 December 2001	2,492	-	(1,565)	927

There is no unprovided deferred taxation (2000: £nil)

(b) Other provisions

	Disposal and Reorganisation provisions £'000	Pension and Post Retirement Medical Benefits £'000	Total £'000
Provision at 1 January 2001	2,846	1,445	4,291
Utilisation in the year	(849)	-	(849)
Charged to profit and loss account	2,065	3,258	5,323
Provision at 31 December 2001	4,062	4,703	8,765

The provision for pension costs relates to future contributions to be paid to the Pearson Group Pension Scheme by the Company.

The disposal and reorganisation provision principally comprises redundancy obligations arising in the year.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

17 Called Up Share Capital

	2001 £'000	2000 £'000
Authorised, allotted, called up and fully paid:		
25,000,000 £1 Ordinary shares	25,000	25,000

18 Profit And Loss Account

	£'000
At 1 January 2001	73,699
Retained loss for the financial year	(32,485)
At 31 December 2001	41,214

19 Reconciliation Of Movements In Equity Shareholders' Funds

	2001 £'000	2000 £'000
Profit for the financial year	12,535	51,735
Dividends paid	(45,020)	(30,670)
Net (decrease) / increase in shareholders' funds	(32,485)	21,065
Opening shareholders' funds	98,699	77,634
Closing shareholders' funds	66,214	98,699

20 Operating Leases

At 31 December 2001, the Company was committed to make payments during next year under non-cancellable operating leases as follows:

	Land and Buildings £'000	2001 Other £'000	Land and Buildings £'000	2000 Other £'000
- expiring within one year	161	25	88	10
- expiring between one and five years	208	372	111	390
- expiring in over five years	2,237	-	87	-
	2,606	397	286	400

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

21 Contingent Liabilities

(a) Bank guarantees

The Company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and 32 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 2001 was a cash balance of £1,948,257 (2000: £6,792,000). The maximum amount of this guarantee is limited to a net overdraft of £50,000,000 (2000: £50,000,000). At 31 December 2001 this was the Company's potential liability.

As at 31 December 2001 the potential liability arising from these guarantee arrangements amounted to £50,000,000 (2000: £50,000,000) for the parent undertakings and fellow subsidiary undertakings and £nil (2000: £nil) for the subsidiary undertakings of the Company.

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.

(b) Other guarantees and indemnities

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 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 Faculty of Actuaries for losses, costs, damages and expenses resulting from their usage of indices published by the Company.

The Company has indemnified Financial Times Business Information Limited and its subsidiary companies in three ways; firstly, against various libel and copyright claims arising; secondly, it has guaranteed lease covenants on its Epsom Road property; thirdly, it has guaranteed to cover its VAT liability in Denmark.

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 2002 at which time this agreement will be reviewed.

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Notes To The Financial Statements

For The Year Ended 31 December 2001 (Continued)

22 Pension Commitments

The Company is a member of the Pearson plc Group Pension Plan ("the Plan"), which is a combination of both funded defined benefit and defined contribution schemes. Details of the Plan, including particulars of the most recent valuation as at 1 January 2001 for the purposes of the Group's accounts, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 2001. The pension costs relating to the Plan are assessed in accordance with the advice of an independent qualified actuary.

The valuation surplus of the group plan calculated by the actuary as at 1 January 2001 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 and excluding the costs of other pension schemes, is an allocation of the group cost. For 2001 this cost is £3,258,000 (2000: £Nil).

Details of pension provisions are given in note 16.

Pearson plc has followed the transitional arrangements allowed by FRS 17. As at 31 December 2001 there was a deficit of £73 million in the Pearson Group Pension Plan. Further information about the assets and liabilities of the group plan and the major assumptions used by the actuary can be found in the financial statements of Pearson plc for the year ended 31 December 2001. Although the Pearson Group Pension Plan is a combination of defined benefit and contribution schemes the company will account for the Plan as if it were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities of the Plan.

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 16).

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 "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.

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Notes To The Financial Statements For The Year Ended 31 December 2001 (Continued)

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, 80 Strand, London WC2R 0RL.