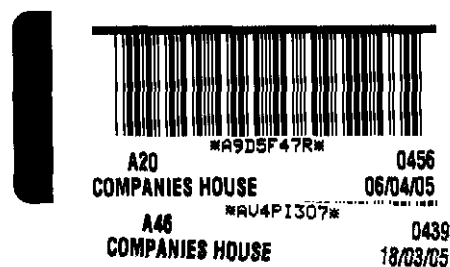


The Financial Times Limited

(Registered Number: 227590)

Annual Report And Financial Statements For The Year Ended 31 December 2004



The Financial Times Limited

Annual Report And Financial Statements For The Year Ended 31 December 2004

	Pages
Directors' Report	1-3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7-25

The Financial Times Limited

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal Activities and Business Review

The Company continues to produce and publish the international daily newspaper, "Financial Times". Following the acquisition of the businesses and net assets of Financial Times Information Ltd and FT CareerPoint Ltd during 2003, the Company also continues with the businesses of online news and recruitment websites and collection and distribution of third party information. 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 £5,090,000 (2003 loss: £34,205,000). No dividends were paid this year (2003: £nil). The directors are unable to recommend the payment of a final dividend in respect of the year ended 31 December 2004 (2003: £nil). The accumulated loss carried forward is £15,469,000 (2003 loss: £20,559,000).

Directors

The directors who held office during the year were as follows:

DCM Bell	
OH Fleurot	
ARD Gowers	
AC Miller	
DH Munns	Resigned 31 March 2004
NC Crawshaw	Appointed 22 March 2004

Directors' Interests

DCM Bell, OH Fleurot, ARD Gowers, AC Miller and NC Crawshaw 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)

Supplier Payment Policy

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 17 days (2003: 10 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 are, 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 Pearson Group's performance.

The Company is an equal opportunities employer.

Health and Safety Policy

The Company retains the services of a physician 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 statements 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 2004 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.

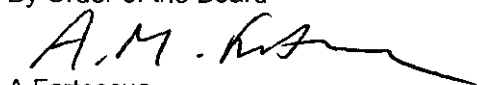
Environmental Policy

The Company, as a wholly owned subsidiary of Pearson plc, follows the Pearson Group Environmental Policy. This is available on <http://www.pearson.com/community/e-policy.htm>. The Company continues to hold Re-accreditation for Achievements in Energy Efficiency Award from the Institute of Energy.

Directors Insurance

During the year to 31 December 2004 the Company 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.

By Order of the Board



A Fortescue
Secretary

24 February 2005

Independent Auditors' Report to the Members of The Financial Times Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, and the related notes.

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.

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. This report, including the opinion, has been prepared for and only for the Company's members, as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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.

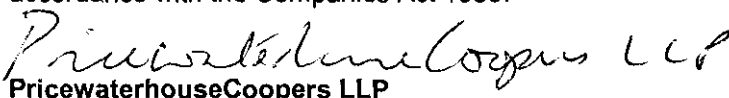
Basis of audit opinion

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH

24th February 2005

The Financial Times Limited

Profit And Loss Account For The Year Ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover	1,2	195,696	193,519
Cost of sales		(98,565)	(101,935)
Gross Profit		97,131	91,584
Net operating expenses	3	(110,187)	(132,987)
Operating Loss		(13,056)	(41,403)
Dividend income	11,12	8,886	7,251
Investment income	13	180	180
Loss On Ordinary Activities		(3,990)	(33,972)
Profit on Disposal of Investment	14	3,651	-
Loss On Ordinary Activities Before Interest and Taxation		(339)	(33,972)
Interest receivable and similar income	6	1,791	2,042
Interest payable and similar charges	7	(456)	(62)
Profit/(Loss) On Ordinary Activities Before Taxation	4	996	(31,992)
Taxation on profit/(loss) on ordinary activities	8	4,094	(2,213)
Profit/(Loss) For The Financial Year		5,090	(34,205)
Retained Profit/(Loss) For The Financial Year	21	5,090	(34,205)

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.

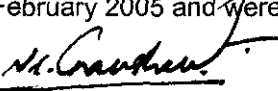
The notes on pages 7 to 25 form part of these financial statements.

The Financial Times Limited

Balance Sheet At 31 December 2004

	Notes	2004 £'000	2003 £'000
Intangible Assets			
Goodwill	9	41,234	43,525
Fixed Assets			
Tangible assets	10	64,836	65,864
Investments:			
Subsidiary undertakings	11	51	51
Associated undertakings	12	2,457	2,457
Other investments	13	3,126	3,133
		111,704	115,030
Current Assets			
Stocks	15	1,132	588
Debtors (including £7,712,000 (2003: £9,833,000) due after one year)	16	77,447	58,412
Cash at bank and in hand		34,375	59,525
		112,954	118,525
Creditors: amounts falling due within one year	17	(159,962)	(173,229)
Net Current Liabilities		(47,008)	(54,704)
Total Assets Less Current Liabilities		64,696	60,326
Creditors: amounts falling due after more than one year	17	(54,208)	(53,669)
Provision For Liabilities And Charges			
Other provisions	19	(957)	(2,216)
Net Assets		9,531	4,441
Capital And Reserves			
Called up share capital	20	25,000	25,000
Profit and loss account	21	(15,469)	(20,559)
Equity Shareholders' Funds	22	9,531	4,441

The financial statements on pages 5 to 25 were approved by the Board of directors on 24th February 2005 and were signed on its behalf by:


N.C. Crawshaw
Director

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004

1 Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain tangible fixed assets and with applicable Accounting Standards in the United Kingdom. Comparatives may have been adjusted to ensure consistency with current year disclosure. The principal accounting policies, which have been applied consistently, are set out below.

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.

Cost of Sales

Cost of sales includes all costs directly incurred in publishing The Financial Times Newspaper and in running its online activities.

Intangible Assets

Goodwill arising on the acquisition of a business or purchase of publishing rights and titles is capitalised and amortised in equal instalments over the shorter of its estimated economic life and 20 years. Any permanent diminution in the value of goodwill is recognised by an immediate write-off to the profit and loss account.

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	10% - 33%

Freehold land is not depreciated. Leasehold buildings are depreciated over the period of the lease.

Leases

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

Finance lease rentals are capitalised at the total amount of rentals payable under the leasing agreement (excluding finance charges) and depreciated in accordance with the tangible fixed assets policy above. Finance charges are written off over the period of the lease in reducing amounts in relation to the written down carrying cost.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

1. Accounting Policies (Continued)

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

Provision is made in full for deferred tax that arises from timing differences that have originated but not reversed by the balance sheet date on transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted. No deferred tax is provided in respect of any future remittance of earnings of foreign subsidiaries or associates where no commitment has been made to remit such earnings.

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.

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 company is a member of the Pearson Group Pension Plan. Charges to the profit and loss account represent the costs allocated to the Company from Pearson plc.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

2 Turnover

	2004 £'000	2003 £'000
Geographical markets supplied by destination:		
United Kingdom	135,684	129,170
Rest of Europe	37,997	38,405
North America	13,187	17,680
Asia and Middle East	6,249	6,106
Rest of World	2,579	2,158
	195,696	193,519

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 Company has recognised £1,653,000 of barter revenue (£1,464,000).

3 Net Operating Expenses

	2004 £'000	2003 £'000
Administrative expenses	81,147	101,060
Distribution costs	29,040	31,927
	110,187	132,987

The 2003 administration expenses have been stated after the reallocation of £1,810,000 of direct online costs to cost of sales.

4 Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2004 £'000	2003 £'000
Staff costs (note 5)	67,673	65,982
Depreciation of tangible fixed assets (note 10)		
- Owned assets	8,063	9,342
- Leased assets	546	181
Amortisation of Intangibles	2,291	2,291
Auditors' remuneration:		
- for audit services	103	111
- for non-audit services	184	172
Exchange gain	(380)	96
Operating lease rentals:		
- plant and machinery	3,143	4,255
- land and buildings	4,427	4,574
- lease income	(3,667)	(2,964)

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

5 Directors And Employees

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

	2004 Number	2003 Number
Production	849	848
Distribution	40	56
Administration	242	295
	1,131	1,199

	2004 £'000	2003 £'000
Staff costs comprised:		
Wages and salaries	53,674	54,278
Social security costs	5,440	5,509
Pension costs	8,559	6,195
	67,673	65,982

Pension costs of £107,000 (2003: £376,000) represent the Company's contributions to employees' personal pension schemes. Included within pension costs is an amount of £8,403,000 (2003: £5,819,000) representing the charge for future funding of the Pearson Group Pension Scheme.

	2004 £'000	2003 £'000
The remuneration paid to directors was:		
Aggregate emoluments	1,051	1,001

DCM Bell, being a director of the ultimate parent company, Pearson plc, has his emoluments disclosed in the financial statements of that company.

	2004 £'000	2003 £'000
The highest paid director received:		
Aggregate emoluments	381	323

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

5 Directors And Employees (continued)

Retirement benefits accrue to four of the five directors (2003: four), under the defined benefit scheme. The highest paid director is not a member of the defined benefit scheme and the Company paid contributions in the year towards the money purchase and FURB scheme of £48,134.

Two directors (2003: one), including the highest paid director, exercised share options in the ultimate parent company in the year. Four directors (2003: four), including the highest paid director, became entitled to receive shares under a long-term incentive scheme.

During the year one of the directors received £141,249 as compensation for loss of office.

During the year the highest paid director made gains of £69,804 on exercise of share options.

6 Interest Receivable And Similar Income

	2004 £'000	2003 £'000
Bank interest received	982	2,042
Group undertakings	809	-
	<u>1,791</u>	<u>2,042</u>

7 Interest Payable And Similar Charges

	2004 £'000	2003 £'000
On bank loans, overdrafts and other loans repayable within five years, not by instalments:		
Group undertakings	414	18
Finance charges on Finance leases	39	7
Other	3	37
	<u>456</u>	<u>62</u>

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

8 Taxation On Loss On Ordinary Activities

	2004 £'000	2003 £'000
Current Tax:		
UK corporation tax credit on losses for the period	-	-
Adjustments in respect of prior years	(1,918)	3,245
Foreign Taxation		
Current year foreign tax	49	40
Adjustment in respect of prior periods	-	147
	49	187
Total Current Tax (credit)/charge	(1,869)	3,432
Deferred Tax:		
Origination and reversal of timing differences	(2,225)	(1,219)
Total Deferred Taxation (note 18)	(2,225)	(1,219)
Taxation (credit)/ charge on profit/(loss) on ordinary activities	(4,094)	2,213

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2004 £'000	2003 £'000
Profit/(loss) on ordinary activities before tax	996	(31,992)
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 30% (2003: 30%)	299	(9,598)
Effects of:		
Excess of capital allowances over depreciation for the period	(2,067)	(1,010)
Other expenses not deductible for tax purposes	726	399
Movement in general provisions	(191)	(1,366)
Other items	25	29
Adjustments to tax charge in respect of previous periods	(1,919)	3,245
Foreign tax	49	187
Timing differences in respect of pension contributions	336	(437)
Non tax deductible goodwill amortisation	687	687
Non-taxable UK dividend income	(2,666)	(2,175)
Non-taxable investment income	(54)	(54)
Non taxable profit on disposal of investment	(1,095)	-
Tax losses not utilised	4,001	13,525
Current tax (credit)/charge for the period	(1,869)	3,432

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

9 Intangible Assets

	Goodwill £'000
Cost:	
At 1 January 2004	45,816
<hr/>	
At 31 December 2004	45,816
Amortisation:	
At 1 January 2004	(2,291)
Charge for the year	(2,291)
<hr/>	
At 31 December 2004	(4,582)
Net book value:	
At 31 December 2004	41,234
<hr/>	
At 31 December 2004	43,525

The Financial Times Limited

Notes To The Financial Statements

For The Year Ended 31 December 2004 (Continued)

10 Tangible Assets

	Land and Buildings £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost				
At 1 January 2004	66,278	38,117	36,251	140,646
Additions	23	100	7,458	7,581
Disposals	-	(5,655)	(8,307)	(13,962)
Reclassifications	9	(8,459)	8,450	-
At 31 December 2004	66,310	24,103	43,852	134,265
Depreciation				
At 1 January 2004	25,097	30,509	19,176	74,782
Charge for the year	1,335	1,524	5,750	8,609
Disposals	-	(5,655)	(8,307)	(13,962)
Reclassifications	6	(5,796)	5,790	-
At 31 December 2004	26,438	20,582	22,409	69,429
Net book amount				
At 31 December 2004	39,872	3,521	21,443	64,836
At 31 December 2003	41,181	7,608	17,075	65,864

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 (2003: £85,117,000) and accumulated depreciation of £29,188,000 (2003: £27,760,000).

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 investment property of £3,202,000 (2003: £3,400,000).

Included in fixtures and fittings are amounts relating to finance leases at cost of £1,482,000 (2003: £700,000) and accumulated depreciation of £439,000 (2003: £54,000).

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

11 Subsidiary Undertakings

	£'000
Net book amount	
At 1 January 2004 and 31 December 2004	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 (Spain) Limited
The Financial Times (Japan) Limited
St Clements Press Limited

Non-Trading Subsidiaries:

The Financial Times (Switzerland) Limited
The Financial Times (Sweden) AB (incorporated in Sweden)

Dormant subsidiary undertakings:

St Clements Press (1988) Limited
The Financial Times (Europe) Limited
Financial Times Pension Trustee Limited
F.T. (Germany Advertising) Limited
The Financial News Limited
The Financial Times (Russia) Limited

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 2004 (Continued)

12 Associated Undertakings

	2004 £'000	2003 £'000
Cost of shares being also net book amount	2,457	2,457

Details of the associated undertakings are as follows:

	2004 <u>% of issued shares held</u>	2003
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 (2003: 500) £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 2004 (Continued)

13 Other Investments

	Unlisted Debentures £'000	Other Investments £'000	Total £'000
Cost:			
At 1 January 2004	72	20,473	20,545
Additions	-	-	-
Disposals	-	(17,388)	(17,388)
At 31 December 2004	72	3,085	3,157
Amounts written off:			
At 1 January 2004	24	17,388	17,412
Amortisation charge for the year	7	-	7
Disposals	-	(17,388)	(17,388)
At 31 December 2004	31	-	31
Net book amount:			
At 31 December 2004	41	3,085	3,126
At 31 December 2003	48	3,085	3,133

Details of the other investments are as follows:

Investments	Class of Shares held	Percentage of capital owned %
Business.Com, Inc. (disposed in period – see note 14)	Convertible preferred shares	20.00
Newspaper Licensing Agency	Ordinary shares	16.67
Twickenham debentures	Unlisted debentures	-
Investments	Class of Shares held	Percentage of Share class owned %
West Ferry Printers Limited	£1 redeemable preference shares	100.00

During the accounting period, the company disposed of its entire holding of shares in Business.Com, Inc. (see note 14).

In the opinion of the directors the value of the residual investments are not valued at 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 2004 (Continued)

14 Disposal Of Investment

The Company disposed of its entire shareholding in Business.Com, Inc on 28 December 2004. The Company received proceeds in the sum of £3,651,000. This amount has been recognised in the profit & loss account as a profit on disposal as the carrying value of the investment was fully provided against in the accounting period ended 31 December 2001.

15 Stock

	2004 £'000	2003 £'000
<i>Raw materials and consumables</i>	<u>1,132</u>	<u>588</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

	2004 £'000	2003 £'000
Amounts falling due within one year:		
Trade debtors	29,320	26,902
Amounts owed by group undertakings	32,399	15,679
Deferred taxation (see note 18)	2,624	399
Other taxation and social security	670	2,309
Other debtors	2,427	1,311
<i>Prepayments and accrued income</i>	<u>2,295</u>	<u>1,979</u>
	69,735	48,579
Amounts falling due after one year:		
Pension schemes (see notes 27 and 28)	4,209	5,330
Other debtors	<u>3,503</u>	<u>4,503</u>
	77,447	58,412

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

17 Creditors

	2004 £'000	2003 £'000
Amounts falling due within one year:		
Trade creditors	9,215	8,712
Amounts owed to group undertakings	102,659	110,492
Corporation tax	-	6,262
Other taxation and social security	2,386	2,128
Accruals and deferred income	43,203	44,206
Obligations under finance leases	514	649
Other creditors	1,985	780
	159,962	173,229
Amounts falling due after more than one year:		
	2004 £'000	2003 £'000
Loans from ultimate parent undertaking	53,669	53,669
Obligations under finance leases	539	-
	54,208	53,669

Within the amounts due to group undertakings are loans for the value of £11,000,000, attracting interest at Libor plus 1%. Other amounts due to group undertakings are unsecured, interest free and repayable on demand.

The Financial Times Limited

Notes To The Financial Statements

For The Year Ended 31 December 2004 (Continued)

18 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	Timing Differences Relating to Provisions £'000	Total £'000
Provision at 1 January 2004	(1,577)	1,178	(399)
Transferred (to) / from profit and loss account	(2,086)	(139)	(2,225)
Provision at 31 December 2004	(3,663)	1,039	(2,624)

The deferred tax asset of £14,245,000 (2003: £15,925,000) has not been recognised on losses available to carry forward. These will be available to offset against future taxable profits.

19 Provision For Liabilities and Charges

	Dilapidations & Leases £'000	Disposal & Reorganisation Provisions £'000	Total £'000
Provision at 1 January 2004	1,439	777	2,216
Utilisation in the year	(1,216)	(821)	(2,037)
Charged to profit and loss account	606	172	778
Provision at 31 December 2004	829	128	957

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

The provision for lease commitments relates primarily to onerous lease contracts, which have expiry dates up to 2018. The provision is based on the Company's current expectations of future rental cost and sublet rental income.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

20 Called Up Share Capital

	2004 £'000	2003 £'000
Authorised, allotted, called up and fully paid:		
25,000,000 £1 Ordinary shares	25,000	25,000

21 Profit And Loss Account

	£'000
At 1 January 2004	(20,559)
Retained profit for the financial year	5,090
At 31 December 2004	(15,469)

22 Reconciliation Of Movements In Equity Shareholders' Funds

	2004 £'000	2003 £'000
Profit/(Loss) for the financial year	5,090	(34,205)
Net increase/(decrease) in shareholders' funds	5,090	(34,205)
Opening shareholders' funds	4,441	38,646
Closing shareholders' funds	9,531	4,441

23 Capital Commitments

	2004 £'000	2003 £'000
Contracts placed for future capital expenditure not provided in the financial statements	-	300

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

24 Operating Lease Commitments

At 31 December 2004, the Company was committed to make payments during next year under non-cancellable operating leases as follows:

	2004			2003		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000 Restated	Other £'000	Total £'000 Restated
Expiring within one year	203	1,132	1,335	153	282	435
Expiring between one and five years	1,470	2,604	4,074	1,464	3,485	4,949
Expiring in over five years	6,067	-	6,067	2,033	-	2,033
	7,740	3,736	11,476	3,650	3,767	7,417

The 2003 restatement reflects a change in Land and Buildings expiring in over five years from £3,456,000 to £2,033,000.

25 Finance Lease Commitments

Future minimum payments under finance leases are as follows:

	2004 £'000	2003 £'000
Within one year	569	282
<i>In more than one year, but not more than five years</i>	<i>570</i>	<i>415</i>
Total Gross payments	1,139	697
Less: Finance lease charges included above	(86)	(48)
	1,053	649

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

26 Contingent Liabilities

(a) Bank guarantees

The company participates in an arrangement with HSBC 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 2004 was an overdraft of £576,647.

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000.

At 31 December 2004 this was the company's potential liability.

As at 31 December 2004 the potential liability arising from these guarantee arrangements amounted to £50,000,000 for the parent undertaking and fellow subsidiary undertakings and £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 contract with 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 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 Limited and its subsidiary companies in two ways; firstly, against various libel and copyright claims arising and secondly, it has guaranteed to cover its VAT liability in Denmark.

The Company has a rent review on one of its sub-let properties in October 2007, the terms of which may result in a liability, due to a potential difference between rental payments and income.

The Company has agreed to provide, or arrange the provision of, funds to St Clements Press Limited, a subsidiary undertaking of the Company, sufficient to meet their obligations as they fall due for at least the twelve months from the date of signature of these accounts. At 31 December 2004 St Clements Press Limited had net liabilities of £3,474,000 (2003: £3,710,000).

The Financial Times Limited

Notes To The Financial Statements

For The Year Ended 31 December 2004 (Continued)

27 Pension Commitments

The company is a member of the Pearson Group Pension Plan, which is a combination of both funded defined benefit and defined contribution schemes. Details of the plan, including particulars of the most recent full valuation performed by independent qualified actuaries as at 1 January 2004 for the purposes of the Group accounts, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 2004. The pension costs relating to this Plan are assessed in accordance with the advice of an independent qualified actuary.

The Company's pension cost for 2004, excluding the costs of other pension schemes, is £8,403,000 (2003: £5,819,000)

Included in the balance sheet at 31 December 2004 is a prepayment of £4,209,000 (2003: £5,330,000).

Pearson plc has followed the transitional arrangements allowed by FRS 17. 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 2004. 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.

28 Post Retirement Medical Benefits

The Company provides for post-retirement medical benefits of certain employees. The most important assumption in assessing this obligation is the assumed rate of medical inflation of 8% and the discounted rate to be used of 7.5%. Included within the annual pension charge is a sum in respect to post retirement medical benefits (see note 16).

29 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.

30 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 31.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2004 (Continued)

31 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: The Company Secretary, Pearson plc, 80 Strand, London WC2R 0RL.