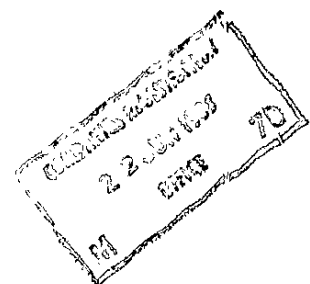


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THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987



THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987

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THE FINANCIAL TIMES LIMITED

A subsidiary of Pearson plc

DIRECTORS

Viscount Blakenham - Chairman
F. Barlow - Chief Executive
R.A.F. McClean - Deputy Chief Executive
D.S. Gordon
M.C. Gorman
G.D. Owen
D.E. Prior-Palmer
H.J. Rogaly (resigned 16th February 1987)

SECRETARY AND REGISTERED OFFICE

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

AUDITORS

Deloitte Haskins & Sells

BANKERS

Midland Bank plc

THE FINANCIAL TIMES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31st December 1987.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

During the year the company proceeded with the programme announced in 1986 involving a change in printing technology, reduction in workforce and a move to a new printing plant at East India Dock in the second half of 1988. £19 million of the extraordinary provision set up in 1986 was released in 1987 as this expenditure will be incurred by the company's subsidiary St Clements Press Limited.

In addition the company's ultimate parent Pearson plc sold Bracken House during 1987 and the company announced that it would be moving its offices to Horseshoe Court, Southwark in early 1989.

RESULTS AND DIVIDENDS

The profit of the company for the year after taxation but before extraordinary items was £13,976,776. Extraordinary items, net of taxation, of £3,188,094 were credited to the profit after taxation. An interim dividend of £1,605,000 has been declared and paid. The directors recommend payment of a final dividend of £5,169,000 leaving a retained profit for the year of £10,390,870 which has been credited to reserves, leaving accumulated profits carried forward of £17,616,807.

DIRECTORS

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

SIGNIFICANT CHANGES IN FIXED ASSETS

The company made the following major investments during 1987:

Land at East India Dock	£3,750,000
	=====

Progress payments in connection with the new printing plant

	£	
Buildings	11,231,000	
Printing Presses	7,659,000	
Other Equipment	2,733,000	

		£21,623,000
		=====

Editorial Word Processing Project	£921,000
	=====

THE FINANCIAL TIMES LIMITED

DIRECTORS' REPORT (continued)

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 group. The training, career development, and promotion of disabled employees is, as far as possible, identical to that of employees who do not suffer from a disability.

EMPLOYEE INFORMATION

Employees are provided with information systematically on matters of concern to them as employees by means of a newsletter, the F.T. Perspective, notes from management and a company-wide regular Team Briefing programme for the dissemination of information to all employees.

The Company has a variety of methods enabling employees to communicate upwards to management and the extension of these is currently being studied.

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

HEALTH AND SAFETY AT WORK

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

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

The Company has a formal Health and Safety policy, a copy of which is distributed to all staff.

AUDITORS

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

BY ORDER OF THE BOARD



D. J. HALL

Secretary

17th March 1988

AUDITORS' REPORT
TO THE MEMBERS OF THE FINANCIAL TIMES LIMITED

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

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 31st December 1987 and of the profit for the year then ended and comply with the Companies Act 1985.

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

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS

Chartered Accountants

London

17th
March 1988

THE FINANCIAL TIMES LIMITED

ACCOUNTING POLICIES

Basis of accounting

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

Turnover

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

Associated company

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

Tangible fixed assets

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

Overseas currencies

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

Stocks and work-in-progress

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

Investment in Subsidiaries

The Company's investment in subsidiary companies is stated at cost less provisions required to take account of any permanent diminution in value.

THE FINANCIAL TIMES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1987

	<u>Notes</u>	<u>1987</u> £	<u>1986</u> £
TURNOVER	1	103,875,683	98,482,502
COST OF SALES		(66,537,435)	(61,482,230)
GROSS PROFIT		37,338,248	37,000,272
DISTRIBUTION COSTS		(4,449,761)	(4,561,911)
ADMINISTRATIVE EXPENSES		(14,799,106)	(13,576,431)
OTHER OPERATING INCOME		14,951	76,177
OPERATING PROFIT		18,104,332	18,938,107
INVESTMENT INCOME	4	1,526,989	2,318,259
INTEREST RECEIVABLE		2,075,153	1,831,468
INTEREST PAYABLE	5	(269,075)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	21,437,399	23,087,834
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	(7,460,623)	(7,781,706)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,976,776	15,306,128
EXTRAORDINARY INCOME (1986: CHARGE) NET OF TAXATION	7	3,188,094	(18,541,513)
PROFIT (1986: LOSS) AFTER TAXATION AND EXTRAORDINARY ITEMS		17,164,870	(3,235,385)
DIVIDENDS	8	(6,774,000)	(2,250,000)
RETAINED PROFIT (1986: DEFICIT) FOR THE YEAR	20	£10,390,870	£(5,485,385)

THE FINANCIAL TIMES LIMITED

BALANCE SHEET
AS AT 31ST DECEMBER 1987

	<u>Notes</u>	<u>1987</u> £	<u>1986</u> £
FIXED ASSETS			
Tangible assets	9	35,541,090	8,831,496
Investments:			
Subsidiaries	11	58,506	876,103
Associated company	12	900,000	900,000
Other investment	13	100	100
		<u>36,499,696</u>	<u>10,607,699</u>
CURRENT ASSETS			
Stocks	15	694,415	573,383
Debtors	16	23,357,149	27,535,124
Cash at bank and in hand		2,987,300	17,128,379
		<u>27,038,864</u>	<u>45,236,886</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(32,790,571)	(20,386,255)
NET CURRENT LIABILITIES (1986: ASSETS)		<u>(5,751,707)</u>	<u>24,850,631</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		30,747,989	35,458,330
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(1,308,336)	(6,824,021)
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions	18	(5,762,790)	(27,621,076)
Deferred taxation (1986: assec)	18	(4,260,056)	8,012,704
		<u>(10,022,846)</u>	<u>(19,608,372)</u>
NET ASSETS		<u>£19,416,807</u>	<u>£ 9,025,937</u>
CAPITAL AND RESERVES			
Called-up share capital	19	1,800,000	1,800,000
Profit and loss account	20	17,616,807	7,225,937
		<u>£19,416,807</u>	<u>£9,025,937</u>

The financial statements on pages 6 to 19 were approved by the Board of Directors on 17th March 1988 and were signed on its behalf by:

F. BARLOW)
) DIRECTORS
M.C. GORMAN)

M.C. Gorman

Frank Barlow

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987

1. TURNOVER

	<u>1987</u>	<u>1986</u>
	£	£
Geographical markets supplied:		
United Kingdom	84,365,076	80,209,489
Europe	7,578,531	7,048,881
North America	7,334,724	7,009,968
South America	183,833	121,116
Africa	696,837	1,114,575
Asia	3,393,160	2,733,262
Australasia	323,522	245,211
	<u>£103,875,683</u>	<u>£98,482,502</u>

The company treats invoices to agents in the United Kingdom as United Kingdom turnover regardless of the country of residence of the customer.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1987</u>	<u>1986</u>
	£	£
Profit on ordinary activities before taxation is arrived at after charging:		
Staff costs (see Note 3)	19,029,693	17,046,012
Depreciation of tangible fixed assets	832,032	826,963
Auditors' remuneration (including expenses)	40,200	35,000
Hire of land and buildings - operating leases	1,323,574	2,048,535
Hire of other assets - operating leases	16,034	15,093

3. DIRECTORS AND EMPLOYEES

	<u>1987</u>	<u>1986</u>
	Number	Number
The average weekly number of persons (including directors) employed by the company during the year was:	822	800
	£	£
Staff costs comprised:		
Wages and salaries	17,655,221	15,310,470
Social security costs	1,290,419	1,145,517
Other pension costs (see note 22)	84,053	590,025
	<u>£19,029,693</u>	<u>£17,046,012</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

3. DIRECTORS AND EMPLOYEES (continued)

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

	<u>1987</u>	<u>1986</u>
	Number	Number
£30,001 - £35,000	70	21
£35,001 - £40,000	26	7
£40,001 - £45,000	6	11
£45,001 - £50,000	11	1
£50,001 - £55,000	3	NIL
£55,001 - £60,000	1	1
£65,001 - £70,000	1	NIL

The remuneration paid to directors was:

	£	£
Fees and other emoluments (including pension contributions)	560,987	493,865
Pensions paid to former directors	14,262	13,640
Compensation for loss of office	-	-
	<u>£575,249</u>	<u>£507,505</u>

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

	<u>1987</u>	<u>1986</u>
	NIL	NIL
Chairman	£187,117	£112,063
Highest paid director		

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

	<u>1987</u>	<u>1986</u>
	Number	Number
£0 - £5,000	1	1
£30,001 - £35,000	1	NIL
£55,001 - £60,000	NIL	1
£60,001 - £65,000	NIL	1
£65,001 - £70,000	NIL	NIL
£70,001 - £75,000	1	1
£75,001 - £80,000	NIL	1
£80,001 - £85,000	NIL	1
£85,001 - £90,000	2	NIL
£95,001 - £100,000	1	NIL

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

4. INVESTMENT INCOME

	<u>1987</u> £	<u>1986</u> £
Income from shares in group companies (excluding associates)	711,500	1,500,000
Income from investment in associate	759,452	780,845
Income from other listed fixed asset investments	56,037	37,414
	<u>£1,526,989</u>	<u>£2,318,259</u>

5. INTEREST PAYABLE

	<u>1987</u> £	<u>1986</u> £
Payable on deferred purchase consideration in connection with the land acquired this year:		
Repayable within 5 years	<u>£269,075</u>	<u>£ NIL</u>

6. TAXATION

	<u>1987</u> £	<u>1986</u> £
Current year:		
Corporation tax on the profit of the year at 35% (1986 36.25%)	2,194,573	7,071,792
Deferred taxation	4,959,572	530,113
	<u>7,154,145</u>	<u>7,601,905</u>
Prior year adjustments:		
Corporation tax	(16,537)	(56,244)
Deferred taxation	102,833	(1,267)
	<u>220,182</u>	<u>237,312</u>
Tax credits on franked investment income	<u>£7,460,623</u>	<u>£7,781,706</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

7. EXTRAORDINARY ITEMS

	<u>1987</u> £	<u>1986</u> £
Extraordinary charges:		
Anticipated costs in connection with proposed transfer of printing and production operations from Central London to new premises in London Docklands	-	(28,000,000)
Provision against cost of investment in and amounts due from St Clements Press Limited	(9,487,788)	-
Extraordinary income:		
Release of a portion of the provision for anticipated costs to be incurred in relocation to Docklands no longer required in the books of this company	19,000,000	-
Extraordinary income (1986: charge)	<u>9,512,212</u>	<u>(28,000,000)</u>
Taxation relief on the above:		
UK Corporation tax at 35% (1986 - 36.25%)	-	246,110
Current	(6,324,118)	9,212,377
Deferred (at 35%)	<u>(6,324,118)</u>	<u>9,458,487</u>
Extraordinary Income (1986: charge) net of taxation	<u>£3,188,094</u>	<u>£(18,541,513)</u>

8. DIVIDENDS

	<u>1987</u> £	<u>1986</u> £
First interim paid	1,605,000	2,250,000
Proposed final	5,169,000	-
	<u>£ 6,774,000</u>	<u>£ 2,250,000</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

9. TANGIBLE FIXED ASSETS

	Plant and Machinery	Fixtures, Fittings, tools and equipment	Payments on account and assets in course of construction	Land and Buildings	Total
	£	£	£	£	£
At 1st January 1987	5,648,884	4,131,580	2,069,306	-	11,899,770
Additions	1,015,555	1,138,098	21,622,584	3,853,337	27,629,574
Intra-group additions	658,697	3,886	-	-	662,583
Disposals	-	(1,289,216)	-	-	(1,289,216)
Intra-group disposals	-	(3,756)	-	-	(3,756)
At 31st December 1987	<u>7,323,136</u>	<u>4,030,592</u>	<u>23,691,890</u>	<u>3,853,337</u>	<u>38,898,955</u>
<u>Depreciation</u>					
At 1st January 1987	1,231,353	1,836,921	-	-	3,068,274
Charge for the year	343,600	488,432	-	-	832,032
Intra-group additions	488,609	3,158	-	-	491,767
Eliminated in respect of disposals	-	(1,033,649)	-	-	(1,033,649)
Intra-group disposals	-	(559)	-	-	(559)
At 31st December 1987	<u>2,063,562</u>	<u>1,294,303</u>	<u>-</u>	<u>-</u>	<u>3,357,865</u>
<u>Net book value</u>					
At 31st December 1987	<u>£5,259,574</u> =====	<u>£2,736,289</u> =====	<u>£23,691,890</u> =====	<u>£3,853,337</u> =====	<u>£35,541,090</u> =====
At 1st January 1987	<u>£4,417,531</u> =====	<u>£2,344,659</u> =====	<u>£2,069,306</u> =====	<u>£ NIL</u> =====	<u>£8,831,496</u> =====

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

10. OPERATING LEASES

	<u>1987</u>		<u>1986</u>	
	<u>Land and Buildings £</u>	<u>Other £</u>	<u>Land and Buildings £</u>	<u>Other £</u>
Annual commitments in respect of operating leases:				
Expiring within one year	-	-	3,400	7,599
Expiring in the second to fifth years inclusive	5,640	8,435	60,266	8,949
Expiring in over five years	270,106	-	1,989,316	19
	<u>£275,746</u>	<u>£8,435</u>	<u>£2,052,982</u>	<u>£16,567</u>

11. INVESTMENT IN SUBSIDIARIES

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Shares at cost less amounts written off	34,544	852,141
Loans and advances less provisions	23,962	23,962
	<u>£ 58,506</u>	<u>£ 876,103</u>
Summary of movements:		
<u>Shares at Cost</u>	852,141	852,141
At 1st January (net of amounts written off)		
Additions during year	2,966	-
Provision against investment in St Clements Press Limited	(820,563)	-
At 31st December (net of amounts written off)	<u>£ 34,544</u>	<u>£ 852,141</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

11. INVESTMENT IN SUBSIDIARIES (continued)

Details of subsidiaries:

Percentage of capital owned
Ordinary

Active Subsidiaries:

The Financial Times (Benelux) Limited	100
The Financial Times (France) Limited	100
F.T. (Germany Advertising) Limited	100
The Financial Times (Europe) Limited	100
The Financial Times (Switzerland) Limited	100
St. Clements Press Limited	100

Dormant Subsidiaries:

St. Clements Press Pension Trustee Limited	100
The Financial Times Pension Trustee Limited	100
The Financial News Limited	100
The Financial Times (Canada) Limited	100
F.T. (America Advertising) Limited	100
St Clements Press (1988) Limited	100
The Financial Times (Hong Kong) Limited	100

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

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

12. INVESTMENT IN ASSOCIATED COMPANY

	<u>1987</u>	<u>1986</u>
Shares at cost	<u>£900,000</u>	<u>£900,000</u>

Details of the associated company are as follows:

Held at
31st December 1987
and 31st December 1986
% of issue

The Economist Newspaper Limited

4,536,000 25p ordinary shares	50
252,000 25p 'A' special shares	-
252,000 25p 'B' special shares	100
100 5p Trust shares	-

The associated company is unlisted and incorporated in Great Britain.

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

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

13. OTHER INVESTMENT

	<u>1987</u>	<u>1986</u>
	£	£
At cost:		
Shares in Reuters Holdings plc	£ 100	£ 100
Summary of movements:		
<u>Cost</u>		
At 1st January 1987	100	10,815
Annual repayment of Loan Stock	-	(10,715)
At 31st December 1987	£ 100	£ 100

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

14. CAPITAL COMMITMENTS

	<u>1987</u>	<u>1986</u>
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	£12,378,000	£9,151,300
Capital expenditure that has been authorised by the directors but has not yet been contracted for	£3,109,000	£17,146,000

15. STOCKS

	<u>1987</u>	<u>1986</u>
	£	£
Stocks comprise:		
Raw materials and consumables	643,972	570,565
Work in progress	50,443	2,818
	£694,415	£573,383

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

16. DEBTORS

	<u>1987</u>	<u>1986</u>
	£	£
Amounts falling due within one year:		
Trade debtors	21,141,167	19,950,378
Amounts due from group companies	1,448,425	6,095,203
Other debtors	403,829	706,870
Prepayments and accrued income	363,728	782,673
	£23,357,149	£27,535,124

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

17. CREDITORS

	<u>1987</u>	<u>1986</u>
	£	£
Amounts falling due within one year:		
Trade creditors	3,400,373	2,620,079
Amounts owed to group companies	6,149,774	6,340,030
Dividends payable	5,169,000	-
Corporation tax	6,709,738	4,918,288
Other taxation and social security payable	1,289,427	1,301,513
Other creditors	3,795,110	162,558
Accruals and deferred income	6,277,149	5,043,787
	<u>£32,790,371</u>	<u>£20,386,255</u>
Amounts falling due after one year:		
Corporation tax	<u>£1,308,336</u>	<u>£6,824,021</u>

18. PROVISION FOR LIABILITIES AND CHARGES

a) Provisions

Provision has been made in respect of the following liabilities:

	<u>Anticipated costs in connection with proposed new printing operation</u>	<u>Anticipated future costs in connection with dilapidation of Leasehold Property</u>	<u>Pensions</u>	<u>Total</u>
	£	£	£	£
Provision at 1st January 1987	27,321,076	300,000	-	27,621,076
Write back to Profit and Loss Account	(19,000,000)	-	-	(19,000,000)
Expenditure during the year	(2,601,018)	(300,000)	(50,000)	(2,951,018)
Transferred from Profit and Loss Account	-	-	51,748	51,748
Amount transferred from Creditors	-	-	40,984	40,984
Provision at 31st December 1987	<u>£5,720,058</u>	<u>£ -</u>	<u>£42,732</u>	<u>£5,762,790</u>

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

18. PROVISION FOR LIABILITIES AND CHARGES (continued)

b) 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 £	Other Short Term Timing Differences £	Timing Differences in connection with Provisions £	Total £
Provision at 1st January 1987	1,344,298	(39,625)	(9,317,377)	(8,012,704)
Transfer from(to) Profit and Loss Account	5,051,697	(94,292)	6,429,118	11,386,523
Direct transfer between current and deferred taxation	-	-	886,237	886,237
Provision at 31st December 1987	<u>£6,395,995</u>	<u>£(133,917)</u>	<u>£(2,002,022)</u>	<u>£4,260,056</u>

19. CALLED-UP SHARE CAPITAL

	1987 £	1986 £
Authorised, allotted and fully paid:		
2,001,208 ordinary shares of 25p each	500,302	500,302
5,198,792 'A' ordinary shares of 25p each	1,299,698	1,299,698
	<u>£1,800,000</u>	<u>£1,800,000</u>

20. RESERVES

	Profit and Loss account £
At 1st January 1987	7,225,937
Profit for the year	10,390,870
At 31st December 1987	<u>£ 17,616,807</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1987 (continued)

21. CONTINGENT LIABILITIES

The company has, together with certain fellow subsidiaries, jointly and severally given a guarantee to its bankers, Midland Bank plc in respect of sums owing to the Bank at any time on any of the individual companies' accounts, or the accounts of certain other subsidiaries of Pearson plc included in the agreement.

The company has guaranteed the performance and payment by F.T. Publications Inc, a fellow subsidiary 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, together with certain other subsidiaries of Pearson plc has guaranteed interest on and repayment of £30,936,443 guaranteed unsecured loan stock of Pearson plc.

There are contingent liabilities in respect of outstanding libel claims amounting to £34,000 based on lawyers' estimates of settlements and costs. A significant proportion of this amount would be covered by insurance.

Other contingent liabilities, in respect of bank guarantees, amounted to £28,000 at 31st December 1987.

22. PENSION COMMITMENTS

Payments are made into a pension scheme in the United Kingdom. The actuaries to the scheme are Messrs. R. Watson and Sons and their last valuation was at 30th June 1983 which disclosed a surplus on a discontinuance basis. Based on a preliminary assessment of the results of the latest valuation, as at 30th June 1986, the company's contributions have been suspended with effect from 1st July 1986.

23. THE ULTIMATE HOLDING COMPANY

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