

The Financial Times Limited

(Registered Number 227590)

**Annual Report And Financial
Statements For The Year Ended
31 December 2005**



The Financial Times Limited

Annual Report And Financial Statements For The Year Ended 31 December 2005

	Pages
Directors' Report	1 - 3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	7
Notes to the Financial Statements	8 - 25

The Financial Times Limited

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal Activities and Business Review

The Company continues to produce and publish the international daily newspaper, "Financial Times". 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 £10,200,000 (2004 restated: £5,875,000). No dividends were paid during the year (2004: £nil). The Directors are unable to recommend the payment of a final dividend in respect of the year ended 31 December 2005 (2004: £nil). The accumulated loss carried forward is £8,853,000 (2004 restated loss: £19,053,000).

Directors

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

DCM Bell	
OH Fleurot	Resigned 12 June 2006
ARD Gowers	Resigned 2 November 2005
AC Miller	
NC Crawshaw	Left office 13 April 2005
K Koch	Appointed 1 July 2005
J Ridding	Appointed 12 June 2006
FL Barber	Appointed 1 February 2006

Directors' Interests

DCM Bell, OH Fleurot, AC Miller and K Koch being Directors of the immediate parent Company, Financial Times Group Limited, are not required to notify their interests to this Company. Their interests are disclosed in the financial statements of Financial Times Group Limited. DCM Bell's are disclosed in the financial statements of Pearson plc.

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 12 days (2004: 17 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, which 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, with the exception of the changes arising on the adoption of new accounting policies (note 1). They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 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.

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 2005 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.

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.

By Order of the Board



A Fortescue
Secretary

28th July 2006

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

We have audited the financial statements of The Financial Times Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28th July 2006

The Financial Times Limited

Profit And Loss Account For The Year Ended 31 December 2005

	Notes	2005 £'000	2004 Restated £'000
Turnover	2	214,415	195,696
Cost of sales		(109,437)	(98,565)
Gross Profit		104,978	97,131
Administrative expenses:			
Reversal of impairment	9	6,717	-
Other		(84,945)	(80,026)
		(78,228)	(80,026)
Distribution costs		(28,499)	(29,040)
Operating Loss		(1,749)	(11,935)
Income from shares in group undertakings		9,552	8,886
Income from other fixed asset investments		180	180
Profit/(Loss) On Ordinary Activities		7,983	(2,869)
Profit on Disposal of Investment	3	-	3,651
Profit On Ordinary Activities Before Interest and Taxation		7,983	782
Interest receivable and similar income	5	666	1,791
Interest payable and similar charges	6	(5,548)	(456)
Profit On Ordinary Activities Before Taxation	3	3,101	2,117
Taxation on profit on ordinary activities	7	7,099	3,758
Retained Profit For The Financial Year	19	10,200	5,875

The results relate solely to continuing activities.

A separate statement of total recognised gains and losses has been included below.

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 8 to 25 form part of these financial statements.

The Financial Times Limited

Statement Of Total Recognised Gains And Losses For The Year Ended 31 December 2005


	Notes	2005 £'000	2004 £'000 Restated
Profit For The Financial Year		10,200	5,875
Total recognised gains for the year		10,200	5,875
Prior year adjustment FRS 17	1, 20, 25	(5,121)	
Prior year adjustment deferred tax – FRS17		1,537	
Total gains recognised since last annual report		6,616	

The Financial Times Limited

Balance Sheet As At 31 December 2005

	Notes	2005 £'000	2004 Restated £'000
Intangible Assets			
Goodwill	8	38,943	41,234
Fixed Assets			
Tangible assets	9	71,064	64,836
Investments:			
Subsidiary undertakings	10	51	51
Associated undertakings	11	2,457	2,457
Other investments	12	3,572	3,126
		116,087	111,704
Current Assets			
Stocks	13	870	1,132
Debtors (including £3,503,000 (2004: £3,503,000) due after one year)	14	82,880	74,775
Cash at bank and in hand		43,771	34,375
		127,521	110,282
Creditors: amounts falling due within one year	15	(169,611)	(159,962)
Net Current Liabilities		(42,090)	(49,680)
Total Assets Less Current Liabilities		73,997	62,024
Creditors: amounts falling due after more than one year	15	(54,886)	(54,208)
Provision For Liabilities And Charges			
Other provisions	17	(2,964)	(1,869)
Net Assets		16,147	5,947
Capital And Reserves			
Called up share capital	18	25,000	25,000
Profit and loss account	19	(8,853)	(19,053)
Equity Shareholders' Funds	20	16,147	5,947

The financial statements on pages 5 to 25 were approved by the Board of Directors on 28th July 2006 and were signed on its behalf by:


K Koch
Director

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005

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. The principal accounting policies, which have been applied consistently, except as noted below, are set out below.

Changes In Accounting Policy

The Company has adopted FRS 21 "Events after the balance sheet date". The adoption of this standard represents a change in accounting policy. A restatement of comparative figures was not necessary as a result of this change of policy given that the Company has neither declared nor paid dividends in 2005 or 2004.

In addition, the Company has also adopted FRS 17 "Retirement Benefits". Details of this change in accounting policy are disclosed in the pension accounting policy note 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 diminution in value. Impairment losses recognised in previous periods are reversed through the profit and loss account where the recoverable amount of the assets concerned subsequently increases. 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.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

1 Accounting Policies (Continued)

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.

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. Non-monetary assets and liabilities are held at the historical exchange rate and are not retranslated at the balance sheet date.

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 is 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.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

1 Accounting Policies (Continued)

Pension Costs

The Company is a member of the Pearson Group Pension Plan.

In November 2000, the Accounting Standard Board issued FRS 17 "Retirement benefits". The Company has adopted FRS 17 "Retirement benefits" in the financial statements for the year ended 31 December 2005. The adoption of this new standard represents a change in accounting policy and comparative figures have been restated accordingly. The Company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme and, accordingly, accounts for its participation in the Scheme as defined contribution under the multi-employer rules of FRS 17.

The effect of the change in accounting policy to adopt FRS 17 was to reduce pre-tax profit for the year by £2,903,000 (2004: increase £1,121,000), decrease the tax charge by £871,000 (2004: increase £336,000) and to decrease the total recognised gains and losses by £3,584,000 (2004: £4,369,000).

2 Turnover

	2005 £'000	2004 £'000
Geographical markets supplied by destination:		
United Kingdom	134,343	135,684
Rest of Europe	49,326	37,997
North America	21,560	13,187
Asia and Middle East	6,220	6,249
Rest of World	2,966	2,579
	214,415	195,696

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 £2,845,000 of barter revenue (2004: £1,653,000).

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

3 Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2005	2004
	£'000	Restated £'000
Staff costs (note 4)	73,393	66,552
Depreciation of tangible fixed assets (note 9)		
- Owned assets	7,670	8,063
- Leased assets	548	546
Amortisation of intangibles (note 8)	2,291	2,291
Auditors' remuneration:		
- for audit services	180	103
- for non-audit services	191	184
Exchange gain	(1,234)	(380)
Operating lease rentals:		
- plant and machinery	3,499	3,143
- land and buildings	4,603	4,427
- lease income	(3,667)	(3,667)
Intra group debt write off (note 14)	942	-
Intra group pricing adjustment	(5,442)	-

Adjustments were made in 2005 of £5,442,000 pertaining to prior year intra group commission payments that were incorrectly calculated. The tax charge arising as a result of these adjustments has been accounted for in the current period tax charge.

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 prior year profit and 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.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

4 Directors And Employees

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

	2005 Number	2004 Number
Production	795	849
Distribution	43	40
Administration	218	242
	1,056	1,131

	2005 £'000	2004 £'000
Staff costs comprised:		
Wages and salaries	55,201	53,674
Social security costs	5,819	5,440
Pension costs	12,373	7,438
	73,393	66,552

Pension costs of £168,000 (2004: £107,000) represent the Company's contributions to employees' personal pension schemes. Included within pension costs is an amount of £12,205,000 (2004: £7,282,000) representing the charge for funding of the Pearson Group Pension Scheme.

	2005 £'000	2004 £'000
The remuneration paid to Directors was:		
Aggregate emoluments	1,311	1,051

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

	2005 £'000	2004 £'000
The highest paid Director received:		
Aggregate emoluments	534	381

Retirement benefits accrue to four of the Directors (2004: four) under the defined benefit scheme. The highest paid Director is not a member of the defined benefit scheme.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

4 Directors And Employees (Continued)

Total company contributions made to two directors (2004: one), including the highest paid director, were £19,399 (2004: £11,385) under the money purchase scheme. The Company made contributions to the highest paid director of £10,200 (2004: £11,385) plus FURB scheme contributions of £41,340 (2004: £36,749).

Four Directors (2004: two), including the highest paid Director, exercised share options in the ultimate parent company in the year. Four Directors (2004: four), including the highest paid Director, became entitled to receive shares under a long-term incentive scheme. The gain made on exercise of share options by the highest paid Director was £88,832 (2004: £69,804).

During the year, compensation for loss of office was paid to a former director who left and to the estate of a former director who died in service, which in aggregate amounted to £1,558,162 (2004: £141,249).

5 Interest Receivable And Similar Income

	2005 £'000	2004 £'000
Bank interest received	666	982
Interest received from group undertakings	-	809
	666	1,791

6 Interest Payable And Similar Charges

	2005 £'000	2004 £'000
Interest paid to group undertakings	5,490	414
Finance charges on finance leases	58	39
Other	-	3
	5,548	456

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

7 Taxation On Profit On Ordinary Activities

	2005	2004 Restated
	£'000	£'000
Current Tax:		
UK corporation tax credit on the current year profit	(6,708)	-
Adjustments in respect of prior years	-	(1,918)
Foreign Taxation		
Current year foreign tax	56	49
Adjustment in respect of prior periods	-	-
		49
Total Current Tax Credit	(6,652)	(1,869)
Deferred Tax:		
Origination and reversal of timing differences	(447)	(1,889)
Total Deferred Taxation (note 16)	(447)	(1,889)
Taxation (credit) on profit on ordinary activities	(7,099)	(3,758)

The tax assessed for the period is lower than (2004: lower than) the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005	2004 Restated
	£'000	£'000
Profit on ordinary activities before tax	3,101	2,117
Profit on ordinary activities multiplied by standard rate in the UK (2004: 30%)	931	635
Effects of:		
Excess of capital allowances over depreciation for the period	(2,208)	(2,067)
Other expenses not deductible for tax purposes	709	726
Movement in general provisions	(2,077)	(191)
Other items	30	25
Adjustments to tax charge in respect of previous periods	-	(1,919)
Foreign tax	56	49
Non tax deductible goodwill amortisation	687	687
Non-taxable UK dividend income	(2,866)	(2,666)
Non-taxable investment income	(54)	(54)
Non taxable profit on disposal of investment	-	(1,095)
Utilisation of brought forward losses	(961)	-
Utilisation of earlier period's capital allowances	(899)	-
Tax losses not utilised	-	4,001
Current tax (credit) for the period	(6,652)	(1,869)

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

8 Intangible Assets

	Goodwill £'000
Cost:	
At 1 January 2005	45,816
At 31 December 2005	45,816
Amortisation:	
At 1 January 2005	4,582
Charge for the year	2,291
At 31 December 2005	6,873
Net book value:	
At 31 December 2005	38,943
At 31 December 2004	41,234

9 Tangible Assets

	Land and Buildings £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost				
At 1 January 2005	66,310	24,103	43,852	134,265
Reversal of impairment	6,717	-	-	6,717
Additions	-	94	8,098	8,192
Disposals	(143)	(4,682)	(10,118)	(14,943)
At 31 December 2005	72,884	19,515	41,832	134,231
Depreciation				
At 1 January 2005	26,438	20,582	22,409	69,429
Charge for the year	1,344	1,171	5,703	8,218
Disposals	(143)	(4,682)	(9,655)	(14,480)
At 31 December 2005	27,639	17,071	18,457	63,167
Net book amount				
At 31 December 2005	45,245	2,444	23,375	71,064
At 31 December 2004	39,872	3,521	21,443	64,836

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

9 Tangible Assets (Continued)

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. The impairment was recorded in the profit and loss as an operating expense.

Following the annual reappraisal of the land and buildings performed by Cushman & Wakefield property consultants in 2005, the carrying value of £35,882,605 of land and buildings was assessed against current market values and deemed to be understated in the amount of £6,717,395. On this basis, it was therefore deemed appropriate to reverse £6,717,395 of the original impairment loss of £20,000,00. This reversal has been recognised as an operating item in the profit and loss account for the year and is reflected in the carrying value of land and buildings as disclosed above.

If the freehold property had not been provided against it would be included at cost of £85,117,000 (2004: £85,117,000) and accumulated depreciation of £30,638,000 (2004: £29,188,000).

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 at cost of £3,202,000 (2004: £3,202,000) and accumulated depreciation of £490,574 (2004: £330,479).

Included in fixtures and fittings are amounts relating to finance leases at cost of £1,643,000 (2004: £1,482,000) and accumulated depreciation of £987,000 (2004: £439,000).

10 Subsidiary Undertakings

	£'000
Net book amount	
At 1 January 2005 and 31 December 2005	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
Southwark Administração e Participações Ltda.

Non-Trading Subsidiaries:

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

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

10 Subsidiary Undertakings (Continued)

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.

11 Associated Undertakings

	2005 £'000	2004 £'000
Cost of shares being also net book amount	2,457	2,457

Details of the associated undertakings are as follows:

	2005 % of issued shares held	2004
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 (2004: 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 is not less than the amount at which it is 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 2005 (Continued)

12 Other Investments

	Unlisted Debentures £'000	Other Investments £'000	Total £'000
Cost:			
At 1 January 2005	72	3,085	3,157
Additions	-	453	453
At 31 December 2005	72	3,538	3,610
Amounts written off:			
At 1 January 2005	31	-	31
Amortisation charge for the year	7	-	7
At 31 December 2005	38	-	38
Net book amount:			
At 31 December 2005	34	3,538	3,572
At 31 December 2004	41	3,085	3,126

Details of the other investments are as follows:

Investments	Class of Shares held	Percentage of capital owned %
Newspaper Licensing Agency	Ordinary shares	22.40
Twickenham debentures	Unlisted debentures	-

Investments	Class of Shares held	Percentage of Share class owned %
West Ferry Printers Limited	£1 redeemable preference shares	100.00

In the opinion of the Directors, the investments are not valued at less than the amount at which they are stated in the balance sheet.

13 Stock

	2005 £'000	2004 £'000
Raw materials and consumables	870	1,132

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

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

14 Debtors

	2005 £'000	2004 Restated £'000
Amounts falling due within one year:		
Trade debtors	33,909	29,320
Amounts owed by group undertakings (see note below)	28,013	32,399
Deferred taxation (see note 16)	4,608	4,161
Corporation tax	9,160	-
Other taxation and social security	-	670
Other debtors	1,953	2,427
Prepayments and accrued income	1,734	2,295
	79,377	71,272
Amounts falling due after one year:		
Other debtors	3,503	3,503
	82,880	74,775

Amounts owed by The Financial Times (Spain) Limited and The Financial Times (Benelux) Limited of £855,000 and £87,000 respectively have been written off in the year (note 3).

15 Creditors

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Trade creditors	9,020	9,215
Amounts owed to group undertakings	110,338	102,659
Other taxation and social security	2,662	2,386
Accruals and deferred income	45,625	43,203
Obligations under finance leases	444	514
Other creditors	1,522	1,985
	169,611	159,962
Amounts falling due after more than one year:		
	2005 £'000	2004 £'000
Loans from ultimate parent undertaking	54,663	53,669
Obligations under finance leases	223	539
	54,886	54,208

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

15 Creditors (Continued)

Within the amounts due to group undertakings are loans for the value of £11,000,000 attracting interest at 12 month LIBOR rate plus 45 basis points (2004: LIBOR plus 1%). Other amounts due to group undertakings are unsecured, interest free and repayable on demand.

16 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	Timing Differences Relating to Provisions	Total
	£'000	£'000	£'000
Asset at 1 January 2005 (restated)	(3,663)	(498)	(4,161)
Transferred (to) / from profit and loss account	(460)	13	(447)
Asset at 31 December 2005	(4,123)	(485)	(4,608)

A further deferred tax asset of £10,926,000 (2004: £14,245,000) has not been recognised on losses available to carry forward due to the uncertainty regarding the timing of future taxable profits. These will be available to offset against future taxable profits.

17 Provision For Liabilities and Charges

	Dilapidations & Leases £'000	Pension £'000	Disposal & Reorganisation Provisions £'000	Total £'000
Provision at 1 January 2005 (restated)	829	912	128	1,869
Utilisation in the year	(254)	-	(97)	(351)
Charged to profit and loss account	241	-	1,205	1,446
Provision at 31 December 2005	816	912	1,236	2,964

The disposal and reorganisation provision relates to 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 pension provision relates to the adoption of FRS 17 (see note 1) and is for a defined benefit scheme for non-journalistic staff resident outside of the UK, Germany or the US (see note 25).

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

18 Called Up Share Capital

	2005 £'000	2004 £'000
Authorised, allotted, called up and fully paid:		
25,000,000 £1 Ordinary shares (2004: 25,000,000)	25,000	25,000

19 Profit And Loss Account

	£'000 Restated
At 1 January 2005 as previously reported	(15,469)
Prior year adjustment – FRS 17	(5,121)
Prior year adjustment deferred tax – FRS 17	1,537
At 1 January 2005 - restated	(19,053)
Retained profit for the financial year	10,200
At 31 December 2005	(8,853)

20 Reconciliation Of Movements In Equity Shareholders' Funds

	2005 £'000	2004 Restated £'000
Profit for the financial year	10,200	5,875
Net increase in equity shareholders' funds	10,200	5,875
Opening equity shareholders' funds as previously reported	9,531	4,441
Prior year adjustment – FRS 17	(5,121)	(6,242)
Prior year adjustment deferred tax – FRS 17	1,537	1,873
Opening equity shareholders' funds as restated	5,947	72
Closing equity shareholders' funds	16,147	5,947

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

21 Capital Commitments

	2005 £'000	2004 £'000
Contracts placed for future capital expenditure not provided in the financial statements	254	-

22 Operating Lease Commitments

At 31 December 2005, the Company was committed to make payments during next year under non-cancellable operating leases as follows:

	2005			2004		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Expiring within one year	752	524	1,276	203	1,132	1,335
Expiring between two and five years	382	2,657	3,039	1,470	2,604	4,074
Expiring in over five years	6,022	-	6,022	6,067	-	6,067
	7,156	3,181	10,337	7,740	3,736	11,476

23 Finance Lease Commitments

Future minimum payments under finance leases are as follows:

	2005 £'000	2004 £'000
Within one year	477	569
In more than one year, but not more than five years	244	570
Total Gross payments	721	1,139
Less: Finance lease charges included above	(44)	(86)
	677	1,053

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

24 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, being 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 2005 was an overdraft of £5,305,476.

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

As at 31 December 2005 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.

(b) Other guarantees and indemnities

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.

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 Information Limited and its subsidiary companies in three ways: firstly, against various libel and copyright claims arising; secondly, its VAT liability in Denmark; and, finally, its Postal costs if it fails to pay.

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 sub lease income.

In addition, the Company has guaranteed various amounts in relation to editorial offices around the world. The value of these guarantees at 31 December 2005 totalled £98,000 (2004: £124,000) and are all held with HSBC Bank.

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 its obligations as they fall due for at least the twelve months from the date of signature of these accounts. At 31 December 2005, St Clements Press Limited had net liabilities of £3,404,000 (2004: £3,474,000).

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

25 Pension Commitments

The company participates in the Pearson Group Pension Scheme, which is a hybrid scheme with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities. The company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme and, accordingly, accounts for its participation in the Scheme as defined contribution under the multi-employer rules of FRS 17. The sponsoring entity to this scheme is Pearson Services Limited, a fellow subsidiary entity.

The profit and loss charge for the company in respect of its participation in the Scheme, representing regular contributions paid, was £8,602,000 (2004: £8,024,000).

The total market value of the assets in the Pearson Group Pension Scheme was £1,401 million as at 31 December 2005 (2004: £1,201 million) and the value of liabilities calculated in accordance with FRS 17 was £1,650 million as at 31 December 2005 (2004: £1,495 million). Hence, the total FRS 17 deficit for the Pearson Group Pension Scheme was £249 million (2004: £294 million).

The Company will be required to make incremental contributions to the scheme as part of the Group's obligations to fund the scheme and any deficit arising and contributions will increase by £3 million for 2006.

The Company also has a defined benefit scheme for the benefit of non-journalistic staff resident outside of the UK, Germany or the US. The scheme, which is now closed to new entrants, is unfunded and non-contributory.

The scheme had an actuarial valuation performed by Watson Wyatt as at 30 June 2005 of £912,000. This obligation has been based on the following assumptions: inflation 2.5% per annum; salary increase 4.5% per annum; increases in monthly pension 2.5% per annum; and liability discount rate of 4.5% per annum. Under the projected unit method, the current service cost will increase as members approach retirement.

The defined benefit obligation of the scheme has been recognised as a liability in the balance sheet as a result of the adoption of FRS 17 and the prior year comparatives have been restated accordingly (see note 1).

26 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 6% and the discounted rate to be used of 4.8%. Included within the annual pension charge is £15,000 (2004: £15,000) in respect of post retirement medical benefits.

27 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 FRS 1 "Cash Flow Statements" from publishing a cash flow statement.

The Financial Times Limited

Notes To The Financial Statements For The Year Ended 31 December 2005 (Continued)

28 Related Party Transactions

The Company is a wholly owned subsidiary within Pearson plc and utilises the exemption contained in FRS 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 29.

29 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. Pearson plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. 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.