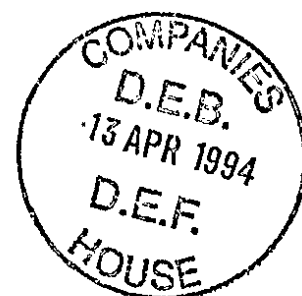


The Financial Times Limited

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**Report and Financial Statements
for the year ended 31 December 1993**

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The Financial Times Limited

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A subsidiary of Pearson plc

DIRECTORS

F Barlow - Chairman
D C M Bell - Chief Executive

A C Miller

R P Lambert

W K Gibson

Viscount Blakenham

D E P Palmer

R A F McClean

D S Gordon

(resigned 2 April 1993)

(resigned 2 April 1993)

(resigned 2 July 1993)

(resigned 16 April 1993)

SECRETARY AND REGISTERED OFFICE

D J Hall FCA

No 1 Southwark Bridge

London

SE1 9HL

REGISTERED AUDITORS

Coopers & Lybrand

BANKERS

Midland Bank plc

The Chase Manhattan Bank, N.A.

The Financial Times Limited

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Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 1993.

Principal Activities and Business Review

The principal activity of the Company during the year has been the publication of the international daily newspaper "Financial Times".

The Company continued printing its International edition in Roubaix, Frankfurt, New Jersey and Tokyo.

On the 22 March 1993, the Company acquired the whole of the issued share capital of F.T. Prices Limited (a dormant company) from its parent company, Financial Times Group Limited, for consideration of £10,000.

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

Results and Dividends

The loss of the Company for the year after taxation was £8,669,000. An interim dividend of £5,211,000 has been declared and paid. The directors do not recommend the payment of a final dividend, leaving a deficit for the year of £13,880,000 which has been transferred to reserves, leaving accumulated losses carried forward of £3,352,000.

Proposed Capital Restructure

It is the directors intention that the Company be refinanced and that the following resolutions are put before a General Meeting:

- a) that the authorised share capital be increased to £25,000,000 by the creation of an additional 92,800,000 ordinary shares of 25p each;
- b) that the existing 5,198,792 'A' ordinary shares of 25p each be converted into ordinary shares of 25p each; and
- c) that 92,800,000 ordinary shares of 25p each are allotted at par to the immediate parent company Financial Times Group Limited.

The Financial Times Limited

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Directors' Report (Continued)

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 parent company, Financial Times Group Limited, and are not required to notify their interests to this Company.

Significant Changes in Fixed Assets

Details of fixed asset movements are included in note 8 to the financial statements.

In the opinion of the directors the present market value of the Company's land and buildings is in the region of £50 million below its net book value of £97 million. After having discussed this matter with their professional advisers, the directors are of the opinion that £20 million of this deficit represents a permanent diminution in value of freehold land and buildings and have provided against this accordingly.

Changes in presentation of the financial statements

Following the introduction of Financial Reporting Standard No 3, 'Reporting Financial Performance', the following changes in the presentation of the financial statements have been made to conform with the new requirements.

- (a) Turnover and operating profit have been analysed between continuing and discontinued operations.
- (b) A statement of total recognised gains and losses has been presented together with a reconciliation of movements in shareholders' funds.

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.

The Company is an equal opportunities employer.

Directors' Report (Continued)

Employee Information

Employees are provided with information systematically on matters of concern to them as employees by means of a newsletter, the FT Perspective, notes from management and a company-wide regular Team Briefing programme for the dissemination of information to all employees. The effectiveness of the methods of communication with employees is reviewed frequently.

The Company also has a variety of methods enabling employees to communicate upwards to management.

The Company operates an employee share scheme the distributions under which are based on the achievement of target levels for the Financial Times Group's trading margins.

All full-time employees of Pearson plc Group companies who are resident in the UK 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 parent 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.

Officers' Liability Insurance

During the year to 31 December 1993 the Company, as part of a group arrangement, maintained insurance covering officers of the Company against liabilities arising in relation to the Company in accordance with section 310 (3) (a) of Companies Act 1985.

The Financial Times Limited

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Directors' Report (Continued)

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 were that the Company dispense with:

- a) The laying of the annual report and financial statements before the Company in General Meeting; and
- b) The requirement to re-appoint annually the registered auditors of the Company in General Meeting.

Auditors

As a consequence of the elective resolution in (b) above, Coopers & Lybrand are deemed to be re-appointed for each succeeding financial year.

By Order of the Board



Secretary
17 March 1994

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and apply them consistently and make judgements and estimates that are reasonable and prudent.

The directors must also state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements which must be prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for the maintenance of adequate accounting records in compliance with the Companies Act 1985, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

The Financial Times Limited

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

We have audited the financial statements on pages 9 to 30.

Respective responsibilities of directors and auditors

As described on page 7 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1993 and of its loss and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
London
17 March 1994

Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Changes in accounting policy

During the year the Company has adopted UITF 6 "Accounting for post-retirement benefits other than pensions." Previously these benefits were charged to the profit and loss account on a cash basis. UITF 6 requires that the cost is accrued over the working lives of employees.

The unprovided obligation as at 1 January 1993 is not considered to be significant and accordingly the appropriate adjustment has been made in the 1993 profit and loss account.

New accounting policy

Post-retirement benefits other than pensions are accounted for on an accruals basis to recognise this obligation over the working lives of the employees concerned.

Changes in presentation of the financial statements

Following the introduction of FRS 3, the following changes in the presentation of the financial statements have been made to conform with the new requirements:

- (a) Turnover and operating profit have been analysed between continuing and discontinued operations.
- (b) Exceptional items have been reclassified by including them under the appropriate profit and loss account headings.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain land and buildings.

Turnover

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

Accounting Policies (Continued)

Tangible fixed assets

Fixed assets are stated at cost or valuation and are depreciated over their estimated economic lives by equal annual instalments at the following rates:

Freehold buildings	: 2%
Leasehold land and buildings	: 2% or over the period of the lease
Plant and machinery	: 5% - 20%
Fixtures, fittings and equipment	: 5% - 20%

Freehold land is not depreciated.

Finance and operating leases

Finance leases are recorded in the balance sheet by capitalising leased assets at their fair market value on acquisition and by recording the obligations to pay future rentals. These assets are depreciated over the shorter of the lease term and their estimated useful life. Finance charges payable under finance leases are charged to the profit and loss account using the actuarial method to give a constant periodic rate of charge on the remaining balance of the obligations. Operating lease rentals are charged to the profit and loss account as they are incurred.

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

Stock and work-in-progress

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

Fixed asset 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.

Accounting Policies (Continued)

Pension costs

The expected cost of the Company's defined benefit pension scheme is charged to the profit and loss account in order to apportion the cost of pensions over the service lives of employees in the scheme. Variations arising from a significant reduction in the number of employees are adjusted in the profit and loss account to the extent that the expected pension cost, reduced by other variations, exceeds contributions payable for that year. Other variations from cost are apportioned over the expected service lives of current employees in the scheme.

The Financial Times Limited

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Profit and loss account for the year ended 31 December 1993

	<u>Notes</u>	<u>1993</u> £'000	<u>1992</u> £'000
Turnover - continuing operations	1	108,695	103,719
Cost of sales		(69,692)	(71,363)
Gross profit		<u>39,003</u>	<u>32,356</u>
Net operating expenses - continuing operations		(34,504)	(28,326)
Net exceptional operating expenses - continuing operations		(11,151)	(900)
Total net operating expenses	2	<u>(45,655)</u>	<u>(29,226)</u>
Operating (loss)/profit - continuing operations		(6,652)	3,130
Income from interests in subsidiary undertakings		1,209	-
Income from associated undertaking		2,065	1,814
(Loss)/profit on ordinary activities before interest		<u>(3,378)</u>	<u>4,944</u>
Interest receivable		269	100
Interest payable and similar charges	5	<u>(3,097)</u>	<u>(5,899)</u>
Loss on ordinary activities before taxation	3	(6,206)	(855)
Taxation on loss on ordinary activities	6	(2,463)	1,867
(Loss)/profit for the financial year		<u>(8,669)</u>	<u>1,012</u>
Dividends	7	(5,211)	(5,833)
Deficit for the financial year	17	<u>(13,880)</u>	<u>(4,821)</u>

There is no difference between the loss on ordinary activities before taxation and the deficit for the year stated above, and their historical cost equivalents.

**Statement of total recognised gains and losses
for the year ended 31 December 1993**

	<u>Notes</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
(Loss)/profit for the financial year		(8,669)	1,012
Release of revaluation reserve	17	<u>(558)</u>	<u>-</u>
Total recognised (losses)/gains relating to the year		<u><u>(9,227)</u></u>	<u><u>1,012</u></u>

The Financial Times Limited

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Balance sheet as at 31 December 1993

	<u>Notes</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Fixed assets			
Tangible fixed assets	8	128,701	154,043
Investments:			
Subsidiary undertakings	9	45	35
Associated undertaking	10	900	900
Other investment	11	29	33
		<u>129,675</u>	<u>155,011</u>
Current assets			
Stocks	12	544	525
Debtors: amounts falling due within one year	13	27,158	23,134
Cash at bank and in hand		1,948	1,100
		<u>29,650</u>	<u>24,759</u>
Creditors: amounts falling due within one year	14	<u>(67,290)</u>	<u>(75,073)</u>
Net current liabilities		<u>(37,640)</u>	<u>(50,314)</u>
Total assets less current liabilities		92,035	104,697
Creditors: amounts falling due after more than one year	14	(75,199)	(75,199)
Provisions for liabilities and charges			
Deferred taxation	15	(15,116)	(15,087)
Other provisions	15	(3,272)	(1,525)
		<u>(18,388)</u>	<u>(16,612)</u>
Net (liabilities)/assets		<u>(1,552)</u>	<u>12,886</u>
Capital and reserves			
Called-up share capital	16	1,800	1,800
Revaluation reserve	17	-	558
Profit and loss account	17	(3,352)	10,528
Shareholders' funds	18	<u>(1,552)</u>	<u>12,886</u>

The financial statements on pages 9 to 30 were approved by the Board of Directors on 17 March 1994 and were signed on its behalf by:



Director

Notes to the financial statements
for the year ended 31 December 1993

1 Turnover - continuing operations

	<u>1993</u> £'000	<u>1992</u> £'000
Geographical markets supplied:		
United Kingdom	80,362	79,132
Europe	11,648	12,153
North America	9,942	5,954
South America	542	365
Africa	1,712	1,562
Asia	4,341	4,409
Australasia	148	144
	<u>108,695</u>	<u>103,719</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 Total net operating expenses

	1993	1992
	£'000	as restated £'000
Continuing operations:		
Distribution costs	5,202	5,151
Administrative expenses	29,331	23,205
Net exceptional administrative expenses	11,151	900
Total administrative expenses	40,482	24,105
Less: other operating income	(29)	(30)
Total net operating expenses	<u>45,655</u>	<u>29,226</u>

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

2 Net operating expenses (Continued)

The net exceptional administrative expenses consist of:

	<u>1993</u> £'000	<u>1992</u> £'000
Provision for permanent diminution in value of freehold property (see note 8)	19,442	-
(Release)/provision in respect of amounts due from subsidiary undertakings	(8,291)	900
	<u>11,151</u>	<u>900</u>

3 Loss on ordinary activities before taxation

	<u>1993</u> £'000	<u>1992</u> £'000
Loss on ordinary activities before taxation is arrived at after charging:		
Staff costs (see note 4)	29,924	29,508
Depreciation of tangible fixed assets	7,905	7,263
Provision for permanent diminution in value of freehold property (see note 8)	19,442	-
Auditors' remuneration:		
- for audit services	43	39
- for non audit services	131	157
Operating lease rentals - land and buildings	231	310
Operating lease rentals - other assets	266	237
Loss on sale of fixed assets	5	33
	<u> </u>	<u> </u>

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

4 Directors and employees

	<u>1993</u> Number	<u>1992</u> Number
The average weekly number of persons (including directors) employed by the Company during the year was:		
Production	613	641
Distribution	45	41
Administration	197	199
	<u>855</u>	<u>881</u>
	<u>1993</u> £'000	<u>1992</u> £'000
Staff costs comprised:		
Wages and salaries	26,434	26,163
Social security costs	2,272	2,192
Other pension costs	1,218	1,153
	<u>29,924</u>	<u>29,508</u>
The remuneration paid to directors was:	<u>1993</u> £'000	<u>1992</u> £'000
Fees and other emoluments	568	558
Pension scheme contributions	55	64
Compensation for loss of office	320	-
	<u>943</u>	<u>622</u>

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

4 Directors and employees (Continued)

	<u>1993</u> £'000	<u>1992</u> £'000
Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:		
Chairman	-	-
Highest paid director	147	131

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

	<u>1993</u> Number	<u>1992</u> Number
£ 0 - £ 5,000	4	4
£ 85,001 - £ 90,000	1	1
£ 95,001 - £100,000	2	-
£105,001 - £110,000	-	1
£115,001 - £120,000	-	2
£130,001 - £135,000	-	1
£135,001 - £140,000	1	-
£145,001 - £150,000	1	-

5 Interest payable and similar charges

	<u>1993</u> £'000	<u>1992</u> £'000
On bank loans, overdrafts and other loans repayable within five years, not by instalments:		
To group undertakings	2,785	4,438
Other	312	1,446
On finance leases	-	15
	<u>3,097</u>	<u>5,899</u>

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

6 Taxation on loss on ordinary activities

	<u>1993</u> £'000	<u>1992</u> £'000
UK Corporation tax charge/(credit) at 33% (1992: 33%):		
Current	602	(2,027)
Deferred	(597)	1,856
	<u>5</u>	<u>(171)</u>
Under/(over) provision in respect of prior years:		
Current	50	(762)
Deferred	(421)	(1,387)
Tax credits on franked investment income	465	453
Irrecoverable Advance Corporation Tax	2,364	-
	<u>2,463</u>	<u>(1,867)</u>

The current tax provision in respect of prior years includes a credit of £17,000 (1992: £2,007,000) relating to consortium relief received by the Company for £nil consideration.

Provision has been made for irrecoverable ACT as the directors consider that the ACT may not be recoverable in the foreseeable future (see note 15).

Notes to the financial statements
for the year ended 31 December 1993 (Continued)

7 Dividends

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Interim paid	<u>5,211</u>	<u>5,833</u>

8 Tangible fixed assets

	<u>Plant & Machinery</u> <u>£'000</u>	<u>Fixtures, Fittings, Tools & Equipment</u> <u>£'000</u>	<u>Long Leasehold Property</u> <u>£'000</u>	<u>Freehold Property</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Cost					
At 1 January 1993	55,504	11,548	25,849	84,843	177,744
Reclassification	2,714	-	(346)	(2,368)	-
Additions	1,273	1,203	-	160	2,636
Provision for permanent diminution	-	-	-	(20,000)	(20,000)
Disposals	(50)	(419)	-	(27)	(496)
Inter-group transfers	59	48	-	-	107
At 31 December 1993	<u>59,500</u>	<u>12,380</u>	<u>25,503</u>	<u>62,608</u>	<u>159,991</u>
Depreciation					
At 1 January 1993	10,973	4,454	1,646	6,628	23,701
Reclassification	-	-	(4)	4	-
Charge for the year	3,994	1,564	421	1,926	7,905
Eliminated in respect of disposals	(50)	(315)	-	(8)	(373)
Inter-group transfers	57	-	-	-	57
At 31 December 1993	<u>14,974</u>	<u>5,703</u>	<u>2,063</u>	<u>8,550</u>	<u>31,290</u>
Net Book Value					
At 31 December 1993	<u>44,526</u>	<u>6,677</u>	<u>23,440</u>	<u>54,058</u>	<u>128,701</u>
At 31 December 1992	<u>44,531</u>	<u>7,094</u>	<u>24,203</u>	<u>78,215</u>	<u>154,043</u>

The cost of freehold property is stated after a £20 million provision for permanent diminution in value (1992: £nil).

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

8 Tangible fixed assets (Continued)

In the opinion of the directors the present market value of land and buildings is in the region of £50 million below the net book value of £97 million. After having discussed this matter with their property advisers, the directors are of the opinion that £20 million of this amount represents a permanent diminution in value of freehold land and buildings and have provided against this accordingly.

The revaluation reserve of £558,000 relating to freehold buildings has therefore been released and the remaining provision of £19,442,000 has been charged to the profit and loss account.

The net book value of plant and machinery includes £1,082,000 (1992: £1,443,000) in respect of assets held under finance leases. The depreciation charged to the profit and loss account in respect of the fixed assets held under finance leases was £361,000 (1992: £361,000).

9 Subsidiary undertakings

	<u>1993</u> £'000
Cost of shares	
At 1 January 1993	855
Additions	10
	<hr/>
At 31 December 1993	865
	<hr/>
Amounts written off	
At 1 January 1993 and 31 December 1993	820
	<hr/>
Net book value at 31 December 1993	45
	<hr/>
Net book value at 31 December 1992	35
	<hr/>

Notes to the financial statements for the year ended 31 December 1993 (Continued)

9 Subsidiary undertakings (Continued)

During the year the Company acquired the whole of the ordinary share capital of F.T. Prices Limited from its immediate parent undertaking, Financial Times Group Limited, for consideration of £10,000.

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
F.T. (Germany Advertising) Limited
The Financial Times (Europe) Limited
The Financial Times (Europe) GmbH (incorporated in Germany)
The Financial Times (Switzerland) Limited
St. Clements Press Limited
The Financial Times (Spain) Limited
The Financial Times (Japan) Limited

Dormant subsidiary undertakings:

St. Clements Press (1988) Limited
St. Clements Press Pension Trustee Limited
The Financial Times Pension Trustee Limited
The Financial News Limited
The Financial Times (Hong Kong) Limited (incorporated in Hong Kong)
F.T. Prices Limited

All the above companies are registered in England and Wales except where indicated.

Group financial statements have not been prepared as the Company is itself the wholly-owned subsidiary undertaking of Financial Times Group Limited, a company incorporated in Great Britain and registered in England and Wales.

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.

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

10 Associated undertaking

	<u>1993</u> £'000	<u>1992</u> £'000
Cost of shares being also net book value	900	900

Details of the associated undertaking are as follows:

Held at
1 January 1993
and 31 December 1993
% of issued shares held

The Economist Newspaper Limited

22,680,000 5p ordinary shares	50
1,260,000 5p 'A' special shares	-
1,260,000 5p 'B' special shares	100
100 5p Trust shares	-

The above Company is registered in England and Wales. In the opinion of the directors the value of the investment in the associated undertaking is not less than the amount at which it is stated in the balance sheet.

11 Other investment

The Company acquired unlisted debentures of £41,000 in 1990 which are being amortised over a 10 year period. Amortisation of £4,000 (1992: £4,000) was charged to the profit and loss account during the year.

12 Stocks

	<u>1993</u> £'000	<u>1992</u> £'000
Raw materials and consumables	544	525

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

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

13 Debtors

	<u>1993</u> £'000	<u>1992</u> £'000
Amounts falling due within one year:		
Trade debtors	18,260	16,902
Amounts owed by group undertakings:		
- parent company and fellow subsidiary undertakings	1,662	817
- subsidiary undertakings	5,658	169
Other debtors	877	1,575
Prepayments and accrued income	701	748
Corporation tax recoverable	-	2,923
	<u>27,158</u>	<u>23,134</u>

14 Creditors

	<u>1993</u> £'000	<u>1992</u> £'000
Amounts falling due within one year:		
Bank loans and overdrafts	2,242	13,429
Trade creditors	4,250	3,987
Amounts owed to group undertakings:		
- parent company and fellow subsidiary undertakings	42,707	42,888
- subsidiary undertakings	5,012	4,843
Corporation tax	749	-
Other taxation and social security	4,380	2,117
Other creditors	19	306
Accruals and deferred income	7,931	7,503
	<u>67,290</u>	<u>75,073</u>

Included in amounts owed to group undertakings is an interest bearing loan of £41,000,000 which is subject to interest at ½% above LIBOR.

Amounts falling due after more than one year:	<u>1993</u> £'000	<u>1992</u> £'000
Interest free loans from ultimate parent undertaking	<u>75,199</u>	<u>75,199</u>

Notes to the financial statements
for the year ended 31 December 1993 (Continued)

15 Provisions for liabilities and charges

a) Deferred taxation

Deferred taxation is provided in full at the applicable rate of taxation in the financial statements. The amounts for which provision has been made are as follows:

	Excess of Tax Allowances over <u>Depreciation</u> £'000	Other Short Term Timing <u>Differences</u> £'000	Timing Differences in connection <u>with Provisions</u> £'000	<u>Total</u> £'000
Provision/(asset) at 1 January 1993	16,450	(850)	(513)	15,087
Advance Corporation Tax at 1 January 1993	-	1,047	-	1,047
Transferred to profit and loss account	<u>(476)</u>	<u>(39)</u>	<u>(503)</u>	<u>(1,018)</u>
Provision at 31 December 1993	<u>15,974</u>	<u>158</u>	<u>(1,016)</u>	<u>15,116</u>

The deferred tax provision at 1 January 1993 was net of recoverable ACT of £1,047,000. A full provision has been made against recoverable ACT at 31 December 1993 of £2,364,000 (see note 6).

b) Other provisions

Provision has been made in respect of certain pension arrangements and post-retirement medical benefits, see notes 22 and 23.

	£'000
Provision at 1 January 1993	1,525
Transferred from profit and loss account	1,441
Transfer from group undertakings	306
Provision at 31 December 1993	<u>3,272</u>

The transfer from group undertakings relates to amounts paid by certain fellow subsidiary undertakings and a subsidiary undertaking to the Company, relating to those undertakings pension costs.

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

16 Called-up share capital

	<u>1993</u> £'000	<u>1992</u> £'000
Authorised, allotted, called-up and fully paid:		
2,001,208 ordinary shares of 25p each	500	500
5,198,792 'A' ordinary shares of 25p each	1,300	1,300
	<u>1,800</u>	<u>1,800</u>

17 Reserves

	<u>Revaluation Reserve</u> £'000	<u>Profit and Loss Account</u> £'000
At 1 January 1993	558	10,528
Deficit for the financial year	-	(13,880)
Release of revaluation reserve	(558)	-
At 31 December 1993	<u>-</u>	<u>(3,352)</u>

18 Reconciliation of movements in shareholders' funds

	<u>1993</u> £'000	<u>1992</u> as restated £'000
(Loss)/profit for the financial year	(8,669)	1,012
Dividends	(5,211)	(5,833)
	<u>(13,880)</u>	<u>(4,821)</u>
Release of revaluation reserve	(558)	-
Net reduction in shareholders' funds	(14,438)	(4,821)
Opening shareholders' funds	12,886	17,707
Closing shareholders' funds	<u>(1,552)</u>	<u>12,886</u>

Notes to the financial statements
for the year ended 31 December 1993 (Continued)

19 Capital commitments

	<u>1993</u> £'000	1992 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>23</u>	<u>822</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>1,247</u>	<u>566</u>

20 Operating leases

	<u>1993</u>		<u>1992</u>	
	<u>Land and Buildings</u> £'000	<u>Other</u> £'000	<u>Land and Buildings</u> £'000	<u>Other</u> £'000
Annual commitments in respect of operating leases:				
Expiring within one year	40	-	-	-
Expiring between two and five years	118	230	49	230
Expiring in over five years	39	-	27	-
	<u>197</u>	<u>230</u>	<u>76</u>	<u>230</u>

21 Contingent liabilities

The company participates in an arrangement with Midland Bank plc whereby the accounts of Pearson plc and 24 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 1993 was an overdraft of £2,253,000.

Notes to the financial statements for the year ended 31 December 1993 (Continued)

21 Contingent liabilities

The maximum amount of this guarantee is limited to a net overdraft of £35,000,000.

At 31 December 1993 the Company had a liability of £6,340,000 under this arrangement, limiting its potential liability at that date to £28,660,000.

As at 31 December 1993 the potential liability arising from these guarantee arrangements amounted to £28,660,000 for the parent undertakings and fellow subsidiary undertakings and £nil for the subsidiary undertakings of the company.

The Company also has a similar arrangement with Chase Manhattan Bank NA in respect of US dollar sums owing by fellow group undertakings of Pearson plc. The liability which could ensue from these undertakings is limited to the amount standing to the credit of specified accounts of The Financial Times Limited and certain of its group undertakings with Chase Manhattan Bank NA.

The Company has guaranteed the performance and payment by F.T. Publications Inc, a fellow subsidiary undertaking of Pearson plc, of its contracts with Evergreen Printing and Publishing Company, and American Satellite company in connection with the printing of the Financial Times newspaper in the United States of America.

The Company, together with certain other group undertakings of Pearson plc has guaranteed interest on and repayment of £25,500,000 guaranteed unsecured loan stock of Pearson plc.

The Company has agreed to provide F.T. Business Enterprises Limited, a fellow subsidiary undertaking, with sufficient funds to meet F.T. Business Enterprises Limited's obligations as they fall due whilst F.T. Business Enterprises Limited remains a fellow subsidiary within the Financial Times Group. At 31 December 1993 F.T. Business Enterprises Limited had net assets of £1,237,000 after deducting amounts due to and from all group companies.

There are contingent liabilities in respect of outstanding libel claims amounting to £11,000 based on lawyers' estimates of settlements and costs.

The Company has guaranteed payment of the rent of £173,000 per annum in respect of premises occupied by F.T. Business Enterprises Limited (formerly F.T. Business Information Limited), a fellow subsidiary undertaking of Pearson plc.

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.

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

21 Contingent liabilities (Continued)

The company has guaranteed payment of lease instalments in respect of computer equipment due by F.T. Business Enterprises Limited, a fellow subsidiary undertaking of Pearson plc. The total of instalments owing at 31 December 1993 was £1,700,000.

Other contingent liabilities, in respect of bank guarantees, amounted to £140,000 at 31 December 1993.

22 Pension commitments

The Company is a member of The Pearson Group Pension Plan, which is a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation as at 1 January 1992, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 1993. The pension costs relating to the group plan are assessed in accordance with the advice of an independent qualified actuary.

The valuation surplus on the group plan calculated by the actuary at 1 January 1992 is being apportioned over the expected service lives of the group's employees who are members of the scheme. The company's pension cost, net of this surplus, is £1,185,000 (1992: £1,134,000).

23 Post-retirement medical benefits

The Company provides for post-retirement medical benefits of certain employees. The most important assumption in assessing this obligation are the assumed rate of medical inflation of 7% and the discounted rate to be used of 6%.

During the year, the Company provided £256,000 (1992: £nil) in the profit and loss account. The provision for these benefits is included in provision for liabilities and charges (see note 15).

24 Cash flow statement

The cash flows of the Company are included in the consolidated group cash flow statement of Pearson plc, the ultimate parent company. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

**Notes to the financial statements
for the year ended 31 December 1993 (Continued)**

25 Ultimate parent company

The Company's 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 following address:

Pearson plc
Millbank Tower
Millbank
LONDON
SW1P 4QZ