THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

Registered Number: 227590

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

A subsidiary of Pearson plc

DIRECTORS

DCM Bell (Chairman)
SG Hill (Chief Executive)
D Hardisty
RP Lambert
RS Leishman
A Miller
M Murphy

SECRETARY AND REGISTERED OFFICE

G Leach
No 1 Southwark Bridge
London SE1 9HL

REGISTERED AUDITORS

Price Waterhouse

BANKERS

Midland Bank plc
Chase Manhattan Bank NA

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The Company commenced printing in Italy during January 1998 and expects to open a further print site in the United States of America during 1998.

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

RESULTS AND DIVIDENDS

The profit for the year after taxation was £22,554,000 (1996: £6,472,000). An interim dividend of £2,784,000 was paid on 15 May 1997 and £2,784,000 was paid on 15 October 1997 (1996: £nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 1997 (1996: £nil). The profit has been credited to the profit and loss account brought forward, leaving an accumulated profit carried forward of £20,141,000 (1996: £3,155,000).

DIRECTORS

The directors who served during the year are:

Frank Barlow	(resigned 2 May 1997)
David Bell	
Andrew Gilchrist	(appointed 6 May 1997, resigned 2 September 1997)
Dominic Hardisty	(appointed 6 May 1997)
Stephen Hill	
Richard Lambert	
Richard Leishman	(appointed 6 May 1997)
Alan Miller	
Michael Murphy	(appointed 6 May 1997)

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The interests of directors who held office at the end of the financial year, and their families in shares, debentures, and unsecured loan stock of Pearson plc and its subsidiaries were as follows:

Pearson plc	Shares		Share options			
25p ordinary shares	1 January*	31 December	1 January*	Granted	Exercised	31 December
D Hardisty	-	-	-	9,500	-	9,500
R Leishman	-	-	4,700	9,500	-	14,200
M Murphy	2,976	2,049	5,596	9,849	-	15,445

* or date of appointment

Messrs Bell, Hill, Lambert and Miller are also directors of the immediate parent company, Financial Times Group Limited, and are not required to notify their interests to this company.

LAND AND BUILDINGS

In the opinion of the directors the present market value of land and buildings is in the region of £17 million below its net book value of £47 million. However, having discussed this matter with their professional advisers the directors were of the opinion that this does not represent a permanent diminution in value.

PAYMENT OF CREDITORS

The Company aims to pay all its suppliers within a reasonable period of their invoices being received and in any case within the suppliers' own payment periods. Trade creditors at the year end represented 28 days (1996: 15 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 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 by a variety of methods including a newsletter, FT focus, notes from management and a regular team briefing programme on a cascade basis. The Chief Executive 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.

The Company continues with its formal commitment to Investors in People programme and expects to achieve the standard required during 1998.

All full time qualifying employees of the 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 group's performance.

HEALTH AND SAFETY AT WORK

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

The Company has a health and safety policy, a copy of which is distributed to all staff, and is reviewed and updated at regular intervals.

YEAR 2000

Pearson plc has launched a year 2000 programme in which all the operating companies are participating. The Financial Times Limited, within this structure, has created a project steering group to ensure that the Company and its suppliers are compliant. The directors have reviewed the impact of the change of date, planned to ensure compliance by the Company and its third parties and reviewed the impact of the compliance programme on the financial statements.

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

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 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.

REGISTERED AUDITORS

Price Waterhouse were appointed during the year ended 31 December 1996 and as a consequence of the elective resolution in (b) above, are deemed to be re-appointed for each succeeding financial year.

By Order of the Board

G. Leach

G Leach
Secretary
11 March 1998

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

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.

No 1 London Bridge
London SE1 9QL

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Facsimile: 0171-403 5265

Price Waterhouse

AUDITORS' REPORT TO THE MEMBERS OF THE FINANCIAL TIMES LIMITED

We have audited the financial statements on pages 7 to 22, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5, 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 as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

11 March 1998

THE FINANCIAL TIMES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

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.

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention.

TURNOVER

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

TANGIBLE FIXED ASSETS

Fixed assets are stated at cost less provision required to take account of any permanent diminution in value. These assets are depreciated over their estimated economic lives by equal annual instalments, starting in the year following acquisition, at the following rates:

Freehold buildings	: 2½%
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.

ACCOUNTING POLICIES (Continued)

DEFERRED TAXATION

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

STOCK

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

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.

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 this 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

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £'000	1996 £'000
TURNOVER - continuing operations	1	147,513	131,409
Cost of sales		(78,805)	(80,626)
GROSS PROFIT		68,708	50,783
Net operating expenses		(40,045)	(35,397)
Net exceptional administrative expenses	2	(1,528)	(5,146)
Total net operating expenses	2	(41,573)	(40,543)
OPERATING PROFIT - continuing operations		27,135	10,240
Non operating items			
Loss on disposal of fixed assets		-	(8,000)
Income from subsidiary undertakings		-	1,500
Income from associated undertakings		4,883	4,253
Investment income		225	116
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		32,243	8,109
Interest receivable and similar income		3,272	926
Interest payable and similar charges	5	(1,124)	(1,394)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	34,391	7,641
Taxation on profit on ordinary activities	6	(11,837)	(1,169)
PROFIT FOR THE FINANCIAL YEAR		22,554	6,472
DIVIDENDS PAID	7	(5,568)	-
TRANSFERRED TO RESERVES	17	16,986	6,472

The Company has no recognised gains or losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation or the retained profit for the year stated above, and their historical equivalents.

THE FINANCIAL TIMES LIMITED

BALANCE SHEET
AS AT 31 DEC EMBER 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible fixed assets	8	69,505	76,614
Investments:			
Subsidiary undertakings	9	47	47
Associated undertakings	10	900	900
Other investments	11	3,097	3,102
		73,549	80,663
CURRENT ASSETS			
Stocks	12	465	529
Debtors	13	33,964	32,683
Cash at bank and in hand		54,073	35,162
		88,502	68,374
CREDITORS: amounts falling due within one year	14	(58,282)	(60,933)
NET CURRENT ASSETS		30,220	7,441
TOTAL ASSETS LESS CURRENT LIABILITIES		103,769	88,104
CREDITORS: amounts falling due after more than one year	14	(52,000)	(52,000)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	15	(4,850)	(3,746)
Other provisions	15	(1,778)	(4,203)
		(6,628)	(7,949)
NET ASSETS		45,141	28,155
CAPITAL AND RESERVES			
Called up share capital	16	25,000	25,000
Profit and loss account	17	20,141	3,155
EQUITY SHAREHOLDERS' FUNDS	18	45,141	28,155

The financial statements on pages 7 to 22 were approved by the Board of directors on 11 March 1998 and were signed on its behalf by:

RS Leishman
Director

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

1 TURNOVER

	1997	1996
	£'000	£'000
Geographical markets supplied:		
United Kingdom	93,926	90,709
Europe	27,452	21,255
North America	17,666	13,056
South America	1,705	847
Africa	1,519	1,637
Asia	5,060	3,784
Australasia	185	121
	147,513	131,409

The Company treats invoices to agents in the UK as UK turnover regardless of the country of residence of the customer.

2 OPERATING EXPENSES

	1997	1996
	£'000	£'000
Administrative expenses	35,826	31,075
Net exceptional administrative expenses (see below)	1,528	5,146
Total administrative expenses	37,354	36,221
Distribution costs	5,087	5,102
Other operating income	(868)	(780)
	41,573	40,543

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

2 OPERATING EXPENSES (Continued)

The net exceptional administrative expenses consist of:

	1997 £'000	1996 £'000
Provision for reorganisation costs	441	(189)
Redundancy costs	769	5,396
Release of provision in respect of amounts due from subsidiary undertakings	(55)	(61)
Costs associated with East India Dock	373	-
	1,528	5,146

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is arrived at after charging:

	1997 £'000	1996 £'000
Staff costs (see note 4)	30,432	34,926
Depreciation of tangible fixed assets (see note 8)	6,627	6,636
Auditors' remuneration for audit services	35	35
Auditors' remuneration for non audit services:		
- current auditors	77	9
- previous auditors	-	162
Operating lease rentals		
- plant and machinery	89	94
- land and buildings	325	351
(Gain)/loss on sale of fixed assets	(26)	7,978

4 DIRECTORS AND EMPLOYEES

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

	1997 Number	1996 Number
Production	604	686
Distribution	38	39
Administration	129	175
	771	900

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

4 DIRECTORS AND EMPLOYEES (Continued)

	1997	1996
	£'000	£'000
Staff costs comprised:		
Wages and salaries	29,477	32,194
Social security costs	2,559	2,705
Other pension costs	(1,604)	27
	30,432	34,926

Pension costs of £37,000 (1996: £27,000) represent the Company's contributions to employees' personal pension schemes and were offset in 1997 by the release of £1,641,000 of the pension provision.

	1997	1996
	£'000	£'000
The remuneration paid to directors was:		
Aggregate emoluments	831	477

	1997	1996
	£'000	£'000
The highest paid director received:		
Aggregate emoluments	232	182
Defined benefit pension scheme accrued benefit at end of year	28	

Retirement benefits are accruing to seven directors (1996: five) under the defined benefit scheme.

Three directors, including the highest paid director, exercised share options in the ultimate parent company in the year, and seven directors, including the highest paid director, became entitled to receive shares under a long term incentive scheme.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £'000	1996 £'000
On bank loans, overdrafts and other loans repayable within five years, not by instalments:		
To group undertakings	1,124	1,394

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
UK Corporation tax charge/(credit) at 31.5% (1996: 33%):		
Current	9,647	3,985
Deferred	678	(2,399)
	10,325	1,586
Overseas tax	17	27
Under/(over) provision in respect of prior years:		
Current	47	(292)
Deferred	426	(1,026)
Tax credits on franked investment income	1,022	874
	11,837	1,169

The under provision of deferred tax in respect of prior years has been offset by a credit of £227,000 relating to the change in tax rates in the year.

7 DIVIDENDS

	1997 £'000	1996 £'000
Interim paid:		
15 May 1997 (11.14p per share)	2,784	-
15 October 1997 (11.14p per share)	2,784	-
	5,568	-

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Assets for resale £'000	Total £'000
Cost					
At 1 January 1997	63,015	28,749	17,829	35,214	144,807
Additions	-	800	1,337	-	2,137
Disposals	-	-	(1,183)	(22,727)	(23,910)
Intergroup transfers	-	-	(26)	-	(26)
At 31 December 1997	63,015	29,549	17,957	12,487	123,008
Depreciation					
At 1 January 1997	14,319	13,658	9,002	31,214	68,193
Charge for the year	1,895	2,361	2,371	-	6,627
Disposals	-	-	(1,073)	(20,227)	(21,300)
Intergroup transfers	-	-	(17)	-	(17)
At 31 December 1997	16,214	16,019	10,283	10,987	53,503
Net book amount					
At 31 December 1997	46,801	13,530	7,674	1,500	69,505
At 31 December 1996	48,696	15,091	8,827	4,000	76,614

During 1993 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 of value of land and buildings and provided £20,000,000 against this at 31 December 1993, reducing the cost accordingly. If the freehold property had not been provided against it would be included at cost of £82,997,000 and accumulated depreciation of £16,625,000.

The "assets for resale" relates to East India Dock assets.

9 SUBSIDIARY UNDERTAKINGS

	£'000
Cost of shares	
At 1 January 1997 and 31 December 1997	867
Amounts written off	
At 1 January 1997 and 31 December 1997	(820)
Net book amount	
At 31 December 1997	47
At 31 December 1996	47

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
FT (Germany Advertising) Limited
The Financial Times (Europe) Limited
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
FT (Russia) Limited
FT (Sweden) AB (incorporated in Sweden)

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

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.

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.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

10 ASSOCIATED UNDERTAKINGS

	1997	1996
	£'000	£'000
Cost of shares being also net book amount	900	900

Details of the associated undertakings are as follows:

	Held at 31/12/97	Held at 1/1/97
	% of issued shares held	
The Economist Newspaper Limited		
22,680,000 5p ordinary shares	50	50
1,260,000 5p 'A' special shares	-	-
1,260,000 5p 'B' special shares	100	100
100 5p Trust shares	-	-
FT-SE International Limited		
100 £1 ordinary shares	50	50

The above companies are registered in England and Wales. In the opinion of the directors the value of the investment in the associated undertakings are not less than the amount at which they are stated in the balance sheet.

11 OTHER INVESTMENTS

The Company acquired unlisted debentures of £41,000 in 1990 which are being amortised over a 10 year period. Amortisation of £5,000 (1996: £4,000) was charged to the profit and loss account during the year.

In 1995 the Company acquired 100% of the £1 redeemable preference share capital which was issued at par value of £3,000,000, of West Ferry Printers Limited, a company registered in England and Wales. The latest available accounts for West Ferry Printers Limited are for the year ended 31 December 1996 and show capital and reserves of £13,020,000 and a retained profit for the year of £3,617,000.

Also included within investments is a 16.67% interest in the Newspaper Licensing Agency, a company registered in England and Wales.

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

12 STOCKS

	1997 £'000	1996 £'000
Raw materials and consumables	465	529

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

13 DEBTORS

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Trade debtors	23,801	23,905
Amounts owed by group undertakings:		
- immediate parent company and fellow subsidiary undertakings	6,540	6,597
- subsidiary undertakings	2,052	49
Other debtors	571	1,036
Prepayments and accrued income	1,000	1,096
	33,964	32,683

14 CREDITORS

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Trade creditors	8,995	4,635
Amounts owed to group undertakings:		
- immediate parent company and fellow subsidiary undertakings	17,182	34,071
- subsidiary undertakings	4,187	1,393
Corporation tax	10,045	3,638
Other taxation and social security	1,591	3,146
Other creditors	30	671
Accruals and deferred income	16,251	13,379
	58,282	60,933

Amounts falling due after more than one year:

	1997 £'000	1996 £'000
Interest free loans from ultimate parent undertaking	52,000	52,000

THE FINANCIAL TIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

15 PROVISIONS FOR LIABILITIES AND CHARGES

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
	£'000	£'000	£'000	£'000
Provision/(asset) at 1 January 1997	4,259	643	(1,156)	3,746
Transferred (to)/from profit and loss account	805	(259)	558	1,104
Provision/(asset) at 31 December 1997	5,064	384	(598)	4,850

Other provisions

	Reorganisation provisions	Pension and post retirement medical benefits	Total
	£'000	£'000	£'000
Provision at 1 January 1997	849	3,354	4,203
Payments	(784)	-	(784)
Transferred to profit and loss account	-	(1,641)	(1,641)
Provision at 31 December 1997	65	1,713	1,778

16 CALLED UP SHARE CAPITAL

	1997	1996
	£'000	£'000
Authorised, allotted, called up and fully paid:		
25,000,000 £1 Ordinary shares	25,000	25,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

17 RESERVES

	Profit and loss account £'000
At 1 January 1997	3,155
Profit for the financial year	16,986
At 31 December 1997	20,141

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Profit for the financial year	22,554	6,472
Dividends paid	(5,568)	-
Net increase in shareholders' funds	16,986	6,472
Opening shareholders' funds	28,155	21,683
Closing shareholders' funds	45,141	28,155

19 CAPITAL COMMITMENTS

	1997 £'000	1996 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	136	17

20 OPERATING LEASES

	1997		1996	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Annual commitments in respect of operating leases:				
expiring within one year	7	-	73	-
expiring between one and five years	157	89	166	89
expiring in over five years	91	-	91	-
	255	89	330	89

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

21 CONTINGENT LIABILITIES

The Company participates in an arrangement with Midland Bank plc whereby the accounts of Pearson plc and 46 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 1997 was £374,045 (1996: £8,786,157). The maximum amount of this guarantee is limited to a net overdraft of £35,000,000 (1996: £35,000,000). At 31 December 1997 this was the Company's potential liability.

As at 31 December 1997 the potential liability arising from these guarantee arrangements amounted to £35,000,000 (1996: £35,000,000) for the parent undertakings and fellow subsidiary undertakings and £588,360 (1996: £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 FT Publications Inc, a fellow subsidiary undertaking of Pearson plc, of its contracts with Evergreen Printing and Publishing Company and American Satellite company in connection with the printing of the Financial Times newspaper in the United States of America.

The Company has guaranteed payment of the rent of £172,500 per annum in respect of premises occupied by Financial Times 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.

The Company has guaranteed a performance of obligations due by Extel Financial Limited, a fellow subsidiary undertaking of Pearson plc under contracts with National Power Plc for the supply of electricity.

The Company has also guaranteed the payment of sums due by Extel Financial Limited to Computacentre in respect of the supply of goods and services.

Other contingent liabilities, in respect of bank guarantees, amounted to £54,516 at 31 December 1997 (1996: £110,542).

The Company has agreed to provide, or arrange the provision of, funds to St Clements Press Limited, and The Financial Times (Japan) Limited, subsidiary undertakings, sufficient to meet obligations as they fall due until 31 March 1999 at which time this agreement will be reviewed.

At 31 December 1997 St Clements Press Limited and The Financial Times (Japan) Limited, had net liabilities of £25,000 and £937,000 respectively, after deducting amounts due to and from The Financial Times Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

22 PENSION COMMITMENTS

The Company is a member of The Pearson Group Pension Plan, which is primarily a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation as at 1 January 1996, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 1997. 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 1996 is being apportioned over the expected service lives of the group's employees who are members of the scheme. The Company's pension cost in relation to the group plan is £nil (1996: £nil).

23 POST RETIREMENT MEDICAL BENEFITS

The Company provides for post-retirement medical benefits of certain employees. The most important assumption in assessing this obligation are the assumed rate of medical inflation of 8% and the discounted rate to be used of 7.5%. The provision for these benefits is included in provision for liabilities and charges (see note 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 (Revised 1996) "Cash Flow Statements" from publishing a cash flow statement.

25 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary within Pearson plc and utilises the exemption contained in Financial Reporting Statement No 8 "Related Party Disclosures" not to disclose any transactions with entities that are part of the Pearson group. The address at which the Pearson plc consolidated financial statements are publicly available is shown in note 26.

26 ULTIMATE PARENT COMPANY

The Company's immediate parent company is Financial Times Group Limited.

The ultimate parent company is Pearson plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of Pearson plc are available to the public from Pearson plc, 3 Burlington Gardens, London W1X 1LE.