

LONGMAN GROUP LIMITED
(FORMERLY LONGMAN GROUP UK LIMITED)
FINANCIAL STATEMENTS - 31st DECEMBER 1994
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



Registered No: 872828

LONGMAN GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31st DECEMBER 1994

The Directors present their annual report on the affairs of the Company together with the financial statements for the year ended 31st December 1994.

RESULTS AND DIVIDENDS

Profit for the financial year	£7,022,000
Dividend paid	£6,377,000

Transfer to reserves	£645,000
	=====

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

On 3rd May 1994, the Company changed its name to Longman Group Limited.

The principal activity of the Company is the publishing of Multi-Media Business, Educational, Professional, Reference, Medical, Scientific and Children's Materials, focused on the key customer groups of professionals, educators and consumers, and there has been no significant change during the year.

The Company achieved sales growth of 4.8% compared to 1993. However both operating profit before exceptional items and net cash flows generated were lower compared to 1993 levels.

The ELT, International Education and Higher Education divisions performed well with increased operating profits compared to budget and last year. Conversely the Education division suffered from the depressed state of the UK Schools market and both sales and operating profit were down on 1993 levels.

Medical publishing experienced a difficult year, with sales and operating profit in the key UK and European markets down on 1994 budget and 1993 actual levels.

The Business and Professional divisions had a mixed year. Pitman and Law, Tax and Finance performed particularly well with both sales and operating profits well in excess of 1993 levels. However the Information and Reference division experienced difficulties in its markets which led to a fundamental reorganisation at the end of 1994. Its publishing titles were subsequently transferred to other divisions in the Group.

POST BALANCE SHEET EVENTS

On 1st January 1995, the Medical Publishing and Business and Professional divisions of the Company were transferred to Pearson Professional Ltd, a newly formed subsidiary company of Pearson Plc. All related assets and liabilities as at 31st December 1994 were transferred to the new Company at net book value. Accordingly, the Profit and Loss account shows the results of those divisions as discontinued operations. The costs associated with this reorganisation are reported as an exceptional item in the Profit & Loss Account (Note 4).

MARKET VALUATION OF LAND AND BUILDINGS

It is estimated that the market value of the Company's properties at 31st December 1994 is approximately £1,750,000 in excess of book values. The realisation of the Company's properties at such a surplus would give rise to a maximum liability to tax of approximately £577,000.

Directors' Report - continued

DIRECTORS

The Directors who have held
office are as follows:

	<u>Date of Appointment/ Re-appointment</u>	<u>Date of Resignation</u>
T C Davy	-	-
J S Andrew	-	28/2/94
R G B Duncan	28/2/94	1/1/95
D Feldman	28/2/94	1/1/95
A Forbes-Watson	28/2/94	1/1/95
R A J Francis	-	28/2/94
L W Herbert	-	28/2/94
P Kahn	-	31/12/94
C K Kington	-	28/2/94
J M Little	-	31/12/94
M C E Quirke	-	28/2/94
H M Reece	-	1/1/95
J E Robinson	1/1/95	28/2/94
A J Stevenson	-	28/2/94
G S Taylor	-	28/2/94
M W Todd	-	28/2/94
P Warwick	-	1/1/95
J D Williamson	-	31/12/94
M G P Wymer	-	28/2/94
J L Jones	1/1/95	-
R N Woodward	1/1/95	-

Directors' Report - continued

DIRECTORS' INTERESTS

The interests in Group Companies of those who were not also Directors of the immediate parent company at 31st December are as follows:

Pearson Plc Ordinary Shares of 25p each						
	31st December 1994			31st December 1993		
	Ordinary Shares	SAYE Options	Senior Executive Options	Ordinary Shares	SAYE Options	Senior Executive Options
T C Davy	-	4,696	11,000	-	2,324	-
J S Andrew	N/A	N/A	N/A	2,180	2,442	-
R G B Duncan	16,810	6,709	10,000	N/A	N/A	N/A
D Feldman	-	-	31,800	N/A	N/A	N/A
A Forbes-Watson	-	-	21,800	N/A	N/A	N/A
R A J Francis	N/A	N/A	N/A	2,768	5,863	20,000
L W Herbert	N/A	N/A	N/A	824	1,549	5,000
C K Kington	N/A	N/A	N/A	-	-	5,000
J M Little	N/A	N/A	N/A	5,654	6,388	5,000
M C E Quirke	N/A	N/A	N/A	-	7,747	5,000
H M Reece	-	2,298	11,800	-	-	-
J E Robinson	4,864	4,770	10,274	3,432	5,931	5,000
A J Stevenson	N/A	N/A	N/A	-	2,001	5,000
G S Taylor	N/A	N/A	N/A	-	1,549	-
M W Todd	N/A	N/A	N/A	-	-	10,000
J L Jones	-	-	-	N/A	N/A	N/A
R N Woodward	-	-	-	N/A	N/A	N/A

The Directors in common with other employees of Pearson plc Group Companies, may participate in the Pearson plc Save As You Earn (SAYE) Option Scheme under which rights are granted to purchase ordinary shares upon the expiry of 5 or 7 year periods. Options taken up under the current scheme are exercisable at prices ruling on the Stock Exchange at the close of dealing on the day before the offer is made, less such discount (not exceeding 20%) as the Board of Pearson plc may determine. In addition, the directors are eligible to participate in the Pearson plc Senior Executive Share Option Scheme.

OFFICERS LIABILITY INSURANCE

During the year to 31st December 1994, 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 the Companies Act 1985.

FIXED ASSETS

Details of movements in fixed assets are disclosed in Note 11.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Company made various charitable contributions totalling £4,037 (1993 - £17,844). The company did not make any political contributions during the year (1993 - £nil).

POLICY ON INFORMATION FOR EMPLOYEES

The company attaches great importance to the creation amongst its employees of a sense of involvement in, and identification with, the objectives and success of the business.

For several years the Company has aimed to encourage this sense of involvement specifically through the provision to every employee of quarterly and annual information on the progress and objectives of the Company.

Regular meetings are held with all staff to keep them fully informed of the Company's progress and future plans.

All employees, after a specified period of service, are eligible to participate in the Pearson plc Save As You Earn Share Option Scheme.

HEALTH AND SAFETY POLICY

It is the policy of Longman Group Limited to give the greatest importance to the safety of its employees and the Company will continue to take every reasonable and practical step to provide and maintain for every employee a safe and healthy environment in which to work.

Longman's safety organisation is controlled by the Operations Director who is responsible to and on behalf of it for the implementation of the Health and Safety Policy.

Through its management structure the Company will encourage all employees to work safely at all times and at the same time remind the employees of their responsibility for the safety of themselves and others.

The Company will provide appropriate safety training for all employees and will provide any necessary safety equipment and protective clothing.

The Company will keep its safety rules and procedures under constant review and through the appropriate channels will make revisions to existing policy to take full account of future requirements.

EMPLOYMENT OF DISABLED PERSONS

Full consideration is given by the Company to applications for employment made by disabled persons, with due regard to their particular aptitudes and abilities. Employees who become disabled during their employment are given every assistance to continue their employment in appropriate positions. Disabled employees are given the same opportunities for training, career development and promotion as other employees, subject to their particular disabilities.

ELECTIVE RESOLUTIONS

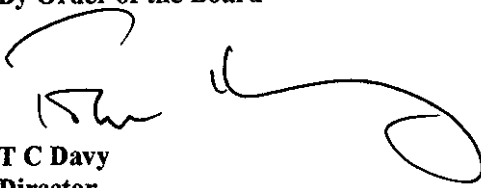
On 24th April 1991 the Company passed an elective resolution whereby it would dispense with the holding of an annual general meeting in 1992 and subsequent years until the election was revoked. Further elective resolutions were passed at the same time that the Company would dispense with:

- (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 auditors of the Company in general meeting.

AUDITORS

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

By Order of the Board



T C Davy
Director
5 Bentinck Street
London
W1M 5RN

17th March 1995

LONGMAN GROUP LIMITED

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.

LONGMAN GROUP LIMITED

AUDITORS REPORT TO THE MEMBERS OF LONGMAN GROUP LIMITED

We have audited the financial statements on pages eight to nineteen.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page six 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 financial 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 disclosure in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in 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 accounts 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 affairs of the Company at 31st December 1994 of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

17th March 1995

LONGMAN GROUP LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31st DECEMBER 1994**

	<u>Notes</u>	<u>1994</u> <u>£000</u>	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>	<u>1993</u> <u>£000</u>
Turnover	2				
- Continuing Operations		55,042		53,799	
- Discontinued Operations		55,621		51,240	
		-----	110,663	-----	105,039
Cost of Sales					
- Continuing Operations		(27,582)		(26,192)	
- Discontinued Operations		(28,954)		(25,895)	
		-----	(56,536)	-----	(52,087)
Gross Profit			54,127		52,952
Other Operating Expenses (net)	3				
- Continuing Operations		(17,811)		(18,014)	
- Discontinued Operations		(23,712)		(20,521)	
		-----	(41,523)	-----	(38,535)
Operating Profit					
- Continuing Operations		9,649		9,593	
- Discontinued Operations		2,955		4,824	
		-----	12,604	-----	14,417
Exceptional Item	4				
- Costs of Fundamental Reorganisation			(5,204)		-
			-----		-----
Profit on ordinary activities before interest			7,400		14,417
Net Interest Receivable	5		190		38
			-----		-----
Profit on Ordinary Activities Before Taxation	6		7,590		14,455
Taxation	9		(568)		(4,471)
			-----		-----
Profit for the Financial Year	17		7,022		9,984
Dividend Paid	17		(6,377)		(3,891)
			-----		-----
Retained Profit for the Year	17		645		6,093
			=====		=====

The Company has no recognised gains and losses other than the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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

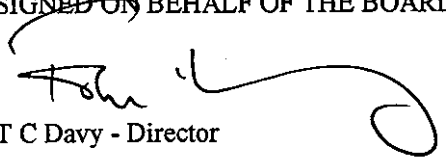
The accompanying principal accounting policies and notes are an integral part of this profit and loss account.

LONGMAN GROUP LIMITED

BALANCE SHEET - 31st DECEMBER 1994

	<u>Notes</u>	1994 <u>£000</u>	1993 <u>£000</u>
FIXED ASSETS			
Intangible Assets	10	10,057	10,377
Tangible Assets	11	13,178	13,381
Investments	12	353	353
		-----	-----
		23,588	24,111
CURRENT ASSETS			
Stocks	13	27,891	26,790
Debtors	14	41,216	34,183
Cash at Bank and in Hand		3,088	7,831
		-----	-----
		72,195	68,804
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	15	(39,534)	(37,311)
		-----	-----
NET CURRENT ASSETS		32,661	31,493
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		56,249	55,604
		-----	-----
PROVISIONS FOR LIABILITIES AND CHARGES			
Pension Provision	16	(833)	(833)
		-----	-----
		(833)	(833)
		-----	-----
NET ASSETS		55,416	54,771
		=====	=====
 CAPITAL AND RESERVES			
Called Up Share Capital	17	37,500	37,500
Share Premium Account	17	1,014	1,014
Other Reserves	17	507	538
Profit and Loss Account	17	16,395	15,719
		-----	-----
EQUITY SHAREHOLDERS' FUNDS	17	55,416	54,771
		=====	=====

SIGNED ON BEHALF OF THE BOARD on 17th March 1995


T C Davy - Director

The accompanying principal accounting policies and notes are an integral part of this balance sheet.

LONGMAN GROUP LIMITED

NOTES ON THE ACCOUNTS - 31st DECEMBER 1994

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below.

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with applicable accounting standards.

Under section 228 of the Companies Act 1985 the Company is exempt from the requirement to prepare group accounts since it is a wholly owned subsidiary undertaking of a body corporate incorporated in the European Union (Note 25), in whose accounts its results are consolidated. The financial statements of the parent company meet all other conditions of section 228.

In accordance with the provisions of Financial Reporting Statement ("FRS") Number One, a cash flow statement has not been prepared since the Company is a wholly owned subsidiary of a body corporate incorporated in the European Union (Note 25). A consolidated cash flow statement is included in the financial statements of the ultimate parent company which meet all other conditions of the FRS.

(b) Intangible Fixed Assets

Goodwill arising on the acquisition of a business or purchase of publishing rights and titles is capitalised and amortised in equal instalments over its estimated economic life (Note 10). Its estimated economic life is determined by taking account of the nature of the transaction and the opinion of the Directors. Goodwill is amortised over a period not exceeding 20 years. Any permanent diminution in the value of goodwill is recognised by an immediate write-off through the profit and loss account.

(c) Fixed Assets

Tangible fixed assets are stated at cost or valuation (Note 11) and are depreciated over their estimated economic lives by equal annual instalments. Freehold buildings and long leaseholds are depreciated at 2% per annum, short leaseholds over the period of their leases, motor vehicles at 25% per annum and other plant and equipment at appropriate rates between 5% and 33.33% per annum.

(d) Stocks and Work-in-Progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost comprises all costs related to production processes which are, in the main, carried out by third parties.

(e) Deferred Taxation

The Company provides deferred taxation at the expected applicable rates, to take account of timing differences between the treatment of certain items for financial statements purposes and their treatment for taxation purposes, except to the extent it is, in the opinion of the Directors, reasonable to assume that the timing differences will not reverse in the future so as to crystallise a tax asset or liability. The major timing differences and the amounts involved are set out in Note 23.

(f) Overseas Currencies

Assets and liabilities in overseas currencies are translated into sterling at the rates ruling at the balance sheet date, but where currency balances are covered by forward foreign exchange contracts, provision is made in the profit and loss account to restate these balances in the balance sheet at the appropriate forward rate. Profits and losses arising on translation and on remittances during the year have been included in profit on ordinary activities before taxation.

(g) Turnover

Turnover represents amounts invoiced for goods and services net of returns, discounts and Value Added Tax.

(h) Leases

Lease payments in respect of assets held under operating leases are written off as incurred. The financial obligations under such leases are set out in Note 18.

(i) Pensions Accounting

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.

(j) Fixed Asset Investments

Fixed asset investments are stated at cost less any provision (Note 12).

2. GEOGRAPHICAL ANALYSIS OF TURNOVER

	1994 <u>£000</u>	1993 <u>£000</u>
Turnover by Destination:		
UK	53,445	52,463
North America	6,486	5,493
Central and South America	7,167	6,078
Europe	22,174	20,974
Africa (including Arab World)	9,791	8,847
Asia	9,836	9,629
Australasia	1,764	1,555
	----- 110,663 =====	----- 105,039 =====

All turnover arises by origin in the UK.

3. OTHER OPERATING EXPENSES (NET)

Distribution Costs	6,372	6,000
Administration, Marketing and Other Expenses	38,391	35,535
	----- 44,763	----- 41,535
Other Operating Income	(3,240)	(3,000)
	----- 41,523 =====	----- 38,535 =====

Included within other operating income is £132,000 for Inter Group licence fees (1993 - £89,000), and £384,000 for Inter Group overhead recoveries (1993 - £77,000).

4. EXCEPTIONAL ITEM

On 1st January 1995, the Medical Publishing and Business and Professional divisions of the Company were transferred to Pearson Professional Ltd. Reorganisation and redundancy costs (£5,204,000) associated with the transfer have been classified as exceptional costs. Tax relief of £1,175,000 arises as a result of the exceptional item.

5. NET INTEREST RECEIVABLE

	1994 <u>£000</u>	1993 <u>£000</u>
Interest Payable:		
On borrowings repayable wholly within five years not by instalment:		
Bank Overdraft	105	135
Other Interest Payable	52	22
	----- 157	----- 157
Interest Receivable:		
On deposit and liquid funds	(347)	(195)
	----- (190)	----- (38)

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

Amortisation of Goodwill	848	654
Depreciation of Tangible Fixed Assets	2,470	2,381
Auditors' Remuneration:		
- Audit Services	73	65
- Non-Audit Services	50	75
Operating Lease Rentals:		
- Land and Buildings	1,130	1,002
- Hire of Plant and Machinery	106	44
	----- -----	----- -----

7. EMOLUMENTS OF DIRECTORS

Fees	-	-
Other Emoluments	805	1,140
Compensation for Loss of Office	279	-
	----- 1,084	----- 1,140

**Analysis of Directors' Remuneration (excluding Pension
Fund Contributions):**

Chairman	49	40
Highest Paid Director	118	104
	-----	-----

All Directors	1994 <u>£000</u>	1993 <u>£000</u>
£0 to £5,000	3	1
£5,001 to £10,000	-	1
£10,001 to £15,000	-	1
£15,001 to £20,000	2	-
£20,001 to £25,000	1	-
£25,001 to £30,000	1	-
£30,001 to £35,000	3	1
£35,001 to £40,000	4	2
£45,001 to £50,000	1	1
£65,001 to £70,000	-	1
£75,001 to £80,000	-	1
£80,001 to £85,000	-	4
£85,001 to £90,000	-	4
£95,001 to £100,000	1	-
£100,001 to £105,000	1	1
£105,001 to £110,000	1	-
£115,001 to £120,000	1	-

The remuneration of the Directors is paid by the immediate parent company and charged to the Company by way of a management fee for the proportion of time spent by the Directors on company business.

8. EMPLOYEES

The average weekly number of persons (including Directors) employed by the Company during the year and their aggregate remuneration for the year was:

	1994 <u>Number</u>	1993 <u>Number</u>
Publishing	422	445
Distribution	103	105
Selling and Administration	673	632
	<u>1,198</u>	<u>1,182</u>
	<u>£000</u>	<u>£000</u>
Wages and Salaries	22,911	21,563
Social Security Costs	2,243	2,039
Other Pension Costs	3	354
	<u>25,157</u>	<u>23,956</u>

9. TAXATION

	1994 <u>£000</u>	1993 <u>£000</u>
Taxation on Profit on Ordinary Activities:		
UK Corporation Tax on profits for the year at 33% (1993 - 33%)	3,400	5,158
Double taxation relief	(168)	(144)
	<u>3,232</u>	<u>5,014</u>
UK deferred taxation	-	84
Overseas taxation	168	144
	<u>3,400</u>	<u>5,242</u>
Taxation adjustments relating to previous year:		
Corporation Tax	(458)	(272)
B Sky B Consortium Relief	(2,374)	-
Deferred taxation	-	(499)
	<u>568</u>	<u>4,471</u>

10. INTANGIBLE FIXED ASSETS

	Total <u>£000</u>
Goodwill:	
Cost:	
At 1st January 1994	12,558
Additions (see below)	528
	<u>13,086</u>
At 31st December 1994	
Amortisation:	
At 1st January 1994	2,181
Charge for the year	848
	<u>3,029</u>
At 31st December 1994	
Net book value:	
At 31st December 1994	10,057
At 31st December 1993	10,377

Additions in the year comprise goodwill arising on the acquisition of the assets and publication rights and titles of Mapping Awareness and Computer Law Services.

	1994 <u>£000</u>
Fixed Assets	(12)
Stocks	(25)
Debtors	(100)
	<u>(137)</u>
Net assets acquired at fair value	665
Consideration (including Acquisition Costs)	
	<u>528</u>
Goodwill	

11. TANGIBLE FIXED ASSETS

Cost or Valuation:	Properties £000	Plant & Motor Vehicles £000	Fixtures & Fittings £000	Total £000
At 1st January 1994	7,987	7,641	9,191	24,819
Additions	595	1,124	1,238	2,957
Disposals	(30)	(932)	(983)	(1,945)
	-----	-----	-----	-----
At 31st December 1994	8,552	7,833	9,446	25,831
	-----	-----	-----	-----
At Directors' valuations 1976	1,082	-	-	1,082
At cost	7,470	7,833	9,446	24,749
	-----	-----	-----	-----
	8,552	7,833	9,446	25,831
	-----	-----	-----	-----
Depreciation:				
At 1st January 1994	1,593	3,490	6,355	11,438
Charge for the year	126	903	1,441	2,470
Disposals	(30)	(584)	(641)	(1,255)
	-----	-----	-----	-----
At 31st December 1994	1,689	3,809	7,155	12,653
	-----	-----	-----	-----
Net book values:				
At 31st December 1994	6,863	4,024	2,291	13,178
	=====	=====	=====	=====
At 31st December 1993	6,394	4,151	2,836	13,381
	=====	=====	=====	=====
The net book value of the properties comprises:		1994 £000	1993 £000	
- Freehold		5,986	5,583	
- Long leasehold		50	52	
- Short leasehold		827	759	
		-----	-----	
		6,863	6,394	
		=====	=====	

12. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings £000	Other Investments £000	Total £000
Cost:			
At beginning and end of year	353	13	366
	----	----	----
Provision:			
At beginning and end of year	-	(13)	(13)
	----	----	----
Net Book Value:			
At beginning and end of year	353	-	353
	=====	=====	=====

Notes on the Accounts: 31st December 1994 - continued

The Company holds 80,935 of the 80,936 Ordinary Shares of 1p each in Logotron Limited, a company registered in England and involved in the publication and distribution of computer software. Its profit for the year to 31st December 1994 was £184,000 (1993 - £184,000), and the aggregate of its capital and reserves at 31st December 1994 was £996,000 (1993 - £812,000).

The Company holds 100% of the "B" Shares of £1 in Longman Group (Overseas Holdings) Limited, a company registered in England and Wales.

In the opinion of the Directors the value of the Company's interest in its subsidiaries is not less than the amount stated in the balance sheet.

13. STOCKS	1994 £000	1993 £000
Raw materials and consumables	668	2,105
Work in progress	10,369	8,512
Finished goods and goods for sale	16,854	16,173
	<u>27,891</u>	<u>26,790</u>

The replacement costs of these stocks is estimated as being approximately £1,687,000 greater than the amounts stated above.

14. DEBTORS	1994 £000	1993 £000
Amounts falling due within one year:		
Trade debtors	26,032	23,718
Due from immediate parent company	2,096	158
Due from fellow subsidiary undertakings	6,051	4,409
Due from associates of group undertakings	934	777
Other debtors	3,034	2,573
Prepayments and accrued income	1,456	1,157
	<u>39,603</u>	<u>32,792</u>

Amounts falling due after more than one year:

Other debtors	1,613	1,391
	<u>41,216</u>	<u>34,183</u>

15. CREDITORS

Amounts falling due within one year:

Bank overdraft	2,830	-
Trade creditors	16,440	12,643
Due to fellow subsidiary undertakings	2,332	5,067
Corporation tax	4,647	7,485
Other taxation and social security payable	1,049	797
Other creditors	283	1,123
Accruals and deferred income	11,953	10,196
	<u>39,534</u>	<u>37,311</u>

16. PENSION PROVISION

	1994 £000
At 1st January 1994	833
Charge for the year	3
Utilised	(3)
	<hr/>
At 31st December 1994	833
	<hr/>

Provision has been made in respect of certain pension arrangements (Note 22).

17. EQUITY SHAREHOLDERS' FUNDS

(a)	Called Up Share Capital	1994 £000	1993 £000			
	Authorised, allotted, called up and fully paid 37,500,000 (1993 - 37,500,000) ordinary shares of £1 each	37,500	37,500			
(b)	Movement in Equity Shareholders' Funds					
	Called Up Share Capital £000	Share Premium Account £000	Other Reserves £000	Profit and Loss Account £000	Total £000	
	At 1st January 1994	37,500	1,014	538	15,719	54,771
	Profit for the financial year	-	-	-	7,022	7,022
	Dividend paid	-	-	-	(6,377)	(6,377)
	Transfers between reserves	-	-	(31)	31	-
	At 31st December 1994	37,500	1,014	507	16,395	55,416
(c)	Reconciliation of Movements in Equity Shareholders' Funds	1994 £000	1993 £000			
	Profit for the financial year	7,022	9,984			
	Dividends paid	(6,377)	(3,891)			
	Issue of ordinary shares	-	5,500			
	Net increase in shareholders' funds	645	11,593			
	Equity Shareholders' funds at 1st January	54,771	43,178			
	Equity Shareholders' funds at 31st December	55,416	54,771			

18. OPERATING LEASES

Operating lease rentals payable in the next year, with commitments expiring in:

	Land and Buildings		Plant and Machinery	
	1994 £000	1993 £000	1994 £000	1993 £000
One year	496	614	-	-
One to two years	-	-	-	-
Two to five years	-	-	100	45
Over five years	519	387	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,015	1,001	100	45
	<hr/>	<hr/>	<hr/>	<hr/>

19. CAPITAL COMMITMENTS

Commitments for capital expenditure at 31st December 1994 amounted to £nil (1993 - £nil). Capital authorised, but not contracted for at that date was £5,568,000 (1993 - £4,529,000).

20. CONTINGENT LIABILITIES

Bank and other guarantees and indemnities at 31st December 1994 amounted to £857,000 (1993 - £662,000) in respect of third parties and the Company has also given a guarantee in respect of bank overdrafts of certain subsidiaries totalling £6,019,000 (1993 - £3,555,000).

The company participates in an arrangement with National Westminster Bank PLC whereby the accounts of Pearson plc and 21 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 1994 was an overdraft of £1,767,665.

The maximum amount of this guarantee is limited to a gross overdraft of £66,800,000.

At 31 December 1994 the company had an overdraft of £93,000 under this arrangement, limiting its potential liability at that date to £66,707,000.

As at 31 December 1994 the potential liability arising from these guarantee arrangements amounted to £66,707,000 for the parent undertakings and fellow subsidiary undertakings of the company.

21. DEBENTURE STOCKS OF PEARSON PLC

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

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 1st January 1994, can be found in the Report and Accounts of Pearson plc for the year ended 31st December 1994. 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 1st January 1994 is being apportioned over the expected services lives of the group's employees who are members of the scheme. The Company's pension cost, net of surplus is £3,000 (1993 - £345,000) (Note 16). The Company has no post-retirement benefit commitments (1993 - £nil).