

**ADDISON WESLEY LONGMAN LIMITED**  
**FINANCIAL STATEMENTS - 31st DECEMBER 1997**  
**TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS**



Registered No: 872828

**ADDISON WESLEY LONGMAN LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31st DECEMBER 1997**

The Directors present their annual report on the affairs of the Company together with the financial statements for the year ended 31st December 1997.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The principal activity of the Company continues to be the publishing of Education, Reference, Scientific and Children's Materials in a variety of media, focused on the key customer group of educators and consumers.

The company did not achieve either sales or profit growth over the 1996 results principally because of tougher trading conditions. On the whole, the export markets for English Language Teaching materials remained strong although the strength of sterling and economic problems in Asia did serve to dampen performance. Combined with a downturn in Higher Education and continued weakness in the UK Schools market, this made for a difficult trading year.

**DIVIDENDS**

A dividend of £5,669,000 (1996 £3,056,000) was declared and paid during the year.

**MARKET VALUATION OF LAND AND BUILDINGS**

It is estimated that the market value of the Company's properties at 31st December 1997 is approximately £2,465,000 in excess of book values.

**DIRECTORS**

The Directors who have held office during the year are as follows :

T C Davy	
P Jovanovich	(appointed 1st September 1997)
S Dowling	(appointed 1st September 1997)
J D N Mills	(appointed 10th December 1997)
V M Lockie	(appointed 10th December 1997)
J E Robinson	(resigned 31st December 1997)
J L Jones	(resigned 1st September 1997)
D A Smith	(resigned 10th September 1997)

**DIRECTORS' INTERESTS**

The interests of Directors in Group Companies are disclosed in the accounts of the immediate parent company, Longman Communications Limited.

The Directors in common with other employees of Pearson plc Group Companies, may participate in the Pearson plc Save As You Earn (SAYE) Share 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.

## **DIRECTORS' REPORT (continued)**

### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the year the Company made various charitable contributions totalling £10,250 (1996 - £1,692). The company did not make any political contributions during the year (1996 - £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.

Regular meetings are held with staff to keep them fully informed of the Company's progress and future plans. Management also places great importance on timely and informative communication of changes occurring within the company.

All employees, after a specified period of service, are eligible to participate in the Pearson plc Save As You Earn Share Option Scheme. All employees will be eligible in 1998 to either an individual bonus linked to company performance or to a profit share bonus linked to the performance of Pearson Plc (the company's ultimate parent company).

### **EMPLOYMENT OF DISABLED PERSONS**

Full consideration is given by the Company to applications for employment made by disabled persons, who have or have had a physical or mental impairment. Due regard will be paid to their particular aptitudes and abilities and all reasonable adjustments will be made to ensure that they are not disadvantaged. This also applies to employees who may become disabled during their employment. Disabled employees are given the same opportunities for training, career development and promotion as other employees, subject to their particular abilities.

### **PAYMENTS TO CREDITORS**

The company's policy on the payment of creditors is, whenever possible, to ensure that suppliers are paid on the due date. Payments to suppliers of products and services are paid on their normal trading terms, unless special terms have been agreed. Creditor days in 1997 were 58 (1996 - 62).

By Order of the Board

**V M LOCKIE**

Director and Company Secretary



Edinburgh Gate  
Harlow  
Essex  
CM20 2JE

1st June 1998

**ADDISON WESLEY LONGMAN 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 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;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ADDISON WESLEY LONGMAN LIMITED**

**AUDITORS REPORT TO THE MEMBERS OF ADDISON WESLEY LONGMAN LIMITED**

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 and 8.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page three 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 disclosure 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 31st December 1997 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Price Waterhouse  
Chartered Accountants and Registered Auditors  
London**

**1st June 1998**

**ADDISON WESLEY LONGMAN LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31st DECEMBER 1997**

	<u>Notes</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Turnover	2	76,412	81,733
Cost of sales		(40,130)	(42,074)
Gross Profit		----- 36,282	----- 39,659
Other operating expenses (net)	3	(28,351)	(24,666)
Operating profit		7,931	14,993
Exceptional items	4		
- Profit (Loss) on disposal of fixed assets		140	(821)
Profit on ordinary activities before interest and tax		----- 8,071	----- 14,172
Interest receivable and similar income	5	334	89
Interest payable and similar charges	6	(1,285)	(1,063)
Profit on ordinary activities before tax	7	7,120	13,198
Tax on profit on ordinary activities	10	(3,032)	(5,180)
Profit on ordinary activities after tax	18	4,088	8,018
Dividend paid	18	(5,669)	(3,056)
Retained profit/(loss) for the year	18	----- (1,581)	----- 4,962

All results relate to continuing operations. The Company has no recognised gains and losses other than those included in the results 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 notes on pages 7 to 17 form an integral part of these accounts.

**ADDISON WESLEY LONGMAN LIMITED**

**BALANCE SHEET - 31st DECEMBER 1997**

	<u>Notes</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
<b>FIXED ASSETS</b>			
Intangible assets	11	11,253	12,653
Tangible assets	12	12,994	14,177
Investments	13	353	353
		-----	-----
		24,600	27,183
		-----	-----
<b>CURRENT ASSETS</b>			
Stocks	14	28,279	28,786
Debtors	15	58,886	61,123
Cash at bank and in hand		5,508	3,147
		-----	-----
		92,673	93,056
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	16	(56,549)	(59,014)
		-----	-----
<b>NET CURRENT ASSETS</b>		36,124	34,042
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		60,724	61,225
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Pension provision	17	-	(433)
Reorganisation provision	17	(1,162)	-
UK deferred taxation	24	(1,105)	(754)
		-----	-----
<b>NET ASSETS</b>		58,457	60,038
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	37,500	37,500
Share premium account	18	1,014	1,014
Other reserves	18	438	453
Profit and loss account	18	19,505	21,071
		-----	-----
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	58,457	60,038
		=====	=====

Signed on behalf of the Board on 1st June 1998



J D N Mills - Director

The notes on pages 7 to 17 form an integral part of these accounts.

**ADDISON WESLEY LONGMAN LIMITED**

**NOTES ON THE ACCOUNTS - 31st DECEMBER 1997**

**1. PRINCIPAL ACCOUNTING POLICIES**

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

**(a) Basis of Accounting**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of usual fixed assets. 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 Community (Note 26), 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 Standard ("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 Community (Note 26). 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 11). 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 12) 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, not likely that the timing differences will 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 24.

**(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.



# 1. PRINCIPAL ACCOUNTING POLICIES (continued)

## (g) Turnover

Turnover represents the amount receivable 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 19.

## (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 for permanent diminution in value (Note 13).

# 2. GEOGRAPHICAL ANALYSIS OF TURNOVER

	1997 £000	1996 £000
Turnover by Destination:		
UK	24,416	25,014
North America	3,162	7,640
Central and South America	9,621	9,687
Europe	23,161	24,155
Africa and Middle East	8,505	7,234
Asia	6,810	7,178
Australasia	737	825
	<u>76,412</u>	<u>81,733</u>

All turnover derives from Educational Publishing.

All turnover arises by origin in the UK.

# 3. OTHER OPERATING EXPENSES (NET)

	1997 £000	1996 £000
Distribution Costs	2,820	3,220
Administration, Marketing and Other Expenses	29,124	25,602
	<u>31,944</u>	<u>28,822</u>
Other Operating Income	(3,593)	(4,156)
	<u>28,351</u>	<u>24,666</u>

Included within Administration costs is £2,063,000 (1996 £Nil) in relation to a restructuring of the Addison Wesley Longman International business. Included within other operating income is £26,553 for Inter Group licence fees (1996 - £43,262).

#### 4. EXCEPTIONAL ITEMS

During the year it was established that a provision created in 1996 in relation to old office premises, no longer in use, was higher than necessary and consequently a write back of £140,000 was made (1996 £821,000 exceptional charge).

5. INTEREST RECEIVABLE AND SIMILAR INCOME	1997 £000	1996 £000
On deposit and liquid funds	140	89
On refund of Corporation Tax	194	-
	-----	-----
	334	89
	=====	=====

#### 6. INTEREST PAYABLE AND SIMILAR CHARGES

Other borrowings repayable wholly within five years not by instalment:	1997 £000	1996 £000
Bank loans and overdraft	1,285	1,062
All other loans	-	1
	-----	-----
	1,285	1,063
	=====	=====

#### 7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is arrived at after charging:	1997 £000	1996 £000
Amortisation of goodwill	1,499	1,482
Depreciation of tangible fixed assets	1,936	1,961
Auditors' remuneration:		
- audit services	59	57
- non-audit services	77	73
Operating lease rentals:		
- land and buildings	1,419	1,364
- hire of plant and machinery	172	158
	=====	=====

#### 8. EMOLUMENTS OF DIRECTORS

	1997 £000	1996 £000
Emoluments	282	235
Compensation for Loss of Office	171	-
	-----	-----
	453	235
	=====	=====

The emoluments of the highest paid director were £164,000 (1996 £120,000) and the amount of his accrued pension as at 31st December 1997 was £13,000.

As at the 31st December 1997 three of the directors were accruing pension benefits under a defined benefit scheme and one was also accruing benefits in a money purchase scheme.

## 9. EMPLOYEES

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

	<b>1997</b> <b><u>Number</u></b>	<b>1996</b> <b><u>Number</u></b>
Publishing	237	244
Distribution	85	89
Selling and administration	496	489
	-----	-----
	818	822
	=====	=====
	<b>1997</b> <b><u>£000</u></b>	<b>1997</b> <b><u>£000</u></b>
Wages and salaries	15,877	16,705
Social security costs	1,303	1,335
	-----	-----
	17,180	18,040
	=====	=====

## 10. TAXATION

	<b>1997</b> <b><u>£000</u></b>	<b>1996</b> <b><u>£000</u></b>
Taxation on profit on ordinary activities:		
UK Corporation tax on profits for the year at 31.5% (1996 - 33%)	(2,700)	(4,950)
Double taxation relief	183	148
	-----	-----
UK deferred taxation	(2,517)	(4,802)
	(325)	(356)
Overseas taxation	(183)	(148)
	-----	-----
	(3,025)	(5,306)
Taxation adjustments relating to previous year:		
Corporation tax	19	524
UK deferred taxation	(26)	(398)
	-----	-----
	(3,032)	(5,180)
	=====	=====

# 11. INTANGIBLE FIXED ASSETS

Goodwill:	<b>1997</b>	<b>1996</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
<b>Cost:</b>		
At 1st January 1997	15,065	15,015
Additions (see below)	99	50
	-----	-----
At 31st December 1997	15,164	15,065
	-----	-----
<b>Amortisation:</b>		
At 1st January 1997	2,412	930
Charge for the year	1,499	1,482
	-----	-----
At 31st December 1997	3,911	2,412
	-----	-----
Net book amount:		
At 31st December 1997	11,253	12,653
	=====	=====
At 31st December 1996	12,653	14,085
	=====	=====

Additions in the year comprise goodwill arising on the further acquisition of publication rights of GoGo product from Longman Asia Ltd as follows :

	<b>1997</b>	<b>1996</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
Stocks	-	537
	-----	-----
Net assets acquired at book and fair value	-	537
Consideration (including Acquisition Costs)	99	587
	-----	-----
Goodwill	99	50
	=====	=====

## 12. TANGIBLE FIXED ASSETS

	Properties £000	Plant & Motor Vehicles £000	Fixture & Fittings £000	Assets Under Construction £000	Total £000
Cost or Valuation:					
At 1st January 1997	4,427	5,819	12,463	1,010	23,719
Reclassification	(12)	852	(550)	(290)	-
Additions	149	524	786	(140)	1,319
Disposals	(394)	(450)	(140)	-	(984)
	-----	-----	-----	-----	-----
At 31st December 1997	4,170	6,745	12,559	580	24,054
	-----	-----	-----	-----	-----
At Directors' valuations 1976	1,082	-	-	-	1,082
At cost	3,088	6,745	12,559	580	22,972
	-----	-----	-----	-----	-----
	4,170	6,745	12,559	580	24,054
	-----	-----	-----	-----	-----
Depreciation:					
At 1st January 1997	635	3,271	5,636	-	9,542
Charge for the year	62	591	1,283	-	1,936
Disposals	(61)	(279)	(78)	-	(418)
Reclassification	-	141	(141)	-	-
	-----	-----	-----	-----	-----
At 31st December 1997	636	3,724	6,700	-	11,060
	-----	-----	-----	-----	-----
Net book values:					
At 31st December 1997	3,534	3,021	5,859	580	12,994
	=====	=====	=====	=====	=====
At 31st December 1996	3,792	2,548	6,827	1,010	14,177
	=====	=====	=====	=====	=====
The net book value of the properties comprises:		1997 £000	1996 £000		
Freehold		3,488	3,402		
Long leasehold		46	47		
Short leasehold		-	343		
		-----	-----		
		3,534	3,792		
		=====	=====		

The historical cost net book value of the Freehold properties was £3,050,000 (1996 £2,949,000)

### 13. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings £000	Other Investments £000	Total £000
<b>Cost:</b>			
At beginning of year	353	13	366
	----	---	----
At end of year	353	13	366
	----	---	----
<b>Provision:</b>			
At beginning and end of year	-	(13)	(13)
	----	----	----
<b>Net Book Amount :</b>			
At beginning and end of year	353	-	353
	----	----	----

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. The company did not trade in 1997. Its profit for the year to 31st December 1997 was £NIL (1996 - NIL), and the aggregate of its capital and reserves at 31st December 1997 was £1,207,000 (1996 - £1,207,000).

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

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.

### 14. STOCKS

	1997 £000	1996 £000
Raw materials and consumable	50	122
Work in progress	16,122	14,705
Finished goods and goods for sale	12,107	13,959
	-----	-----
	28,279	28,786
	=====	=====

The replacement costs of these stocks is estimated as being approximately £483,000 greater than the amounts stated above.

<b>15. DEBTORS</b>	<b>1997</b>	<b>1996</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
Amounts falling due within one year:		
Trade debtors	18,306	19,213
Due from immediate parent company	1,330	814
Due from fellow subsidiary undertakings	12,240	15,519
Loans to fellow subsidiary undertakings	20,397	20,397
Due from associated undertakings	1,670	1,002
Other debtors	1,753	1,336
Prepayments	1,709	1,499
	-----	-----
	57,405	59,780
	-----	-----
Amounts falling due after more than one year:		
Other debtors	1,481	1,343
	-----	-----
	58,886	61,123
	=====	=====
<b>16. CREDITORS</b>	<b>1997</b>	<b>1996</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
Amounts falling due within one year:		
Bank overdraft	19,904	17,291
Trade creditors	6,703	6,879
Due to fellow subsidiary undertakings	2,496	3,440
Loan from fellow subsidiary undertaking	17,966	17,966
Other creditors	296	1,083
Corporation tax	4,501	6,227
Other taxation and social security payable	410	452
Accruals and deferred income	4,273	5,676
	-----	-----
	56,549	59,014
	=====	=====
<b>17. PROVISIONS FOR LIABILITIES AND CHARGES</b>		
<b>Pension Provision</b>	<b>1997</b>	<b>1996</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
At 1st January 1997	433	433
Released in year	(433)	-
	-----	-----
At 31st December 1997	-	433
	=====	=====
<b>Reorganisation Provision</b>	<b>1997</b>	<b>1996</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
At 1st January 1997	-	-
Charged in year	2,063	-
Utilitised in year	(901)	-
	-----	-----
At 31st December 1997	1,162	-
	=====	=====

Provision has been made in respect of certain pension arrangements (Note 23).

## 18. EQUITY SHAREHOLDERS' FUNDS

(a) <b>Called Up Share Capital</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Authorised, called up and fully paid 37,500,000 (1996 - 37,500,000) ordinary shares of £1 each	37,500	37,500

### (b) Movement in Shareholders' Funds

	<b>Called Up Share Capital £000</b>	<b>Share Premium Account £000</b>	<b>Revaluation Reserve £000</b>	<b>Profit and Loss Account £000</b>	<b>Total £000</b>
At 1st January 1997	37,500	1,014	453	21,071	60,038
Profit for the financial year	-	-	-	4,088	4,088
Dividend paid	-	-	-	(5,669)	(5,669)
Transfers between reserves	-	-	(15)	15	-
At 31st December 1997	37,500	1,014	438	19,505	58,457

(c) <b>Reconciliation of Movements in Shareholders' Funds</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Profit for the financial year	4,088	8,018
Dividends paid	(5,669)	(3,056)
Retained (loss)/Profit for the year	(1,581)	4,962
Net (reduction)/increase in shareholders' funds	(1,581)	4,962
Shareholders' funds at 1st January	60,038	55,076
Shareholders' funds at 31st December	58,457	60,038

## 19. OPERATING LEASES

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

	<b>Land and Buildings</b>		<b>Plant and Machinery</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
One year	-	22	-	-
One to two years	-	-	30	30
Two to five years	-	-	142	125
Over five years	1,380	1,381	-	-
	1,380	1,403	172	155

## 20. CAPITAL COMMITMENTS

Commitments for capital expenditure at 31st December 1997 amounted to NIL (1996 - £nil).



## **21. CONTINGENT LIABILITIES**

Bank and other guarantees and indemnities at 31st December 1997 amounted £2,344,000 (1996 £2,036,000) in respect of third parties and the Company has also given a guarantee in respect of bank overdrafts of certain subsidiaries totalling £4,945,000 (1996 - £5,571,000).

The company participates in an arrangement with National Westminster Bank PLC whereby the accounts of Pearson plc and twenty two 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 an overdraft of £210,226.

The maximum amount of this guarantee is limited to a gross overdraft of £130,000,000.

At 31 December 1997 the company had an overdraft of £18,583,875 under this arrangement, limiting its potential liability at that date to £111,416,125.

As at 31 December 1997 the potential liability arising from these guarantee arrangements amounted to £111,416,125 for the parent undertakings and fellow subsidiary undertakings of the company.

As part of the consolidation of the UK cash management arrangements of the Pearson group of companies, during the year the company opened a bank account at Midland Bank and became a party of the group cross guarantee covering overdrafts there. It is expected that during 1998 the company's account at National Westminster Bank will be closed and the company will be released from its obligations under the group cross guarantee covering overdrafts there.

## **22. 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 (1996- £25,500,000) guaranteed unsecured loan stock of Pearson plc.

## **23. 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 1st January 1996, can be found in the Report and Accounts of Pearson plc (the Company's ultimate parent Company). 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 1996 is being apportioned over the expected service lives of the group's employees who are members of the scheme. The Company's pension credit, arising from this surplus is £433,000 (1996 - £nil). Details of pension provisions are given in note 17.

24. DEFERRED TAXATION	Provided	Provided	Full Potential Liability	Full Potential Liability
	1997	1996	1997	1996
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Deferred taxation provided and not provided in the accounts:				
Capital allowances in excess of depreciation	(626)	(485)	(626)	(485)
Short-term timing differences	-	-	-	-
Pension provision timing differences	-	143	-	143
Reorganisation Provision	157	198	157	198
Authors Advances	(636)	(610)	(636)	(610)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31st December 1997	<u>(1,105)</u>	<u>(754)</u>	<u>(1,105)</u>	<u>(754)</u>

In accordance with the accounting policy set out in Note 1(e), the above total potential liability has been provided in full.

## 25. ULTIMATE PARENT COMPANY

The Company's immediate parent company is Longman Communications Limited, a company incorporated in Great Britain.

The Company's ultimate parent company is Pearson plc, a company incorporated in Great Britain, and registered in England and Wales. Copies of the Reports and Financial Statements of Pearson plc are available to the public from the following address:

Pearson plc  
3 Burlington Gardens  
London  
W1X 1LE

Details of transactions with group undertakings have not been given. These are included in the consolidated financial statements of Pearson Plc which are publicly available.