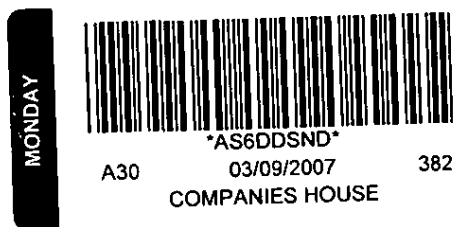


# **The Financial Times International Publishing Limited**

(Registered Number: 3710297)

## **Directors' Report And Financial Statements For The Year Ended 31 December 2006**



# **The Financial Times International Publishing Limited**

## **Directors' Report And Financial Statements For The Year Ended 31 December 2006**

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# **The Financial Times International Publishing Limited**

## **Directors' Report**

The Directors present their report and the audited financial statements for the year ended 31 December 2006

### **Principal Activities And Business Review**

The Company is a limited partner in Financial Times Deutschland GmbH & Co KG ("FTD") registered in Germany. FTD's business during the year was the publication of a German language newspaper, Financial Times Deutschland, and related website, ftd.de. The Directors do not anticipate any significant change in the Company's activities in the foreseeable future.

### **Results And Dividends**

The loss for the period after taxation was €3,312,000 (loss in 2005: €7,645,000). The Directors do not recommend the payment of a final dividend in respect of the period ended 31 December 2006 (2005: Nil) leaving accumulated losses carried forward of €92,609,000 (2005: €89,297,000).

### **Directors**

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

|            |                          |
|------------|--------------------------|
| OH Fleurot | (Resigned 12 June 2006)  |
| K Koch     |                          |
| R Fairhead | (Appointed 12 June 2006) |

### **Statement of Directors' Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2006 and that applicable Accounting Standards have been followed.

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

# **The Financial Times International Publishing Limited**

## **Directors' Report** (Continued)

### **Directors' Insurance**

During the year to 31 December 2006 the Company maintained insurance covering officers of the Company against liabilities arising in relation to the Company in accordance with section 310(3)(a) of the Companies Act 1985

### **Statement of Disclosure of Information to Auditors**

In the case of each of the persons who are Directors at the time of approval of this report

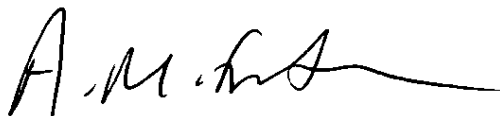
- a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### **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 dispensed with

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

- a) By Order of the Board



A Fortescue  
**Secretary**

29 August 2007

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE FINANCIAL TIMES INTERNATIONAL PUBLISHING LIMITED**

We have audited the financial statements of The Financial Times International Publishing Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

*PricewaterhouseCoopers LLP*  
*Chartered Accountants and Registered Auditors*  
*London*

**29 August 2007**

# The Financial Times International Publishing Limited

## Profit And Loss Account For The Year Ended 31 December 2006

|  | Notes | 2006<br>€ '000 | 2005<br>€ '000  |
|--|-------|----------------|-----------------|
| Administrative expenses                            |       |                |                 |
| - Impairment of investment                         | 6     | (5,662)        | (10,746)        |
| - Exchange (loss)/gain                             | 4     | (35)           | 423             |
| Net interest receivable                            | 3     | 162            | 283             |
| <b>Loss On Ordinary Activities Before Taxation</b> | 4     | <b>(5,535)</b> | <b>(10,040)</b> |
| Taxation credit on loss on ordinary activities     | 5     | 2,223          | 2,395           |
| <b>Loss For The Financial Year</b>                 |       | <b>(3,312)</b> | <b>(7,645)</b>  |

The results relate solely to continuing activities

The Company has no recognised gains and 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 loss on ordinary activities before taxation or the retained loss for the period stated above and their historical cost equivalents


The notes on pages 7 to 12 form part of these financial statements

# The Financial Times International Publishing Limited

## Balance Sheet As At 31 December 2006

|  | Notes | 2006<br>€ '000 | 2005<br>€ '000 |
|--|-------|----------------|----------------|
| <b>Fixed Assets</b>                                  |       |                |                |
| Investments  | 6     | -              | -              |
|  |       |                | -              |
| <b>Current Assets</b>                                |       |                |                |
| Debtors  | 7     | 4,572          | 6,110          |
| Cash at bank and in hand                             |       | 2,819          | 7,213          |
|  |       | 7,391          | 13,323         |
| <b>Creditors</b> amounts falling due within one year | 8     | -              | (2,620)        |
| <b>Net Current Assets</b>                            |       | 7,391          | 10,703         |
| <b>Net Assets</b>                                    |       | 7,391          | 10,703         |
| <b>Capital And Reserves</b>                          |       |                |                |
| Called up share capital                              | 9     | 100,000        | 100,000        |
| Profit and loss account                              | 10    | (92,609)       | (89,297)       |
| <b>Equity Shareholders' Funds</b>                    | 11    | 7,391          | 10,703         |

The financial statements on pages 5 to 12 were approved by the Board of Directors on 29 August 2007 and were signed on its behalf by



K Koch  
Director

# **The Financial Times International Publishing Limited**

## **Notes To The Financial Statements For The Year Ended 31 December 2006**

### **1 Accounting Policies**

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

The sole activity of the Company is as that of a limited partner in Financial Times Deutschland GmbH & Co KG ("FTD"). The Directors therefore consider that the functional currency of the Company is Euros and accordingly these financial statements have been prepared on that basis.

The financial statements have been prepared on a going concern basis as the Company has received confirmation from a fellow subsidiary undertaking that it will continue to provide the requisite level of financial support to enable it to continue to meet its liabilities as they fall due, as long as the Company remains a subsidiary undertaking of Pearson plc. This commitment is effective for one year from the date of approval of these financial statements.

#### **Fixed Asset Investment**

The Company's fixed asset investment in the partnership, FTD, is stated at cost less any provisions for impairment. A review for the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. The recoverable amount is assessed as the net present value of expected future cash flows. Impairments thus arising are recorded in the profit and loss account.

#### **Deferred Taxation**

Provision is made in full for deferred tax that arises from timing differences that have originated but not reversed by the balance sheet date on transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted. No deferred tax is provided in respect of any future remittance of earnings of foreign subsidiaries or associates where no commitment has been made to remit such earnings.

#### **Basis of Consolidation**

Consolidated financial statements have not been prepared as the Company is itself a wholly-owned subsidiary undertaking of Pearson plc, a company incorporated in Great Britain and registered in England and Wales which prepares consolidated financial statements.

# The Financial Times International Publishing Limited

## Notes To The Financial Statements For The Year Ended 31 December 2006 (Continued)

### 1 Accounting Policies (Continued)

#### 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 re-translated at the rate of exchange ruling at the balance sheet date. Resultant exchange differences are taken to the profit and loss account. The following Euro exchange rates have been used in the preparation of these financial statements

| Pounds sterling   | 2006 | 2005 |
|---|------|------|
| Average exchange rate (for the period ended 31 December 2006) | 1 46 | 1 46 |
| Closing exchange rate   | 1 48 | 1 46 |

### 2 Directors And Employees

The Company had no employees during the year. None of the Directors received any emoluments from the Company during the year in respect of qualifying services (2005: nil)

### 3 Net Interest Receivable

|                                      | 2006<br>€ '000 | 2005<br>€ '000 |
|--------------------------------------|----------------|----------------|
| Interest receivable on bank balances | 162            | 283            |
|                                      | 162            | 283            |

### 4 Loss On Ordinary Activities Before Taxation

The auditors' remuneration has been borne by a fellow group undertaking

The loss on ordinary activities before taxation includes amounts of €35,000 relating to foreign exchange loss (2005: gain of € 423,000)

# The Financial Times International Publishing Limited

## Notes To The Financial Statements For The Year Ended 31 December 2006 (Continued)

### 5 Taxation On Loss On Ordinary Activities

|  | 2006<br>€ '000 | 2005<br>€ '000 |
|--|----------------|----------------|
| <b>Current Tax</b>                                       |                |                |
| UK Corporation tax credit for the year at 30% (2005 30%) | 1,962          | 2,712          |
| Adjustments in respect of prior years                    | 261            | (317)          |
|  | <b>2,223</b>   | <b>2,395</b>   |

The total tax credit for the year is higher (2005 lower) than the tax credit at the standard rate of corporation tax in the UK (30%) The differences are explained below

|   | 2006<br>€ '000 | 2005<br>€ '000 |
|---|----------------|----------------|
| Loss on ordinary activities before tax                                | 5,535          | 10,040         |
| Loss on ordinary activities multiplied by standard rate in the UK 30% | 1,661          | 3,012          |
| Effects of  |                |                |
| Impairment on investment not deductible for tax purposes              | (1,699)        | (3,224)        |
| Share of German partnership loss                                      | 1,785          | 2,777          |
| Capital allowances in excess of depreciation                          | 260            | 147            |
| Expenses not deductible for tax purposes                              | (45)           | -              |
| Adjustment in respect of previous periods                             | 261            | (317)          |
|   | <b>2,223</b>   | <b>2,395</b>   |
| <b>Current tax credit</b>   | <b>2,223</b>   | <b>2,395</b>   |

No deferred tax asset has been recognised in respect of capital allowances previously disclaimed, carried forward trading losses and other timing differences due to uncertainty over the timing of future profits

# The Financial Times International Publishing Limited

## Notes To The Financial Statements For The Year Ended 31 December 2006 (Continued)

### 6 Fixed Asset Investment

|                            | € '000           |
|----------------------------|------------------|
| <b>Cost</b>                |                  |
| At 31 December 2005        | 123,288          |
| Funding                    | 5,662            |
| <b>At 31 December 2006</b> | <b>128,950</b>   |
| <b>Provision</b>           |                  |
| At 31 December 2005        | (123,288)        |
| Impairment of investment   | (5,662)          |
| <b>At 31 December 2006</b> | <b>(128,950)</b> |
| <b>Net book value</b>      |                  |
| <b>At 31 December 2006</b> | <b>-</b>         |
| At 31 December 2005        | -                |

The above investment represents the Company's 50 percent share in the German registered limited partnership, Financial Times Deutschland GmbH & Co KG ("FTD")

### 7 Debtors

|  | 2006<br>€ '000 | 2005<br>€ '000 |
|--|----------------|----------------|
| <b>Amounts falling due within one year</b> |                |                |
| Intercompany corporation tax debtor        | 4,572          | 6,110          |
|  | <b>4,572</b>   | <b>6,110</b>   |

### 8 Creditors

|  | 2006<br>€ '000 | 2005<br>€ '000 |
|--|----------------|----------------|
| <b>Amounts falling due within one year</b> |                |                |
| Amounts owed to immediate parent company   | -              | 2,620          |
|  | <b>-</b>       | <b>2,620</b>   |

Amounts due to group undertakings are interest free, unsecured and repayable on demand

# The Financial Times International Publishing Limited

## Notes To The Financial Statements For The Year Ended 31 December 2006 (Continued)

### 9 Called Up Share Capital

|   | 2006<br>€'000 | 2005<br>€'000 |
|---|---------------|---------------|
| <b>Authorised</b>                                 |               |               |
| 27,000,000 £1 Ordinary shares (2005 27,000,000)   | 38,961        | 38,961        |
| 100,000,000 €1 Ordinary shares (2005 100,000,000) | 100,000       | 100,000       |
| <b>Issued and Fully Paid</b>                      |               |               |
| 2 £1 Ordinary shares (2005 2)                     | -             | -             |
| 100,000,000 €1 Ordinary shares (2005 100,000,000) | 100,000       | 100,000       |

### 10 Profit And Loss Account

|                                      | €'000    |
|--------------------------------------|----------|
| At 1 January 2006                    | (89,297) |
| Retained loss for the financial year | (3,312)  |
| At 31 December 2006                  | (92,609) |

### 11 Reconciliation Of Movements In Equity Shareholders' Funds

|   | € '000  |
|---|---------|
| Retained loss for the financial year        | (3,312) |
| Net reduction in equity shareholders' funds | (3,312) |
| Opening equity shareholders' funds          | 10,703  |
| Closing equity shareholders' funds          | 7,391   |

### 12 Capital Commitments

|  | 2006<br>€ '000 | 2005<br>€ '000 |
|--|----------------|----------------|
| Capital investment in FTD that has been contracted for but has not been provided for in the financial statements |                |                |
| - within one year  | 3,285          | 5,662          |

# **The Financial Times International Publishing Limited**

## **Notes To The Financial Statements** **For The Year Ended 31 December 2006** (Continued)

### **13 Cash Flow Statement**

The cash flows of the Company are included in the consolidated cash flow statement of Pearson plc, the ultimate parent company. Consequently, the Company is exempt under the terms of FRS 1 "Cash Flow Statements" from publishing a cash flow statement.

### **14 Related Party Transactions**

The Company is a wholly owned subsidiary of Pearson plc and utilises the exemption contained in FRS 8 "Related Party Disclosures" not to disclose any transactions with entities that are part of the Pearson plc group. The address at which the Pearson plc consolidated financial statements are publicly available is shown in note 15.

### **15 Ultimate Parent Company**

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

The ultimate parent company is Pearson plc, a company incorporated in Great Britain and registered in England and Wales. Pearson plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Pearson plc are available to the public from The Company Secretary, Pearson plc, 80 Strand, London WC2R 0RL.

### **16 Post Balance Sheet Event**

Since 31 December 2006, the Company has provided additional capital funding to Financial Times Deutschland GmbH & Co. KG of € 3,285,000.