

**The Penguin Publishing
Company Limited**

(Registered Number 734421)

Report And Financial Statements

For The Year Ended 31 December 2000



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The Penguin Publishing Company Limited

Report And Financial Statements

For The Year Ended 31 December 2000

Directors	D Wan	(Chairman – appointed 1 February 2000)
	M Lynton	(Resigned 31 January 2000)
	C Power	(Appointed 28 July 2000)
	PJ Field	(Australia)
	SMD Floyer	
	A Forbes Watson	

Secretary	H Peacock
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Registered Office	80 Strand
	London
	WC2R ORL

The Penguin Publishing Company Limited

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The Penguin Publishing Company Limited

Directors' Report

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2000.

Principal Activities And Business Review

The Penguin Publishing Company Limited is the holding company for the Penguin Group.

The principal activity of the company's subsidiaries continues to be the publishing, warehousing and distribution of books.

Euro

This company's transactions are recorded on the systems of its subsidiary undertaking, Penguin Books Limited. Euro reviews have been undertaken on these systems by Penguin Books Limited and details can be found in this company's financial statements.

Results And Dividends

The company received dividends from group undertakings of £9,031,000 (1999 - £7,743,000).

	£'000
Profit on ordinary activities before and after taxation	8,973
Dividend paid	(7,358)
<hr/> Retained profit for the year	<hr/> 1,615

During the year an interim dividend of £7,358,000 was paid (1999: £3,455,000). The directors recommend that no final dividend be paid (1999: nil), and the profit of £1,615,000 (1999: £4,413,000) be transferred to reserves.

Directors

The directors during the year were:

D Wan (Chairman – appointed 1 February 2000)
M Lynton (Resigned 31 January 2000)
C Power (Appointed 28 July 2000)
P J Field
S M D Floyer
A Forbes Watson

The present directors will continue in office pursuant to the Articles of Association.

The Penguin Publishing Company Limited

Directors' Report (Continued)

Directors' Interests

None of the directors had any interests in the shares of the company.

The directors' interests in the shares of the ultimate parent company, Pearson plc, as defined by section 324 of the Companies Act 1985 were as follows:

Pearson plc shares of 25p each							
Options						Shares	
1 January 2000 or date of appointment	Granted	Rights Issue	Exercised or lapsed	31 December 2000	1 January 2000 or date of appointment	31 December 2000	
M Lynton	54,500	-	4,870	-	59,370	6,430	5,869
D Wan	33,760	55,446		-	89,206	2,806	3,143
C Power	7,780	10,087	2,146	-	20,013	425	499
PJ Field	29,052	-	3,485	(2,931)	29,606	1,058	13,106
SMD Floyer	29,700	5,388	4,210	-	39,298	8,058	8,074
A Forbes Watson	51,264	23,157	8,929	-	83,350	367	379

Elective Resolutions

At the 1990 annual general meeting an elective resolution under section 379A of the Companies Act 1985 was passed in respect of dispensing with the following provisions:

- the laying of the annual report and financial statements before the company in general meeting;
- the holding of an annual general meeting; and
- the requirement to reappoint annually the registered auditors of the company in general meeting.

The provisions of this elective resolution will apply for subsequent years until the election is revoked.

Registered Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

The Penguin Publishing Company Limited

Directors' Report (Continued)

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. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 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.

By Order Of The Board



A Forbes Watson
Director

80 Strand
London
WC2R 0RL

15 October 2001

Auditors' report to the members of The Penguin Publishing Company Limited

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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.

**Auditors' report to the members of
The Penguin Publishing Company Limited** (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

15 October 2001

The Penguin Publishing Company Limited

Profit And Loss Account For The Year Ended 31 December 2000

	<i>Notes</i>	2000 £'000	1999 £'000
Administrative expenses		(58)	125
Operating loss		(58)	125
Income from shares in group undertakings		9,031	7,743
Profit on ordinary activities before and after taxation	2	8,973	7,868
Dividends paid		(7,358)	(3,455)
Retained profit for the year		1,615	4,413

The results shown above all arise from continuing operations.

The company has no recognised gains and losses other than those included in the profit and loss account 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 and the profit for the year stated above, and their historical cost equivalents.

The notes on pages 8 to 11 form part of these financial statements

The Penguin Publishing Company Limited

Balance Sheet At 31 December 2000

	<i>Notes</i>	2000 £'000	1999 £'000
Fixed assets			
Investments	5	12,708	12,708
Current assets			
Debtors	6	36,600	34,985
Creditors: amounts falling due within one year	7	(2,374)	(2,374)
Net Current Assets		34,226	32,611
Total assets less current liabilities		46,934	45,319
Capital and reserves			
<i>Called up share capital</i>	8	25,540	25,540
Profit and loss account	9	21,394	19,779
Equity shareholders funds	10	46,934	45,319

The financial statements on pages 6 to 11 were approved by the board of directors on 15 October 2001 and were signed on its behalf by:



A Forbes Watson
Director

The notes on pages 8 to 11 form part of these financial statements.

The Penguin Publishing Company Limited

Notes To The Financial Statements For The Year Ended 31 December 2000

1 Principal Accounting Policies

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

The company is a wholly owned subsidiary of Pearson plc and the cash flows of the company are included in the consolidated group cash flow statement of Pearson plc. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement. The company is also exempt under the terms of Financial Reporting Standard No. 8 from disclosing the related party transactions (but not balances) with entities that are part of the Pearson plc group or investees of the Pearson plc group (see note 11).

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

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention. Group financial statements have not been prepared, as permitted by s228 of the Companies Act 1985, as the company is a wholly owned subsidiary undertaking of another undertaking registered in England and Wales for which group financial statements are prepared.

b) Fixed asset investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

c) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Foreign exchange differences are taken to the profit and loss account as they arise.

d) Investment income

Income from investments is included together with the related tax credit on an accruals basis.

2 Profit On Ordinary Activities Before Taxation

In 2000 and 1999 the registered auditors' remuneration was borne by a subsidiary undertaking, Penguin Books Limited.

3 Employees Including Directors' Emoluments

Staff costs, including directors' emoluments, are borne by subsidiary undertakings, and thus no staff are deemed to be employed.

The Penguin Publishing Company Limited

Notes To The Financial Statements For The Year Ended 31 December 2000 (Continued)

4 Taxation

	2000 £000	1999 £000
UK corporation tax at 30% (1999 : 30.25%)	1,004	879
Double taxation relief	(1,004)	(879)

5 Fixed asset investments

Shares in group undertakings

	£000
Cost at 1 January 2000	12,708
Additions	-
Cost at 31 December 2000	12,708

Interests in Group Undertakings

Name	Country of Incorporation	Activity	Classes of Share	Proportion Held
Penguin Books Limited	England & Wales	Publishing & Distribution	Ordinary	100%
Penguin Books Australia Limited	Australia	Publishing & Distribution	Ordinary	100%
Penguin Books (NZ) Limited	New Zealand	Publishing & Distribution	Ordinary	100%
Bath Road Corporation	United States	Publishing & Distribution	Ordinary	100%
Penguin Books Netherlands BV	The Netherlands	Publishing & Distribution	Ordinary	100%
Penguin Books India Private Limited	India	Publishing & Distribution	Ordinary	55%

In the opinion of the directors, the value of interest in subsidiary undertakings is in excess of the book value included in the balance sheet.

The company and its subsidiary undertakings make up their financial statements to 31 December with the exception of Penguin Books India Private Limited whose financial statements are made up to 31 March to comply with local legislation.

The Penguin Publishing Company Limited

Notes To The Financial Statements For The Year Ended 31 December 2000 (Continued)

6 Debtors

	2000 £000	1999 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	36,600	34,985

7 Creditors

	2000 £000	1999 £000
Amounts falling due within one year:		
Amounts owed to group undertakings	2,350	2,350
Taxation and social security	24	24
	2,374	2,374

8 Called Up Share Capital

	2000 £000	1999 £000
Authorised, allotted, called up and fully paid 25,540,000 ordinary shares of £1 each	25,540	25,540

9 Profit and loss account

	£000
At 1 January 2000	19,779
Profit for the year	1,615
At 31 December 2000	21,394

The Penguin Publishing Company Limited

Notes To The Financial Statements For The Year Ended 31 December 2000 (Continued)

10 Reconciliation Of Movement In Equity Shareholders' Funds

	2000 £000	1999 £000
Profit on ordinary activities after taxation	8,973	7,868
Dividends	(7,358)	(3,455)
Net increase in equity shareholders' funds	1,615	4,413
Opening equity shareholders' funds	45,319	40,906
Closing equity shareholders' funds	46,934	45,319

11 Related Party Transactions

Advantage is taken of the exemption not to disclose related party transactions with members of the group or associates and joint ventures of other group members.

The company's immediate parent undertaking is Longman Penguin Limited and its ultimate parent undertaking is Pearson plc, both companies being registered in England and Wales. Copies of the consolidated financial statements of Pearson plc are available to the public from the following address:

The Secretary
Pearson plc
80 Strand
London
WC2R 0RL