

# **Penguin Books Limited**

**(Registered Number 861590)**

**Report and financial statements  
For the year ended 31 December 2000**



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# **Penguin Books Limited**

## **Report and Financial Statements For the Year ended 31 December 2000**

<b>Directors</b>	D Wan	(Chairman – appointed 1 February 2000)
	J Annan	
	CJ Engle	
	SMD Floyer	
	A Forbes Watson	
	H Fraser	
	M Herridge	
	AS Lacey	
	P Milnes-Smith	
	C Power	
	A Rosenheim	
	S Taylor	
	T Weldon	
	A Welham	
	M Adam	(Resigned 8 June 2000)
	JR Cowser	(Resigned 31 January 2000)
<b>Secretary</b>	N Kirkland	(Resigned 30 September 2000)
	M Lynton	(Resigned 31 January 2000)
<b>Registered Office</b>	H Peacock	
	80 Strand London WC2R ORL	

# **Penguin Books Limited**

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# Penguin Books Limited

## Directors' Report

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

## Principal Activity And Business Review

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

Trading performance was strong in 2000, with growth in sales. The company intends to increase its investment in people and infrastructure for continued future growth.

## Future Developments

The company, together with its subsidiaries, will continue to develop its paperback and hardback publishing business.

## Introduction of the Euro

The company is preparing for the treasury and related administrative issues relating to the introduction of the euro and has carried out a strategic review of the impact of the euro on its competitive environment. A contingency plan has been developed in the event that the UK decides to join the euro-zone. The financial costs to date of preparations for the euro have not been material.

## Results And Dividend

	£'000
Profit on ordinary activities before taxation	9,910
Taxation	(3,611)
Profit on ordinary activities after taxation	6,299
Dividend paid	(7,358)
Retained loss for the year	(1,059)

# **Penguin Books Limited**

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

### **Recommended Dividend**

During the year an interim dividend of £7,358,000 (1999 - £6,000,000) was paid. The directors recommend that no final dividend be paid (1999 - nil), and that the loss of £(£1,059,000) be transferred to reserves (1999 - £4,623,000 transferred to reserves).

### **Fixed Assets**

The market value of the Harmondsworth property in the opinion of the directors is believed to be in excess of the book value.

### **Directors**

The directors during the year were:

M Adam		(Resigned 8 June 2000)
J Annan		
J R Cowser		(Resigned 31 January 2000)
C J Engle		
S M D Floyer		
A Forbes Watson		
H Fraser		
M Herridge		
N C Kirkland		(Resigned 30 September 2000)
A S Lacey		
M Lynton	(Chairman)	(Resigned 31 January 2000)
P Milnes-Smith		
C Power		
A Rosenheim		
S Taylor		
D Wan	(Chairman)	(Appointed 1 February 2000)
T Weldon		
A Welham		

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

### **Directors' Interests**

At 31 December 2000, M Lynton, A Forbes Watson, S Floyer, David Wan and C Power, were also directors of The Penguin Publishing Company Limited, the company's immediate parent undertaking, and are therefore not required to notify this company of their interests in the shares and debentures of group undertakings, on the basis that such interests are disclosed in the accounts of the parent undertaking.

# Penguin Books Limited

## Directors' Report (Continued)

### Directors' Interests (continued)

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 Adam	19,061	-	2,284	-	21,345	3,990	4,851
J Annan	9,336	3,900	1,585	(2,464)	12,357	15	27
J R Cowser	13,738	6,538	-	(7,200)	13,076	960	1,621
C J Engle	30,048	6,128	2,457	(12,000)	26,633	10,233	22,675
H Fraser	29,236	16,078	4,897	-	50,211	2,771	3,128
M Herridge	7,885	8,060	1,972	-	17,917	15	31
N C Kirkland	13,420	8,200	2,594	-	24,214	-	12
AS Lacey	35,491	4,021	3,228	(12,600)	30,140	5,450	9,402
P Milnes-Smith	19,674	6,883	3,186	-	29,743	72	133
A Rosenheim	18,903	10,325	3,505	-	32,733	516	620
S Taylor	6,154	9,105	1,830	-	17,089	-	12
T Weldon	10,136	4,521	1,755	(3,360)	13,052	15	31
A Welham	23,351	10,751	4,092	(9,743)	28,451	15	31

The share option balances at 1 January 2000 have been adjusted to reflect the 3 for 11 rights issue, which took place during 2000.

The number of shares shown represents the maximum number of shares plus, in the case of the incentive plan, accumulated dividend shares, comprised in the original award which may be transferred to the individual concerned.

SMD Floyer, A Forbes Watson, M Lynton, D Wan and C Power, being directors of the parent company, Penguin Publishing Company Limited, are not required to notify their interests to this company. Their interests are disclosed in the financial statements of Penguin Publishing Company Limited.

### Policy On Disabled Persons

It is the company's policy to give full and fair consideration to applications for employment by disabled persons, having regard to their particular experience, aptitudes and abilities and mindful that the willingness and conscientiousness of many disabled persons goes far to counter-balance their disability. It is also the company's policy, where appropriate, to train, to develop the careers of, and to promote disabled employees.

If employees become disabled while they are in the company's employment, it is the company's policy to continue to employ them where practical, or if necessary and feasible, to rehabilitate them to appropriate alternative employment.

# **Penguin Books Limited**

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

### **Employee Involvement**

The company attaches importance to the creation amongst its employees of a sense of involvement in and identification with the objective 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 annual information on the progress and objectives of the company. Regular meetings are held with staff and staff representatives to keep them informed of the company's progress.

All employees after a specified period of service, are eligible to participate in the Pearson plc Save-As-You-Earn stock option scheme.

### **Health And Safety**

Through the medium of a Health & Safety Committee, consisting of senior staff, staff representatives and an independent medical advisor, the company constantly monitors and reviews its operations to ensure the safety of its employees and visiting members of the public and to ensure compliance with statutory requirements.

### **Payment of Creditors**

It is company policy to ensure supplier payments are settled in accordance with the specified terms as agreed with the suppliers.

Trade creditors at the year end represented 50 days of purchases.

### **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.

# Penguin Books Limited

## Directors' Report (Continued)

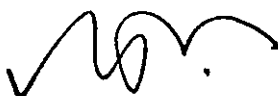
### Statement Of Directors' Responsibilities

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 Penguin Books Limited

We have audited the financial statements on pages 8 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 11.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5, 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  
Penguin Books 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 result 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

# Penguin Books Limited

## Profit And Loss Account For The Year Ended 31 December 2000

	<i>Notes</i>	<b>2000</b> <b>£000</b>	<b>1999</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>106,658</b>	100,019
<b>Cost of sales</b>		<b>(50,280)</b>	(43,947)
<b>Gross profit</b>		<b>56,378</b>	56,072
Distribution costs		(5,774)	(6,275)
Administrative expenses		(46,688)	(45,630)
Other operating income		4,616	5,219
<b>Operating profit</b>	<b>3</b>	<b>8,532</b>	9,386
Income from shares in group undertakings		291	3,733
Other interest receivable and similar income		1,171	1,294
Interest payable and similar charges	<b>4</b>	<b>(84)</b>	(85)
<b>Profit on ordinary activities before taxation</b>		<b>9,910</b>	14,328
Tax on profit on ordinary activities	<b>6</b>	<b>(3,611)</b>	(3,705)
<b>Profit on ordinary activities after taxation</b>		<b>6,299</b>	10,623
Dividends paid		(7,358)	(6,000)
<b>Retained (loss)/profit for the financial year</b>	<b>15</b>	<b>(1,059)</b>	4,623

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 10 to 22 form part of these financial statements.

# Penguin Books Limited

## Balance Sheet At 31 December 2000

	<i>Notes</i>	<b>2000 £000</b>	<b>1999 £000</b>
<b>Fixed assets</b>			
Tangible Assets	7	12,158	12,432
Investments	8	25,031	25,022
		<b>37,189</b>	<b>37,454</b>
<b>Current Assets</b>			
Stocks	9	12,736	10,231
Debtors	10	45,634	47,622
Cash at bank and in hand		24,416	25,371
		<b>82,786</b>	<b>83,224</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(75,785)</b>	<b>(75,620)</b>
<b>Net current assets</b>		<b>7,001</b>	<b>7,604</b>
<b>Total assets less current liabilities</b>		<b>44,190</b>	<b>45,058</b>
<b>Creditors: amounts falling due after one year</b>	11	<b>(633)</b>	<b>(633)</b>
<b>Provision for liabilities and charges</b>	12	<b>(3,820)</b>	<b>(3,629)</b>
		<b>39,737</b>	<b>40,796</b>
<b>Capital and reserves</b>			
Called up share capital	14	10,300	10,300
Share premium account	15	1,139	1,139
Profit and loss account	15	28,298	29,357
<b>Equity shareholders funds</b>	16	<b>39,737</b>	<b>40,796</b>

The financial statements on pages 8 to 22 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 10 to 22 form part of these financial statements.

# Penguin Books 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 19).

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.

#### b) Turnover

Turnover represents the value of publications supplied net of discounts, returns, and sales taxes where appropriate.

#### c) Tangible Fixed Assets

Tangible fixed assets are stated at cost and are depreciated over their estimated economic lives by equal annual instalments.

The rates of depreciation used are:

Freehold buildings	2%
Leasehold property	over the period of the lease
Plant and machinery	10 - 33.3%
Fixtures and fittings	10 - 25%
Motor vehicles	25%

#### d) Fixed Asset Investments

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

#### e) Stocks

Finished goods, work-in-progress and materials have been valued at the lower of cost and net realisable value. Cost comprises direct costs including related production overheads which, in the case of first impressions of books, includes initial publishing expenditure.

# Penguin Books Limited

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

### 1 Principal Accounting Policies (Continued)

#### f) Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions. Deferred tax assets are recognised to the extent that amounts are recoverable.

#### g) Foreign Currencies

Transactions are translated at the rate of exchange applicable at the transaction date or, if hedged forward, at the contracted rate. 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.

#### h) Pension Costs

The expected cost of the pension scheme (see note 18) 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 from regular cost are apportioned over the expected average remaining service lives of current employees in the scheme.

#### i) Operating Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

### 2 Turnover

The turnover is attributable to the one principal activity of the company and represents amounts invoiced to customers excluding value added tax, in respect of goods and services supplied from United Kingdom manufacturing plants. The analysis of turnover by destination is as follows:

	2000 £000	1999 £000
United Kingdom	78,427	72,493
Europe	6,301	7,330
Africa	1,083	1,242
North and South America	11,495	10,616
Asia	3,117	3,105
Australasia	6,235	5,233
	<hr/> 106,658	<hr/> 100,019

## Penguin Books Limited

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

#### 3 Operating Profit

	2000 £000	1999 £000
<b>Operating profit is stated after charging:</b>		
Depreciation of tangible fixed assets	1,782	1,570
Auditors' Remuneration:		
Audit services	47	80
Non-audit services	358	169
Hire of plant and machinery – operating leases	43	58
Hire of other assets - operating leases	4,047	3,717
Foreign exchange gain	(302)	(308)

Registered auditors' remuneration is in respect of Penguin Books Limited, the immediate parent undertaking and certain subsidiary undertakings.

#### 4 Interest Payable & Similar Charges

	2000 £000	1999 £000
On loans	84	85

# Penguin Books Limited

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

### 5 Employees Including Directors

Costs of employees (including directors) were:

	2000 £000	1999 £000
Wages and salaries	19,962	18,402
Social security costs	1,745	1,574
Other pension costs (see note 18)	-	842
	<b>21,707</b>	<b>20,818</b>

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

	2000	1999
Administrative	551	557
Distribution	178	209
	<b>729</b>	<b>766</b>

Staff costs include remuneration to directors of Michael Joseph Limited who are not remunerated as directors of Penguin Books Limited. Their remuneration is disclosed in the accounts of this company.

Staff costs also include the following remuneration to directors of the company in respect of their services to the company:

	2000 £000	1999 £000
Directors' emoluments (including benefits in kind)	2,144	2,107
Company contributions to money purchase pension schemes	-	69
Compensation for loss of office	206	136
	<b>2,350</b>	<b>2,312</b>

Retirement benefits are accruing to 15 (1999: 17) directors under a defined benefit scheme and 2 (1999: 3) directors under a money purchase scheme.

The number of directors who exercised options during the year was 7 (1999: 5).

All directors participate in a long term incentive scheme, whereby shares are receivable in the ultimate parent undertaking if certain performance conditions are met.



# Penguin Books Limited

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

### 5 Employees Including Directors (Continued)

The directors remuneration disclosed above (excluding pension contributions) included amounts paid to the highest paid director as follows:

	2000 £000	1999 £000
Directors' emoluments (including benefits in kind)	385	340
Company contributions to a money purchase pension scheme	-	58
	<b>385</b>	<b>398</b>

Defined benefit pension scheme:

Accrued pension at end of year	21	19
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The highest paid director exercised options during the year and participated in a long term incentive scheme, whereby shares are receivable in the ultimate parent undertaking if certain performance conditions are met.

### 6 Tax On Profit On Ordinary Activities

	2000 £000	1999 £000
UK Corporation tax at 30% (1999: 30.25%) on the profit for the year:		
Current	4,020	4,112
Deferred	(297)	(467)
Overseas taxation	75	123
Double taxation relief	(75)	(123)
	<b>3,723</b>	<b>3,645</b>

Prior years adjustments in respect of under/(over) provisions:

Current	260	-
Deferred	(372)	60
	<b>3,611</b>	<b>3,705</b>

The effective tax rate is 36.4% (1999: 25.9%) compared to the statutory tax rate of 30% (1999: 30.25%). The effective tax rate benefited from dividend income received from other group companies which is not subject to tax.

# Penguin Books Limited

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

### 7 Tangible Fixed Assets

	Freehold Land £'000	Freehold buildings £'000	Short leasehold property £'000	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>							
At 1 January 2000	6,564	1,955	896	10,141	2,098	303	21,957
Additions	-	-	-	1,695	9	-	1,704
Disposals	-	-	-	(255)	-	(43)	(298)
<b>At 31 December 2000</b>	<b>6,564</b>	<b>1,955</b>	<b>896</b>	<b>11,581</b>	<b>2,107</b>	<b>260</b>	<b>23,363</b>
<b>Depreciation</b>							
At 1 January 2000	-	307	826	7,026	1,065	301	9,525
Charge for the year	-	60	65	1,441	217	1	1,784
Disposals	-	-	-	(62)	-	(42)	(104)
<b>At 31 December 2000</b>	<b>-</b>	<b>367</b>	<b>891</b>	<b>8,405</b>	<b>1,282</b>	<b>260</b>	<b>11,205</b>
<b>Net Book Value</b>							
<b>At 31 December 2000</b>	<b>6,564</b>	<b>1,588</b>	<b>5</b>	<b>3,176</b>	<b>825</b>	<b>0</b>	<b>12,158</b>
At 31 December 1999	6,564	1,648	70	3,115	1,033	2	12,432

# Penguin Books Limited

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

### 8 Fixed Asset Investments

	Total £000
Shares in group undertakings:	
<b>Cost</b>	
At 1 January 2000	30,716
Investment in Le Mair	9
<b>At 31 December 2000</b>	<b>30,725</b>
<b>Provisions for diminution in value</b>	
At 1 January 2000 and 31 December 2000	5,694
<b>Net Book Values</b>	
At 31 December 2000	<b>25,031</b>
At 31 December 1999	25,022

Name	Country of Incorporation	Activity	Class of share	Proportion held
Penguin Warehousing and Distribution Ltd	England & Wales	Dormant	Ordinary	100%
Allen Lane The Penguin Press Ltd	England & Wales	Publishing & Distribution	Ordinary	100%
Penguin Overseas Ltd	England & Wales	Dormant	Ordinary	100%
Frederick Warne & Co Ltd; owning	England & Wales	Publishing & Distribution	Ordinary	100%
Frederick Warne (Publishers) Ltd	England & Wales	Dormant	Ordinary	100%
Michael Joseph Ltd	England & Wales	Publishing & Distribution	Ordinary	100%
Pelham Books Ltd	England & Wales	Dormant	Ordinary	100%
Hamish Hamilton Ltd	England & Wales	Publishing & Distribution	Ordinary	100%
Hamish Hamilton Children's Books Ltd	England & Wales	Dormant	Ordinary	100%
Elm Tree Books Ltd	England & Wales	Dormant	Ordinary	100%
The Rainbird Publishing Group Ltd	England & Wales	Dormant	Ordinary	100%
George Rainbird Ltd	England & Wales	Dormant	Ordinary	100%
Godfrey Cave Holdings Ltd	England & Wales	Dormant	Ordinary	100%
Omega Books Ltd	England & Wales	Dormant	Ordinary	100%
Bloomsbury Books Ltd	England & Wales	Dormant	Ordinary	100%
Godfrey Cave Associates Ltd	England & Wales	Dormant	Ordinary	100%
Penguin France SA	France	Publishing & Distribution	Ordinary	100%
Penguin Italia Srl	Italy	Publishing & Distribution	Ordinary	95%
Penguin Books Deutschland GmbH	Germany	Publishing & Distribution	Ordinary	100%
Penguin Books India	England & Wales	Publishing & Distribution	Ordinary	55%
Penguin Books SA (Spain)	Spain	Publishing & Distribution	Ordinary	96%
Penguin Hellas Ltd	Greece	Publishing & Distribution	Ordinary	94%
Penguin South Africa	England & Wales	Publishing & Distribution	Ordinary	100%

# Penguin Books Limited

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

### 8 Fixed Asset Investments (Continued)

Name	Country of incorporation	Activity	Class of share	Proportion held
Rough Guides Ltd	England & Wales	Publishing & Distribution	Ordinary	51%
Ventura Publishing Ltd; owning	England & Wales	Merchandising	Ordinary	100%
Salspot Ltd	England & Wales	Publishing & Distribution	Ordinary	100%
Penguin Books Japan Ltd	Japan	Publishing & Distribution	Ordinary	99.5%
Ladybird Books Ltd; owning	England & Wales	Publishing & Distribution	Ordinary	100%
Ladybird Direct Ltd	England & Wales	Dormant	Ordinary	100%

In the opinion of the directors, the value of interests in subsidiary undertakings is not less than the book value included in the balance sheet.

All of the subsidiary undertakings, with the exception of Penguin Overseas Limited whose accounts are made up to 31 March, make up their financial statements to 31 December. As Penguin Overseas Limited is not trading the directors do not consider that it needs to make up accounts to 31 December 2000.

### 9 Stocks

	2000 £000	1999 £000
Stocks comprise:		
Raw materials and consumables	317	446
Work in progress	2,405	2,449
Finished goods and goods for resale	10,014	7,336
	<hr/> 12,736	<hr/> 10,231

# Penguin Books Limited

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

### 10 Debtors

	2000 £000	1999 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	18,621	21,174
Amounts owed by group undertakings	16,982	17,556
Other debtors	6,089	5,192
Prepayments and accrued income	1,708	2,135
Deferred tax (see note 13)	2,234	1,565
	<b>45,634</b>	<b>47,622</b>

### 11 Creditors

	2000 £000	1999 £000
<b>Amounts falling due within one year:</b>		
Trade creditors	13,019	16,270
Amounts owed to group undertakings	53,187	45,840
Taxation and Social Security	1,156	950
Other Creditors	6,550	7,876
Accruals and deferred income	1,031	3,842
Pension Accrual	842	842
	<b>75,785</b>	<b>75,620</b>

	2000 £000	1999 £000
<b>Amounts falling due after one year:</b>		
Amounts owed to group undertakings	633	633

Amounts owed to group undertakings falling due after one year represent equity loans which were provided by a Pearson Group Company. The loan is unsecured, interest free and open ended.

# Penguin Books Limited

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

### 12 Provision For Liabilities And Charges

	Redundancy Provision £000	Rental Gap Provision £000	Dilapidations Provision £000	Total £000
As at 1 January 2000	158	1,261	2,210	3,629
Charged/(credited) to the profit and loss account	308	-	800	1,108
Utilised during the year	(466)	(451)	-	(917)
<b>As at 31 December 2000</b>	<b>-</b>	<b>810</b>	<b>3,010</b>	<b>3,820</b>

#### Redundancy Provision

A process improvement programme was announced by the Company in 1999. The implementation of the programme identified some redundancies. The redundancies have been paid during the year.

#### Rental Gap Provision

The Company has an operating lease commitment on a property that it no longer occupies. The provision represents the Company's future obligations under the lease agreement less sub lease rentals received on the property. The lease will expire in 2003, with the provision being utilised evenly until the expiration of the lease. The future amounts to be utilised are dependent upon the net rent charges paid each year until expiration of the lease.

#### Dilapidation Provision

The Company has obligations under three property lease agreements to perform necessary repairs and maintenance in order to bring the properties to the condition as required under the agreements. The costs will be incurred before the expiration of the lease agreements. Specifically, it is estimated that £260,000 will be incurred before December 2002, £250,000 will be incurred before December 2003 and the remaining balance will be incurred before December 2010. The expected future payments are based on estimates provided by external property consultants.

# Penguin Books Limited

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

### 13 Deferred Taxation

The deferred taxation provided and the total potential liability were as follows:

	Amount provided		Total potential liability	
	2000	1999	2000	1999
	£000	£000	£000	£000
Excess of tax allowances over depreciation	31	286	31	286
Potential capital gain on transfer of assets	26	26	1314	1,325
Items which will qualify for relief in future years	(2,320)	(1,906)	(2,320)	(1,906)
Other short term timing differences	29	29	29	29
<b>Net deferred tax asset</b>	<b>(2,234)</b>	<b>(1,565)</b>	<b>(946)</b>	<b>(266)</b>

The movement in the asset during the year was as follows:

	£000
At 1 January 2000	1,565
Debited to the profit and loss account	669
<b>At 31 December 2000</b>	<b>2,234</b>

### 14 Called Up Share Capital

	2000	1999
	£000	£000
Authorised, allotted, called up and fully paid 10,300,000 ordinary shares of £1 each	10,300	10,300

### 15 Reserves

	Share premium account	Profit and loss account	Total
	£000	£000	£000
At 1 January 2000	1,139	29,357	30,496
Profit/(Loss) for the year	-	(1,059)	(1,059)
<b>At 31 December 2000</b>	<b>1,139</b>	<b>28,298</b>	<b>29,437</b>

# Penguin Books Limited

## Notes To The Financial Statements

For The Year Ended 31 December 2000 (Continued)

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

	2000 £000	1999 £000
Profit on ordinary activities after taxation	6,973	10,623
Dividends	(7,358)	(6,000)
Net increase/(decrease) in equity shareholders' funds	(385)	4,623
Opening equity shareholders' funds	40,796	36,173
Closing equity shareholders' funds	40,411	40,796

### 17 Future Capital Commitments

	2000 £000	1999 £000
<b>Future Capital commitments</b>		
Contracts placed for future capital expenditure not provided in the financial statements	29,528	29,863

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings		Other Operating Leases	
	2000 £000	1999 £000	2000 £000	1999 £000
<b>Operating leases which expire:</b>				
Within one year	155	42	19	13
Between 2 and 5 years inclusive	1,185	1,059	521	522
In more than 5 years	2,438	2,486	-	-
	3,778	3,587	540	535



# **Penguin Books Limited**

## **Notes To The Financial Statements**

**For The Year Ended 31 December 2000** (Continued)

### **18 Pension Costs**

The company is a member of the Pearson Group Pension Plan, which is a combination of both funded defined benefit and defined contribution schemes. Details of the Plan, including particulars of the latest actuarial valuation as at 1 January 1999, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 2000. The pension costs relating to this plan are assessed in accordance with advice of an independent qualified actuary.

The valuation surplus on the group plan calculated by the actuary is being apportioned over the expected service lives of the group's employees who are members of the scheme.

The company's pensions cost, net of this surplus is an allocation of the group cost. For 2000 this cost is £nil (1999 £842,000).

Details of pension provisions are given in note 11.

### **19 Related Party Transactions**

The company's immediate parent undertaking is The Penguin Publishing Company 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

### **20 Contingent Liabilities**

#### **Bank Guarantees**

The company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and thirty-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 2000 was a cash balance of £6,792,000.

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000. At 31 December 2000 this was the company's potential liability.

As at 31 December 2000 the potential liability arising from these guarantee arrangements amounted to £49,074,854 for the parent undertakings and fellow subsidiary undertakings and £925,146 for the subsidiary undertakings of the company.