

Allen Lane The Penguin Press Limited

(Registered Number 861772)

Report And Financial Statements

For The Year Ended 31 December 1998



Allen Lane The Penguin Press Limited

Report And Financial Statements

For The Year Ended 31 December 1998

Directors A Forbes Watson

Secretary H Peacock

Registered Office Bath Road
 Harmondsworth
 Middlesex
 UB7 0DA

Allen Lane The Penguin Press Limited

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Allen Lane The Penguin Press Limited

Directors' Report

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 1998.

Principal Activity

The principal activity of the company continues to be the acquisition and publishing of books in association with its parent undertaking, Penguin Books Limited.

Results And Dividends

The profit before tax for the year amounted to £79,000 (1997: £54,000). The directors do not recommend the payment of a dividend (1997: £nil). The retained profit for the year of £55,000 (1997: £36,000) has been transferred to reserves.

Directors

The directors during the year were:

A Forbes Watson

S Hall

RGQ Clarke

(resigned 31 January 1998)

(appointed 30 January 1998, resigned 31 January 1999)

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

Directors' Interests

At 31 December 1998, A Forbes Watson and RGQ Clarke were members of the board of Penguin Books Limited, the immediate parent undertaking, and therefore are not required to notify this company of their interest in the shares and debentures of group undertakings, on the basis that such interests are disclosed in the accounts of the parent undertaking.

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; and
- the holding of an annual general meeting

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

Allen Lane The Penguin Press Limited

Directors' Report (Continued)

Registered Auditors

Price Waterhouse, merged with Coopers & Lybrand on 1 July and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company was passed at a meeting of the Board of Directors on 15 September 1998. PricewaterhouseCoopers have expressed their willingness to continue in office.

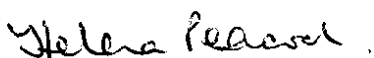
Statement Of Directors' Responsibilities

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



H Peacock
Company Secretary

Harmondsworth
Middlesex
UB7 0DA

5 July 1999

Auditors' report to the members of Allen Lane The Penguin Press Limited

We have audited the financial statements on pages 5 to 9, which have been prepared. Under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established 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 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

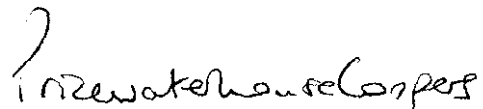
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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
Allen Lane The Penguin Press 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

5 July 1999

Allen Lane The Penguin Press Limited

Profit And Loss Account For The Year Ended 31 December 1998

	Notes	1998 £'000	1997 £'000
<i>Operating income</i>	2	79	54
Profit on ordinary activities before taxation	3	79	54
Tax on profit on ordinary activities	4	(24)	(18)
Profit on ordinary activities after taxation and retained profit for the financial year		55	36

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 retained profit for the year stated above, and their historical cost equivalents.

Allen Lane The Penguin Press Limited

Balance Sheet At 31 December 1998

	Notes	1998 £'000	1997 £'000
<i>Creditors: amounts falling due within one year</i>	5	(156)	(211)
Total assets less current liabilities		(156)	(211)
Capital and reserves			
Authorised, allotted, called up and fully paid:			
4,500 shares of £1	6	5	5
Share premium account	7	66	66
Profit and loss account	7	(227)	(282)
Equity shareholders funds	8	(156)	(211)

The financial statements on pages 5 to 9 were approved by the board of directors on 5 July 1999 and were signed on its behalf by:


A Forbes Watson
Director

Allen Lane The Penguin Press Limited

Notes To The Financial Statements For The Year Ended 31 December 1998

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 9).

A summary of the most 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.

b) Rights Income

Rights income is credited to the accounts on the date of receipt. No accrual is made for future income receivable.

c) Going Concern Basis

The financial statements have been prepared on a going concern basis as the intermediate parent undertaking has indicated its intention to provide continuing financial support to the company.

2 Operating income

	1998 £000	1997 £000
Rights income	79	54

3 Profit On Ordinary Activities Before Taxation

In 1998 and 1997 the registered auditors' remuneration was borne by the Company's parent undertaking, Penguin Books Limited.

During 1998 and 1997 the staff costs of the company were borne by Penguin Books Limited and thus no staff were deemed to be employed.

None of the directors received emoluments in respect of their services to the company (1997 : £nil).

Allen Lane The Penguin Press Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 *(Continued)*

4 Taxation

	1998 £000	1997 £000
UK corporation tax at 31% on the profit for the year:		
Current	24	18
	<u>24</u>	<u>18</u>

5 Creditors

	1998 £000	1997 £000
Amounts falling due within one year:		
Amounts owed to group undertakings	109	190
Corporation tax	24	17
Other creditors	23	4
	<u>156</u>	<u>211</u>

6 Called up share capital

	1998 £000	1997 £000
Authorised, allotted, called up and fully paid 4,500 ordinary shares of £1 each	5	5

7 Reserves

	Share Premium £000	Profit And Loss Account £000
At 1 January 1998	66	(282)
Transfer from profit and loss account for the year	-	55
At 31 December 1998	<u>66</u>	<u>(227)</u>

Allen Lane The Penguin Press Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

8 Reconciliation Of Movement In Equity Shareholders' Funds

	1998	1997
	£000	£000
Profit for the financial year and net addition to equity shareholders' funds	55	36
Opening equity shareholders' funds	(211)	(247)
Closing equity shareholders' funds	(156)	(211)

9 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 Penguin Books 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
3 Burlington Gardens
London W1X 1LE