

Penguin Television Limited

(Registered Number 3029140)

Annual Report and Financial Statements

For the Year Ended 31 December 2007

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Penguin Television Limited

Directors' Report

The Directors present their annual report on the affairs of Penguin Television Limited together with the financial statements for the year ended 31 December 2007

Principal Activity

Up until 31st October 2004, the Company's principle area of business was television production and distribution worldwide. On this date the decision was made to cease new production and is no longer a going concern.

Results and Dividends

The profit for the year amounted to £754,000 (2006 profit of £692,000) as shown in the profit and loss account. The directors do not recommend the payment of a dividend and the profit has been transferred to reserves.

Directors

The Directors who held office during the year are as follows

N D Portwood		
A P Welham	retired	31/12/2006
B C Fisher	appointed	31/12/2006

Statement of Directors' Responsibilities

Company law of the United Kingdom requires that the Directors prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

The Directors are responsible for preparing the annual report including, as described below, the financial statements.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2007 and that all 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, of safeguarding the assets of the company, and hence for taking all reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Penguin Television Limited

Directors' Report (Continued)

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) the director 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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Approved by the Board of Directors and signed on behalf of the Board



B Fisher
Director
19th September 2008

Penguin Television Limited

Independent Auditors' Report to Members of Penguin Television Limited

We have audited the financial statements of Penguin Television Limited for the year ended 31/12/2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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 Annual Report and 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments 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 31st December 2007 and of its profit 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
Chartered Accountants and Registered Auditors
London

19 September 2008

Penguin Television Limited

Profit and Loss Account for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover			
Discontinued operations		-	-
		-	-
Cost of sales		-	34
Gross profit		-	34
Operating expenses			
Discontinued operations		(16)	8
Operating profit/(loss)		(16)	42
Other interest receivable and similar income		1,093	975
Operating profit/(loss) on ordinary activities before taxation		1,077	1,017
Tax (charge)/credit on profit/(loss) on ordinary activities	4	(323)	(325)
Retained profit/(loss) for the financial year	9	754	692

The Company has no recognised gains and losses other than the profits and losses shown above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss before taxation and the retained loss for the year stated above and their historical cost equivalents


The notes on pages 8 to 12 form an integral part of these financial statements

Penguin Television Limited

Balance Sheet at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed Assets			
Tangible Assets		-	-
Current Assets			
Stocks		-	-
Debtors	5	19,323	20,103
Cash		2,245	332
		21,568	20,435
Creditors amounts falling due within one year	6	(870)	(491)
		(870)	(491)
Total net assets		20,698	19,944
Capital and reserves			
Called up share capital	8	35,000	35,000
Profit and loss account	9	(14,302)	(15,056)
Equity shareholders' funds		20,698	19,944

The financial statements on pages 6 to 12 were approved by the board of directors on and signed on its behalf by



B Fisher
Director
19th September 2008

The notes on pages 8 to 12 form an integral part of these financial statements

Penguin Television Limited

Notes to the Financial Statements for the year ended 31 December 2007

1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 1985

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 (revised 1996) "Cash Flow Statements" from publishing a cash flow statement. The company is also exempt under the terms of Financial Reporting Standard No. 8 "Related Party Disclosures" 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 (note 10).

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

a) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention.

b) Turnover

Owned television programme series

For sales of licences to third parties, income is recognised over the period of the license when a signed contract is in place and the programming has been delivered and accepted by the licensee.

Distribution of third party television programmes

Commission income is recognised when a signed contract is in place and the programming has been delivered and accepted by the licensee.

TV programme production fees

Income generated by TV programme production fees is credited to the profit and loss account over the period of the production in accordance with the terms of production contracts.

Provision is made for all foreseeable future losses.

c) Research and Development

Research and development expenditure, including the cost of software products developed in-house, is expensed in the year in which it is incurred, unless there is a reasonable expectation of recovery of this expenditure. In this latter case, such costs are capitalised and written off to the profit and loss account over their expected recoupment period.

d) TV programme development expenditure

Where a commercially viable project exists and a production contract has either been signed or is in negotiation, direct and allocable third party production costs are carried forward. In all other cases these costs are charged to the profit and loss account as incurred.

Where the amounts carried forward are not expected to exceed the future revenue of the programme the amounts carried forward are written off to the profit and loss account.

Amounts capitalised in respect of programmes that are subsequently abandoned are written off to the profit and loss account.

Penguin Television Limited

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

1 Accounting Policies (Continued)

Amounts carried forward are amortised to match against forecast income from the programmes' first runs

e) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and are depreciated over their estimated economic lives in equal annual amounts, at the following rates

Fixtures and fittings at 20% per annum
Plant and equipment at 33% per annum

Economic lives are estimated by the intensity of the assets use and the rate of technical change

f) Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value

g) Deferred Taxation

The Company accounts for deferred taxation in line with the requirements of FRS 19 "Deferred Tax" Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered Deferred tax balances are not discounted

h) Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date Foreign exchange translation differences are taken to the profit and loss account in the year that they arise

i) Pensions

The expected cost of the pension scheme (note 11) 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

2 Directors' Emoluments

The directors received no emoluments in respect of their services to the company in 2007 and 2006

All directors became entitled to receive shares under a long-term incentive scheme

All directors are members of the Penguin Putnam Inc pension scheme in the US

3 Employees

No staff were deemed employed by the company during the year

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Notes to the Financial Statements for the year ended 31 December 2007 (continued)

4 Taxation

	2007 £'000	2006 £'000
Taxation of Profit/(loss) on ordinary activities comprises		
Current tax		
UK Corporation tax (charge)/credit at 30%	(323)	(305)
Overseas Tax	-	-
Adjustment in respect of prior periods	-	(45)
Total current tax	<u>(323)</u>	<u>(260)</u>
Deferred tax		
Origination and reversal of timing differences (ACA and other)	-	-
Adjustments in respect of previous periods	-	(65)
Total deferred tax	<u>-</u>	<u>(65)</u>
Tax (charge)/credit on loss on ordinary activities	<u>(323)</u>	<u>(325)</u>

The reconciliation from the tax charge at the standard rate of UK corporation tax is as follows

	2007 £'000	2006 £'000
Profit/(Loss) on ordinary activities before tax	1,077	1,017
Profit/(Loss) on ordinary activities multiplied by the standard rate in the UK 30% (2006 – 30%)	(323)	(305)
Effects of		
Expenses not deductible for tax purposes	-	-
Accelerated capital allowances	-	-
Other timing differences	-	-
Overseas tax	-	-
Adjustment in respect of prior periods	-	45
Current tax credit for the period	<u>(323)</u>	<u>(260)</u>

5 Debtors

	2007 £'000	2006 £'000
Trade debtors	-	-
Amounts owed by group undertakings	19,039	19,086
Other Debtors	-	1
Deferred taxation	-	-
Prepayments and accrued income	284	1,016
	<u>19,323</u>	<u>20,103</u>

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Notes to the Financial Statements for the year ended 31 December 2007 (continued)

6 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	-	-
Amounts due to group undertakings	365	-
Other Creditors	-	-
Accruals and deferred income	-	-
Corporation tax creditor	505	491
	<u>870</u>	<u>491</u>

7 Deferred Tax

	2007 £'000	2006 £'000
As at 1 January	-	65
Deferred tax charge/(credit) to profit and loss account	-	(65)
As at 31 December	<u>-</u>	<u>-</u>
	2007 £'000	2006 £'000
Deferred tax asset/(liability) recognised in the financial statements		
Accelerated capital allowances	-	-
Other timing differences	-	-
As at 31 December	<u>-</u>	<u>-</u>

There is no unprovided deferred taxation

8 Share Capital

	2007 £'000	2006 £'000
Authorised, allotted and called up		
Ordinary shares of £1 each	35,000	35,000

9 Movement In Equity Shareholders' Funds

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	35,000	(15,056)	19,944
Profit for the year		754	754
At 31 December 2007	<u>35,000</u>	<u>(14,302)</u>	<u>20,698</u>

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Notes to the Financial Statements for the year ended 31 December 2007 (continued)

10 Ultimate Parent Company

The Company is a subsidiary of Pearson plc, which is incorporated in England and Wales. Copies of the accounts of Pearson plc may be obtained from the Company Secretary at Pearson plc, 80 Strand, London, WC2R 0RL.

11 Pension Costs

The company participates in the Pearson Group Pension Scheme, which is a hybrid scheme with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities. The company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme and, accordingly, accounts for its participation in the Scheme as defined contribution under the multi-employer rules of FRS17. The sponsoring entity to this scheme is Pearson Services Limited, a fellow subsidiary entity.

The profit and loss charge for the company in respect of its participation in the Scheme, representing regular contributions paid was £nil (2006: £nil).

The total market value of the assets in the Pearson Group Pension Scheme was £1,747 million as at 31 December 2007 (2006: £1,535 million) and the value of liabilities calculated in accordance with FRS17 was £1,671.4 million as at 31 December 2007 (2006: £1,673 million). Hence the total FRS17 surplus for the Pearson Group Pension Scheme was £75.6 million (2006: deficit of £138 million).

12 Contingent Liabilities

Bank Guarantees

The company participates in an arrangement with HSBC Bank plc whereby the accounts of Pearson plc and 32 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 2007 was a credit balance of £1,794,375.

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000.

As at 31 December 2007 the potential liability arising from these guarantee arrangements amounted to £nil for the parent undertaking and fellow subsidiary undertakings and £nil for the subsidiary undertakings of the company.