

LONGMAN PENGUIN LIMITED

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2000**

Registered Office:

**3 Burlington Gardens
London
W1S 3EP**

**Registered in England
Number 309351**



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COMPANIES HOUSE**

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**0246
10/03/01**

LONGMAN PENGUIN LIMITED

Directors

S A Jones
A J Midgley
J E Powney

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2000.

The company is a holding company in the publishing industry.

The profit for the year after taxation amounted to £7,358,000 (1999 £10,354,000). Interim dividends of £7,358,000 were paid during the year. The directors do not recommend a final dividend.

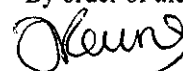
The present directors are listed above. J E Gomm resigned on 28 April 2000. S A Jones was appointed on 20 April 2000. The other directors served throughout the year.

The ultimate parent company is Pearson plc. The interest of the directors in shares and debentures and loan stocks of Pearson plc and its subsidiaries, as shown by the register kept for the purpose of section 324 of the Companies Act 1985, are as follows:

	At 1.1.2000 or date of appointment	SAYE/ Granted	Exercised	Rights Issue Adjustment to 1.1.2000	At 31.12.2000
S A Jones					
Pearson plc:					
SAYE options on ordinary shares	-	406	-	-	406
Executive options on ordinary shares	-	1,500	-	-	1,500
A Midgley					
Pearson plc:					
SAYE options on ordinary shares	1,267			152	1,419
Executive options on ordinary shares	6,000	3,000	-	1,079	10,079
Pearson Bonus Plan	15	12	-	4	31
J E Powney					
Pearson plc:					
SAYE options on ordinary shares	284	181	-	55	520
Executive options on ordinary shares	1,000	1,500	-	299	2,799
Pearson Bonus Plan	15	12	-	-	27

During the year to 31 December 2000 the company maintained an 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.

By order of the board



J E Powney
Secretary

27 February 2001

LONGMAN PENGUIN LIMITED

Profit and Loss Account for the Year ended 31 December 2000

	<u>2000</u> £000	<u>1999</u> £000
Income from shares in group undertakings:		
Longman Communications Limited	-	6,887
Penguin Publishing Company Limited	<u>7,358</u>	<u>3,455</u>
Profit on ordinary activities before interest and taxation	7,358	10,342
Interest receivable	<u>-</u>	<u>17</u>
Profit on ordinary activities before taxation	7,358	10,359
Tax on profit on ordinary activities	<u>-</u>	<u>(5)</u>
Profit for the financial year	7,358	10,354
Dividends on equity shares		
Interim paid	<u>(7,358)</u>	<u>(10,342)</u>
Retained profit for the financial year	-	12
Profit and loss account brought forward	1,920	1,908
Profit and loss account carried forward	<u>1,920</u>	<u>1,920</u>

The company has no recognised gains and losses other than those included in the profit above, and therefore no 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.


All the above results derive from continuing operations.

LONGMAN PENGUIN LIMITED

Balance Sheet at 31 December 2000

	<u>Notes</u>	<u>2000</u> £000	<u>1999</u> £000
<u>Fixed assets</u>			
Investments in subsidiary undertakings	5	99,626	99,626
<u>Current assets</u>			
Interest receivable		-	-
Cash at bank and in hand		409	409
		<u>409</u>	<u>409</u>
<u>Current Liabilities</u>			
Taxation		(7)	(7)
		<u>(7)</u>	<u>(7)</u>
<u>Net current assets</u>		<u>402</u>	<u>402</u>
<u>Net assets</u>		<u>100,028</u>	<u>100,028</u>
 <u>Capital and reserves</u>			
Called up share capital	6	98,100	98,100
Capital reserve		8	8
Profit and Loss Account		<u>1,920</u>	<u>1,920</u>
Equity shareholders' funds	7	<u>100,028</u>	<u>100,028</u>

The financial statements on pages 3 to 6 were approved by the board on 27 February 2001.


Director

LONGMAN PENGUIN LIMITED

Notes to the financial statements

1. Accounting policies

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the UK.

a) Fixed asset investments are stated at cost.

2. Cash flow statement

The company is a wholly owned subsidiary undertaking 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.

3. Directors' emoluments and employee costs

The directors are employed by another group company and are remunerated by that company in respect of their services as group employees. They received no emoluments from the company. No one was employed by the company at any time during the year.

4. Profit on ordinary activities before tax

Auditors' remuneration is borne by the ultimate parent company.

5. Investments in subsidiary undertakings

	<u>2000</u> £000	<u>1999</u> £000
Cost		
The Penguin Publishing Company Limited	25,540	25,540
Longman Communications Limited	<u>74,086</u>	<u>74,086</u>
	<u>99,626</u>	<u>99,626</u>

The Penguin Publishing Company Limited and Longman Communications Limited are both wholly owned, incorporated and registered in England and Wales.

Group accounts have not been prepared as Longman Penguin Limited is a wholly owned subsidiary undertaking of Pearson plc, which is registered in England and Wales. In the opinion of the directors, the value of the interests in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

6. Called up share capital

	<u>2000</u> £000	<u>1999</u> £000
<u>Authorised</u>		
Ordinary shares of 20p each 550 million shares	<u>110,000</u>	<u>110,000</u>
<u>Called up, allotted and fully paid</u>		
Ordinary shares of 20p each 490.5 million shares	<u>98,100</u>	<u>98,100</u>

LONGMAN PENGUIN LIMITED

Notes to the financial statements (continued)

7. Reconciliation of movements in shareholders' funds

	<u>2000</u> £000	<u>1999</u> £000
Profit for the year	-	12
Shareholders' funds at 1 January	<u>100,028</u>	<u>100,016</u>
Shareholders' funds at 31 December	<u>100,028</u>	<u>100,028</u>

8. Contingent liabilities

The company participates in an arrangement with National Westminster Bank Plc whereby the accounts of Pearson plc and 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 an overdraft of £34,429.

The maximum amount of this guarantee is limited to a net overdraft of £20,000,000. 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 £20,000,000 for the parent undertakings and fellow subsidiary undertakings and £nil for the subsidiary undertakings of the company.

9. Transactions with directors

No director had a material interest in any contract or arrangement with the company during the year.

10. Related party transactions

The company is a wholly owned subsidiary within 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 group. The address at which Pearson plc consolidated financial statements are publicly available is shown in note 11.

11. Ultimate parent company

The ultimate parent company is Pearson plc which is registered in England and Wales. Copies of the consolidated financial statements of Pearson plc may be obtained from The Secretary, Pearson plc, 3 Burlington Gardens, London W1S 3EP.

LONGMAN PENGUIN LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the year 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 apply them consistently and make judgements and estimates that are reasonable and prudent.

The directors must also state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements which must be prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for the maintenance of adequate accounting records in compliance with the Companies Act 1985, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF LONGMAN PENGUIN LIMITED

We have audited the financial statements on pages 3 to 6 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above 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.

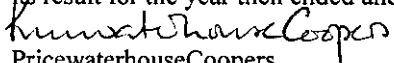
Basis of audit opinion

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.

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
Chartered Accountants and Registered Auditors
1, Embankment Place
London

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