

LONGMAN PENGUIN LIMITED

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2003**

Registered Office:

**80 Strand
London
WC2R 0RL**

**Registered in England
Number 309351**



LONGMAN PENGUIN LIMITED

Directors

A J Midgley
S A Jones

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2003.

The company is a holding company.

The company did not trade during the year. No transactions have occurred in the current or prior years that have an effect on the profit and loss account. Consequently no profit and loss account for the year ended 31 December 2003 has been presented.

The present directors are listed above. Both directors served throughout the entire year.

The ultimate parent company is Pearson plc. The interest of the directors in the ordinary shares of 25p and debentures and loan stocks of Pearson plc and its subsidiaries, as shown by the register of the company kept for the purpose of section 324 of the Companies Act 1985, are as follows:

	At 1.1.2003 or date of appointment	SAYE/ Granted	Exercised/ Lapsed *	At 31.12.2003
A J Midgley				
Pearson plc:				
Ordinary shares	1,705			1,791
SAYE options on ordinary shares	1,364	2,224	(1,364)	2,224
Annual bonus matching shares	373	-	-	373
Executive options on ordinary shares	10,078	-	-	10,078
Pearson Share Bonus Plan	27	-	(12)	15
Long-term incentive plan options	4,200	-	-	4,200
Long-term incentive plan shares	1,500	1,500	-	3,000
S A Jones				
Pearson plc:				
Ordinary shares	-			11
SAYE options on ordinary shares	545	2,224	(545)	2,224
Executive options on ordinary shares	1,500	-	-	1,500
Pearson Share Bonus Plan	15	-	-	15
Long-term incentive plan options	2,100	-	-	2,100
Long-term incentive plan shares	300	500	-	800

* During the year no share options were exercised by the directors.

Auditors

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

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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

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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



S A Jones
Secretary

27 February 2004

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Balance Sheet at 31 December 2003

	<u>Notes</u>	<u>2003</u> £000	<u>2002</u> £000
<u>Fixed assets</u>			
Investments in subsidiary undertakings	5	<u>217,126</u>	<u>217,126</u>
<u>Current assets</u>			
Due from parent company		<u>402</u>	<u>402</u>
		402	402
<u>Net current assets</u>		<u>402</u>	<u>402</u>
<u>Net assets</u>		<u>217,528</u>	<u>217,528</u>
 <u>Capital and reserves</u>			
Called up share capital	6	100,450	100,450
Share premium account	8	115,150	115,150
Capital reserve	8	8	8
Profit and Loss Account	8	<u>1,920</u>	<u>1,920</u>
Equity shareholders' funds	7	<u>217,528</u>	<u>217,528</u>

The financial statements on pages 4 to 6 were approved by the board on 27 February 2004.



Director

LONGMAN PENGUIN LIMITED

Notes to the financial statements for the year ended 31 December 2003

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 in respect of qualifying services. No one was employed by the company at any time during the year.

4. Auditors' remuneration

Auditors' remuneration is borne by a fellow group company.

5. Investments in subsidiary undertakings

	<u>2003</u> £000	<u>2002</u> £000
Held at cost		
The Penguin Publishing Company Limited	25,540	25,540
Longman Communications Limited	<u>191,586</u>	<u>191,586</u>
	<u>217,126</u>	<u>217,126</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>2003</u> £000	<u>2002</u> £000
<u>Authorised</u>		
Ordinary shares of 20p each 550,000,000 shares	<u>110,000</u>	<u>110,000</u>
<u>Called up, allotted and fully paid</u>		
Ordinary shares of 20p each 502,250,000 shares	<u>100,450</u>	<u>100,450</u>

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Notes to the financial statements (continued)

7. Reconciliation of movements in shareholders' funds

	<u>2003</u> £000	<u>2002</u> £000
Shareholders' funds at 1 January	<u>217,528</u>	<u>217,528</u>
Shareholders' funds at 31 December	<u>217,528</u>	<u>217,528</u>

8. Reserves

	Share Premium account £000	Profit and Loss account £000	Capital Reserve £000
At 1 January 2003 & 31 December 2003	<u>115,150</u>	<u>1,920</u>	<u>8</u>

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, 80 Strand, London, WC2R 0RL.

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REPORT OF THE AUDITORS TO THE MEMBERS OF LONGMAN PENGUIN LIMITED

Independent Auditors' Report to the Members of Longman Penguin Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 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.

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 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 of the state of the company's affairs at 31 December 2003 and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27 February 2004