

**Warwick Castle Limited**

**Annual Report**

**for the year ended 31 December 1997**

Registered number: 1284934



# Warwick Castle Limited

## Annual report for the year ended 31 December 1997

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**Directors and advisors**

**Executive directors**

**M G Jolly**

Chairman and Chief Executive

**J Britton**

**G W Chittick**

**A R Hollingsworth**

**P A Tansley**

**P B Taylor**

**P R Wells**

**Secretary and registered office**

**T N Austin**

York Court

Allsop Place

London

NW1 5LR

**Registered Auditors**

**Price Waterhouse**

32 London Bridge Street

London

SE1 9QL

**Bankers**

**National Westminster Bank PLC**

69 Baker Street

London

W1M 2AT

**Midland Bank Plc**

27 - 32 Poultry

London

EC2P 2BX

**Directors' report  
for the year ended 31 December 1997**

The directors present their report and the audited financial statements for the year ended 31 December 1997.

**Profit and dividends**

The company's profit before taxation amounted to £1,966,000 (1996: £1,951,000). Details are contained in the profit and loss account on page 7.

A final dividend of £962,000 (1996: £775,000) is proposed, leaving an amount of £642,000 (1996: £517,000) transferred to reserves.

**Principal activity**

There has been no significant change in the principal activity of the company which throughout the year has been daytime family entertainment.

**Review of the business and future developments**

The directors are satisfied that the financial statements give a fair review of the development of the business of the company during the year and of its position at the year end.

The company continues to look for opportunities to extend its activities.

**Share capital**

The company is a wholly owned subsidiary of The Tussauds Group Limited. The ultimate parent company is Pearson plc, which is a company incorporated in Great Britain.

**Directors**

The present directors of the company are listed on page 1. M G Jolly, G W Chittick, A R Hollingsworth, P A Tansley and P B Taylor served as directors throughout the year. J Britton and PR Wells were appointed on 30 June 1997. M S Double resigned on 30 April 1997.

**Directors' interests**

The interests of the directors and their families in the share and loan capital of the ultimate parent company are disclosed in the financial statements of the parent company, The Tussauds Group Limited.

**Fixed assets**

In the opinion of the directors, the value of the freehold property of the company is not less than the net book value at which it is included in the financial statements.

The company is committed to maintain its fixed assets to preserve the castle and ensure public safety and incurs ongoing expenditure on repairs and renewals in respect of them.

**Payment of creditors**

The company aims to pay all its suppliers within a reasonable period of their invoices being received and in any case within the suppliers' own payment periods. Trade creditors at 31 December 1997 were equivalent to 29 days of purchases during the year ended on that date.

**Disabled persons**

Applications for employment from disabled persons are given full and fair consideration in the light of the abilities and aptitudes of the applicant and the requirements of the post for which application has been made.

In the event of employees becoming disabled, every reasonable effort is made to facilitate their continuing employment by the company.

It is company policy that disabled employees should, as far as possible, have the same training, career development and promotion opportunities as other members of staff.

**Employee consultation and information**

At each company location, employees are systematically informed on matters of concern to them through briefings by departmental managers, individual written notification or use of staff notice boards or by any combination of these three methods.

Consultation takes place with groups of employees during departmental meetings or with employees individually during day to day contact. In 1997 the company continued its significant investment in training for staff at all levels and a management development programme. The form of the company training seminars and the wider use of staff appraisal systems have increased the opportunities for consultation. Great importance is attached to the quality of direct contact between managers and employees during frequent informal face to face communication.

Employees are encouraged to be involved in the company's performance through share option and other profit related schemes. Every permanent employee is now entitled to a

performance-related annual bonus. The Chief Executive communicates with each employee in a variety of ways to explain the group's goals and to summarise the financial and economic factors that affect the performance of the different businesses.

The Tussauds Group News and other internal newspapers are published at various times during the year and the Pearson staff magazine and employees' report is distributed to all staff.

#### **Auditors**

In accordance with Section 386 of The Companies Acts 1985-1989, an elective resolution, dated 9 August 1996, was made to dispense with the obligation to appoint auditors annually.

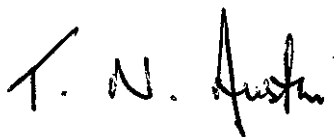
#### **Accounts and reports**

In accordance with Section 252 of The Companies Acts 1985-1989, an elective resolution, dated 9 August 1996, was made to dispense with the laying of accounts and reports before the company in general meeting.

#### **Annual general meetings**

In accordance with Section 366A of The Companies Acts 1985-1989, an elective resolution, dated 9 August 1996, was made to dispense with the holding of annual general meetings.

By order of the board.

A handwritten signature in black ink, appearing to read 'T. N. Austin'.

**T N Austin**  
**Secretary**

4 March 1998

### **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  
Warwick Castle Limited**

We have audited the financial statements on pages 7 to 15, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

**Respective responsibilities of directors and auditors**

As described on page 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants and Registered Auditors  
32 London Bridge Street  
London  
SE1 9QL

4 March 1998

**Profit and loss account  
for the year ended 31 December 1997**

	Notes	1997 £'000	1996 £'000
<b>Turnover</b>	2	<b>8,450</b>	8,390
Cost of sales		(1,591)	(1,597)
<b>Gross profit</b>		<b>6,859</b>	6,793
Administration expenses		(4,893)	(4,842)
<b>Operating profit on ordinary activities before taxation</b>	3	<b>1,966</b>	1,951
Tax on profit on ordinary activities	5	(362)	(659)
<b>Profit on ordinary activities after taxation</b>		<b>1,604</b>	1,292
Dividends	6	(962)	(775)
<b>Retained profit for the year</b>	14	<b>642</b>	517

All of the above results derive from continuing operations.

The company has no recognised gains or losses other than the profits for the year.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

**Balance sheet**  
**at 31 December 1997**

	Notes	1997 £'000	1996 £'000
<b>Fixed assets</b>			
Tangible assets	7	7,425	7,114
<b>Current assets</b>			
Stocks	8	404	312
Debtors	9	2,929	4,717
Cash at bank and in hand		4,699	1,923
		<u>8,032</u>	<u>6,952</u>
<b>Creditors: amounts falling due within one year</b>	10	(8,568)	(7,766)
<b>Net current liabilities</b>		<u>(536)</u>	<u>(814)</u>
<b>Total assets less current liabilities</b>		<u>6,889</u>	<u>6,300</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(361)	(367)
<b>Provision for liabilities and charges</b>	12	(960)	(1,007)
<b>Net assets</b>		<u>5,568</u>	<u>4,926</u>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Share premium	14	52	52
Profit and loss account	14	5,516	4,874
<b>Shareholders' funds (including non-equity interests)</b>	15	<u>5,568</u>	<u>4,926</u>

The financial statements on pages 7 to 15 were approved by the board of directors on 4 March 1998 and were signed on its behalf by:

M G Jolly

G W Chittick

)  
)  
)

Directors

**Notes to the financial statements  
for the year ended 31 December 1997**

**1. Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important company accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

As in previous years the financial statements of the company are prepared in accordance with the historical cost convention.

**Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Apart from freehold land and assets in the course of construction, fixed assets are depreciated over their estimated economic lives in equal annual amounts.

The principal estimated economic lives are:

Castle freehold buildings	1000 years
Freehold buildings	20 years to 100 years
Chattels	100 years
Plant and equipment	3 years to 20 years

**Stocks**

Stocks are stated at the lower of cost and net realisable value.

**Repairs, renewals and maintenance of buildings**

Expenditure is written off as incurred.

**Deferred taxation**

Provision is made, by the liability method, at the expected applicable rates for taxation deferred in respect of all timing differences between accounting and taxation treatment, except when tax effects of such deferrals are expected to continue for the foreseeable future.

**Interest capitalised**

Gross borrowing costs incurred in relation to new projects are capitalised during the construction period.

**1. Principal accounting policies (continued)****Cash flow statement**

The cash flows of the company are included in the consolidated group cash flow statement of Pearson plc, the ultimate parent company. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

**Pension costs**

The company is a member of The Pearson Group Pension Plan, which is primarily a funded defined benefit scheme. Expected costs are 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 arising from a significant reduction in the number of employees are adjusted in the profit and loss account to the extent that the expected pension cost, reduced by other variations, exceeds contributions payable for that year. Other variations from cost are apportioned over the expected service lives of current employees in the scheme.

**2. Turnover**

Turnover represents external sales arising in the United Kingdom and is stated net of value added tax.

**3. Operating profit**

	<b>1997</b>	1996
	<b>£'000</b>	£'000
<b>(a) This is stated after charging:</b>		
Auditors' remuneration	<b>5</b>	5
Depreciation of tangible fixed assets	<b>616</b>	584

**(b) Directors' emoluments:**

No fees or other emoluments were paid to the chairman or the other directors of the company during the year (1996: nil).

**4. Employee information (including directors)**

	<b>1997</b>	1996
	<b>£'000</b>	£'000
Aggregate remuneration	<b>1,998</b>	1,958
Social security costs	<b>116</b>	125
Pension cost credit	<b>(46)</b>	-
	<b>2,068</b>	2,083

The average number of employees during the year was 261 (1996: 254).

**4. Employee information (including directors) (continued)****Pension commitments**

The company is a member of The Pearson Group Pension Plan, which is primarily a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation as at 1 January 1996, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 1997. The pension costs relating to the group plan are assessed in accordance with the advice of an independent qualified actuary.

The valuation surplus on the group plan calculated by the actuary at 1 January 1996 is being apportioned over the expected service lives of the group's employees who are members of the scheme. As a result of the current surplus employer's contributions have been suspended for the time being. The company's pension cost in accordance with the accounting policy is a credit to the profit and loss account of £46,000 (1996: nil). Details of pension provisions are given in note 12.

**5. Tax on profit on ordinary activities**

	1997 £'000	1996 £'000
UK corporation tax at 31.5 per cent (1996: 33 per cent):		
Current	597	644
Deferred	(5)	38
Prior year adjustments:		
Current	(234)	(314)
Deferred	4	291
	<u>362</u>	<u>659</u>

**6. Ordinary dividends**

	1997 £'000	1996 £'000
Proposed dividend on ordinary shares	<u>962</u>	<u>775</u>

A dividend of £4 (1996: £4) was also proposed on the 4 per cent cumulative shares.

## 7. Tangible assets

	Freehold land and buildings £'000	Chattels £'000	Plant and equipment £'000	Payments on account and assets in course of construction £'000	Total £'000
<b>Cost or as valued</b>					
At 1 January 1997	3,529	590	5,990	216	10,325
Transfers	-	-	140	(140)	-
Additions	-	493	315	129	937
Disposals	-	-	(50)	-	(50)
<b>At 31 December 1997</b>	<b>3,529</b>	<b>1,083</b>	<b>6,395</b>	<b>205</b>	<b>11,212</b>
<b>Depreciation</b>					
At 1 January 1997	450	95	2,666	-	3,211
Charge for the year	78	11	527	-	616
Disposals	-	-	(40)	-	(40)
<b>At 31 December 1997</b>	<b>528</b>	<b>106</b>	<b>3,153</b>	<b>-</b>	<b>3,787</b>
<b>Net book value at 31 December 1997</b>	<b>3,001</b>	<b>977</b>	<b>3,242</b>	<b>205</b>	<b>7,425</b>
Net book value at 31 December 1996	3,079	495	3,324	216	7,114

Interest capitalised

The net book value included in tangible assets for cumulative interest capitalised amounts to £68,000 for property and nil for plant and equipment. Interest capitalised in 1997 amounts to nil (1996: nil).

## 8. Stocks

Stocks comprise finished goods for resale.

## 9. Debtors

	1997 £'000	1996 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	90	124
Amounts owing by group undertakings	2,681	4,352
Other debtors	-	1
Prepayments and accrued income	158	240
	<b>2,929</b>	<b>4,717</b>

**10. Creditors: amounts falling due within one year**

	1997 £'000	1996 £'000
Trade creditors	265	551
Amounts owing to fellow subsidiaries	6,301	5,339
Corporation tax	506	760
Other taxation and social security	220	157
Other creditors	65	21
Accruals and deferred income	249	163
Dividends payable	962	775
	<u>8,568</u>	<u>7,766</u>

**11. Creditors: amounts falling due after more than one year**

	1997 £'000	1996 £'000
Amounts owing to holding company	350	350
Deferred income	11	17
	<u>361</u>	<u>367</u>

Amounts owing to the holding company represent a loan from The Tussauds Group Limited which is unsecured and interest free and which is regarded as being long term finance for which no date of repayment is fixed.

**12. Provisions for liabilities and charges**

	Pension provision £'000	Deferred taxation £'000	Total £'000
At 1 January 1997	46	961	1,007
Profit and loss account	(46)	(1)	(47)
<b>At 31 December 1997</b>	<u>-</u>	<u>960</u>	<u>960</u>

Details of pension commitments are shown in note 4.

The above deferred tax provisions, which are also potential liabilities, are in respect of accelerated tax allowances.

Deferred tax as calculated by the liability method has been provided at the expected long term corporation tax rate of 31 per cent.

**13. Share capital**

	1997 £	1996 £
<b>Authorised, allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	100	100
100 4 per cent cumulative preference shares of £1 each	100	100
	<u>£200</u>	<u>£200</u>

The cumulative preference shares are non-redeemable, non-voting and have preferential right to return of capital on a winding up. Non-equity shareholders' funds accounts for £100 (1996: £100) of total shareholders' funds.

**14. Reserves**

	Share premium £'000	Profit and loss £'000
At 1 January 1997	52	4,874
Retained profit for the year	-	642
<b>At 31 December 1997</b>	<u>52</u>	<u>5,516</u>

**15. Reconciliation of movements in shareholders funds**

	1997 £'000	1996 £'000
Profit for the financial year	1,604	1,292
Dividends	(962)	(775)
Net addition to shareholders' funds	<u>642</u>	<u>517</u>
Opening shareholders' funds	4,926	4,409
Closing shareholders' funds	<u>5,568</u>	<u>4,926</u>

**16. Capital commitments**

	1997 £'000	1996 £'000
Capital commitments authorised and contracted for	-	126

**17. Bank guarantees**

The company participates in an arrangement with National Westminster Bank PLC whereby the accounts of Pearson plc and twenty eight 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 1997 was £210,226.

The maximum amount of this guarantee is limited to a gross overdraft of £130 million. At 31 December 1997 this was the company's potential liability.

The company participates in an arrangement with Midland Bank plc whereby the accounts of Pearson plc and forty six 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 1997 was £374,045.

The maximum amount of this guarantee is limited to a gross overdraft of £35 million. At 31 December 1997 this was the company's potential liability.

As part of the consolidation of the United Kingdom cash management arrangements of the Pearson group of companies, the company opened a bank account at Midland Bank and became a party of the group cross guarantee covering overdrafts there. It is expected that during 1998 the company's account at National Westminster Bank will be closed and the company will be released from its obligations under the group cross guarantee covering overdrafts there.

**18. Transactions with directors**

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

**19. 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 the Pearson plc consolidated financial statements are publicly available is shown in note 20.

**20. Holding company**

The company is a wholly owned subsidiary of The Tussauds Group Limited. The ultimate holding company and ultimate controlling party is Pearson plc.

Copies of the consolidated financial statements of Pearson plc may be obtained from The Secretary, Pearson plc, 3 Burlington Gardens, London, W1X 1LE.