

AUDITORS' REPORT TO THE MEMBERS OF
WARWICK CASTLE LIMITED

We have audited the financial statements on pages 3 to 10 in accordance with Auditing Standards.

The financial statements do not specify the manner in which the operations of the company have been financed or in which its financial resources have been used during the year as required by Statement of Standard Accounting Practice No. 10.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1990 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1935.

Guildford
14th February 1991



BAKER TILLY
Chartered Accountants

WARWICK CASTLE LIMITED
 PROFIT AND LOSS ACCOUNT
 YEAR ENDED 31ST DECEMBER 1990

	Note	1990 £	1989 £
TURNOVER		4,242,977	3,642,169
Cost of sales		(711,120)	(586,078)
GROSS PROFIT		3,531,857	3,056,091
Administrative expenses		(2,323,933)	(2,015,314)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,207,924	1,040,777
Taxation	3	(436,129)	(353,174)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		771,795	687,603
Dividends	4	(463,004)	(413,004)
RETAINED PROFIT	5	£308,791	£274,599

WARWICK CASTLE LIMITED

BALANCE SHEET

31ST DECEMBER 1990

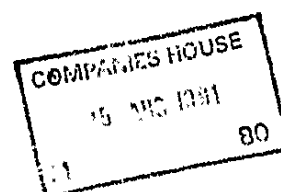
	Note	1990 £	1989 £
TANGIBLE FIXED ASSETS	6	3,500,621	3,331,378
CURRENT ASSETS			
Stocks	7	287,271	196,097
Debtors	8	112,891	103,840
Due from immediate holding company		468,733	318,309
Cash in hand		16,632	11,558
		<u>885,527</u>	<u>629,804</u>
CREDITORS: amounts falling due within one year	9	(1,350,928)	(1,095,667)
NET CURRENT LIABILITIES		<u>(465,401)</u>	<u>(465,863)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,035,220	2,865,515
CREDITOR: amount falling due after more than one year	10	(350,000)	(500,000)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(331,641)	(320,727)
		<u>(681,641)</u>	<u>(820,727)</u>
		<u>£2,353,579</u>	<u>£2,044,788</u>
CAPITAL AND RESERVES			
Called up share capital	12	200	200
Share premium account		52,230	52,230
Profit and loss account	5	2,301,149	1,992,358
		<u>£2,353,579</u>	<u>£2,044,788</u>

These financial statements were approved by the Board on 14th February 1991

M. Herbert

M.S. Double

Directors



WREXHAM CASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 1990

1. ACCOUNTING POLICIES

The following significant accounting policies were used in the preparation of these financial statements and have remained unchanged from those used in the previous year.

Accounting Convention

These financial statements have been prepared under the historical cost convention.

Turnover

The turnover comprises the total net amount, excluding value added tax, receivable by the company for admission and facility fees, souvenir sales and catering receipts.

Depreciation

Depreciation has been calculated by allocating cost, less any estimated residual value, evenly over the expected economic life of the asset, commencing in the year in which the development of the asset is completed.

The following are the expected economic lives which have been assumed:-

Castle freehold buildings	- 1000 years
Other freehold buildings	- 100 years and 50 years
Chattels	- 100 years
Motor vehicles	- 4 years
Office, other equipment and exhibits	- 3, 5, 10, 15, 20, or 25 years

Stocks

Souvenir and catering stocks are valued on the first in first out basis at the lower of cost and net realisable value.

Deferred taxation

Provision is made, on the liability method, at 35% for taxation deferred in respect of all timing differences between accounting and taxation treatment, except when it is thought reasonably probable that the tax effects of such deferrals will continue for the foreseeable future.

Pension costs

The expected cost of the company's defined benefit pension scheme 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 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.

KAPALUK CASTLE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 1990

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1990 £	1989 £
This is arrived at after accounting for:		
Depreciation	174,933	163,919
Auditors' remuneration	12,000	10,500
Profit on disposal of tangible fixed assets	<u>5,100</u>	<u>5,052</u>
Note: No director received emoluments from the company during the year under review or the previous year.		
3. TAXATION	1990 £	1989 £
Current year		
United Kingdom corporation tax based on the profits for the year at 35%	425,215	362,746
Deferred taxation	<u>10,914</u>	<u>15,702</u>
	436,129	378,448
Earlier years	-	(10,309)
Corporation tax	-	(14,965)
Deferred taxation	<u>-</u>	<u>(25,274)</u>
	<u>£436,129</u>	<u>£353,174</u>
4. DIVIDENDS	1990 £	1989 £
Paid - on 4% cumulative preference shares	4	4
Proposed - on ordinary shares	<u>463,000</u>	<u>413,000</u>
	<u>£463,004</u>	<u>£413,004</u>

No United Kingdom corporation tax is payable as an election has been made under S24(1A) of the Income and Corporation Taxes Act 1988 to pay dividends to the immediate holding company without an imputed tax credit.

WARWICK CASTLE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1990

5. PROFIT AND LOSS ACCOUNT

	1990 £	1989 £
Balance at 1st January 1990	1,992,358	1,717,759
Retained profit for the year	308,791	274,599
Balance at 31st December 1990	<u>£2,301,149</u>	<u>£1,992,358</u>

6. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Chattels £	Motor Vehicles £	Office, Other Equipment and Exhibits £	Assets in Course of Construc- tion £	Total £
Cost -						
At 1st January 1990	1,592,607	521,321	70,852	1,068,558	43,873	4,097,211
Additions	2,819	49,496	21,739	11,206	160,566	345,826
Transfers	10,881	-	-	12,008	(22,889)	-
Disposals	-	-	(17,350)	(522)	-	(17,872)
At 31st December 1990	<u>£1,606,307</u>	<u>£570,817</u>	<u>£75,241</u>	<u>£1,991,250</u>	<u>£181,550</u>	<u>£4,425,165</u>
Depreciation -						
At 1st January 1990	114,481	53,587	38,772	558,993	-	765,833
Charge for year	13,063	5,561	13,697	142,612	-	174,933
Disposals	-	-	(15,700)	(522)	-	(16,222)
At 31st December 1990	<u>£127,544</u>	<u>£59,148</u>	<u>£36,769</u>	<u>£701,083</u>	<u>£ -</u>	<u>£924,544</u>
Net Book Value -						
At 31st December 1990	<u>£1,478,763</u>	<u>£511,669</u>	<u>£38,472</u>	<u>£1,290,167</u>	<u>£181,550</u>	<u>£3,500,621</u>
At 31st December 1989	<u>£1,478,126</u>	<u>£467,734</u>	<u>£32,080</u>	<u>£1,309,565</u>	<u>£43,873</u>	<u>£3,331,378</u>

WARWICK CASTLE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1990

7. STOCKS

These comprise finished goods and goods for resale.

8. DEBTORS	1990 £	1989 £
Trade debtors	60,143	52,709
Other debtors	28,041	22,080
Prepayments and accrued income	24,707	29,051
	<u>£112,891</u>	<u>£103,840</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1990 £	1989 £
Bank overdraft	85,311	75,354
Trade creditors	109,046	99,565
Social security and taxation other than corporation tax	50,215	35,794
Corporation tax	490,731	366,401
Proposed dividend	463,000	413,000
Other creditors	83,253	22,151
Accruals and deferred income	69,372	83,402
	<u>£1,350,928</u>	<u>£1,095,667</u>

10. CREDITOR: AMOUNT DUE AFTER MORE THAN ONE YEAR

- This creditor is a loan of £350,000 (1989:£500,000) 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. In practice, repayment is made by instalments when the cash position of Warwick Castle Limited makes this possible and in deciding on any repayments the directors of The Tussauds Group Limited and of Warwick Castle Limited will ensure that adequate resources are available to Warwick Castle Limited to enable it to meet its liabilities as they fall due for payment.

The company is a wholly owned subsidiary of The Tussauds Group Limited, a company incorporated in England. The ultimate holding company is Pearson plc, a company incorporated in England.

11. DEFERRED TAXATION

This represents full provision in respect of taxation deferred by way of accelerated capital allowances

12. SHARE CAPITAL

	1990 £	1989 £
Authorised, allotted and fully paid:-		
100 ordinary shares of £1 each	100	100
100 1/4% cumulative preference shares of £1 each	100	100
	<u>£200</u>	<u>£200</u>

WARWICK CASTLE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1990

13. PARTICULARS OF STAFF

	1990 £	1989 £
The average number of persons employed during the year was 224 (1989: 206).		
Aggregate staff costs amounted to:-		
Wages and salaries	1,082,736	861,914
Social security costs	64,624	49,326
Other pension costs	2,904	2,653
	<u>£1,150,264</u>	<u>£913,893</u>

14. CAPITAL COMMITMENTS

	1990	1989
Authorised and contracted for	£Nil	£12,300
Authorised but not contracted for	<u>£600,000</u>	<u>£547,000</u>

15. CONTINGENT LIABILITIES

The Pearson Group, in common with many other groups of companies, has established cash management arrangements with its bankers which reduce aggregate interest expense. In this connection, Warwick Castle Limited has given an undertaking to National Westminster Bank plc in respect of sums owing by fellow subsidiaries of Pearson plc included in these banking arrangements. The liability which could ensue from this undertaking is limited to the amount standing to the credit of specified accounts of Warwick Castle Limited with National Westminster Bank plc.

The company, together with certain other subsidiaries of Pearson plc, has guaranteed interest on and repayment of guaranteed unsecured loan stock of Pearson plc amounting to £30,936,443.

WARWICK CASTLE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1990

16. PENSION COMMITMENTS

The company is a member of The Pearson Group Pension Plan, which is a funded defined benefit scheme, details of which, including particulars of the actuarial valuation, can be found in the Report and Accounts of Pearson plc for the year ended 31st December 1990.

The pension costs relating to The Pearson Group Pension Plan are assessed in accordance with the advice of a qualified actuary from The Wyatt Company (UK) Limited. The latest actuarial assessment of the Plan was at 1st August 1988. In 1990 the expected pensions cost charged to the profit and loss account has been eliminated as a result of certain valuation surpluses which are being spread over the expected remaining service lives of current employees in the scheme together with part of the valuation surplus resulting from a significant reduction in group employees since previous valuations. The expected pension cost so eliminated was £58,000 (1989: £45,000).

Pension commitments outside the pension scheme are currently £3,197 per annum, reviewed annually and paid out of payroll.