

Herstmonceux Castle Enterprises Limited
Directors' Report and Financial Statements
for the year ended 30 April 1999

Gibbons & Mannington
Chartered Accountants
7/9 Wellington Square
Hastings
East Sussex
TN34 1PD



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Herstmonceux Castle Enterprises Limited

Company Information

Directors	A Montgomery B Hebb D Baldwin G Lessard
Secretary	A Montgomery
Company Number	2902475
Registered Office	Herstmonceux Castle Hailsham East Sussex BN27 1RP
Auditors	Gibbons & Mannington 7/9 Wellington Square Hastings East Sussex TN34 1PD
Business Address	Herstmonceux Castle Hailsham East Sussex BN27 1RP
Bankers	National Westminster Bank Plc 1 High Street Hailsham East Sussex BN27 1AJ
Solicitors	Farrer & Co 66 Lincolns Inn Fields London WC2A 3LH

Herstmonceux Castle Enterprises Limited

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Herstmonceux Castle Enterprises Limited

Directors' Report for the year ended 30 April 1999

The directors present their report and the financial statements for the year ended 30 April 1999.

Principal Activity

The principal activities of the Company remained unchanged during the year. The company's income is derived from the general day to day running of Herstmonceux Castle and its grounds.

Business Review

The Profit and Loss Account is set out on Page 4 and shows the Company's results for the year together with the retained profits carried forward.

Last year was a successful year for the company with improved performance in the main targeted areas of conferences, bed and breakfasts and tourism. The only real disappointment was in the performance of the tea room. This has been reviewed and plans put in place to improve that area.

The Board has also agreed that closer co-operation should be sought to work with the trustees of the International Study Centre to ensure that, where possible, commercial business is compatible with the needs of the students and priority given to the educational type commercial activities.

Directors and their Interests

The directors who served during the year and their interests in the company are as stated below:

		Ordinary shares	
		30 April 1999	1 May 1998
A Montgomery		-	-
B Hebb		-	-
W McNamara	(Resigned 2.7.98)	-	-
D Baldwin		-	-
L Johnson	(Resigned 2.7.98)	-	-
G Lessard	(Appointed 2.7.98)	-	-

No Director has any interest in the share capital of any group undertaking.

According to the register of director's interests, no rights to subscribe for shares in or debentures of the company, or any other group company, were granted to any of the directors or their immediate families, or exercised by them, during the year.

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;

Herstmonceux Castle Enterprises Limited

**Directors' Report
for the year ended 30 April 1999**

- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

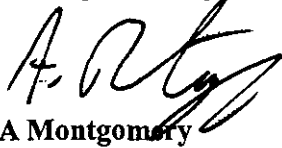
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Gibbons & Mannington be reappointed as auditors of the company will be put to the Annual General Meeting.

18.11.99

This report was approved by the Board on and signed on its behalf by



**A Montgomery
Secretary**

Herstmonceux Castle Enterprises Limited

Auditors' Report to the Shareholders of Herstmonceux Castle Enterprises Limited

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 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

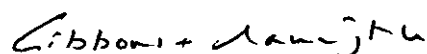
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and 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 as at 30 April 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Gibbons & Mannington

**Chartered Accountants and
Registered Auditor**

**7/9 Wellington Square
Hastings
East Sussex
TN34 1PD**

22.11.1999

Herstmonceux Castle Enterprises Limited

Profit and Loss Account for the year ended 30 April 1999

	Notes	Continuing operations	
		1999	1998
		£	£
Turnover		606,723	485,566
Cost of sales		(153,075)	(144,574)
Gross profit		453,648	340,992
Administrative expenses		(268,930)	(249,462)
Operating Profit	2	184,718	91,530
Interest receivable and similar income		2,310	892
Profit on ordinary activities before taxation		187,028	92,422
Tax on loss on ordinary activities	4	-	-
Profit on ordinary activities after taxation		187,028	92,422
Deed of Covenant		(187,255)	(91,347)
(Loss) for the year		(227)	1,075
Retained profit brought forward		12,749	11,674
Accumulated Profit carried forward		12,522	12,749

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 6 to 9 form an integral part of these financial statements.

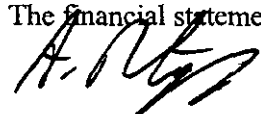
Herstmonceux Castle Enterprises Limited

Balance Sheet as at 30 April 1999

	Notes	1999 £	£	1998 £	£
Fixed Assets					
Tangible assets	5		17,474		17,265
Current Assets					
Stocks		38,476		29,281	
Debtors	6	49,777		62,035	
Cash at bank and in hand		89,589		50,768	
		<u>177,842</u>		<u>142,084</u>	
Creditors: amounts falling due within one year	7	<u>(172,794)</u>		<u>(136,600)</u>	
Net Current Assets			<u>5,048</u>		<u>5,484</u>
Total Assets Less Current Liabilities			<u>22,522</u>		<u>22,749</u>
Capital and Reserves					
Called up share capital	8		10,000		10,000
Profit and loss account			12,522		12,749
Equity Shareholders' Funds			<u>22,522</u>		<u>22,749</u>

18.11.99

The financial statements were approved by the Board on and signed on its behalf by



A Montgomery
Director

The notes on pages 6 to 9 form an integral part of these financial statements.

Herstmonceux Castle Enterprises Limited

Notes to the Financial Statements for the year ended 30 April 1999

1. Accounting Policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and include the results of the company's operations which are described in the Director's Report and all of which are continuing.

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement because it is a small company.

1.2. Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Furniture and Fittings	-	20% Straight Line
Equipment	-	20% Straight Line

1.4. Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5. Stock

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.6. Deferred taxation

Provision is made for deferred taxation as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

2. Operating loss

	1999 £	1998 £
Operating loss is stated after charging:		
Depreciation of tangible assets	7,291	5,843
Operating lease rentals		
- Equipment	4,970	5,294
Auditors' remuneration	1,900	2,000

Herstmonceux Castle Enterprises Limited

Notes to the Financial Statements for the year ended 30 April 1999

..... continued

3. Staff Costs

None of the directors received any emoluments.

The average number of persons employed by the company, excluding directors, during the year was 18 (1998 - 18).

The aggregate costs of the remaining staff were as follows:

	1999	1998
Staff Salaries	98,921	87,070
Social security costs	5,385	4,812
	<u>104,306</u>	<u>91,882</u>

4. Taxation

1999 1998

The Deed of Covenant in favour of International Study Centre (ISC) was implemented during the year, and consequently there will be no corporation tax liability based upon the results for the year.

5. Tangible fixed assets

	Equipment	Furniture and Fittings	Total
	£	£	£
Cost			
At 1 May 1998	17,424	11,790	29,214
Additions	1,965	5,535	7,500
Disposals	(255)	-	(255)
At 30 April 1999	<u>19,134</u>	<u>17,325</u>	<u>36,459</u>
Depreciation			
At 1 May 1998	7,690	4,259	11,949
On disposals	(255)	-	(255)
Charge for the year	3,826	3,465	7,291
At 30 April 1999	<u>11,261</u>	<u>7,724</u>	<u>18,985</u>
Net book values			
At 30 April 1999	<u>7,873</u>	<u>9,601</u>	<u>17,474</u>
At 30 April 1998	<u>9,734</u>	<u>7,531</u>	<u>17,265</u>

Herstmonceux Castle Enterprises Limited

Notes to the Financial Statements for the year ended 30 April 1999

..... continued

6. Debtors

	1999 £	1998 £
Trade debtors	41,653	52,974
Other debtors	5,507	6,526
Prepayments and accrued income	2,617	2,535
	<u>49,777</u>	<u>62,035</u>

7. Creditors: amounts falling due within one year

	1999 £	1998 £
Deferred Income	37,771	17,256
Trade creditors	42,410	28,957
Amounts due to Parent Company	37,073	59,442
Taxation due on Covenant	43,069	21,010
Other taxes and social security costs	9,403	6,489
Other creditors	1,168	1,006
Accruals	1,900	2,440
	<u>172,794</u>	<u>136,600</u>

8. Share capital

	1999 £	1998 £
Authorised equity		
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid equity		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Herstmonceux Castle Enterprises Limited

**Notes to the Financial Statements
for the year ended 30 April 1999**

..... continued

9. Ultimate parent undertaking

The company is a wholly owned subsidiary of International Study Centre, a company limited by guarantee.

The largest group in which the results of the company are consolidated is that headed by Queen's University (Canada), incorporated in Canada. The consolidated accounts of this company are available to the public and may be obtained from Queen's University, Kingston, Ontario, Canada. No other group accounts include the results of the company.

Herstmonceux Castle Enterprises Limited

The following pages are for the directors only

Herstmonceux Castle Enterprises Limited

Detailed Trading and Profit and Loss Account for the year ended 30 April 1999

	1999		1998	
	£	£	£	£
Sales				
Shop Income		29,929		33,120
Book Income		20,672		12,481
Bar Income		19,325		31,293
Bar Function Income		48,680		15,814
Pool Table Income		365		919
Tearoom Income		30,695		31,606
Public Admissions Income		49,370		49,943
Castle Tours		10,605		7,141
Coach Bookings		3,034		-
Season Ticket Income		553		502
Other Income		2,729		499
Function Corkage		3,177		4,842
Accommodation		103,790		83,026
Hotel Service Sales		6,243		10,503
Restaurant Income		48,890		43,966
Conference and Functions		60,030		41,428
Conference Catering		154,108		98,628
Miscellaneous Conference Charges		-		552
Vending		6,542		9,492
Telephone Income		-		1,252
Intercompany Sales		-		1,059
Land Rent		7,986		7,500
		<u>606,723</u>		<u>485,566</u>
Other Income				
Bank Interest Received		2,310		892
		<u>609,033</u>		<u>486,458</u>
Deduct Overhead Expenditure				
Shop Purchases	13,491		17,270	
Shop Book Purchases	21,807		12,598	
Bar Purchases	23,004		20,734	
Stock Written Off	153		7	
Food Supplies	90,419		64,525	
Conference Supplies	-		1,070	
Vending Supplies	1,786		7,371	
Hotel Service Purchases	5,285		8,812	
Bed and Breakfast Supplies	1,383		542	
Summer Proms	(4,253)		11,412	
Theatrical Productions	-		233	
Salaries	199,519		171,633	
Sutcliffe Management Fee	2,977		4,350	
	<u></u>		<u></u>	
Carried Forward		355,571		320,557

Herstmonceux Castle Enterprises Limited

Detailed Trading and Profit and Loss Account for the year ended 30 April 1999 (Continued)

	1999		1998	
	£	£	£	£
Brought Forward	355,571		320,557	
Deduct Overhead Expenditure (Continued)				
Repairs and Renewals	18		1,147	
Garden Maintenance	2,061		1,873	
Laundry and Cleaning	11,099		10,081	
Telephone	2,019		1,757	
Printing, Postage and Stationery	6,821		6,878	
Advertising and Marketing	14,468		16,495	
Promotional Goods	-		150	
Travel	286		226	
Furnishings	412		322	
Equipment	-		1,442	
Equipment Hire	4,970		5,294	
Equipment Maintenance	3,678		2,206	
Professional Fees	248		-	
Auditors Remuneration	1,900		2,000	
Accountancy Fees	625		625	
Other Professional Fees	-		1,240	
Bank Charges and Commissions	3,598		3,356	
Recruitment Advertising	-		316	
Photography	467		418	
Subscriptions and Membership	2,441		1,771	
Licences	735		2,506	
Bad Debts Written Off	215		365	
Sundry Trading Expenses	-		3,542	
Miscellaneous Expenses	1,168		2,425	
Training	372		496	
Staff Uniforms	836		246	
Special Event Expenses	706		459	
Depreciation	7,291		5,843	
		422,005		394,036
		187,028		92,422