

2902675

Directors' Report and Financial Statements of

**HERSTMONCEUX CASTLE
ENTERPRISES LIMITED**

Year ended April 30, 2004



HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Financial Statements

Year ended April 30, 2004

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HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Directors' Report
Company Information

Directors	A. Montgomery B. Trenowden S. Fortier D. Baldwin
Secretary	A. Montgomery
Company number	2902475
Registered Office	Herstmonceux Castle Hailsham East Sussex BN27 1RP
Auditors	KPMG LLP 1 Forest Gate Brighton Road Crawley RH11 9PT United Kingdom
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

Directors' Report (continued)

Year ended April 30, 2004

The directors present their report and the financial statements for the year ended 30th April 2004

Principal activities

The principal activities of Herstmonceux Castle Enterprises Limited 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 6 and shows the company's results for the year together with the retained profits carried forward.

This year has been a better year than first projected.

The weather had a big impact on the gardens and grounds with the good summer keeping figures to a good level.

The increase in student numbers, though impacting in certain spheres of Herstmonceux Castle Enterprises Limited revenue, in particular weddings and functions, also had a positive impact with increased student visitors. This helped boost Herstmonceux Castle Enterprises Limited bed and breakfast revenue, in particular in the shoulder months.

We will see a good return from Herstmonceux Castle Enterprises Limited under the covenant to the International Study Centre in this financial year.

Directors and their interests

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

	Ordinary shares	
	30/04/04	01/05/03
A Montgomery	-	-
B Trenowden	-	-
S Fortier	-	-
D Baldwin	-	-

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

According to the register of directors' 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.

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Directors' Report (continued)

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;
- 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 KPMG be appointed as auditors of the company was put to the Annual General Meeting.

This report was approved by the Board on January 28, 2005 and signed on its behalf by



A Montgomery

Secretary

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Independent Auditors' Report to the Shareholders of Herstmonceux Castle Enterprises Limited

Report of the independent auditors to the shareholders of Herstmonceux Castle Enterprises Limited

We have audited the financial statements on pages 6 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions.

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 with the company 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.

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Independent Auditors' Report to the Shareholders of Herstmonceux Castle Enterprises Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at April 30, 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

(date) 9 February 2005

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Profit and Loss Account
Continuing Operations

April 30, 2004, with comparative figures for 2003

		2004	2003
	Notes	£	£
Turnover		538,139	502,056
Cost of sales		(158,700)	(130,354)
Gross profit		379,439	371,702
Administrative expenses		(247,700)	(215,212)
Operating profit	2	131,739	156,490
Other interest receivable and similar income		553	313
Profit on ordinary activities before taxation		132,292	156,803
Tax on profit on ordinary activities	4	—	—
Profit on ordinary activities after taxation		132,292	156,803
Deed of covenant		(131,864)	(156,584)
Earnings for the year		428	219
Retained profits brought forward		5,945	5,726
Retained profits carried forward		6,373	5,945

There are no recognized gains or losses other than the profit or loss for the above two financial years.
All activities are continuing.

The notes on pages 8 to 11 form an integral part of these financial statements.

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Balance Sheet

April 30, 2004, with comparative figures for 2003

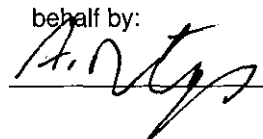
		2004		2003	
	Notes	£	£	£	£
Assets					
Fixed assets:					
Tangible assets	5		2,132		3,723
Current assets:					
Stocks		50,044		42,858	
Debtors	6	35,275		93,440	
Cash at bank and in hand		147,035		94,227	
		232,354		230,525	
Creditors: amounts falling due within one year	7	(218,113)		(218,303)	
Net current assets			14,241		12,222
Net assets			16,373		15,945

Capital and Reserves

Called up share capital	8	10,000	10,000
Profit and loss account		6,373	5,945
Equity shareholders' funds		16,373	15,945

The notes on pages 8 to 11 form an integral part of these financial statements.

The financial statements were approved by the Board on 28/01/05 and signed on its behalf by:



A. Montgomery, Director

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Notes to Financial Statements

Year ended April 30, 2004

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 directors' report and all of which are continuing.

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cash flow 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:

	Basis	Useful life
Furniture and fittings	Straight-line	20%
Equipment	Straight-line	20%

1.4 Leasing:

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

1.5 Stock:

Stock is valued at the lower of cost and net realizable value after making due allowance for obsolete and slow-moving stocks.

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Notes to Financial Statements

Year ended April 30, 2004

2. Operating profit:

	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	1,591	2,475
Operating lease rentals – equipment	4,849	3,689
Auditors' remuneration	1,760	2,400

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 15 (2003 – 15).

The aggregate costs of the remaining staff were as follows:

	2004	2003
	£	£
Staff salaries	76,837	69,508
Social security costs	3,849	3,347
	80,686	72,855

4. Taxation:

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

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Notes to Financial Statements

Year ended April 30, 2004

5. Tangible fixed assets:

	Equipment	Furniture and fittings	Total
	£	£	£
Cost:			
At May 1, 2003	21,076	20,031	41,107
Additions	—	—	—
Disposals	—	—	—
At April 30, 2004	21,076	20,031	41,107
Depreciation:			
At May 1, 2003	18,384	19,000	37,384
On disposals	—	—	—
Charge for the year	1,036	555	1,591
At April 30, 2004	19,420	19,555	38,975
Net book values:			
At April 30 2004	1,656	476	2,132
At April 30, 2003	2,692	1,031	3,723

6. Debtors:

	2004	2003
	£	£
Trade debtors	25,330	23,393
Other debtors	1,416	114
Amounts due from parent company	—	66,186
Prepayments and accrued income	8,529	3,747
	35,275	93,440

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Notes to Financial Statements

Year ended April 30, 2004

7. Creditors: amounts falling due within one year:

	2004	2003
	£	£
Deferred income	37,149	37,441
Trade creditors	29,627	21,319
Amounts due to parent company	147,353	156,584
Other taxes and social security costs	1,085	1,037
Accruals	2,899	1,922
	218,113	218,303

8. Share capital:

	2004	2003
	£	£
Authorized equity:		
20,000 Ordinary shares of £1 each	20,000	20,000
Allotted, called up and fully paid equity:		
10,000 Ordinary shares of £1 each	10,000	10,000

9. Related party transactions:

During the year, the company's parent – International Study Centre, was covenanted the company's taxable profits for the preceding year of £131,864 (2003 – £149,639).

10. Parent and 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 at Kingston (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.

The smallest group in which the results of the company are consolidated are those of its parent, International Study Centre, Herstmonceux Castle, Herstmonceux, East Sussex.

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

The following pages do not form part of the statutory accounts.

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Detailed Trading Profit and Loss Account

Year ended April 30, 2004

	2004	2003
	£	£
Turnover:		
Shop	29,655	29,521
Book	45,345	26,781
Bar	30,786	24,463
Bar function	41,375	40,849
Tearoom	39,558	34,595
Public admissions	48,763	37,665
Group and coach bookings	2,282	3,421
Castle tours	7,992	9,050
Accommodation	85,974	68,413
Hotel service	3,044	3,074
Restaurant	45,525	43,538
Conference and functions	43,944	55,264
Conference catering	96,309	105,341
Vending	1,270	99
Telephone	2,567	2,937
Function corkage	123	—
Land, rent and Christmas fair	11,924	8,671
Other	1,703	8,374
	538,139	502,056
Other income:		
Bank deposit interest	553	313
	538,692	502,369
Less overhead expenditure – per schedule	406,400	345,566
	132,292	156,803

HERSTMONCEUX CASTLE ENTERPRISES LIMITED

Schedule of Overhead Expenditures

Year ended April 30, 2004

	2004	2003
	£	£
Shop purchases	16,461	15,720
Shop book purchases	34,085	19,096
Bar purchases	27,023	22,813
Stock written off	1,712	1,795
Food supplies	72,453	67,497
Hotel service purchases	2,324	2,166
Bed and breakfast supplies	1,722	1,267
Salaries and other staff costs	190,171	164,909
Sutcliffe management fee	4,632	3,452
Laundry and cleaning	12,780	9,535
Garden maintenance	3,668	3,674
Printing, postage and stationery	3,544	3,070
Advertising and marketing	6,829	4,242
Telephone	2,425	769
Furnishings	2,491	1,993
Equipment hire	4,850	3,689
Equipment maintenance	2,673	2,444
Travel	109	54
Auditors' remuneration	1,760	2,400
Bank charges	3,819	3,334
Miscellaneous	2,666	2,811
Licences	662	522
Staff uniforms	194	91
Subscriptions and memberships	2,099	2,156
Special event	3,385	3,583
Depreciation	1,591	2,475
Bad debt	272	9
	406,400	345,566