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The Ditchley Foundation

THE COUNCIL'S
ANNUAL REPORT
AND ACCOUNTS
1998-1999



TABLE OF CONTENTS

The Ditchley Foundation

List of Office Holders	page 1
Programme Committee	page 2
Notice of Meeting	page 3
Report of the Chairman of the Council of Management	page 4
The Director's Report	page 5
Report of the Council of Management	page 7
The Conference Programme	page 8

Consolidated Accounts

Report of the Auditors	page 10
Statement of Financial Activities	page 11
Income and Expenditure Account	page 12
Balance Sheets	page 13
Cashflow Statement	page 14
Notes to the Accounts	page 15

The Ditchley Park Conference Centre Ltd

Director's Report	page 24
Auditors' Report	page 25
Profit and Loss Account	page 26
Balance Sheet	page 27
Notes to the Accounts	page 28

The Purposes and Management of the Foundation

Inside back cover

PRESIDENT

Sir David Wills CBE, TD, DL

COUNCIL OF MANAGEMENT

Chairman

Lord Windlesham, CVO, PC

Members of the Council:

Sir Michael Angus, DL
Baroness Chalker of Wallasey, PC
Robert Conway
The Earl of Home, CVO, CBE
Andrew Knight
HE The Hon. Philip Lader
Anthony Loehnis, CMG
Bryan Magee
HE Gebhardt von Moltke
The Rt Hon Sir Patrick Nairne, GCB, MC
Lord Tugendhat
Baroness Warnock, DBE
Dame Margaret Weston, DBE
Dr Catherine Wills
Sir David Wills, CBE, TD, DL
Baroness Young, PC, DL

Director: Sir Michael Quinlan, GCB

Secretary: Carol Robson

Registered Office: Ditchley Park, Enstone, Oxfordshire OX7 4ER

Auditors: Critchleys, Oxford

Bankers: Barclays Bank plc, Oxford

Investment Managers: Cazenove Fund Management Ltd

Solicitors: Herbert Mallam Gowers & Co, Oxford



PROGRAMME COMMITTEE

Chairman

Lord Windlesham, CVO, PC

Members

Robert Bradtke

Sir Samuel Brittan

George Brock

Peter von Butler

Richard Clarke

Professor Peter Hennessy

Bronwen Maddox

The Rt Hon Peter Mandelson MP

Edward Mortimer

Sir Michael Quinlan, GCB

Dr Matthew Ridley

Professor Adam Roberts, FBA

Dr Catherine Wills

Sir David Wills, CBE, TD, DL

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Foundation will be held on Saturday, 3 July 1999, at 11.00 a.m. at Ditchley Park, Enstone, Chipping Norton, Oxfordshire.

BUSINESS:

1. To receive and adopt the Statement of Accounts and Report of the Council of Management for the year ended 31st March 1999.
2. To elect Council Members.
 - (a) The following Council Members have retired by rotation pursuant to Article 42 and, being eligible, offer themselves for re-election:

SIR MICHAEL ANGUS DL

ANDREW KNIGHT

THE RT HON SIR PATRICK NAIRNE GCB MC

DR CATHERINE WILLS

THE RT HON THE LORD WINDLESHAM CVO PC

3. A resolution to reappoint Critchleys as auditors for the year ending 31 March 2000 will be put to the Annual General Meeting.
4. To transact any other business.

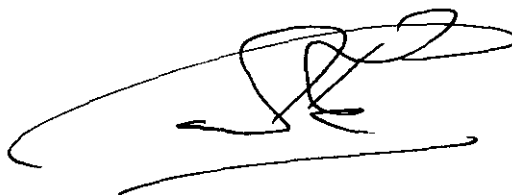
Dated this ninth day of June 1999

By order of the Council of Management

CAROL ROBSON

Secretary

Ditchley Park,
Enstone, Chipping Norton,
Oxfordshire OX7 4ER



NOTE:

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Foundation.

Report of the Chairman of the Council of Management

I render this report having been requested by the Council of Management to serve as Chairman, pending a longer-term appointment, as a consequence of the death in March, after a short illness, of our Chairman of Council, Lord Gillmore of Thamesfield. He loved Ditchley, and his service to it brought to bear in full the qualities which won for him admiration and affection throughout a distinguished career. We record our deep sense of gratitude for all that he did at the helm of the Foundation since 1996, and our keenest sympathy to Lady Gillmore and their family.

We have also lost during the year, at the age of 92, Mr Harold Hodson, who was the Foundation's first Director. His commitment, energy and inspiration in that role set a conference pattern that has stood the test of time, and our work and our international standing continue to bear his mark. We salute his achievement in the Foundation's service.

The past year has seen the departure of Mrs Heather Weeks in July 1998 to take up a new appointment as Head of Meetings at the Royal Institute of International Affairs. Her contribution to the work of the Foundation during fourteen years of service as Deputy Director was recognised, to our great pleasure, by her appointment and investiture by Her Majesty The Queen as an Officer of the Order of the British Empire. We welcomed as her successor Miss Carol Robson, who joined the Foundation in August from the British Diplomatic Service.

Two Governors have chosen to retire – Mr Howard Davies and Lord Greenhill. They take with them our sincere thanks for their interest and support over the years.

I am glad to report that invitations to become Governors have been accepted by the Hon John Brademas, Chairman of the American Ditchley Foundation, the Rt Hon Menzies Campbell MP, and HE Daniel Bernard on his succession to HE Jean Gueguinou as Ambassador of France to the Court of St James's.

We again owe a special debt of gratitude to the Hon John Brademas and Mr John O'Connor of American Ditchley and to Mr Grant L Reuber and Mr John Banks of Canadian Ditchley for their efforts on Ditchley's behalf in recruiting conference teams of consistently high quality and varied composition, and for their imaginative input of ideas to the content of the conference programme.

We welcome the addition to the Advisory Council of the American Ditchley Foundation of Mr David A Berenson, Mr Francis Finlay and Mr Donald H Rivkin, and we extend our thanks for their years of service to the Hon Douglas MacArthur II and Mr William Wood Prince, who have stepped down.

Our thanks go to Dr Klaus Blech in Germany and Miss Diana Geddes in France for their tireless efforts in support of our conferences, and to British missions throughout the world for the help and advice we have received from them in our recruitment efforts. Soon after this year's Annual Lecture Miss Geddes will be leaving Paris to take up a new position as The Economist's correspondent in Berlin. Her departure will be a severe loss to our links with France; we are much in her debt, and we wish her well in her new post.

We must also contemplate later this year the departure of our Director, Sir Michael Quinlan. Those who have been privileged to participate in any of the 105 conferences under Sir Michael's Directorship will understand that his retirement represents the loss of one of the Foundation's most significant current assets. He leaves office with Ditchley's, and his own, reputation significantly enhanced and takes with him

our warmest and most profound thanks and admiration for all that he and Lady Quinlan have done for the Foundation over the past seven years.

Sir Michael hands over in September to Sir Nigel Broomfield, former British Ambassador to the Federal Republic of Germany (1993-97). We welcome him and wish him good luck and all success and happiness at Ditchley.

A later section of this Report gives an account of our financial position. Its health and our programme of conferences could not be sustained without the generous financial support of many contributors, to whom we remain keenly grateful.

I should like to record the warm thanks of the Council to all the staff of the Foundation. They continue to maintain in full measure the standards of service which earn Ditchley such regular and whole-hearted tribute from conference participants from all over the world.

Report of the Director

Our conference programme has again been rich and varied, and the level of participation distinguished. The wide circulation of my conference notes with our thrice-yearly Newsletter – continuing to reach over thirty countries – makes detailed recapitulation unnecessary. Special highlights since the last Report have however included vigorous and timely gatherings on the international handling of war crimes and crimes against humanity, on the prospects for the South Asian Sub-Continent, on NATO's outlook eastward and on the role and running of museums. An outstanding conference on the development of the European Union was marked by the chairmanship of one recent ex-Prime Minister and the participation of two more. A conference on state policies affecting the family received generous support from the Lloyds TSB Foundation for England and Wales.

The 1998 Annual Lecture was an event of exceptional stature. The United Nations Secretary General, Mr Kofi Annan, gave an address of wide and lasting importance on "Intervention".

Our work has again been strengthened by cooperation with distinguished partners. The RAND Corporation and the Royal Agricultural Society of England joined us in mounting conferences at Ditchley itself, and in November 1998 we enjoyed the intellectual stimulus and generous hospitality of Harvard's Kennedy School of Government in Cambridge, Mass.

The span of participation in our conferences remains remarkable in diversity, quality and eminence. I am much indebted to all those who help so readily and effectively in its recruitment; and, within the conferences, to the constant willingness of individuals to undertake the special tasks – as opening speakers, in the chair or as rapporteurs of working groups, above all in the chair of conferences overall – without which our conference pattern, well-proven as it is, could not sustain its fruitful success.

The mansion and grounds continue in fine order. As is explained later in this Annual Report, substantial work lies ahead; but meanwhile the Foundation can remain proud of the splendid asset around which our work revolves.

My term as Director ends soon. My wife and I have been privileged in spending seven years at Ditchley, and in the unfailing friendship and support which has throughout enriched our stay here. We offer our deepest thanks to all who have contributed to this – to the Council of Management and to American and Canadian Ditchley; to all our

colleagues at every level among the Ditchley staff; to a multitude of other helpers at home and overseas; to thousands of conference participants; and especially to our Founder and President, Sir David Wills, and to his family.

We commend to all Ditchley's friends our successors, Sir Nigel and Lady Broomfield; and we offer them our warm and confident good wishes.

Financial Review

A welcome surplus of £45,012 on operating-cost account has resulted from the fact that owing to stock market uncertainty in mid-year cash holdings were increased, and interest rates then remained higher and for longer than expected. The Maintenance Fund, created through the generosity of the late Martin Wills and earmarked for major renovation work within the Mansion, thus earned interest of £60,799. As explained below, this will be retained in the Fund, leaving a deficit transferred to the Accumulated Fund of £15,787.

Income and expenditure were otherwise generally close to budget. As forecast last year the works programme was modest, though distorted by statutorily-imposed work on the lake outflow costing £33,934. Long-overdue work in stabilising the historic fabric on the walls of the Velvet Room (£11,145) and refurbishing the Stable Court Flat (£14,500) was completed, and windows on the Mansion's East face were repainted (£4,976). The major feature of the year has, however, been planning the refurbishment of the mechanical services within the Mansion (the central heating and domestic hot and cold water systems). It will be necessary to execute this in two phases. Phase I will deal with the West Wing in the 1999 summer break during the change-over of Director. Phase II, covering the Mansion and the East Wing, will be completed two or three years later in a single operation, the most prudent option on both physical and economic grounds. Detailed planning of Phase II remains to be undertaken, but on current estimates the total cost of the two Phases will be over £1.5 million, including fees and VAT. Phase I will cost not less than £230,000. The total for both phases will be considerably more than is available in the Maintenance Fund; that is why 1998/99 interest has been put back into the Fund.

Planning for Phase I is well advanced, and after a competitive tendering process the contract was let in April. Other work planned for this year is restricted to minor work in staff cottages and resurfacing of Lions Court car park.

E-mail was introduced in the autumn and is already showing savings in our communication costs. The Ditchley web-site can be found at www.ditchley.org and will be updated every four months.

Report of the Council of Management

The Council of Management (having powers of directors under the Articles of Association) submit their report and audited financial statements for the year ended 31 March 1999.

Principal activities and business review

The consolidated income and expenditure account for the year is set out on page 12.

The constitution of the Ditchley Foundation and its principal activities are set out inside the back cover. A review of the Foundation's business during the year is contained in the Chairman's Report on pages 4-5 and the Director's Report on pages 5-6.

Dividends

In accordance with the Memorandum of Association, no dividends may be paid to Members.

Directors

The Members of the Council of Management are listed on page 1.

The Members of Council retiring by rotation at the Annual General Meeting are Sir Michael Angus DL, Andrew Knight, The Rt Hon Sir Patrick Nairne GCB MC, Dr Catherine Wills and The Rt Hon The Lord Windlesham CVO PC. Being eligible they offer themselves for reappointment.

Directors' responsibilities

The directors are required by UK company law to prepare for each financial year financial statements that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The Members of the Council of Management confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1999. The Members of Council also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going-concern basis.

The Members of Council are responsible for keeping proper accounting records and for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.



By order of the Council of Management

CAROL ROBSON

Secretary

13 May 1999

The Conference Programme

Concluding Phase of the 1997-98 Programme

Ditchley's conference year runs from September to July and does not correspond to the financial year to which this report strictly relates. Five conferences during the period April-June 1998 fell during the financial year 1998-1999 but were included in the list of conferences in last year's annual report. This year's report follows the same practice.

The 1998-99 Conference Programme

<i>1998</i>	<i>Title</i>	<i>Chairman</i>
Sept 18-20	The development of the European Union	The Rt Hon John Major
Oct 9-11	The Sub-Continent: prospects in the twenty-first century	Professor Lord Desai
Oct 23-25	NATO's eastward relationships	The Hon Dr William Perry
Nov 6-8	Governance in the information age (Joint conference with the Kennedy School of Government, in Cambridge, Mass.)	The Hon Joseph S Nye Jr
Nov 20-22	The implications of the East Asian economic situation	Ambassador Koji Watanabe
Dec 4-6	Preventive diplomacy and conflict resolution	Dr David Hamburg
<i>1999</i>		
Jan 22-24	The role and running of museums	The Hon William Luers
Feb 5-7	Iran and Iraq: prospects and policies (Joint conference with the RAND Corporation, at Ditchley.)	Lord Wright of Richmond
Feb 19-21	Non-violent sanctions in the international system	Lord Howe of Aberavon
Mar 19-21	The role of the family in public policy	The Hon Sir Thomas Boyd-Carpenter

<i>1999</i>	<i>Title</i>	<i>Chairman</i>
April 9-11	The management of world water resources (Joint conference with the Royal Agricultural Society of England, at Ditchley.)	Baroness Chalker of Wallasey
May 7-9	Understanding, presenting and managing risk in public policy	Professor John Ashworth
May 20-22	Shaping US foreign policy today: national interest vs special interest (Joint conference with the Chicago Council on Foreign Relations, in Chicago.)	Mr John Rielly
June 11-13	The prospect for Russia (Joint conference with the Southern Center for International Studies, Atlanta, at Ditchley.)	Dr Andreas Meyer-Landrut
June 25-27	The instruments of international security in the twenty-first century	Lord Hurd of Westwell

THE DITCHLEY FOUNDATION

A Company (Registered No. 599389) Limited by Guarantee and
not having a Share Capital, registered as a Charity (No. 309657)
and exempt from Income Tax and Capital Gains Tax

REPORT OF THE AUDITORS TO THE MEMBERS OF THE DITCHLEY FOUNDATION

We have audited the financial statements on pages 11 to 23.

Respective responsibilities of directors and auditors

As described on page 7 the Foundation'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.

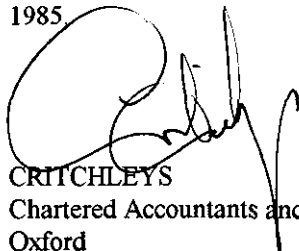
Basis of opinion

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 Foundation'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 affairs of the Foundation and Group at 31st March 1999 and of the operating surplus, net movement of funds and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985



CRITCHCLEYS
Chartered Accountants and Registered Auditors
Oxford
13th May 1999

THE DITCHLEY FOUNDATION

Consolidated Statement of Financial Activities for the year ended 31 March 1999

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 1999 £	Total 1998
INCOMING RESOURCES					
Donations & gifts	31,431	15,500	0	46,931	994,623
Investment income	826,082	6,748	0	832,830	727,943
Other income	1,138	0	0	1,138	1,097
Net income of trading subsidiary (prior to management charges of £20,708)	32,847	0	0	32,847	70,400
Total incoming resources	891,498	22,248	0	913,746	1,794,063
RESOURCES EXPENDED (NOTE IV)					
Direct charitable expenditure	402,183	22,248	0	424,431	397,500
Other expenditure					
Administration	159,791	0	0	159,791	186,097
Maintenance of land & buildings	284,512	0	0	284,512	359,235
Total resources expended	846,486	22,248	0	868,734	942,832
NET INCOMING RESOURCES	45,012	0	0	45,012	851,231
GAINS/(LOSSES) ON INVESTMENT ASSETS					
Realised	0	0	(977,005)	(977,005)	(305,613)
Unrealised	0	0	1,033,455	1,033,455	4,570,387
NET MOVEMENT IN FUNDS	45,012	0	56,450	101,462	5,116,005
Fund balances brought forward at 1 April 1998	985,324	100,000	21,658,205	22,743,529	17,627,524
FUND BALANCES CARRIED FORWARD AT 31 MARCH 1999	£1,030,336	£100,000	£21,714,655	£22,844,991	£22,743,529

THE DITCHLEY FOUNDATION

Consolidated Income and Expenditure Account for Year Ended 31st March 1999

		Note	1999 £	1998 £
INCOME				
DIVIDENDS, INTEREST AND RENTS		II	832,830	727,943
HDH WILLS 1965 CHARITABLE TRUST - MARTIN WILLS FUND			0	850,476
DONATIONS		III	46,931	144,147
GUEST CONFERENCES			32,559	70,230
OTHER			2,115	1,915
			£914,435	£1,794,711
EXPENDITURE				
ADMINISTRATION	Executive and office staff costs	V	236,715	224,293
	Non-staff costs	VII	123,445	107,832
			360,160	332,125
ESTABLISHMENT	Household and services staff costs	V	127,760	135,316
	Non-staff costs - Repairs	VIII	124,454	210,602
	- Other	IX	56,935	56,225
			309,149	402,143
CONFERENCES	Costs of extra staff	V	37,933	40,870
	Non-staff costs	X	95,770	105,408
			133,703	146,278
DEPRECIATION	Tangible assets		29,319	32,292
VALUE ADDED TAX			37,092	30,642
TOTAL			£869,423	£943,480
OPERATING SURPLUS FOR THE YEAR (Page 11)				
TRANSFER TO MAINTENANCE FUND		XX	(60,799)	(850,476)
TRANSFER TO ACCUMULATED FUND			(£15,787)	£755

Notes:

- (1) As permitted by Section 230 of the Companies Act 1985, the Foundation's Income and Expenditure Account has not been included in these accounts. The subsidiary company retained neither a profit nor a loss in either year.
- (2) The results for the years above are derived from continuing activities.
- (3) There is no difference between the operating surplus for the years stated above and their historical cost equivalents.
- (4) Total income comprises £891,498 for unrestricted funds and £22,248 for restricted funds. A detailed analysis of income by source is provided in the Statement of Financial Activities on page 11.
- (5) Guest conference income relates to the turnover of Ditchley Park Conference Centre Ltd, details of which are shown on page 26.
- (6) The Consolidated Income and Expenditure Account is derived from the Statement of Financial Activities on page 11 which, together with the notes to the accounts on pages 15 to 23, provides full information on the movements during the year on all the funds of the Group.

THE DITCHLEY FOUNDATION

Balance Sheets at 31st March 1999

	Note	1999		1998	
		Group	Foundation	Group	Foundation
		£	£	£	£
FIXED ASSETS					
Tangible assets	XI	200,897	200,897	221,952	221,952
Investments	XII	22,544,205	22,544,205	22,441,306	22,441,306
Investment in subsidiary	XIII	0	2	0	2
		<hr/>	<hr/>	<hr/>	<hr/>
		22,745,102	22,745,104	22,663,258	22,663,260
CURRENT ASSETS					
Stocks	XIV	40,769	31,173	41,866	31,568
Debtors	XV	76,655	91,034	75,560	94,690
Bank balances and cash		122,141	114,633	183,679	171,092
		<hr/>	<hr/>	<hr/>	<hr/>
		239,565	236,840	301,105	297,350
CURRENT LIABILITIES					
Creditors falling due within one year	XVI	(139,676)	(136,953)	(220,834)	(217,081)
		<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS		99,889	99,887	80,271	80,269
		<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS		£22,844,991	£22,844,991	£22,743,529	£22,743,529
		<hr/>	<hr/>	<hr/>	<hr/>
SHARE CAPITAL	XVII	Nil	Nil	Nil	Nil
RESERVES					
Endowment Fund	XVIII	21,714,655	21,714,655	21,658,205	21,658,205
Restricted Fund	XIX	100,000	100,000	100,000	100,000
Unrestricted Fund					
Maintenance Fund	XX	911,275	911,275	850,476	850,476
Accumulated Fund	XX	119,061	119,061	134,848	134,848
		<hr/>	<hr/>	<hr/>	<hr/>
		£22,844,991	£22,844,991	£22,743,529	£22,743,529
		<hr/>	<hr/>	<hr/>	<hr/>

The accounts on pages 11 to 23 were approved by the Council of Management on 13th May 1999 and were signed on its behalf by:

W Windlesham

LORD WINDLESHAM CVO PC Chairman of the
Council of Management

13th May 1999

THE DITCHLEY FOUNDATION

Consolidated Cash Flow Statement - Year Ended 31st March 1999

	Notes Below	1999 £	1998 £
Net cash (outflow)/inflow from net incoming resources	A	(6,825)	911,768
Investing activities and capital expenditure			
Purchase of tangible fixed assets		(8,264)	(3,242)
Purchase of investments		(6,395,514)	(4,668,788)
Proceeds from sale of investments		6,366,806	4,027,465
Increase in short term deposits		(17,741)	(268,743)
Net cash outflow from capital expenditure and investing activities		(54,713)	(913,308)
		(61,538)	(1,540)
Management of liquid resources:			
Cash deposited on 14 days notice	B	18,584	(12,962)
Decrease in cash during year	B	(£42,954)	(£14,502)
Notes to the Cash Flow Statement		1999	1998
A. Reconciliation of net cash flow from net incoming resources		£	£
Net operating surplus		45,012	851,231
Depreciation		29,319	32,292
(Decrease)/Increase in creditors		(81,158)	40,380
Increase in debtors		(1,095)	(15,752)
Decrease in stocks		1,097	3,617
		(£6,825)	£911,768
B. Bank balances and cash:			
Current	Current		
At 1st April	59,100	124,579	183,679
Decrease in year	(42,954)	(18,584)	(61,538)
At 31st March	£16,146	£105,995	£122,141
			£183,679

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999

I. PRINCIPAL ACCOUNTING POLICIES

1. Basis of Accounting - The Foundation prepares its annual accounts in accordance with the historical cost convention modified by the revaluation of investment properties and other investments and in accordance with the principal provisions of the Statement of Recommended Practice for Charities, applicable accounting standards and, except for the non-depreciation of investment properties, with the Companies Act 1985. An explanation of the departure from the requirements of the Act is given below in section 5.
2. Related Parties - There are no related party transactions or balances to be disclosed.
3. Basis of Consolidation - The Consolidated Statement of Financial Activities, Income and Expenditure Account and Balance Sheet include the financial statements of the Foundation and its subsidiary undertaking. Intra-group charges are eliminated fully on consolidation.
4. Freehold Property - The house and land at Ditchley Park, acquired by gift, are not valued (see Note XI). Expenditure on renovation and improvements is at cost less depreciation.
5. Depreciation - Depreciation is calculated to write off, by equal instalments, the cost of tangible fixed assets over their useful lives, which are estimated to be:

Renovation and improvements to freehold property	- Between 20 and 40 years
Furniture, equipment and furnishings	- Between 5 and 10 years
Motor vehicles	- 4 years

Investment properties: in accordance with SSAP19, no depreciation is provided in respect of investment properties. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. These properties are however held not for consumption but for investment and it is considered that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors in the annual valuation and the amount which would otherwise have been shown cannot reasonably be separately identified.

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999 (continued)

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- | | | | |
|-----|--------------------------|---|--|
| 6. | Investments and Cash | - | Investments, including property, are valued on the following basis:- |
| | (i) | | Freehold properties held for investment purposes are valued each year at the balance sheet date and on professional advice. |
| | (ii) | | Quoted investments have been valued at the middle market price at the close of business at the year end. The market value of unit trusts and managed funds units is taken as the average of the bid and offer prices at the year end as advised by the investment managers. Fixed interest securities are valued inclusive of accrued interest. Investments in overseas currencies are translated into sterling at the exchange rate ruling at the year end. |
| 7. | Stocks | - | Stocks are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. |
| 8. | Maintenance and Renewals | | Expenditure on repairs and maintenance, together with renewals of minor items of equipment and furnishings, is charged to the Income and Expenditure Account. |
| 9. | Income | - | Income is accounted for on an accruals basis.
Dividends are accounted for by reference to the declared payment date.
Donations are accounted for in the period in which they are received.
Guest conference income excludes value added tax and represents the invoiced value of goods and services supplied. |
| 10. | Endowment | - | Gifts for the Endowment are credited to the Endowment Fund. |
| 11. | Cash Flow Statement | - | Although the Foundation qualifies as a small company under the terms of section 247 of the Companies Act 1985 and as a consequence is exempt from the requirement to publish a cash flow statement, the Council of Management believes that such a statement provides useful information. It is therefore included in the accounts. |

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999 (continued)

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- | | | | |
|-----|--------------------|---|---|
| 12. | Fund
Accounting | - | The Ditchley Foundation has the following types of funds for which it is responsible: |
|-----|--------------------|---|---|

Unrestricted Funds. Funds which are expendable at the discretion of the Council of Management in furtherance of the objects of the Foundation.

Restricted Funds. Donations or funds received which are earmarked by the donor for specific purposes within the overall aims of the Foundation. These funds may be income only (where the capital must be retained) or income and capital (where the donation and income deriving therefrom may be utilised).

Endowment Fund - Permanent endowments which were made by the HDH Wills family and family trusts.

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999 (continued)

				1999	1998
II.	DIVIDENDS, INTEREST AND RENTS			£	£
	Dividends on listed investments			644,067	594,262
	Interest on short term deposits			169,560	117,320
				<hr/>	<hr/>
				813,627	711,582
	Rents			19,203	16,361
				<hr/>	<hr/>
				£832,830	£727,943
				<hr/>	<hr/>
III.	DONATIONS				
	For general purposes			31,431	117,087
	Earmarked			15,500	27,060
				<hr/>	<hr/>
				£46,931	£144,147
				<hr/>	<hr/>
IV.	ANALYSIS OF TOTAL RESOURCES EXPENDED				
	Staff costs	Other	Depreciation	Total	1998
	£	£	£	£	£
Direct charitable expenditure	215,918	188,214	20,299	424,431	397,500
Other expenditure:					
Administrative	86,651	64,120	9,020	159,791	186,097
Maintenance of land & buildings	99,839	184,673	0	284,512	359,235
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	£402,408	£437,007	£29,319	£868,734	£942,832
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
V.	STAFF COSTS				
	Expenditure includes the following amounts in respect of staff costs:				
	Salaries and wages			353,280	351,985
	Social security costs			28,201	28,934
	Other pension costs			20,926	19,560
				<hr/>	<hr/>
				£402,407	£400,479
				<hr/>	<hr/>
	<u>Average monthly number of staff</u>			No.	No.
	Administration			10	9
	Establishment			18	19
	Conference - part-time			7	9
				<hr/>	<hr/>
				35	37

Note:

None of the Council of Management received any emoluments during the year (1998: £NIL)

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999 (continued)

VI. PENSION SCHEMES

The Foundation maintains a pension scheme covering substantially all of its employees. It is a defined contribution scheme (employer 5%) administered by trustees. Its funds are kept separate from those of the Foundation.

In addition the Foundation contributes to separate money purchase schemes for senior executives with the Foundation's contribution set at 10%. These funds are also kept separate from those of the Foundation. Pension costs for the year are shown in Note V.

	1999	1998
	£	£
VII. ADMINISTRATION - NON-STAFF COSTS		
Travelling	12,657	4,005
Representation abroad	12,910	12,774
Postage and telephones	10,695	9,490
Maintenance of office equipment	3,196	1,766
Printing, stationery and office expenses	8,127	7,667
Vehicle running costs	6,775	6,679
Auditors' remuneration	7,200	11,400
(Foundation £6,600 (1998: £10,800))		
Architects' and surveyors' fees	45,530	31,209
Legal and professional fees	7,000	10,565
Bank charges	2,432	1,589
Interest payable	2,574	5,074
General expenses	4,349	5,614
	<u>£123,445</u>	<u>£107,832</u>
VIII. ESTABLISHMENT - REPAIRS		
Buildings - Major works	66,850	212,409
- Provision for 1996/97	0	(40,000)
	<u>66,850</u>	<u>172,409</u>
- General repairs and maintenance	9,578	7,469
Repairs and renewals of furniture and equipment	26,930	20,628
Upkeep and maintenance of roads and gardens	21,096	10,096
	<u>£124,454</u>	<u>£210,602</u>
IX. ESTABLISHMENT - NON-STAFF COSTS - OTHER		
Heating and lighting	20,520	20,621
Insurance	16,740	22,635
Rates and water	14,562	7,712
Household and cleaning	5,113	5,257
	<u>£56,935</u>	<u>£56,225</u>

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999 (continued)

	1999 £	1998 £
X. CONFERENCES - NON-STAFF COSTS		
Catering	33,898	35,995
Participants' travel costs - to UK (partly funded by earmarked donations)	24,158	34,465
Participants' travel costs - from UK	6,075	10,323
Publications	7,126	8,706
Other conference expenditure	24,513	15,919
	<u>£95,770</u>	<u>£105,408</u>

XI. TANGIBLE ASSETS - GROUP AND FOUNDATION

	Freehold Property	Furniture & Equipment	Furnishings	Motor Vehicles	Total
COST	£	£	£	£	£
At 31 March 1998	269,621	266,576	34,441	46,515	617,153
Additions	0	8,264	0	0	8,264
Disposals	(81,736)	0	0	0	(81,736)
At 31st March 1999	<u>187,885</u>	<u>274,840</u>	<u>34,441</u>	<u>46,515</u>	<u>543,681</u>
DEPRECIATION					
At 31st March 1998	94,668	240,458	26,175	33,900	395,201
Charge for year	9,394	13,879	1,459	4,587	29,319
Disposals	(81,736)	0	0	0	(81,736)
At 31st March 1999	<u>22,326</u>	<u>254,337</u>	<u>27,634</u>	<u>38,487</u>	<u>342,784</u>
NET BOOK VALUE					
At 31st March 1998	£174,953	£26,118	£8,266	£12,615	£221,952
At 31st March 1999	<u>£165,559</u>	<u>£20,503</u>	<u>£6,807</u>	<u>£8,028</u>	<u>£200,897</u>

The net book value at 31 March 1999 represents fixed assets used for:

Direct charitable purposes	165,559	7,491	6,807	7,225	187,082
Administration	0	13,012	0	803	13,815
	<u>£165,559</u>	<u>£20,503</u>	<u>£6,807</u>	<u>£8,028</u>	<u>£200,897</u>

The Freehold Property entry comprises expenditure on renovations and improvements. The house and land are valued at NIL since they were acquired by gift. No value has been attributed to this asset as, under the terms of the Trust Deed, it is inalienable.

**REPORT OF THE AUDITORS TO THE MEMBERS
OF THE DITCHLEY PARK CONFERENCE CENTRE LIMITED**

We have audited the financial statement on pages 25 to 28.

Respective responsibilities of directors and auditors

As described on page 24 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.

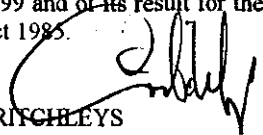
Basis of opinion

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 consider 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 31st March 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



CRITCHLEYS
Chartered Accountants and Registered Auditors
Oxford
13th May 1999

ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

TURNOVER

Turnover is stated net of Value Added Tax, and represents the invoiced value of goods and services supplied.

CASH FLOW STATEMENT

The company qualifies as a small company under the terms of section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement under Financial Reporting Standard No. 1, 'Cash Flow Statements', to publish a cash flow statement.

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999 (continued)

XII. INVESTMENTS - GROUP AND FOUNDATION

	Listed Securities	Short Term Deposits	Investment Properties	Total
	£	£	£	£
MARKET VALUE				
At 31st March 1998	20,138,585	1,525,721	777,000	22,441,306
Additions	6,395,514	17,741	0	6,413,255
Disposals	(7,343,811)	0	0	(7,343,811)
Net unrealised gains	1,033,455	0	0	1,033,455
At 31st March 1999	£20,223,743	£1,543,462	£777,000	£22,544,205
Cost at 31st March 1999	£12,129,511	£1,543,462	£777,000	£14,449,973

Disposals are at market value as at 1 April 1998, or cost if acquired during the year. Proceeds of disposals amount to £6,366,806 giving rise to a loss of £977,005.

The investment properties were acquired during 1997 at open market value, which is believed not to have changed significantly by 31 March 1999.

XIII. INVESTMENT IN SUBSIDIARY

The Foundation's investment in subsidiary relates to a 100% holding of the ordinary share capital of Ditchley Park Conference Centre Ltd, a company incorporated in Great Britain. The principal activity of the company is the provision of guest conference facilities.

XIV. STOCKS

	1999		1998	
	Group £	Foundation £	Group £	Foundation £
Wine cellar	28,389	28,389	28,886	28,886
Heating oil	2,784	2,784	2,682	2,682
Publications for resale	9,596	0	10,298	0
	£40,769	£31,173	£41,866	£31,568

XV. DEBTORS (Due within one year)

Trade debtors	0	0	1,570	0
Amount due by subsidiary (Ditchley Park Conference Centre Ltd)	0	11,587	0	17,552
Taxation recoverable	8,837	11,629	8,298	11,446
Prepayments	510	510	2,620	2,620
Accrued Income & Other Debtors	67,308	67,308	63,072	63,072
	£76,655	£91,034	£75,560	£94,690

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999 (continued)

XVI. CREDITORS (Due within one year)	1999		1998	
	Group	Foundation	Group	Foundation
	£	£	£	£
Payments received in advance	62,468	60,346	89,286	86,133
Trade creditors	9,728	9,728	23,191	23,191
Taxation and social security payable	9,858	9,858	10,879	10,879
Other taxation payable	0	0	0	0
Other creditors & accruals	57,622	57,022	97,478	96,878
	£139,676	£136,954	£220,834	£217,081

XVII. SHARE CAPITAL. The liability of members is limited by guarantee and no shares are authorised or issued by the Foundation. Each member undertakes to contribute £1 to the assets of the Foundation in the event of the same being wound up whilst a member, or within one year of ceasing to be a member, for the payment of debts and liabilities of the Foundation contracted before ceasing to be a member, and of the cost, charges and expenses of winding up, such as may be required not exceeding £1.

XVIII. ENDOWMENT FUND	Balance	Movement in Funds		Balance
	31 March	Incoming	Expenditure,	31 March
	1998	resources	gains, losses	1999
	£	£	£	£
Permanent endowments				
HDH Wills family and family trusts	£21,658,205	0	£56,450	£21,714,655
XIX. RESTRICTED FUND				
Dulverton Travel Fund	£100,000	0	0	£100,000

The Dulverton Travel Fund was established from a gift by the Dulverton Trust. Under the terms of the gift the income is used to offset the cost of conference participants' travel from overseas. The capital is invested in short term deposits.

XX. UNRESTRICTED FUNDS				
Maintenance Fund	850,476	60,799	0	911,275
Accumulated Fund	134,848	(15,787)	0	119,061
	£985,324	£45,012	£0	£1,030,336

£850,476 was received in 1998 from the H D H Wills 1965 Charitable Trust - Martin Wills Fund. Under the terms of the Trust Deed a payment is made to the Foundation every seven years. The Council of Management has allocated this amount to a designated fund (the Maintenance Fund) towards the future cost of maintaining the Foundation's properties. Interest received during the year has been added to the Fund.

THE DITCHLEY FOUNDATION

Notes to the Accounts - 31st March 1999 (continued)

XXI. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Restricted funds £	Endowment funds £	1999 Total funds £	1998 Total funds £
Fund balances at 31 March 1999 are represented by:					
Tangible fixed assets	200,897	0	0	200,897	221,952
Investments	729,550	100,000	21,714,655	22,544,205	22,441,306
Current assets	239,565	0	0	239,565	301,105
Current liabilities	(139,676)	0	0	(139,676)	(220,834)
Total net assets	£1,030,336	£100,000	£21,714,655	£22,844,991	£22,743,529
Unrealised gains included above					
On tangible net assets	0	0	0	0	0
On investment assets (see note below)	0	0	8,094,232	8,094,232	9,945,111
Total unrealised gains at 31st March 1999	£0	£0	£8,094,232	£8,094,232	£9,945,111
Reconciliation of movements in unrealised gains on investment assets					
Unrealised gains at 31 March 1998	0	0	9,945,111	9,945,111	5,786,483
Deduct: disposals in year	0	0	(2,884,334)	(2,884,334)	(411,759)
	0	0	7,060,777	7,060,777	5,374,724
Add: net gains arising on revaluations in year	0	0	1,033,455	1,033,455	4,570,387
Unrealised gains at 31 March 1999 as above	£0	£0	£8,094,232	£8,094,232	£9,945,111

XXII. TRAVEL EXPENSES

£6,385 was disbursed for travel and associated expenses incurred by four members of the Council of Management while attending business directly associated with the purposes of the Foundation (1998 - £4,659).

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 March 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company, Registered No. 1944182, is incorporated in Great Britain. Its principal business activity is the provision of conference facilities for outside bodies. It has also assumed responsibility for the commercial activities of the Ditchley Foundation including, principally, open days, i.e. for visits to Ditchley Park either by members of the public during any open period or by individuals and specialist groups at other times by prior arrangement.

A total of two large and two small guest conferences was held during the financial year covered by this report, and these contributed largely to the company's operating profit of £12,139.

CHARITABLE CONTRIBUTIONS

During the period the company made a contribution of £12,139 to the Ditchley Foundation.

RESULTS AND DIVIDENDS

The retained profit for the year amounted to £NIL.

The directors do not recommend the payment of a dividend in respect of this year's profits.

DIRECTORS' INTEREST IN SHARES

None of the directors has had any interest in the shares of the company at any time during the period.

DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going-concern basis.

The directors are responsible for keeping proper accounting records and for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

AUDITORS

A resolution to reappoint Critchleys as auditors for the year ending 31 March 2000 will be proposed at the annual general meeting.



By order of the Board,
CAROL ROBSON
Secretary
13th May 1999

**REPORT OF THE AUDITORS TO THE MEMBERS
OF THE DITCHLEY PARK CONFERENCE CENTRE LIMITED**

We have audited the financial statement on pages 25 to 28.

Respective responsibilities of directors and auditors

As described on page 24 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.

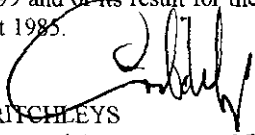
Basis of opinion

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 consider 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 31st March 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



CRITCHLEYS
Chartered Accountants and Registered Auditors
Oxford
13th May 1999

ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

TURNOVER

Turnover is stated net of Value Added Tax, and represents the invoiced value of goods and services supplied.

CASH FLOW STATEMENT

The company qualifies as a small company under the terms of section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement under Financial Reporting Standard No. 1, 'Cash Flow Statements', to publish a cash flow statement.

THE DITCHLEY PARK CONFERENCE CENTRE LIMITED

Profit and Loss Account for Year Ended 31st March 1999

	1999 £	1998 £
TURNOVER		
Conference income	32,472	70,230
Visitors' entrance fees	954	920
Sale of publications	951	920
Other	79	-
Sale of drinks	601	-
	<u>£35,057</u>	<u>£72,070</u>
OPERATING EXPENSES		
Cost of drinks sold	513	-
Management and service fees	20,708	56,714
Printing, stationery and other	89	48
Publications for resale	702	687
Guiding fees	306	335
Auditors' remuneration	600	600
	<u>£22,918</u>	<u>£58,384</u>
OPERATING PROFIT	<u>12,139</u>	<u>13,686</u>
PROFIT ON ORDINARY ACTIVITIES	£12,139	£13,686
PAYMENT UNDER DEED OF COVENANT	(£12,139)	(£13,686)
RETAINED PROFIT FOR THE YEAR	<u>£NIL</u>	<u>£NIL</u>

NOTES:

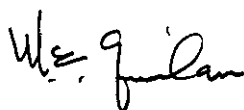
- (1) The results for the years above are derived from continuing operations.
- (2) The company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.
- (3) There is no difference between the profit on ordinary activities and the retained profit for the years stated above, and their historical cost equivalents.

THE DITCHLEY PARK CONFERENCE CENTRE LIMITED

Balance Sheet at 31st March 1999

	Notes	1999 £	1998 £
CURRENT ASSETS			
Stocks	2	9,596	10,298
Debtors	3	0	1,570
Cash in bank and in hand		7,508	12,586
		<u>17,104</u>	<u>24,454</u>
CURRENT LIABILITIES			
Creditors falling due within one year	4	(17,102)	(24,452)
		<u></u>	<u></u>
NET ASSETS		<u>£2</u>	<u>£2</u>
CAPITAL AND RESERVES			
Called-up share capital	5	<u>£2</u>	<u>£2</u>

The financial statements on pages 25 to 28 were approved by the Board of Directors on 13th May 1999 and were signed on their behalf by:



MICHAEL QUINLAN

Chairman and
Managing Director

THE DITCHLEY PARK CONFERENCE CENTRE LIMITED

Notes to the Accounts

1. DIRECTORS AND EMPLOYEES

The company has no employees. (1998: NIL)

None of the directors received any remuneration during the year (1998: £NIL)

2. STOCKS

Stocks comprise publications for resale.

3. DEBTORS (Due within one year)

	1999	1998
	£	£
Trade debtors	0	1,570

4. CREDITORS (Due within one year)

Payments received on account	2,123	3,152
Amount owed to parent company	11,587	17,552
Other taxation payable	2,792	3,148
Other	600	600
	17,102	24,452

5. CALLED-UP SHARE CAPITAL

Authorised		
100 ordinary shares of £1 each	£100	£100
Issued, allotted, called-up and fully paid		
2 ordinary shares of £1 each	£2	£2

6. ULTIMATE PARENT COMPANY

The company's ultimate parent company and ultimate controlling party is The Ditchley Foundation, a company limited by guarantee and incorporated in Great Britain.

THE DITCHLEY FOUNDATION

(printed to comply with Statement of recommended Practice for Charities
issued by the Accounting Standards Committee)

The Ditchley Foundation is "a Company limited by guarantee not having a share capital", incorporated on the 24th day of February 1958, the Articles of Association having been subsequently amended on the 29th day of November 1966.

The Foundation is registered as a charity with the Charity Commissioner (No 309657).

The principal object of the Foundation is 'to promote, carry out or advance any charitable objects, and in particular any branches or aspects of education, likely to be for the common benefit of British subjects on the one hand and citizens of the United States of American on the other'. In pursuing this object it promotes the discussion, study and better understanding of matters of common interest to the British and American peoples, with the participation of other nationalities, particularly from other members of the European Community, as is judged useful in relation to particular topics. The first Anglo-American conferences were held at Ditchley early in 1962.

The Foundation is controlled by a Governing Body composed of the members of the Foundation, who may be designated "Governors". The Governors meet at least once a year, at the Annual General Meeting of the Foundation, to approve the annual report and accounts of the Foundation and to receive the report of the auditors; to elect, as necessary, in accordance with the Articles of Association, the Council of Management, and to deal with the business of the Foundation.

The administration of the Foundation is carried out by the Council of Management, through two appointed Committees, the Programme Committee and the Finance and General Purposes Committee. The day-to-day management of the Foundation is conducted by the Director, who is appointed by, and responsible to, the Council of Management.

Copies of the Articles of association are available for inspection.

The American and Canadian Ditchley Foundations exist under United States and Canadian law respectively with similar purposes and more especially to help the work of the British Foundation.