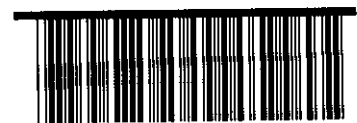


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THE COUNCIL'S  
ANNUAL REPORT  
AND ACCOUNTS  
2002-2003



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The Purposes and Management of the Foundation

Inside back cover

## **HONORARY LIFE PRESIDENT**

Lady Wills, JP

## **COUNCIL OF MANAGEMENT**

### *Chairman*

The Rt Hon John Major, CH

### *Vice-Chairman*

Lord Windlesham, CVO, PC

### *Members of the Council:*

Sir Michael Angus

Baroness Chalker of Wallasey, PC

Robert Conway

HE The Honorable William S Farish

The Earl of Home, CVO, CBE

Andrew Knight

Anthony Loehnis, CMG

HE Dr Thomas Matussek

Sir Richard Mottram, KCB

The Rt Hon Sir Patrick Nairne, GCB, MC

Sir Crispin Tickell, GCMG, KCVO

Lord Tugendhat

Baroness Warnock, DBE

Dame Margaret Weston, DBE

Baroness Williams of Crosby, PC

Dr Catherine Wills

## **FOUNDATION STAFF**

*The Director:* Sir Nigel Broomfield, KCMG

*Deputy Director and Secretary:* Ashish Bhatt

*Bursar:* Brigadier Christopher Galloway

Registered Office: The Ditchley Foundation, Ditchley Park, Enstone, Oxfordshire

Auditors: Critchleys

Bankers: Barclays Bank plc, Oxford

Investment Managers: Cazenove Fund Management Ltd

Solicitors: Herbert Mallam Gowers & Co, Oxford

## **PROGRAMME COMMITTEE**

### *Chairman*

Sir Rodric Braithwaite, GCMG

### *Members*

Tom Bentley

Sir Samuel Brittan

Sir Nigel Broomfield, KCMG

Robert Cooper CMG MVO

Glyn Davies

Simon Fraser

David Goodhart

Professor Malcolm Grant

Professor Peter Hennessy

Dr Wolf Kischlat

Bronwen Maddox

Edward Mortimer

James Purnell MP

Professor Sir Adam Roberts, FBA

David Willetts MP

Dr Catherine Wills

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Foundation will be held on Saturday, 12 July 2003, at 11.00 a.m. at Ditchley Park, Enstone, Chipping Norton, Oxfordshire.

### BUSINESS:

1. To receive the Statement of Accounts and Report of the Council of Management for the year ended 31st March, 2003.
2. To elect Council Members.
  - (a) The Rt Hon Virginia Bottomley, MP, Lord Butler of Brockwell, KG, GCB, CVO, Professor Malcolm Grant, Baroness O'Neill of Bengarve
  - (b) The following Council Members have retired by rotation pursuant to Article 42 and, being eligible, offer themselves for re-election:

Robert Conway  
Baroness Chalker of Wallasey, PC

3. A resolution to reappoint Critchleys as auditors for the year ending 31 March 2004 will be put to the Annual General Meeting.
4. To transact any other business.

Dated this 12th day of June 2003

By order of the Council of Management  
ASHISH BHATT

*Secretary*

Ditchley Park,  
Enstone, Chipping Norton,  
Oxford.

### 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*

At the end of my third year as Chairman of the Council of Management, I am delighted to be able to reflect on a successful year for the Foundation's central mission of deepening and broadening transatlantic understanding and friendship against a backdrop of testing global events.

The Mansion and grounds continue to look splendid and Ditchley's mission has never been more relevant. The high level of attendance from senior ministers, politicians, officials, academics, media and businessmen is a testament to the Foundation's work across a detailed and wide ranging set of conference topics. We are also succeeding in our aim of attracting younger participants from more diverse backgrounds, who bring freshness and originality to our endeavours.

The Director, in his report, gives the details of what has been a most challenging year and I congratulate him on maintaining Ditchley's reputation and relevance in what are turbulent times.

I should, with this in mind, like to express my gratitude to the American and Canadian Ditchley Foundations for their efforts to ensure sustained high calibre of participation from their side of the Atlantic. Particular thanks are due to Hon John Brademas and Mr John O'Connor, Chairman and Executive Director of American Ditchley and in Canada to Mr Grant Reuber and Mr John Banks, Chairman and Vice President of Canadian Ditchley. Their unstinting efforts are much valued.

I am glad to report that Mr Will Hutton, Mr Damian Green MP, Ambassador Robert Hunter, Mr George Brock, Dr Ngaire Woods, Dr Geoff Mulgan, Mrs Barbara Thomas, Sir Andrew Turnbull and Sir Michael Jay have accepted invitations to become Governors. In addition, HE Thomas Matussek, HE Gerard Errara, and HE Mel Cappe have agreed to serve ex-officio as Governors for the duration of their postings to the Court of St James's. Ambassador Matussek has also agreed to join the Council of Management. I extend a warm welcome to them.

The following are retiring from the Council: The Earl of Home, Lord Tugendhat, Baroness Warnock and Dame Margaret Weston. Each of them have made significant contributions to Ditchley's work. They take with them our profound gratitude. Four Governors have elected to retire: Mr David Acland, CBE, Dr Peter Corterier, Mr John Henderson and Mrs Caroline Miles. They take with them our sincere thanks for their years of support and service to Ditchley.

As the Director reports in his Financial Review (page 8 of the Annual Report) the value of the Foundation's financial assets and our income from them has declined significantly over the past four years. The Council is monitoring the matter and at its meeting on 20<sup>th</sup> May agreed that a programme of fundraising would be explored. The Council will take a view on how to proceed at its meeting in November, following consultations with the American and Canadian Ditchley Foundations. We are therefore

grateful to the individual and corporate donors who have given generous support this year; I offer them the warm thanks of the Council for their part in sustaining the Foundation's work.

I am delighted to announce on behalf of the Council of Management that Sir Nigel Broomfield's successor as Director is Sir Jeremy Greenstock, currently the United Kingdom's Ambassador to the United Nations. We are fortunate to have someone of Sir Jeremy's calibre to take the work of the Foundation forward from August 2004.

It is with sadness that I report the deaths in the course of the last year of Baroness Young of Farnworth and the Hon. Walter Annenberg and Sir Reginald Hibbert. Janet Young served Ditchley as a Governor since 1985 and as a Member of the Council from 1990. She was a friend and colleague to many of us. Walter Annenberg was a strong supporter of Ditchley's aims through his work on the American Advisory Council; it was his gift that enabled the folly in the Grounds of the Mansion to be renovated. Sir Reginald Hibbert was Director of the Ditchley Foundation between 1982 and 1987.

We welcome to the American Board The Hon Frank Sullivan, Jr.

I am also required, under the revised Statement of Recommended Practice: Accounting and Reporting by Charities, to confirm that the Trustees have reviewed the major risks to which the Foundation is exposed. These lie in the areas of conferences, personnel, finance and the level of insurance held.

The major risk to the Foundation's work is the non-availability of the Mansion as a conference venue, both for Ditchley and Guest Conferences. In view of the availability of alternative conference facilities in the local area and the level of "additional cost of working" cover held, the Trustees are content that the Foundation's immediate commitments are covered. Key personnel have deputies who can cover in the case of their non-availability.

A formal Statement of Investment Policy has been lodged with the investment managers and the Finance Committee's regular meetings with them will continue. At these meetings the level of cash reserves is constantly monitored. The size of the investment portfolio, in spite of recent stock market reverses, ensures that there are sufficient funds for the foreseeable future on present plans and assumptions.

The insurance policies are reviewed annually, and as a result of a recent risk assessment the liability cover was increased this year.

My final thanks, personally and on behalf of the Council, are to all staff at the Foundation who continue to work so hard to maintain the high standard for which Ditchley is renowned: "Ditchley sets the gold standard" was how it was put recently by a senior American diplomat. This is high praise in what are and will continue to be, difficult and testing times. Ditchley's mission has never been more relevant, I am sure that the coming year will see us continue to rise to the challenges posed in our "interesting times"

## *Report of the Director*

This year's AGM comes at the end of another eventful year in both Ditchley and geopolitical terms.

The sequence of events following 9/11 and leading through Afghanistan to Iraq have dominated the news and been a major theme at many of our conferences. The depth of the transatlantic divisions revealed in the UN debates prior to hostilities in Iraq posed a challenge which goes to the heart of the reasons for Ditchley's existence. The claims on the time of senior decision makers, the reluctance at times to travel and the difficulty of putting such important but fast-moving events into some sort of perspective has not made the task of organising conferences any easier. But, where success was achieved, it was all the more worthwhile. In this context I would single out the conferences on Terrorism at the beginning of January and the future role of NATO (immediately following the damaging divisions in the Alliance over the defence of Turkey) as being conspicuously well attended and focused on real operational questions. As I write, a third conference in this series, "Underlying approaches to International Relations", to be held at the end of June with Lord Hurd in the chair, will give us an opportunity to look at some of the more fundamental and long-term issues behind the current difficulties in the transatlantic relationship.

We have also tackled a number of topical domestic themes. The conference on Higher Education in March was attended by the Minister and senior officials from the Department of Education and Skills as well as Provosts, University Presidents and Professors from the UK, the USA and other countries. Coming soon after the publication of the UK's White Paper on Higher Education, it gave all concerned in the UK a good opportunity to look at specific policy issues against a variety of national experience. Other conferences raised contemporary questions: Philanthropy (attended by the Chief Secretary to the Treasury), The Change in Ethos and Role of the Public Service and the Impact of the Media on the Politics of Our Time where we were partnered by Kennedy School of Government at Harvard and the Southern Center for International Studies in Atlanta respectively.

The major administrative event of the last few months has been a visit by the Charity Commissioners in March to see if the Foundation was complying with the provisions of the Charities Act, 2000 and the various guidelines issued by the Commission. The Commissioners praised the high level of commitment and professionalism towards the aims and values of the charity shown by the Trustees and senior staff present at their review visit. We have already complied with the single legal requirement they noted and are considering some good practice recommendations.

The name of my successor has been announced. I am personally delighted that he will be Jeremy Greenstock whose conduct of his present mission at the United Nations indicates that Ditchley is indeed fortunate to have someone of his talent and character willing to take on the work of the Foundation from August 2004.



I would like to conclude by thanking all the many people who have helped to make the past year so successful. In the first place the permanent staff have performed admirably in both organising the conferences as well as presenting the house and grounds in such outstanding condition. We have said goodbye to two of our longest serving staff: Mary Druce, our Conference Secretary, who will be known to many of you and Mike Sloane, our Accountant, who may not have had such a visible role but whose work was nonetheless essential. They take with them our sincere thanks and best wishes. We welcome their successors, Caroline Whelan as Conference Secretary and Bridget Ottley as Accountant.

My thanks go also to the many Governors and Council members who have participated in our conferences or helped with their advice. I include particularly our sister organisations in America and Canada in these thanks and look forward to the Conference at La Sapiniere, near Montreal, which we will be organising with Canadian Ditchley in September. I am grateful also to the many Embassies and Missions who have helped to identify participants for our various conferences.

I look forward to what will be my final year at Ditchley with interest and anticipation. There are events of historic importance in train on either side of the Atlantic and in the rest of the globalising world. We should not lack for stimulation in our work.

## *Financial Review*

This has been yet another bleak year for financial managers throughout the charitable sector, and the Foundation is no exception. As can be seen on page 23 the value of our investments at 31 March had fallen to £12.3m; interest rates are at their lowest for a generation, and the phasing out of the Advance Corporation Tax rebate has almost run its course; all this together with the expenditure of £2.3m in 2001 on essential refurbishment has conspired to reduce substantially the total investment income which peaked four years ago at £833k and has now fallen to £584k. In spite of careful budgeting and a series of internal savings measures, the excess of expenditure over income this year was £185k and is likely to remain at around this level for the next few years unless there is a major turnaround in the stock market.

This overspend included the successful completion of the redecoration programme in the first floor bedrooms which, in my view, fully justifies the price increase for guest conferences. We have also installed a new conference database and taken our website management into our own hands. Both have resulted in increased efficiency and savings. Work on The Bothy proceeds – the first two flats were completed and let in December and May. The remaining flat is due for completion in August. The rental income we will receive is equivalent to the income we would have from a capital sum of £500k at a 4% return on investment, at a capital cost of considerably less than £100k.

The endorsed reserves policy is to keep all reserves within the investment portfolio to maximise return. Although the reserves are sufficient to cover the current level of the operating deficit for a number of years the situation clearly should not be allowed to continue. At its meeting on 20 May the Council, on advice from the Finance and General Purposes Committee, decided that a fundraising programme should be explored. Final decisions should be taken by the Council at its meeting in November following consultations with the American and Canadian Ditchley Foundations. Governors can, however, rest assured that nothing would be done which would change the essential character of Ditchley as it is. The objective of any fundraising would be to build a level of reserves, the income from which (together with other sources of income available to the Foundation) would be sufficient to cover the Foundation's annual running costs. The longer term maintenance will be covered by contributions from the Martin Wills Trust Fund which are available to the Foundation exclusively every seventh year and for which the Foundation may bid in two of the intervening years.

As part of our overall finances we have set a target of achieving £100k income from the activities of the Ditchley Park Conference Centre Ltd, donations in support of Ditchley conferences and rents. This was achieved this year, although only five of the six guest conference slots were filled. Seven are already booked for next year.

Our investment policy remains to task the Investment Managers to produce a 4½% total return, plus inflation. This goal was not met in the period under review as a result of exceptional market corrections. The Council has this question under active review as set out in the Chairman's Report on page 4.

## *The Conference Programme*

### *Concluding Phase of the 2001-2002 Programme*

Ditchley's conference year runs from September to July and does not correspond to the financial year to which this report, strictly speaking, relates. Thus five conferences during the period April-June 2002 fell during the financial year 2002-2003 but were included in the list of conferences in last year's annual report. This year's report follows the same practice.

### *The 2002-2003 Conference Programme*

<i>2002</i>	<i>Title</i>	<i>Chairman</i>
Sept 20-22	Prospects for southern Africa	The Rt Hon Baroness Chalker of Wallasey
Oct 4-6	Civil Society: young people and citizenship.	Baroness Howe of Idlicote
Nov 8-10	Civil Society: the role of philanthropy.	The Hon John Brademas
Dec 6-8	Solutions to new global challenges: thinking the unthinkable. (In-house conference for the Ditchley Foundations)	Sir Crispin Tickell
<i>2003</i>		
Jan 10-12	Terrorism: national and international responses.	Sir Stephen Lander
Jan 24-26	The state of democracy in South America.	The Rt Hon The Lord Garel-Jones
Feb 21-23	The future role of NATO.	General Klaus Naumann
March 7-9	Higher education: the global future and value of universities in the information age.	Sir John Kingman
March 21-23	Correcting the democratic deficit.	The Rt Hon Peter Mandelson MP
April 26-28	Change in ethos and role of the public service. (A joint conference with the Kennedy School of Government at Ditchley)	Lord Wilson of Dinton

<i>2003</i>	<i>Title</i>	<i>Chairman</i>
May 9-11	Japan in the 21 <sup>st</sup> Century. (A joint conference with the Keidanren and the Keizai Koho Centre)	HE Judge Hisashi Owada
May 30 1- June	The impact of the media on the politics of our time.	Lord Birt
June 27-29	Underlying approaches to international relations.	The Rt Hon The Lord Hurd of Westwell

## ***Report of the Council of Management (The Trustees)***

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 2003.

### ***Principal activities and business review***

The consolidated income and expenditure account for the year is set out on page 14.

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 6 - 7.

### ***Dividends***

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

### ***Trustees***

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

The following Members of the Council are retiring: The Earl of Home, CVO, CBE, Lord Tugendhat, Baroness Warnock, DBE and Dame Margaret Weston, DBE

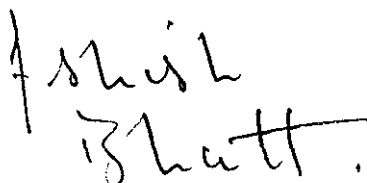
The Members of Council retiring by rotation at the Annual General Meeting are Baroness Chalker of Wallasey, PC, Robert Conway. Being eligible they offer themselves for reappointment.

### ***Trustees' responsibilities***

The Trustees 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 2003. 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  
ASHISH BHATT  
Secretary  
20 May 2003

# 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 of The Ditchley Foundation for the year ended 31 March 2003 which comprise the consolidated statement of financial activities, the consolidated income and expenditure account, the consolidated balance sheet, and consolidated cash flow and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 we have formed.

### Respective responsibilities of directors and auditors

As described on page 11 the Foundation's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Foundation 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 Foundation is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 the Group as at 31st March 2003 and of its incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Critchleys*  
CRITCHLEYS

Chartered Accountants and Registered Auditors  
Oxford  
20th May 2003

THE DITCHLEY FOUNDATION

*Consolidated Statement of Financial Activities for Year ended 31 March 2003*

	Unrestricted Funds £	Restricted Funds £	Total 2003 £	Total 2002
<b>INCOMING RESOURCES (notes 2 &amp; 3)</b>				
Voluntary				
Donations & gifts	8,780	17,127	25,907	45,745
Other activities for generating funds				
Trading turnover of subsidiary	72,603	0	72,603	56,264
Investment income	579,427	4,240	583,667	639,188
Other incoming resources	6,558	0	6,558	1,928
<b>Total incoming resources</b>	<b>667,368</b>	<b>21,367</b>	<b>688,735</b>	<b>743,125</b>
<b>RESOURCES EXPENDED (Note 4)</b>				
Cost of generating funds				
Trading costs of subsidiary	46,604	0	46,604	38,312
Net income available for charitable application	620,764	21,367	642,131	704,813
Charitable expenditure				
Conference costs	80,784	21,367	102,151	116,136
Support costs	583,457	7,010	590,467	1,651,947
Management & administration	141,972	0	141,972	137,156
<b>Total charitable expenditure</b>	<b>806,213</b>	<b>28,377</b>	<b>834,590</b>	<b>1,905,239</b>
<b>Total expenditure</b>	<b>852,817</b>	<b>28,377</b>	<b>881,194</b>	<b>1,943,551</b>
<b>NET OUTGOING RESOURCES</b>	<b>(185,449)</b>	<b>(7,010)</b>	<b>(192,459)</b>	<b>(1,200,426)</b>
<b>GAINS/(LOSSES) ON INVESTMENT ASSETS</b>				
Realised	(1,160,290)	0	(1,160,290)	(698,443)
Unrealised	(3,354,555)	0	(3,354,555)	(748,899)
<b>NET MOVEMENT IN FUNDS</b>	<b>(4,700,294)</b>	<b>(7,010)</b>	<b>(4,707,304)</b>	<b>(2,647,768)</b>
Fund balances brought forward as at 1 April 2002	19,270,792	134,774	19,405,566	22,053,334
<b>FUND BALANCES CARRIED FORWARD AT 31 MARCH 2003 (note 18)</b>	<b>£14,570,498</b>	<b>£127,764</b>	<b>£14,698,262</b>	<b>£19,405,566</b>

THE DITCHLEY FOUNDATION

*Consolidated Income and Expenditure Account for Year Ended 31st March 2003*

		Note	2003 £	2002 £
<b>INCOME</b>				
DIVIDENDS, INTEREST AND RENTS		2	583,697	639,216
DONATIONS		3	26,042	45,745
GUEST CONFERENCES			67,355	55,788
OTHER			11,641	2,376
			<u>£688,735</u>	<u>£743,125</u>
<b>EXPENDITURE</b>				
ADMINISTRATION	Executive and office staff costs	5	264,147	271,412
	Non-staff costs	7	74,642	173,008
			<u>338,789</u>	<u>444,420</u>
ESTABLISHMENT	Household and services staff costs	5	180,423	162,565
	Non-staff costs - Repairs	8	71,905	1,071,450
	- Other	9	73,541	61,469
			<u>325,869</u>	<u>1,295,484</u>
CONFERENCES	Costs of extra staff	5	49,634	41,155
	Non-staff costs	10	98,400	112,558
			<u>148,034</u>	<u>153,713</u>
DEPRECIATION	Tangible assets	11	38,932	28,114
VALUE ADDED TAX			29,570	21,820
TOTAL			<u>£881,194</u>	<u>£1,943,551</u>
<b>OPERATING DEFICIT FOR THE YEAR (page 13)</b>				
			(£192,459)	(£1,200,426)
TRANSFER FROM RESTORATION FUND		18	7,010	71,542
TRANSFER FROM MAINTENANCE FUND			0	1,003,929
TRANSFER FROM UNRESTRICTED FUND			£185,449	£124,955

Notes:

- (a) As permitted by Section 230 of the Companies Act 1985, a separate Income and Expenditure Account for the Foundation alone has not been included in these accounts. The subsidiary company retained neither a profit nor a loss in either year.
- (b) The results for the years above are derived from continuing activities.
- (c) There is no difference between the operating results for the years stated above and their historical cost equivalents.
- (d) Total income comprises £667,368 for unrestricted funds and £21,367 for restricted funds. A detailed analysis of income by source is provided in the Statement of Financial Activities on page 13.
- (e) Guest conference income relates to the turnover of Ditchley Park Conference Centre Ltd, details of which are shown on page 26.
- (f) The Consolidated Income and Expenditure Account is derived from the Statement of Financial Activities on page 13 which, together with the notes to the accounts on pages 17 to 25, provides full information on the movements during the year on all the funds of the Group.



THE DITCHLEY FOUNDATION


*Balance Sheets at 31st March 2003*

	Note	2003		2002	
		Group	Foundation	Group	Foundation
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	11	920,122	920,122	951,502	951,502
Investments	12	13,805,503	13,805,503	18,384,362	18,384,362
Investment in subsidiary	13	0	2	0	2
		<u>14,725,625</u>	<u>14,725,627</u>	<u>19,335,864</u>	<u>19,335,866</u>
<b>CURRENT ASSETS</b>					
Stocks	14	25,826	19,276	27,403	19,887
Debtors	15	20,831	26,756	106,392	114,853
Bank balances and cash		61,638	60,334	109,856	105,505
		<u>108,295</u>	<u>106,366</u>	<u>243,651</u>	<u>240,245</u>
<b>CURRENT LIABILITIES</b>					
Creditors falling due within one year	16	(135,658)	(133,731)	(173,949)	(170,545)
		<u>(27,363)</u>	<u>(27,365)</u>	<u>69,702</u>	<u>69,700</u>
<b>NET CURRENT ASSETS</b>					
		<u>£14,698,262</u>	<u>£14,698,262</u>	<u>£19,405,566</u>	<u>£19,405,566</u>
<b>NET ASSETS</b>					
		<u>£14,698,262</u>	<u>£14,698,262</u>	<u>£19,405,566</u>	<u>£19,405,566</u>
<b>SHARE CAPITAL</b>	17	Nil	Nil	Nil	Nil
<b>RESERVES</b>					
Unrestricted Fund	18	14,570,498	14,570,498	19,270,792	19,270,792
Restricted Fund	18	127,764	127,764	134,774	134,774
		<u>£14,698,262</u>	<u>£14,698,262</u>	<u>£19,405,566</u>	<u>£19,405,566</u>

The accounts on pages 13 to 25 were approved by the Council of Management on 20th May 2003 and were signed on its behalf by:

THE RT HON JOHN MAJOR CH

20th May 2003

  
Chairman of the  
Council of Management

THE DITCHLEY FOUNDATION

*Consolidated Cash Flow Statement - Year Ended 31st March 2003*

	Notes Below	2003 £	2002 £
Net cash outflow from net incoming resources	A	(104,680)	(1,116,948)
Investing activities and capital expenditure			
Purchase of tangible fixed assets		(7,552)	(815,244)
Purchase of investments		(7,361,095)	(6,217,844)
Purchase of investment property		(57,915)	(19,622)
Proceeds from sale of investments		7,816,934	6,118,684
(Increase)/decrease in short term deposits		(333,909)	2,096,493
Net cash inflow from capital expenditure and investing activities		56,463	1,162,467
		(48,217)	45,519
Management of liquid resources:			
Cash deposited on 14 days notice	B	45,642	(45,749)
Decrease in cash during year	B	(£2,575)	(£230)

Notes to the Cash Flow Statement	2003	2002
A. Reconciliation of net cash flow from net incoming resources:	£	£
Net operating (deficit)	(192,459)	(1,200,426)
Depreciation	38,932	28,144
(Decrease)/increase in creditors	(38,291)	56,639
Decrease/(increase) in debtors	85,561	(2,879)
Decrease in stocks	1,577	1,604
	(£104,680)	(£1,116,948)

B. Bank balances and cash:	Current	Deposit	Total 2003	Total 2002
At 1st April 2002	26,613	83,242	109,855	64,337
(Decrease)/increase in year	(2,575)	(45,642)	(48,217)	45,519
At 31st March 2003	£24,038	£37,600	£61,638	£109,856

## THE DITCHLEY FOUNDATION

*Notes to the Accounts - 31st March 2003*

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### 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 11). 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 50 years |
| Furniture, equipment and furnishings             | - Between 3 and 10 years  |
| Motor vehicles                                   | - 5 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 2003 (continued)*

- 
- |      |                          |   |   |
|------|--------------------------|---|---|
| (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. 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.<br>Dividends are accounted for by reference to the declared payment date.<br>Donations are accounted for in the period in which they are received.<br>Guest conference income excludes value added tax and represents the invoiced value of goods and services supplied.  |
| (10) | Expenditure              | - | Where possible, expenditure is allocated to conference costs, support costs and management and administration costs on an actual basis. Where staff divide their time between functions, staff costs are allocated on the basis of the estimated time the member of staff spends on the related function. An estimate of the allocation of other costs not directly attributable to conference, support or administration is also made. |
| (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 2003 (continued)*

- 
- |      |                 |   |
|------|-----------------|---|
| (12) | Fund Accounting | <p>- The Ditchley Foundation has the following types of funds for which it is responsible:</p> <p><b>Unrestricted Funds.</b> Funds which are expendable at the discretion of the Council of Management in furtherance of the objects of the Foundation.</p> <p><b>Restricted Funds.</b> 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).</p> |
| (13) | Pension Costs   | <p>- The pension scheme is a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.</p>   |

THE DITCHLEY FOUNDATION

*Notes to the Accounts - 31st March 2003 (continued)*

			2003	2002
2.	DIVIDENDS, INTEREST AND RENTS		£	£
	Dividends on listed investments		550,089	575,929
	Interest on short term deposits		14,261	48,251
			564,350	624,180
	Rents		19,347	15,036
			£583,697	£639,216
3.	DONATIONS			
	For general purposes		8,915	8,835
	Earmarked		17,127	36,910
			£26,042	£45,745
4.	ANALYSIS OF TOTAL RESOURCES EXPENDED			
	Staff costs	Other	Depreciation	Total
	£	£	£	£
Conference costs	38,175	63,976	0	102,151
Support costs:				
Maintenance of land & buildings	139,071	78,418	27,466	244,955
Other	209,584	127,768	8,160	345,512
	348,655	206,186	35,626	590,467
Management & administration	95,915	42,751	3,306	141,972
Trading cost of subsidiary	11,459	35,145	0	46,604
	£494,204	£348,058	£38,932	£881,194
				£1,943,551
5.	STAFF COSTS			
	Expenditure includes the following amounts in respect of staff costs:			
	Salaries and wages		432,348	409,276
	Social security costs		28,479	30,941
	Other pension costs		33,377	34,915
			£494,204	£475,132
	<u>Average monthly number of staff</u>		No.	No.
	Administration		10	10
	Establishment		19	17
	Conference - part-time		8	7
			37	34

Note:

None of the Council of Management received any emoluments during the year (2002: £NIL.)

THE DITCHLEY FOUNDATION

*Notes to the Accounts - 31st March 2003(continued)*

6. PENSION SCHEMES

The Foundation maintains a pension scheme covering substantially all of its employees. It is a defined contribution scheme (employer 5-9%) administered by trustees. Its funds are kept separate from those of the Foundation. There were contributions outstanding at the balance sheet date of £1,300 (2002 - £1,144). The pension cost charge represents contributions payable by the Foundation in accordance with the rules of the Scheme.

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 5.

	2003	2002
	£	£
7. ADMINISTRATION - NON-STAFF COSTS		
Travelling	7,517	4,319
Representation abroad	7,189	12,118
Postage and telephones	9,933	13,906
Maintenance of office equipment	6,293	3,215
Printing, stationery and office expenses	9,864	10,559
Vehicle running costs	6,867	9,838
Auditors' remuneration	7,656	8,320
(Foundation £7,006 (2002: £7,670))		
Architects' and surveyors' fees	410	96,743
Legal and professional fees	9,376	9,265
Bank charges	35	22
Interest payable	2,470	652
General expenses	7,032	4,051
	<u>£74,642</u>	<u>£173,008</u>
8. ESTABLISHMENT - REPAIRS		
Buildings - Major works	14,624	1,018,265
- General repairs & maintenance	8,212	4,967
Repairs & renewals of furniture & equipment	31,265	30,145
Upkeep & maintenance of roads & gardens	17,804	18,073
	<u>£71,905</u>	<u>£1,071,450</u>
9. ESTABLISHMENT - NON-STAFF COSTS - OTHER		
Heating and lighting	26,391	23,904
Insurance	21,480	18,390
Rates and water	21,312	15,372
Household and cleaning	4,358	3,803
	<u>£73,541</u>	<u>£61,469</u>

THE DITCHLEY FOUNDATION

*Notes to the Accounts - 31st March 2003(continued)*

	2003	2002
	£	£
10. CONFERENCES - NON-STAFF COSTS		
Catering	44,145	37,261
Participants' travel costs - to UK (partly funded by earmarked donations)	37,879	10,141
Participants' travel costs - from UK	0	52,152
Publications	1,414	1,446
Other conference expenditure	14,962	11,558
	<b>£98,400</b>	<b>£112,558</b>

11. TANGIBLE ASSETS - GROUP AND FOUNDATION

	Freehold Property	Furniture & Equipment	Furnishings	Motor Vehicles	Total
	£	£	£	£	£
COST					
At 31st March 2002	981,468	287,067	34,441	21,441	1,324,417
Additions	0	7,552	0	0	7,552
Disposals	0	0	0	0	0
At 31st March 2003	<b>981,468</b>	<b>294,619</b>	<b>34,441</b>	<b>21,441</b>	<b>1,331,969</b>
DEPRECIATION					
At 31st March 2002	59,544	278,859	32,010	2,502	372,915
Charge for year	27,466	5,719	1,459	4,288	38,932
Disposals	0	0	0	0	0
At 31st March 2003	<b>87,010</b>	<b>284,578</b>	<b>33,469</b>	<b>6,790</b>	<b>411,847</b>
NET BOOK VALUE					
At 31st March 2002	<b>£921,924</b>	<b>£8,208</b>	<b>£2,431</b>	<b>£18,939</b>	<b>£951,502</b>
At 31st March 2003	<b>£894,458</b>	<b>£10,041</b>	<b>£972</b>	<b>£14,651</b>	<b>£920,122</b>

The net book value at 31st March 2003 represents fixed assets used for:

Direct charitable purposes	894,457	3,740	973	13,186	912,356
Administration	0	6,301	0	1,465	7,766
	<b>£894,457</b>	<b>£10,041</b>	<b>£973</b>	<b>£14,651</b>	<b>£920,122</b>

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, in accordance with the wishes of the donor, it is inalienable. Ditchley House was built in 1722 and is a listed Grade I building. Significant costs would be involved in valuing the property which, in the opinion of the Trustees, would be onerous compared with the additional benefit derived by users of the accounts in assessing the stewardship of the assets.



THE DITCHLEY FOUNDATION

*Notes to the Accounts - 31st March 2003 (continued)*

12. INVESTMENTS - GROUP AND FOUNDATION

	Listed Securities	Short Term Deposits	Investment Properties	Total
MARKET VALUE	£	£	£	£
At 31st March 2002	16,961,374	119,586	1,303,402	18,384,362
Additions	7,361,095	333,909	57,915	7,752,919
Disposals	(8,977,223)	0	0	(8,977,223)
Net unrealised gains/(losses)	(3,354,555)	0	0	(3,354,555)
<b>At 31st March 2003</b>	<b>£11,990,691</b>	<b>£453,495</b>	<b>£1,361,317</b>	<b>£13,805,503</b>
Cost at 31st March 2003	£14,422,189	£453,495	£858,317	£15,734,001

Disposals are at market value as at 1 April 2002, or cost if acquired during the year. Proceeds of disposals amount to £7,816,933 giving rise to a loss of £1,160,290.

The investment properties were valued at 31 March, 2002 by Laws and Fiennes, Chartered Surveyors.

13. 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.

14. STOCKS

	2003		2002	
	Group	Foundation	Group	Foundation
	£	£	£	£
Wine cellar	13,975	13,975	18,381	18,381
Heating oil	5,301	5,301	1,506	1,506
Publications for resale	6,550	0	7,516	0
	<b>£25,826</b>	<b>£19,276</b>	<b>£27,403</b>	<b>£19,887</b>

15. DEBTORS (Due within one year)

Trade debtors	7	7	13,498	476
Amount due by subsidiary (Ditchley Park Conference Centre Ltd)	0	5,925	0	21,483
Taxation recoverable	3,283	3,283	2,515	2,515
Prepayments	3,860	3,860	4,939	4,939
Accrued Income & Other Debtors	13,681	13,681	85,440	85,440
	<b>£20,831</b>	<b>£26,756</b>	<b>£106,392</b>	<b>£114,853</b>

THE DITCHLEY FOUNDATION

*Notes to the Accounts - 31st March 2003 (continued)*

16. CREDITORS (Due within one year)	2003		2002	
	Group	Foundation	Group	Foundation
	£	£	£	£
Payments received in advance	35,264	33,987	29,540	26,136
Trade creditors	52,079	52,079	25,847	25,847
Taxation and social security payable	9,266	9,266	9,881	9,881
Other creditors & accruals	39,049	38,399	108,681	108,681
	<u>£135,658</u>	<u>£133,731</u>	<u>£173,949</u>	<u>£170,545</u>

17. **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.

18. RESERVES	Balance	Movement	Balance
	31 March	in Funds	31 March
	2002		2003
	£	£	£
UNRESTRICTED FUNDS	£19,270,792	(£4,700,294)	£14,570,498
RESTRICTED FUND			
Dulverton Travel Fund	100,000	0	100,000
David Wills Restoration Fund	34,774	(7,010)	27,764
	<u>£134,774</u>	<u>(£7,010)</u>	<u>£127,764</u>

Following discussions and clarification with the Charity Commission the funds previously shown as endowment have been re-classified as unrestricted. These funds comprised the original gift to the company by HDH Wills together with the accumulated gains and losses arising on the underlying investments.

Unrestricted funds comprise the original endowment gifted to the company by HDH Wills family and family trusts together with changes to the capital value of investments and surpluses and deficits on income and expenditure.

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. £100,000 was received in 2000 from the Dulverton Trust to redecorate the Great Hall in memory of Sir David Wills. Interest received has been added to this Fund.

THE DITCHLEY FOUNDATION

*Notes to the Accounts - 31st March 2003 (continued)*

19. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Restricted funds £	2003 Total funds £	2002 Total funds £
Fund balances at 31 March 2003 are represented by:				
Tangible fixed assets	920,122	0	920,122	951,502
Investments	13,677,739	127,764	13,805,503	18,384,362
Current assets	108,295	0	108,295	243,651
Current liabilities	(135,658)	0	(135,658)	(173,949)
Total net assets	£14,570,498	£127,764	£14,698,262	£19,405,566

20. TRAVEL EXPENSES

£2,232 was disbursed for travel and associated expenses incurred by one member of the Council of Management while attending business directly associated with the purposes of the Foundation (2002 - £2,148).

21. CONTROL

The ultimate control of the Foundation lies with the Council of Management.

22. CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2003 (2002 - none).