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LEEDS CASTLE FOUNDATION AND SUBSIDIARY**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 March 1998**

CONTENTS	PAGE
Chairman's Statement	(i)
Directors' and Trustees' Report	1-4
Auditors' Report	5
Statement of Accounting Policies	6-8
Consolidated Statement of Financial Activities	9
Consolidated Balance Sheet	10
Balance Sheet	11
Consolidated Cash Flow Statement	12
Notes to the Financial Statements	13-23



LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CHAIRMAN'S STATEMENT

1997/98 was another successful year for Leeds Castle, with all activities showing an increase in revenues over 1996/97. Day visitor numbers at 497,930 were only slightly below the previous year's record. Group net income fell from £288,586 to £253,587, after expenditure on our maintenance programme totalling £442,000. The Foundation is dependent on its own resources to meet the cost of maintaining the castle and the other property owned by the Foundation in perpetuity. This requires the Foundation to use its income, and in particular the income generated from the activities at Leeds, to meet current and future maintenance expenditure. The Castle stonework repairs will commence later this year and last for eleven years, a protracted period but essential if we are to minimise the intrusion into our visitors' enjoyment. Two major projects are at or near completion and comprise the major part of the £682,000 development expenditure in the year. The new building near the greenhouses was opened in March and is performing a valuable function both as a shelter from the elements and also as a place where visitors can find out more about the Castle's grounds and wildlife. The new garden, on the site of Lady Baillie's original aviary, is now complete in terms of construction, and planting is well under way, with many exotic and unusual species. It will be open to the public in May 1999 and will, I am sure, further enhance Leeds Castle's reputation for gardening excellence.

At the end of the financial year covered in this statement, Graham Jackson, our Managing Director, retired after ten years of notable service to Leeds Castle. With his great experience of the tourism industry, he enhanced and consolidated the reputation of Leeds Castle amongst historic houses open to the public. He is succeeded by Paul Sabin, who is well-known throughout Kent for his drive and vision during the twelve years he was Chief Executive of the County Council.

1998/99 will not see any major new development projects but will be a time when we look forward to the Millennium and beyond. We are very much aware that the year 2000 will bring a huge number of tourism projects, great and small, many of which will be competitors for the visitors we depend on. The response of Trustees and management to this will not be to seek a fundamental change in the way we work or the way we present Leeds Castle: the experience of the last twenty years convinces me that our unique combination of peaceful surroundings, coupled with a blend of information and entertainment, is something that visitors will continue to seek out and enjoy. However, there is no question of resting on our laurels: we must cultivate our reputation for quality and excellence, whether it is in the care of the Castle, its grounds and gardens, the facilities we offer for banquets and conferences, or the ever-popular open-air concerts. We must actively encourage repeat visits. Further on there may be a need to explore new and innovative sources of revenue, but this must be done without sacrificing what we have achieved so far. Overall I remain convinced that we can look to the future with confidence.

Lord Thomson of Monifieth KT PC DL
Chairman

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

DIRECTORS' AND TRUSTEES' ANNUAL REPORT

Full name of the charity: Leeds Castle Foundation

Governing document: Memorandum and Articles of Association. The Foundation is a company limited by guarantee with a dispensation to omit the word "Limited" from its title.

Charity registration number: 268354

Company registration number: 1172263

Trustees and Directors:

The Lord Thomson of Monifieth, KT, PC, DL, Chairman*

The Hon. Edward Adeane, CVO

The Lord Armstrong of Ilminster, GCB, CVO*

Sir Roger Bannister, CBE, DM, FRCP

The Lord Boston of Faversham, QC

The Lord Charteris of Amisfield, GCB, GCVO, QSO, OBE, PC*

Dame Elizabeth Esteve-Coll, DBE

Gerald van der Kemp, Membre de l'Institut

The Lord Kingsdown, KG, PC*

Mr P H T Mimpriss*

The Hon. Sir Angus J B Ogilvy, KCVO, PC*

The Earl of Scarbrough*

Dr. J F Stokes, MD, FRCP

Mr James Teacher

Sir John Ure, KCMG, LVO

An asterisk by the name of a Trustee indicates that he is a member of the General Management Committee.

Registered office: 9 Cheapside, London, EC2V 6AD

Bankers: Lloyds Bank plc, 8-10 Waterloo Place, London, SW1Y 4BS

Solicitors: Allen & Overy, One New Change, London EC4M 9QQ

Auditors: Coopers & Lybrand, 1 Embankment Place, London, WC2N 6NN

Investment advisers: Cazenove Fund Management, 3 Copthall Avenue, London, EC2R 7HH

OBJECTIVES OF THE CHARITY

The principal activities of the charity are the preservation for the public benefit of Leeds Castle and the land comprised in a gift bequeathed by the late Hon. O C Lady Baillie and the use of the Castle and park land for charitable purposes.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

DIRECTORS' AND TRUSTEES' ANNUAL REPORT (continued)

In order to achieve the objectives of the company, the Trustees regard the following as being of particular importance:

A well managed and adequately staffed operating subsidiary which can maximise the commercial opportunities offered by the Castle and grounds.

An emphasis on high standards of maintenance in the Castle and grounds.

The use of expert professional advisers on matters of finance, investment and health and safety.

Strategic investment to ensure that the facilities offered to visitors are of a high quality.

A close attention to all matters affecting the health and safety of visitors and employees.

ORGANISATION

The full Board of Trustees meets four times per annum to discuss policy, review the progress of the Charity and plan for the future. The Trustees have delegated to the General Management Committee, chaired by Lord Thomson, the authority to manage the business of the Charity.

The Charity continues to make full use of its wholly owned operating subsidiary in the furtherance of its charitable objectives. The Board of the subsidiary reports formally to the Board of the Charity at each of its quarterly meetings and to the General Management Committee three times per annum.

DEVELOPMENT, ACTIVITIES AND ACHIEVEMENTS OF THE YEAR

The main activity of the Charity continues to be the admission of visitors to the Castle and grounds. 1997/98 saw almost 500,000 visitors, only slightly below the previous year's record - and all the commercial activities of the subsidiary continued to prosper. The company continued to spend heavily on the maintenance of the Castle and other buildings and the various amenities available to visitors in the grounds.

The Charity does not place reliance on unpaid volunteers or donations of any kind, its only sources of income being the trading subsidiary and the dividends generated by its investment portfolio.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

DIRECTORS' AND TRUSTEES' ANNUAL REPORT (continued)

The financial performance during the year of the Charity and its subsidiary is considered to have been highly satisfactory. After paying for the costs of the charity and its subsidiary and carrying out a heavy maintenance programme there was still a substantial contribution to the funding of major development projects. Details are given in Note 8 to the financial statements. The Charity does not rely upon the realisation of gains on investments to meet day to day expenditures, and, given that it was established in perpetuity and its reliance on the income of its trading subsidiary, it is essential that such gains are reinvested to ensure that the activities of the Charity may continue despite any possible downturn in commercial activity or other unforeseen events.

The financial position of the Charity and its subsidiary at the balance sheet date is considered to be entirely satisfactory. The Trustees anticipate having available sufficient funds to invest in any new facilities which can reasonably be envisaged. From early indications in the new financial year it is expected that the subsidiary company will continue to trade strongly, that obligations will be met as they arise and that the maintenance programme will continue to be financed from the subsidiary's income and the dividend income of the investment portfolio.

All the investments held by the Charity have been acquired in accordance with the powers available to the Trustees.

With the exception of the Heritage Fund, which is a Permanent Endowment Fund, the assets of the various Funds are available to the Trustees for expenditure at their discretion in the furtherance of their charitable objectives. It remains their policy, however, to finance expenditure from current revenues as far as possible.

DONATIONS

During the year the Charity made donations to UK charities totalling £15,111 (1997: £4,730).

YEAR 2000 ISSUES

The Directors are aware of the potential problems facing the Charity but are at present confident that operations can continue normally at and in the aftermath of the Millennium. To this end they are reviewing all computerised systems and other automated equipment in use, consulting suppliers and advisers as necessary. Even where equipment and services are found to be 'year 2000 compliant' the potential impact of systems failure is being evaluated and fallback procedures are being put in place. Leeds Castle has considerable experience of operating as an isolated, independent site, and has a policy of buying and updating equipment to maintain a good modern standard, and the Directors believe that the measures being taken are appropriate to the situation and will cover most eventualities without significant additional expenditure.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

DIRECTORS' AND TRUSTEES' ANNUAL REPORT (continued)

EMPLOYEE INVOLVEMENT AND DISABLED PERSONS

Throughout the group there is close consultation between management and other employees on matters of concern with a view to keeping employees well informed about the progress and position of the group's activities. It is group policy to give full and fair consideration to the employment of applicants who are disabled persons with suitable aptitudes and abilities.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Coopers & Lybrand as auditors to the company will be put to the Annual General Meeting.

STATEMENT OF DIRECTORS' AND TRUSTEES' RESPONSIBILITIES

The directors and trustees 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 charity and the group as at the end of the financial year and of incoming resources and application of resources and cash flows of the group for that year.

The directors and trustees 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 29 March 1998. The directors and trustees also confirm that applicable accounting standards and statements of recommended practice have been followed and that the financial statements have been prepared on the going concern basis.

The directors and trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993, for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and breaches of law and regulations.

BY ORDER OF THE BOARD



H P Ashbee
Secretary
5 July 1998

REPORT OF THE AUDITORS' TO THE TRUSTEES OF LEEDS CASTLE FOUNDATION IN RESPECT OF AN AUDIT CARRIED OUT UNDER SECTION 43 OF THE CHARITIES ACT 1993 AND IN ACCORDANCE WITH THE REGULATIONS MADE UNDER SECTION 44 OF THAT ACT.

We have audited the financial statements for the year ended 29 March 1998 on pages 6 to 23.

Respective responsibilities of directors and trustees, and auditors

As described on page 4 as the charity's directors and trustees you 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 you in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 charity and the group at 29 March 1998 and of the incoming resources and application of the resources and cash flows of the group for the year then ended and comply with the requirements of regulation 3 of the Charities (Accounts and Reports) Regulations 1995.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6NN
5 July 1998

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

STATEMENT OF ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting as modified by the revaluation of investments and in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice - "Accounting by Charities", and the Charities (Accounts and Reports) Regulations 1995.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary for the year ended 29 March 1998.

Form of financial statements

The reserves comprise two distinct categories of funds. These categories are:

(A) Permanent Endowment Fund

(i) Heritage Fund

This relates to the land, buildings and chattels held by the Foundation for preservation. It was created from the value of the castle, grounds and castle contents bequeathed to the Foundation by the late Olive, Lady Baillie less the authorised sale of certain items.

(B) Unrestricted Funds

(i) Endowment Fund

The fund was created from a pecuniary legacy bequeathed by the late Olive, Lady Baillie together with additional funds realised from the authorised sale of certain items included in the original transfer of property.

The capital and income of the fund is available for expenditure by the Trustees on the Foundation's charitable objectives.

(ii) Development Fund

This relates to expenditure incurred on new buildings, the restoration of existing buildings and changes to the infrastructure of the estate carried out to improve the facilities available to members of the public and is financed by amounts transferred out of the operating surplus. It is the policy of the Trustees to finance future capital developments of a substantial nature from operating surpluses so far as is possible.

(iii) Property Maintenance Fund

This fund is intended to meet future major maintenance of an irregular nature, and any unforeseen emergencies that may arise.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

(iv) General Fund

The General Fund provides the working capital requirements of the Foundation after specific allocations for Development Fund projects and Property Maintenance Fund projects and reserve increases have been made.

Turnover

Turnover represents total income receivable, excluding value added tax, from admission fees, the sale of goods, services supplied and sundry income.

Investment income

Dividends and interest on listed investments are accounted for on an accruals basis. The amount shown includes the related tax credits which, because of the company's charitable status, are recoverable.

Interest on bank deposits is accounted for on an accruals basis.

Pension Scheme arrangements

Leeds Castle Enterprises operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Fixed assets and depreciation

(a) Castle grounds, freehold land, buildings and castle contents

No depreciation is provided on the value attributable to the assets acquired through the original gift, on other land and buildings held by the holding company, or on assets subsequently added by development expenditure. It is the policy of the company to carry out annually a full repairs and maintenance programme such that, the residual values of these assets based on prices prevailing at the date of acquisition or 1974 valuation, as applicable, are at least equal to their carrying value. Accordingly any depreciation would not be material. Carrying values are reviewed annually and provision is made, if necessary, for any permanent diminution in value.

(b) Owned equipment and motor vehicles

The cost of owned equipment and motor vehicles is written off in equal instalments over a period of four years.

(c) Assets held under finance leases

Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

Investments

Listed investments are included in the balance sheet at market valuation. Appreciation or depreciation arising on the disposal or revaluation of investments is credited to the Endowment Fund. The commissions charged for the purchase and sale of investments in the portfolio are included within the realised gains/losses in the Endowment Fund.

Stocks

Stocks are valued at the lower of cost and net realisable value.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 29 March 1998

	Notes	Unrestricted funds £	Permanent Endowment fund £	Total funds 1998 £	Total funds 1997 £
INCOMING RESOURCES					
Income from fixed asset investments	4	178,188	-	178,188	188,454
Bank interest receivable	4	98,047	-	98,047	63,634
Rental income	4	51,977	-	51,977	51,675
		<u>328,212</u>	<u>-</u>	<u>328,212</u>	<u>303,763</u>
Income of trading subsidiary supporting charitable activities of Leeds Castle Foundation					
Admission fees	1	2,628,789	-	2,628,789	2,565,100
Special events	1	543,060	-	534,060	507,508
		<u>3,171,849</u>	<u>-</u>	<u>3,171,849</u>	<u>3,072,608</u>
Other income of trading subsidiary		<u>3,966,489</u>	<u>-</u>	<u>3,966,489</u>	<u>3,750,901</u>
Total income of trading subsidiary	1	<u>7,138,338</u>	<u>-</u>	<u>7,138,338</u>	<u>6,823,509</u>
Expenditure of trading subsidiary	1	<u>(6,483,400)</u>	<u>-</u>	<u>(6,483,400)</u>	<u>(6,121,037)</u>
	1	<u>654,938</u>	<u>-</u>	<u>654,938</u>	<u>702,472</u>
TOTAL INCOMING RESOURCES		<u>983,150</u>	<u>-</u>	<u>983,150</u>	<u>1,006,235</u>
RESOURCES EXPENDED					
Direct charitable expenditure:					
net operating expenses	2	(268,985)	-	(268,985)	(236,895)
property maintenance expenditure	2	(442,136)	-	(442,136)	(464,772)
Taxation	6	(18,442)	-	(18,442)	(15,982)
		<u>(729,563)</u>	<u>-</u>	<u>(729,563)</u>	<u>(717,649)</u>
Total resources expended		<u>(729,563)</u>	<u>-</u>	<u>(729,563)</u>	<u>(717,649)</u>
Net incoming resources		<u>253,587</u>	<u>-</u>	<u>253,587</u>	<u>288,586</u>
Gains on investments:					
Realised	17	13,264	-	13,264	45,251
Unrealised	17	1,101,074	-	1,101,074	510,542
(Loss)/profit on sale of fixed assets	17	(44,444)	-	(44,444)	125,374
		<u>1,323,481</u>	<u>-</u>	<u>1,323,481</u>	<u>969,753</u>
Net movement in funds		<u>1,323,481</u>	<u>-</u>	<u>1,323,481</u>	<u>969,753</u>
Total funds brought forward		<u>14,046,014</u>	<u>1,563,906</u>	<u>15,609,920</u>	<u>14,640,167</u>
Total funds carried forward		<u>15,369,495</u>	<u>1,563,906</u>	<u>16,933,401</u>	<u>15,609,920</u>

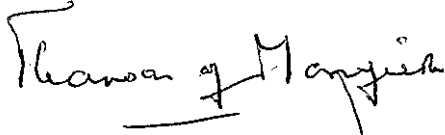
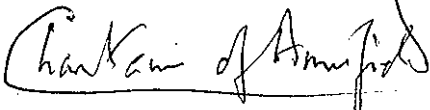
The notes on pages 13 to 23 form part of these accounts.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AT 29 March 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	9	9,901,799	9,379,150
Investments	11	6,554,506	5,574,172
		<u>16,456,305</u>	<u>14,953,322</u>
CURRENT ASSETS			
Stocks	12	631,195	659,663
Debtors	13	608,486	602,792
Cash at bank and in hand	14	680,471	735,274
		<u>1,920,152</u>	<u>1,997,729</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(1,415,300)	(1,293,247)
NET CURRENT ASSETS		<u>504,852</u>	<u>704,482</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,961,157</u>	<u>15,657,804</u>
Creditors: amounts falling due after more than one year	16	(27,756)	(47,884)
NET ASSETS		<u><u>16,933,401</u></u>	<u><u>15,609,920</u></u>
FUNDS			
Permanent endowment			
Heritage	17	1,563,906	1,563,906
Unrestricted			
Endowment	17	8,868,508	8,098,614
Development	17	5,816,794	5,135,125
Property maintenance		268,000	268,000
General		416,193	544,275
	17	<u><u>16,933,401</u></u>	<u><u>15,609,920</u></u>

The financial statements on pages 6 to 23 were approved by the board of directors on 5 July 1998 and were signed on its behalf by:

)
) Directors

LEEDS CASTLE FOUNDATION

BALANCE SHEET AS AT 29 March 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	9	9,572,410	9,001,286
Investments:			
Subsidiary company	10	366,100	366,100
Other	11	6,554,506	5,574,172
		<u>16,493,016</u>	<u>14,941,558</u>
CURRENT ASSETS			
Debtors	13	236,454	215,061
Cash at bank and in hand	14	663,368	713,317
		<u>899,822</u>	<u>928,378</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(459,437)	(260,016)
NET CURRENT ASSETS		<u>440,385</u>	<u>668,362</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,933,401</u>	<u>15,609,920</u>
FUNDS			
Permanent endowment			
Heritage	17	1,563,906	1,563,906
Unrestricted			
Endowment	17	8,868,508	8,098,614
Development	17	5,816,794	5,135,125
Property maintenance		268,000	268,000
General		416,193	544,275
	17	<u>16,933,401</u>	<u>15,609,920</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 29 March 1998

	Note	1998 £	1997 £
OPERATING ACTIVITIES			
Cash received from customers		7,101,904	6,868,960
Cash payments to suppliers		(1,733,495)	(1,565,306)
Staff costs	3	(3,036,857)	(2,906,257)
Other cash payments		(1,754,609)	(1,954,847)
Property maintenance expenditure		(442,136)	(464,772)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
	21	134,807	(22,222)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received	4	178,188	188,454
Interest received		84,453	63,634
Sundry income	4	51,977	51,675
Interest element of finance lease rentals	7	(13,370)	(15,507)
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
		301,248	288,256
TAXATION PAID			
		(17,615)	(11,781)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Development projects		(550,795)	(120,537)
Purchase of other fixed assets		(143,149)	(576,873)
Proceeds from sale of assets		88,556	277,274
Purchases of fixed asset investments	11	(1,830,944)	(1,635,554)
Proceeds from sales of fixed asset investments		1,542,475	2,028,507
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
		(893,857)	(27,183)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING			
		(475,417)	227,070
FINANCING			
Repayments of principal under finance leases	23	(79,765)	(82,453)
(DECREASE)/INCREASE IN CASH			
	22	(555,182)	144,617

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 March 1998

1 NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY

The Charity has one trading subsidiary, Leeds Castle Enterprises Limited, which is incorporated in England & Wales. A summary of the company's trading results is shown below:

Profit and loss account

	Note	1998 £	1997 £
TURNOVER			
Admission fees		2,628,789	2,565,100
Special events:			
- Open Air Concerts		543,060	507,508
- Other special events		79,515	66,861
Catering		1,999,002	1,866,705
Conferences		502,448	486,195
Shop trading		1,146,150	1,126,487
Golf		206,105	171,336
Plants and garden products		27,749	30,646
Sundry revenues		5,520	2,671
		<u>7,138,338</u>	<u>6,823,509</u>
Net operating expenses		(6,483,400)	(6,121,037)
		<u>654,938</u>	<u>702,472</u>
Gross profit			
Interest receivable		33,815	37,510
Interest payable on long term loan		(29,280)	(29,280)
		<u>659,473</u>	<u>710,702</u>
Net profit			
Amount covenanted to Leeds Castle Foundation	10	(494,156)	(570,587)
		<u>165,317</u>	<u>140,115</u>
Taxation	6	(47,817)	(42,115)
		<u>117,500</u>	<u>98,000</u>
Dividend paid to Leeds Castle Foundation		(117,500)	(98,000)
Profit retained in subsidiary		<u> </u>	<u> </u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

2 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £	Other costs £	Total £	1997 £
DIRECT CHARITABLE EXPENDITURE				
Property maintenance	-	442,136	442,136	464,772
OTHER EXPENDITURE				
Management and administration of charity	133,883	135,102	268,985	236,895
	<u>133,883</u>	<u>577,238</u>	<u>711,121</u>	<u>701,667</u>

3 NET OPERATING EXPENSES

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Change in stocks of consumables and goods for resale	28,468	(253,345)	-	-
Purchases of consumables and goods for resale	1,701,174	1,818,651	-	-
Staff costs	3,036,857	2,906,257	133,883	135,740
Depreciation of tangible fixed assets	189,940	166,645	-	-
Other operating charges	1,795,946	1,719,724	135,102	101,155
	<u>6,752,385</u>	<u>6,357,932</u>	<u>268,985</u>	<u>236,895</u>

4 INVESTMENT INCOME

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Income from fixed asset investments	178,188	188,454	325,063	312,587
Bank interest receivable	98,047	63,634	64,232	26,124
Loan interest receivable from subsidiary	-	-	29,280	29,280
Rental income	51,977	51,675	51,977	51,675
	<u>328,212</u>	<u>303,763</u>	<u>470,552</u>	<u>419,666</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

5 EMPLOYEES

Staff costs during the year were:

	Group		Company	
	1998	1997	1998	1997
		£		£
Permanent staff costs	1,998,721	1,924,253	85,692	87,249
Casual staff costs	686,068	632,998	-	-
Social security costs	202,905	195,795	8,568	8,776
Other pension costs	149,163	153,211	39,623	39,715
	<u>3,036,857</u>	<u>2,906,257</u>	<u>133,883</u>	<u>135,740</u>

The average weekly number of persons employed by the group and the company during the year was:

	Group		Company	
	1998	1997	1998	1997
	Number	Number	Number	Number
Full time	111	112	3	3
Part time	208	202	-	-
	<u>319</u>	<u>314</u>	<u>3</u>	<u>3</u>

The number of employees earning in excess of £40,000 was as follows:

	1998		1997	
	Group	Company	Group	Company
£50,001 to £60,000	2	-	2	-
£60,001 to £70,000	1	1	1	1
£130,001 to £140,000	1	-	1	-
	<u>4</u>	<u>1</u>	<u>4</u>	<u>1</u>

Trustees and Directors of the charity

Remuneration

No remuneration was paid to the Trustees and Directors during this period or the previous period.

Expenses reimbursed

Travel, subsistence and entertainment costs amounting to £4,120 (1997: £3,789) were reimbursed to one Trustee.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Transactions with connected parties

Fees totalling £9,300 (1997: £10,375) for legal services were paid to Allen & Overy of which firm Mr P H T Mimpriss is a partner.

6 TAXATION

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Corporation tax payable at 24.06% (1997: 25.16%)	18,442	15,982	-	-
	<u>18,442</u>	<u>15,982</u>	<u>-</u>	<u>-</u>

7 NET INCOMING RESOURCES

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
NET INCOMING RESOURCES ARE STATED AFTER CREDITING:				
Rent receivable	51,977	51,675	51,977	51,675
Profit on sale of fixed assets	4,000	19,400	-	-
AND AFTER CHARGING:				
Depreciation on owned assets	109,663	92,734	-	-
Depreciation on assets held under finance leases	80,277	73,911	-	-
Charges paid on finance leases	13,370	15,507	-	-
Hire of plant and equipment - operating leases	21,571	22,751	-	-
Auditors' remuneration	24,000	24,000	7,725	7,725
Auditors' remuneration for non-audit services	8,525	9,055	-	1,275
	<u>8,525</u>	<u>9,055</u>	<u>-</u>	<u>1,275</u>

At 29 March 1998 the group had annual commitments on non-cancellable operating leases of plant and equipment as follows:

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Leases expiring:				
- within one year	4,042	2,343	-	-
- within the second to fifth years inclusive	4,966	4,966	-	-
- after more than five years	11,196	11,196	-	-
	<u>20,204</u>	<u>18,505</u>	<u>-</u>	<u>-</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

8 DEVELOPMENT EXPENDITURE

During the year, costs incurred on new development assets, which are represented by the Development Fund, were as follows:

	1998 £	1997 £
New garden construction	290,487	-
Shelter building construction	199,727	-
Fairfax Hall - food delivery point/store	48,438	-
Greenhouses - new visitor facilities	35,196	-
Coach/ car park extension	28,371	-
Dog Collar Museum improvements	9,667	-
Terrace Room construction	-	9,327
Conversion and improvement of properties	-	24,957
Landscaping of the Grounds	25,243	46,317
Castle lighting and other improvements	25,744	16,051
Castle bedroom and bathroom re-equipping	9,140	4,150
New golf hole	-	5,231
Construction of Ibis House	-	9,214
Miscellaneous minor projects	9,656	5,290
	<u>681,669</u>	<u>120,537</u>

9 TANGIBLE FIXED ASSETS - GROUP

	Castle grounds and buildings £	Castle contents £	Freehold land and buildings £	Equipment and motor vehicles £	Total £
COST OR VALUATION					
At Estate Duty Valuation 1974	500,000	867,586	-	-	1,367,586
At cost	5,104,198	488,453	2,041,049	1,551,006	9,184,706
At 28 March 1997	5,604,198	1,356,039	2,041,049	1,551,006	10,552,292
Additions	681,669	18,455	-	141,465	841,589
Disposals	-	-	(129,000)	(13,000)	(142,000)
At 29 March 1998	6,285,867	1,374,494	1,912,049	1,679,471	11,251,881
DEPRECIATION					
At 28 March 1997	-	-	-	1,173,142	1,173,142
Charge for year	-	-	-	189,940	189,940
Eliminated in respect of disposals	-	-	-	(13,000)	(13,000)
At 29 March 1998	-	-	-	1,350,082	1,350,082
NET BOOK VALUE					
AT 29 MARCH 1998	6,285,867	1,374,494	1,912,049	329,389	9,901,799
At 27 March 1997	5,604,198	1,356,039	2,041,049	377,864	9,379,150

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Equipment and motor vehicles £329,389 (1997: £377,864), shown above, are wholly owned by Leeds Castle Enterprises Ltd. The net book value of equipment and motor vehicles of £329,389 (1997: £377,864) includes an amount of £69,016 (1997: £132,728) in respect of assets held under finance leases. All other assets shown above are wholly owned by Leeds Castle Foundation.

Comprised within the assets owned by the Foundation are the Castle grounds, the ancient Castle buildings and their contents, and more recent structures now used for the purposes of the subsidiary's trading activities and the administration of the Charity. These more recent buildings are incidental to the main buildings and the primary charitable purposes. In the opinion of the directors, the value attributable to those buildings which are used for administrative and trading purposes cannot readily be determined and, in the opinion of the directors, is not significant in the context of the buildings taken as a whole.

10 INVESTMENT IN SUBSIDIARY COMPANY

	1998 £	1997 £
Ordinary shares of £1 each at cost	100	100
8% unsecured loan stock 2005	366,000	366,000
	<u>366,100</u>	<u>366,100</u>

A deed of covenant has been entered into between the Foundation and the subsidiary whereby the subsidiary makes a donation to the Foundation each year. The subsidiary's accounts have been consolidated with the Foundation's accounts.

11 FIXED ASSET INVESTMENTS

These are listed investments including Certificates of Deposit and other investment portfolio cash balances and are held on account of the unrestricted Endowment Fund.

	1998 £	1997 £
MARKET VALUE OF LISTED INVESTMENTS AT 28 MARCH 1997	5,151,699	4,988,858
Less: Disposals at opening book value	(1,529,211)	(1,983,255)
Add: Acquisitions at cost	1,830,944	1,635,554
Net gains on revaluation at 29 March 1998	1,101,074	510,542
MARKET VALUE AT 29 MARCH 1998	<u>6,554,506</u>	<u>5,151,699</u>
Cash holdings at 29 March 1998	-	422,473
Total value of fixed asset investments	<u>6,554,506</u>	<u>5,574,172</u>
Historical cost value of assets	<u>4,441,528</u>	<u>3,522,924</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

At 29 March 1998 the market value of the investments split between UK investment assets and overseas assets was as follows:

	1998 £	1997 £
UK investments	4,854,977	3,691,153
Overseas investments	1,699,529	1,460,546
	<u>6,554,506</u>	<u>5,151,699</u>
Cash	-	422,473
	<u>6,554,506</u>	<u>5,574,172</u>
Total value of investments at 29 March 1998		

The portfolio contains a broad spectrum of quoted investments. No single investment exceeds 5% by value of the total portfolio.

12 STOCKS

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Goods for resale	587,114	609,447	-	-
Consumables	44,081	50,216	-	-
	<u>631,195</u>	<u>659,663</u>	<u>-</u>	<u>-</u>

13 DEBTORS

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
AMOUNTS FALLING DUE WITHIN ONE YEAR:				
Trade debtors	217,145	162,562	-	-
Other debtors	76,996	63,190	65,113	35,815
Prepayments and accrued income	166,407	175,391	23,403	9,809
Tax recoverable on dividends	34,282	64,709	34,282	32,497
Tax recoverable, deducted from donation	113,656	136,940	113,656	136,940
	<u>608,486</u>	<u>602,792</u>	<u>236,454</u>	<u>215,061</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

14 CASH AT BANK AND IN HAND

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Cash at bank and in hand	673,939	617,886	662,789	601,052
Deposits	6,532	117,388	579	112,265
	<u>680,471</u>	<u>735,274</u>	<u>663,368</u>	<u>713,317</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank overdrafts	297,147	219,241	167,491	-
Trade creditors	251,836	275,210	39,483	35,149
Amounts owed to subsidiary	-	-	15,678	121,768
Other taxation and social security payable	98,019	95,934	-	-
Other creditors	165,823	118,331	1,725	1,688
Accruals and deposits received in advance	437,553	320,055	198,054	67,180
Provision for corporation tax payable	18,442	17,615	-	-
Taxation due to Inland Revenue	113,656	171,171	37,006	34,231
Obligations under finance leases	32,824	75,690	-	-
	<u>1,415,300</u>	<u>1,293,247</u>	<u>459,437</u>	<u>260,016</u>

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Obligations under finance leases due in the second to fifth years inclusive	27,756	47,884	-	-
	<u>27,756</u>	<u>47,884</u>	<u>-</u>	<u>-</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

17 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted endowment fund	Unrestricted Devel- opment fund	Other unrestricted funds	Total unrestricted funds	Permanent Endowment/ Heritage fund	Total funds
	£	£	£	£	£	£
FUND BALANCES AT 29 MARCH 1998 ARE REPRESENTED BY:						
Tangible fixed assets	2,418,957	5,785,867	329,389	8,534,213	1,367,586	9,901,799
Investments	6,554,506	-	-	6,554,506	-	6,554,506
Current assets	62,536	30,927	1,630,369	1,723,832	196,320	1,920,152
Current liabilities	(167,491)	-	(1,275,565)	(1,443,056)	-	(1,443,056)
BALANCE AT 29 MARCH 1998	8,868,508	5,816,794	684,193	15,369,495	1,563,906	16,933,401
BALANCE OF FUNDS AT 28 MARCH 1997	8,098,614	5,135,125	812,275	14,046,014	1,563,906	15,609,920
Group income after tax	-	-	253,587	253,587	-	253,587
Realised gains on investments	13,264	-	-	13,264	-	13,264
Unrealised gains on investments	1,101,074	-	-	1,101,074	-	1,101,074
Loss on disposal of fixed assets	(44,444)	-	-	(44,444)	-	(44,444)
Development expenditure	(300,000)	681,669	(381,669)	-	-	-
BALANCE OF FUNDS AT 29 MARCH 1998	8,868,508	5,816,794	684,193	15,369,495	1,563,906	16,933,401

18 CAPITAL

The company is limited by guarantee and does not have a share capital. The liability of each member is limited to £1.

19 PENSION SCHEME

Leeds Castle Foundation operates a defined benefit scheme providing benefits based on final pensionable pay for employees of Leeds Castle Foundation and its subsidiary Leeds Castle Enterprises Limited. The assets of the scheme are held separately from those of Leeds Castle Foundation in independent funds.

The main scheme, the Leeds Castle Retirement Benefit Scheme, is valued every three years by an independent qualified actuary. The latest actuarial valuation prior to the year end was carried out as at 1 April 1995. The 1995 valuation used the projected unit method and showed that the actuarial value of the scheme's assets represented 125% of the benefits that had accrued to members at that date after allowing for future increases in earnings and pensions in payment. The market value of the scheme's assets at that time was £15,650 for the company (£408,700 for the group).

The principal assumptions were that, over the long term, the rate of return on investments would exceed the rate of increase in salaries by 2% and that there would be no increase in the rate of pensions.

Pension costs are charged to the revenue account so as to spread the cost of pensions over employees' working lives with the group. The pension cost for the year was £6,742 (1997: £6,109) for the company, and £91,410 (1997: £88,400) for the group.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITY

At 29 March 1998 the company and the group had contractual commitments for development expenditure totalling £84,513 (1997: £nil).

Provided the company continues to preserve for the public benefit both Leeds Castle and the grounds comprised in the gift by the late Olive, Lady Baillie in pursuance of the undertakings given to H M Treasury the contingent liability to Estate Duty in respect of the gift will not arise.

21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £	1997 £
Total income of trading subsidiary	7,138,338	6,823,509
Expenditure of trading subsidiary and direct charitable net operating expenses	(6,752,385)	(6,357,932)
Operating profit	385,953	465,577
Finance lease charges	13,370	15,507
Depreciation charges on fixed assets	189,940	166,645
Profit on sale of fixed assets included in operating profit above	(4,000)	(19,400)
Other cash movements:		
Decrease/(increase) in stocks	28,468	(253,345)
(Increase)/decrease in debtors	(44,740)	45,451
Increase in creditors	7,952	22,115
Property maintenance expenditure	(442,136)	(464,772)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	134,807	(22,222)

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1998 £	1997 £
(Decrease)/increase in cash in the period	(555,182)	144,617
Cash outflow from reduction in lease financing	79,765	82,453
Change in net funds resulting from cash flows	(475,417)	227,070
New finance leases	(16,771)	(36,963)
Movement in net funds in the period	(492,188)	190,107
Net funds at beginning of year	814,932	624,825
Net funds at the end of the year	322,744	814,932

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

23 ANALYSIS OF CHANGES IN NET FUNDS

	28 March 1997	Cash flow	Other non-cash changes	29 March 1998
	£	£	£	£
Cash in hand and at bank	735,274	(54,803)	-	680,471
Cash held within investment portfolio	422,473	(422,473)	-	-
Overdrafts	(219,241)	(77,906)	-	(297,147)
Finance leases	(123,574)	79,765	(16,771)	(60,580)
Total	<u>814,932</u>	<u>(475,417)</u>	<u>(16,771)</u>	<u>322,744</u>

24 RELATED PARTY TRANSACTIONS

There were no material related party transactions.