

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

1172263

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 MARCH 1996

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

The 1995/96 financial year has been another successful one for the charitable activities of the Foundation established by Olive, Lady Baillie, to preserve for the public benefit Leeds Castle, which it had been her life's work to restore. The year's results included 493,000 day visitors - an increase of 8% over the previous year - a programme of important medical conferences and two very well-attended open air concerts. Our net income showed a healthy increase from £46,000 to £118,000 but the cost of maintaining the Castle and its grounds remained high, with an expenditure not far short of £500,000, and this level of maintenance costs is scheduled to continue for the foreseeable future. As regards new capital investment, I mentioned last year that the Trustees had given their approval to the construction of a new restaurant called the Terrace Room: this was completed and commissioned in May 1995 for the sum of £440,000 and has since proved its worth both for day visitor catering and as an invaluable addition to our banqueting facilities.

Leeds Castle Foundation does not solicit donations from the public nor from corporate sponsors. The income from Lady Baillie's original generous endowment meets only a small part of the annual resources required to fulfil our charitable obligations. The commercial success of the trading activities of our subsidiary, Leeds Castle Enterprises, is therefore crucial to the work of the Foundation. In order to ensure that this partnership of charity and commercial subsidiary is as close as possible the Trustees have recently restructured the board of Leeds Castle Enterprises and brought the chairmanship of the two bodies together. I should like to place on record my appreciation of the care and interest shown by Norman Bonner Gash and David Russell, who are retiring as directors of Enterprises after a long personal connection with Leeds Castle.

Leeds Castle is a beautiful place and together with my fellow Trustees I intend to ensure that it remains so. This does not mean that there will not be changes: indeed, discussions are well advanced on improvements to our facilities, particularly our gardens and landscape. These will ensure that it remains an attractive and sought-after destination for visitors from all over the world and for those who utilise the conference and banqueting facilities and the golf course. The new financial year has started in a promising fashion and I look forward to the future with confidence that our charitable objectives can continue to be achieved in a manner of which our Founder would approve.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

DIRECTORS' AND TRUSTEES' ANNUAL REPORT

Full name of the charity: Leeds Castle Foundation

Governing document: Memorandum of Articles and 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 Mimirriss*

The Hon. Sir Angus J B Ogilvy, KCVO*

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. 1995/96 saw a new record number of visitors - 493,160 - 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. Expenditure of a capital nature included the completion of the Terrace Room, a restaurant facility catering for both day visitors and banquets.

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 small balance to be added to reserves. The Charity does not rely upon the realisation of gains on investments to meet day to day expenditures, but, 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.

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 company and the group as at the end of the financial year and of the surplus and deficit of the group for that period.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

DIRECTORS' AND TRUSTEES' ANNUAL REPORT (continued)

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 24 March 1996. The directors and trustees also confirm that applicable accounting standards 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, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



H P Ashbee
Secretary

7 July 1996

AUDITORS' REPORT TO THE MEMBERS OF LEEDS CASTLE FOUNDATION

We have audited the financial statements on pages 6 to 23.

Respective responsibilities of directors and trustees, and auditors

As described on page 3 the company's directors and trustees 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 our 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 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 company and the group at 24 March 1996 and of the results and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

7 July 1996

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 Charity Regulations 1993.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary for the year ended 24 March 1996.

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) Defined Purposes Fund

This fund relates to various works of art which have been lent to the Foundation. A loan secured on these items is expected to be repaid shortly, and the monies received will be allocable at the discretion of the Trustees.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

(iv) Property Maintenance Fund

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

(v) 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 Foundation 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.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

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) Equipment and motor vehicles

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

(c) Assets held under finance leases

The cost of equipment is written off over the remaining period of the lease.

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

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 24 MARCH 1996

	Notes	Unrestricted funds £	Permanent Endowment fund £	Total funds 1996 £	Total funds 1995 £
INCOMING RESOURCES					
Income from fixed asset investments	4	195,824	-	195,824	202,975
Bank interest receivable	4	61,550	-	61,550	50,498
Rental income	4	38,908	-	38,908	35,165
		<u>296,282</u>	<u>-</u>	<u>296,282</u>	<u>288,638</u>
Income of trading subsidiary supporting charitable activities of Leeds Castle Foundation					
	1				
Admission fees		2,365,496	-	2,365,496	2,114,055
Special events		477,509	-	477,509	428,256
		<u>2,843,005</u>	<u>-</u>	<u>2,843,005</u>	<u>2,542,311</u>
Other income of trading subsidiary	1	3,480,719	-	3,480,719	3,117,828
Total income of trading subsidiary		<u>6,323,724</u>	<u>-</u>	<u>6,323,724</u>	<u>5,660,139</u>
Expenditure of trading subsidiary	1	(5,763,794)	-	(5,763,794)	(5,251,026)
		<u>559,930</u>	<u>-</u>	<u>559,930</u>	<u>409,113</u>
TOTAL INCOMING RESOURCES		<u>856,212</u>	<u>-</u>	<u>856,212</u>	<u>697,751</u>
RESOURCES EXPENDED					
Direct charitable expenditure:					
net operating expenses	2	(242,755)	-	(242,755)	(220,320)
property maintenance expenditure	2	(487,110)	-	(487,110)	(421,325)
Taxation	6	(8,265)	-	(8,265)	(10,316)
Total resources expended		<u>(738,130)</u>	<u>-</u>	<u>(738,130)</u>	<u>(651,961)</u>
Net incoming resources		<u>118,082</u>	<u>-</u>	<u>118,082</u>	<u>45,790</u>
Gains/(losses) on investments:					
Realised	17	277,599	-	277,599	(115,944)
Unrealised	17	640,354	-	640,354	(159,965)
Profit on sale of property fixed asset investments	17	96,440	-	96,440	-
Net movement in funds		<u>1,132,475</u>	<u>-</u>	<u>1,132,475</u>	<u>(230,119)</u>
Total funds brought forward		<u>12,105,286</u>	<u>1,402,406</u>	<u>13,507,692</u>	<u>13,737,811</u>
Total funds carried forward		<u>13,237,761</u>	<u>1,402,406</u>	<u>14,640,167</u>	<u>13,507,692</u>

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

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AT 24 MARCH 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	9	8,947,517	8,730,632
Investments	11	5,274,977	4,358,855
		<u>14,222,494</u>	<u>13,089,487</u>
CURRENT ASSETS			
Stocks	12	406,318	487,107
Debtors	13	648,243	550,052
Cash at bank and in hand	14	507,770	566,299
		<u>1,562,331</u>	<u>1,603,458</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(1,050,233)	(1,034,958)
NET CURRENT ASSETS			
		<u>512,098</u>	<u>568,500</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>14,734,592</u>	<u>13,657,987</u>
Creditors: amounts falling due after more than one year	16	(94,425)	(150,295)
NET ASSETS			
		<u>14,640,167</u>	<u>13,507,692</u>
FUNDS			
Permanent endowment			
Heritage	17	1,402,406	1,402,406
Unrestricted			
Endowment	17	7,578,947	6,626,722
Development	17	5,014,588	4,857,950
Defined purposes		75,000	75,000
Property maintenance		268,000	268,000
General		301,226	277,614
	17	<u>14,640,167</u>	<u>13,507,692</u>

The financial statements on pages 6 to 23 were approved by the board of directors on 7 July 1996 and were signed on its behalf by:

Thomas Menges

[Signature] } Directors

LEEDS CASTLE FOUNDATION

BALANCE SHEET AS AT 24 MARCH 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	9	8,582,836	8,400,787
Investments:			
Subsidiary company	10	366,100	366,100
Other	11	5,274,977	4,358,855
		<u>14,223,913</u>	<u>13,125,742</u>
CURRENT ASSETS			
Debtors	13	273,746	231,842
Cash at bank and in hand	14	410,938	468,682
		<u>684,684</u>	<u>700,524</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(268,430)	(318,574)
NET CURRENT ASSETS		<u>416,254</u>	<u>381,950</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,640,167</u>	<u>13,507,692</u>
FUNDS			
Permanent endowment			
Heritage	17	1,402,406	1,402,406
Unrestricted			
Endowment	17	7,578,947	6,626,722
Development	17	5,014,588	4,857,950
Defined purposes		75,000	75,000
Property maintenance		268,000	268,000
General		301,226	277,614
	17	<u>14,640,167</u>	<u>13,507,692</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 24 MARCH 1996

		Inflow/(outflow)	
		1996	1995
	Note	£	£
OPERATING ACTIVITIES			
Cash received from customers		6,225,533	5,651,963
Cash payments to suppliers		(1,495,936)	(1,084,773)
Staff costs	3	(2,661,891)	(2,519,033)
Other cash payments		(1,539,112)	(1,838,836)
<hr/>			
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	528,594	209,321
 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received	4	195,824	202,975
Interest received	4	61,550	50,498
Sundry income	4	38,908	35,165
Interest element of finance lease rentals	7	(27,331)	(14,894)
<hr/>			
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		268,951	273,744
 TAXATION PAID			
		(14,116)	(16,183)
 INVESTING ACTIVITIES			
Development projects	8	(156,638)	(478,041)
Purchase of other fixed assets		(230,140)	(148,270)
Sale of assets		142,347	9,550
Purchases of fixed asset investments	11	(2,167,160)	(709,526)
Proceeds from fixed asset investments	11	2,271,639	849,161
Property maintenance expenditure	17	(487,110)	(421,325)
<hr/>			
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(627,062)	(898,451)
 NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			
		156,367	(431,569)
 FINANCING			
Repayments of principal under finance leases	24	(112,248)	(93,707)
<hr/>			
NET INCREASE/(DECREASE) IN CASH	22	44,119	(525,276)
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LEEDS CASTLE FOUNDATION AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 MARCH 1996

1 NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY

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

Profit and loss account

	Note	1996 £	1995 £
TURNOVER			
Admission fees		2,365,496	2,114,055
Special events:			
- Open Air Concerts		477,509	428,256
- Firework display		75,021	55,535
Catering		1,755,841	1,532,531
Conferences		342,329	363,633
Shop trading		1,110,134	973,881
Golf		165,800	154,309
Plants and garden products		23,958	22,700
Sundry revenues		7,636	15,239
		<hr/>	<hr/>
		6,323,724	5,660,139
Net operating expenses		(5,763,794)	(5,251,026)
		<hr/>	<hr/>
Gross profit		559,930	409,113
Interest receivable		46,314	25,863
Interest payable on long term loan		(34,770)	(36,600)
		<hr/>	<hr/>
Net profit		571,474	398,376
Amount covenanted to Leeds Castle Foundation		(427,818)	(289,260)
		<hr/>	<hr/>
		143,656	109,116
Taxation		(38,156)	(33,116)
		<hr/>	<hr/>
		105,500	76,000
Dividend paid to Leeds Castle Foundation		(105,500)	(76,000)
		<hr/>	<hr/>
Profit retained in subsidiary		-	-
		<hr/>	<hr/>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

2 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £	Other costs £	Total £	1995 £
DIRECT CHARITABLE EXPENDITURE				
Property maintenance	-	487,110	487,110	421,325
OTHER EXPENDITURE				
Management and administration of charity	140,142	102,613	242,755	220,320
	<u>140,142</u>	<u>589,723</u>	<u>729,865</u>	<u>641,645</u>

3 NET OPERATING EXPENSES

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Change in stocks of consumables and goods for resale	80,789	(211,430)	-	-
Purchases of consumables and goods for resale	1,415,147	1,506,808	-	-
Staff costs	2,661,891	2,519,033	140,142	136,122
Depreciation of tangible fixed assets	167,102	149,746	-	-
Other operating charges	1,681,620	1,507,953	102,613	84,962
	<u>6,006,549</u>	<u>5,472,110</u>	<u>242,755</u>	<u>221,084</u>

4 INVESTMENT INCOME

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Income from fixed asset investments	195,824	202,975	331,215	301,775
Bank interest receivable	61,550	50,498	15,236	24,635
Loan interest receivable from subsidiary	-	-	34,770	36,600
Rental income	38,908	35,165	38,908	35,165
	<u>296,282</u>	<u>288,638</u>	<u>420,129</u>	<u>398,175</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

5 EMPLOYEES

Staff costs during the year were:

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Permanent staff costs	1,682,266	1,613,396	84,689	84,946
Casual staff costs	678,629	621,696	-	-
Social security costs	174,234	171,672	8,875	9,128
Other pension costs	126,762	112,269	46,578	42,048
	<u>2,661,891</u>	<u>2,519,033</u>	<u>140,142</u>	<u>136,122</u>

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

	Group		Company	
	1996	1995	1996	1995
	Number	Number	Number	Number
Full time	114	108	4	4
Part time	189	188	-	-
	<u>303</u>	<u>296</u>	<u>4</u>	<u>4</u>

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

	1996		1995	
	Group	Company	Group	Company
£40,001 to £50,000	1	-	2	-
£50,001 to £60,000	2	1	1	1
£110,001 to £120,000	1	-	1	-
	<u>4</u>	<u>1</u>	<u>4</u>	<u>1</u>

Remuneration of Trustees and Directors of the charity

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

6 TAXATION

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Corporation tax payable at 25.12% (1995: 25%)	<u>8,265</u>	<u>10,316</u>	<u>-</u>	<u>-</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

7 NET INCOMING RESOURCES

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
NET INCOMING RESOURCES ARE STATED AFTER CREDITING:				
Rent receivable	38,908	28,410	38,908	28,410
Profit/(loss) on disposal of fixed assets	107,818	(545)	96,440	-
AND AFTER CHARGING:				
Depreciation on owned assets	63,516	56,039	-	-
Depreciation on assets held under finance leases	103,586	93,707	-	-
Charges paid on finance leases	27,331	14,894	-	-
Hire of plant and equipment - operating leases	8,782	15,554	-	-
Auditors' remuneration	24,000	22,000	7,725	7,150
Auditors' remuneration for non- audit services	7,015	15,655	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At 24 March 1996 the group had annual commitments on non-cancellable operating leases as follows:

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Payments within one year	4,987	6,195	-	-
Payments within the second to fifth years inclusive	10,974	522	-	-
	<u> </u>	<u> </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:

	1996 £	1995 £
Terrace Room construction	48,824	391,265
Refurbishment and improvement of properties	21,272	9,562
Estate office extension	-	48,348
Landscaping of the Grounds	28,606	12,266
Castle lighting	5,770	11,754
Castle bedroom and bathroom re-equipping	12,225	-
New golf hole	32,598	-
Miscellaneous minor projects	7,343	4,846
	<u>156,638</u>	<u>478,041</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	4,827,023	397,219	1,808,959	1,286,611	8,319,812
At 26 March 1995	5,327,023	1,264,805	1,808,959	1,286,611	9,687,398
Additions	156,638	55,411		206,467	418,516
Disposals			(30,000)	(78,335)	(108,335)
At 24 March 1996	5,483,661	1,320,216	1,778,959	1,414,743	9,997,579
DEPRECIATION					
At 26 March 1995	-	-	-	956,766	956,766
Charge for year	-	-	-	167,102	167,102
Eliminated in respect of disposals	-	-	-	(73,806)	(73,806)
At 24 March 1996				1,050,062	1,050,062
NET BOOK VALUE					
AT 24 MARCH 1996	<u>5,483,661</u>	<u>1,320,216</u>	<u>1,778,959</u>	<u>364,681</u>	<u>8,947,517</u>
At 26 March 1995	<u>5,327,023</u>	<u>1,264,805</u>	<u>1,808,959</u>	<u>329,845</u>	<u>8,730,632</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Equipment and motor vehicles £364,681 (1995: £329,845), shown above, are wholly owned by Leeds Castle Enterprises. The net book value of equipment and motor vehicles of £364,681 (1995: £329,845) includes an amount of £173,752 (1995: £249,574) 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

	1996 £	1995 £
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>

Leeds Castle Enterprises Limited is responsible for certain activities of a commercial nature, such as trading and catering, which do not enjoy exemption from income and corporation tax as does the Foundation's income. 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.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

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.

	1996 £	1995 £
MARKET VALUE OF LISTED INVESTMENTS AT 26 MARCH 1995	4,175,384	4,590,928
Less: Disposals at opening book value	(1,925,616)	(683,729)
Add: Acquisitions at cost	2,167,160	709,526
Net gains on revaluation at 24 March 1996	571,930	(441,341)
MARKET VALUE AT 24 MARCH 1996	4,988,858	4,175,384
Cash holdings at 24 March 1996	286,119	183,471
Total value of fixed asset investments	5,274,977	4,358,855
Historical cost value of assets	4,100,554	3,859,010

At 24 March 1996 the market value of the investments split between UK investment assets and overseas assets was as follows:

	1996 £	1995 £
UK investments	3,525,563	3,083,730
Overseas investments	1,463,295	1,091,654
Cash	4,988,858 286,119	4,175,384 183,471
Total value of investments at 24 March 1996	5,274,977	4,358,855

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

12 STOCKS

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Goods for resale	366,909	446,615	-	-
Consumables	39,409	40,492	-	-
	406,318	487,107	-	-

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

13 DEBTORS

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
AMOUNTS FALLING DUE WITHIN ONE YEAR:				
Trade debtors	211,120	188,575	-	-
Other debtors	174,893	154,438	116,468	120,278
Prepayments and accrued income	115,054	108,502	10,102	13,027
Tax recoverable on dividend	40,222	26,222	40,222	26,222
Tax recoverable, deducted from donation	106,954	72,315	106,954	72,315
	<u>648,243</u>	<u>550,052</u>	<u>273,746</u>	<u>231,842</u>

14 CASH AT BANK AND IN HAND

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Cash at bank and in hand	420,434	423,728	408,850	409,697
Deposits	87,336	142,571	2,088	58,985
	<u>507,770</u>	<u>566,299</u>	<u>410,938</u>	<u>468,682</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Trade creditors	250,677	181,897	28,320	17,067
Amounts owed to subsidiary	-	-	63,129	91,097
Other taxation and social security payable	84,436	76,896	-	-
Other creditors	137,867	148,913	125	-
Accruals and deposits received in advance	335,369	411,717	128,346	180,585
Provision for corporation tax payable	11,781	14,116	-	-
Taxation due to Inland Revenue	155,464	102,140	48,510	29,825
Obligations under finance leases	74,639	99,279	-	-
	<u>1,050,233</u>	<u>1,034,958</u>	<u>268,430</u>	<u>318,574</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Obligations under finance leases due in the second to fifth years inclusive	94,425	150,295	-	-
	<u>94,425</u>	<u>150,295</u>	<u>-</u>	<u>-</u>
	<u>94,425</u>	<u>150,295</u>	<u>-</u>	<u>-</u>

17 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted endowment fund	Unrestricted Development fund	Other unrestricted funds	Total unrestricted funds	Permanent Endowment/Heritage fund	Total funds
	£	£	£	£	£	£
FUND BALANCES AT 24 MARCH 1996 ARE REPRESENTED BY:						
Tangible fixed assets	2,231,589	4,983,661	364,681	7,579,931	1,367,586	8,947,517
Investments	5,274,977			5,274,977		5,274,977
Current assets	72,381	30,927	1,424,203	1,527,511	34,820	1,562,331
Current liabilities			(1,144,658)	(1,144,658)		(1,144,658)
TOTAL NET ASSETS	<u>7,578,947</u>	<u>5,014,588</u>	<u>644,226</u>	<u>13,237,761</u>	<u>1,402,406</u>	<u>14,640,167</u>
BALANCE OF FUNDS AT 26 MARCH 1995	6,626,722	4,857,950	620,614	12,105,286	1,402,406	13,507,692
Group income after tax			847,947	847,947		847,947
Inter-fund transfers	(62,168)		62,168			
Realised gains on investments	277,599			277,599		277,599
Unrealised gains on investments	640,354			640,354		640,354
Profit on disposal of fixed assets	96,440			96,440		96,440
Development expenditure		156,638	(156,638)			
Property maintenance expenditure			(487,110)	(487,110)		(487,110)
Operating expenditure			(242,755)	(242,755)		(242,755)
BALANCE OF FUNDS AT 24 MARCH 1996	<u>7,578,947</u>	<u>5,014,588</u>	<u>644,226</u>	<u>13,237,761</u>	<u>1,402,406</u>	<u>14,640,167</u>

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, administered by insurance companies.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

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 (£488,700 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 £4,211 (1995: £5,707) for the company, and £57,329 (1995: £56,073) for the group.

20 CONTINGENT LIABILITY

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

	1996 £	1995 £
Total income of trading subsidiary	6,323,724	5,660,139
Expenditure of trading subsidiary and direct charitable net operating expenses	(5,979,218)	(5,471,346)
Operating profit	344,506	188,793
Add back non cash charges:		
Depreciation charges on fixed assets	167,102	56,039
Lease charges on fixed assets	-	108,601
(Profit)/loss on sale of fixed assets	(11,378)	545
Other cash movements:		
(Increase)/decrease in stocks	80,789	(210,605)
(Increase)/decrease in debtors	(98,191)	(8,176)
Increase/(decrease) in creditors	45,766	74,124
NET CASH INFLOW FROM OPERATING ACTIVITIES	528,594	209,321

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

22 ANALYSIS OF CASH BALANCES AS SHOWN IN THE BALANCE SHEET

	1996 £	1995 £	Change in year £
Per balance sheet	507,770	566,299	(58,529)
Add:			
Cash balances within the investment portfolio	286,119	183,471	102,648
Total cash balances	<u>793,889</u>	<u>749,770</u>	<u>44,119</u>

23 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996 £	1995 £
Balance at beginning of period	749,770	1,275,046
Net cash (outflow)/inflow	<u>44,119</u>	<u>(525,276)</u>
Balance at end of period	<u>793,889</u>	<u>749,770</u>

24 ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD

	Finance lease obligations	
	1996 £	1995 £
Balance at beginning of period	249,574	221,955
Inception of finance lease contracts	36,441	130,872
Termination of lease	(4,703)	(9,546)
Repayment of principal	<u>(112,248)</u>	<u>(93,707)</u>
Balance at end of period	<u>169,064</u>	<u>249,574</u>