

LEEDS CASTLE FOUNDATION

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 March 1999**

Company Registered Number: 1172263

Charity Registered Number: 268354



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LEEDS CASTLE FOUNDATION AND SUBSIDIARY

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 March 1999**

| CONTENTS | PAGE |
|--|-------------|
| Chairman's Statement | (i) |
| Directors' and Trustees' Report | 1-4 |
| Auditors' Report | 5-6 |
| Statement of Accounting Policies | 7-9 |
| Consolidated Statement of Financial Activities | 10 |
| Consolidated Balance Sheet | 11 |
| Balance Sheet | 12 |
| Consolidated Cash Flow Statement | 13 |
| Notes to the Financial Statements | 14-24 |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY **CHAIRMAN'S STATEMENT**

1998/99 was a challenging year for Leeds Castle. Day visitor numbers at 457,680 were down about 8% on the previous year, and there is no doubt that we have been affected by competition in various forms. The strength of the pound has made it attractive for those at home to go abroad while presenting a deterrent to holidaying in the UK for those from abroad. The emergence of other high quality heritage attractions, and the proliferation of new leisure activities, have also had an impact. Our response to this has been that we cannot stand still if we want to continue to provide an attraction that can compete with the best among other historic houses. A cause of particular satisfaction was the completion and planting of the new terraced garden, named after our founder, Lady Baillie. A dull, derelict site has been transformed into a thing of beauty and is giving much pleasure to visitors following its formal opening by our Patron, HRH Princess Alexandra. Allied with this development, the Wykeham Martin Centre, sited at a strategic point on a greatly improved visitor route, is developing into a multi-functional building providing refreshment as well as information to our visitors while offering spectacular views across the Great Water.

As we approach the year 2000, a number of significant new projects are being considered. As always, in everything we do, we shall have regard both for the essential peace and tranquillity of Leeds Castle and its grounds, which our founder was so anxious to preserve, and also for what makes best use of the finite resources at our disposal. I am glad to report also that the coming year will see a further increase in the charitable work of the Foundation in the funding of Leeds Castle conferences in the medical research and social policy fields. This was of course very much the wish of our founder, and it is my hope that we shall be able to enhance further the reputation gained by Leeds Castle as a venue in which gatherings of influential policy makers can find inspiration.

Now, a word of appreciation for our staff. A multi-faceted and complex operation like Leeds Castle relies heavily on the loyalty and hard work of its employees and the motivation which turns a group of people into a team. If they are to be able to give of their best, good working conditions are essential, and the Trustees have agreed that enlargement of the Estate Office, our main administrative building, should be carried out without delay, to relieve cramped conditions and also provide a proper welcome to prospective clients for our conference facilities.

Finally, when the next Chairman's statement comes to be written, we shall be able to look back and contemplate what happened or did not happen as 1999 became 2000 and the Millennium Bug stalked the land. I expect that, through a combination of sensible precautions and resourcefulness, we shall be able to say that it was 'business as usual' at Leeds Castle.

LORD THOMSON OF MONIFIETH KT, PC
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 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 Mimpriess*

Rt 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: PricewaterhouseCoopers, 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 Charity, the Trustees regard the following as being of particular importance:

A well managed and adequately staffed operating subsidiary which can take advantage of 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. 1998/99 saw almost 460,000 visitors, 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 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 largely 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 £2,999 (1998: £15,111).

YEAR 2000 ISSUES

The Trustees are aware of the potential technical 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 Trustees 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

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers as auditors. A resolution proposing the re-appointment of PricewaterhouseCoopers 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 28 March 1999. 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
4 July 1999

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 on pages 10 to 24, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information necessary and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we 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.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the charitable company and the group at 28 March 1999 and of the incoming resources and application of the resources and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6NN

4 July 1999

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 and the Statement of Recommended Practice - "Accounting by Charities".

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary for the year ended 28 March 1999.

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 are 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, were recoverable on receipts before 6 April 1999.

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 impairment 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 lease term.

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 or resources expended 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 28 March 1999

| | Notes | Unrestricted funds £ | Permanent Endowment fund £ | Total funds 1999 £ | Total funds 1998 £ |
|---|-------|-------------------------|-------------------------------|--------------------------|--------------------------|
| INCOMING RESOURCES | | | | | |
| Income from fixed asset investments | 4 | 159,037 | | 159,037 | 178,188 |
| Bank interest receivable | 4 | 59,218 | | 59,218 | 98,047 |
| Rental income | 4 | 63,743 | | 63,743 | 51,977 |
| | | <u>281,998</u> | <u></u> | <u>281,998</u> | <u>328,212</u> |
| Income of trading subsidiary supporting charitable activities of Leeds Castle Foundation | | | | | |
| Admission fees | | 2,523,572 | | 2,523,572 | 2,628,789 |
| Special events | 1 | 496,119 | | 496,119 | 543,060 |
| | | <u>3,019,691</u> | <u></u> | <u>3,019,691</u> | <u>3,171,849</u> |
| Other income of trading subsidiary | | <u>3,857,157</u> | <u></u> | <u>3,857,157</u> | <u>3,966,489</u> |
| Total income of trading subsidiary | | <u>6,876,848</u> | <u></u> | <u>6,876,848</u> | <u>7,138,338</u> |
| Expenditure of trading subsidiary | 1 | (6,396,291) | | (6,396,291) | (6,483,400) |
| | | <u>480,557</u> | <u></u> | <u>480,557</u> | <u>654,938</u> |
| TOTAL INCOMING RESOURCES | | <u>762,555</u> | <u></u> | <u>762,555</u> | <u>654,938</u> |
| RESOURCES EXPENDED | | | | | |
| Direct charitable expenditure: | | | | | |
| - Net operating expenses | 2 | (237,388) | | (237,388) | (268,985) |
| - Property maintenance expenditure | 2 | (313,990) | | (313,990) | (442,136) |
| Taxation | 6 | (1,704) | | (1,704) | (18,442) |
| | | <u>(553,082)</u> | <u></u> | <u>(553,082)</u> | <u>(729,563)</u> |
| Total resources expended | | <u>(553,082)</u> | <u></u> | <u>(553,082)</u> | <u>(729,563)</u> |
| Net incoming resources | | <u>209,473</u> | <u></u> | <u>209,473</u> | <u>253,587</u> |
| (Losses)/gains on investments: | | | | | |
| - Realised | 17 | (165,253) | | (165,253) | 13,264 |
| - Unrealised | 17 | 141,207 | | 141,207 | 1,101,074 |
| Profit on sale of fixed assets | 17 | - | | - | (44,444) |
| | | <u>185,427</u> | <u></u> | <u>185,427</u> | <u>1,323,481</u> |
| Net movement in funds | | <u>185,427</u> | <u></u> | <u>185,427</u> | <u>1,323,481</u> |
| Total funds brought forward | | <u>15,369,495</u> | <u>1,563,906</u> | <u>16,933,401</u> | <u>15,609,920</u> |
| Total funds carried forward | | <u>15,554,922</u> | <u>1,563,906</u> | <u>17,118,828</u> | <u>16,933,401</u> |

The notes on pages 14 to 24 form part of these accounts.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AT 28 March 1999

| | Notes | 1999 £ | 1998 £ |
|---|-------|-------------------|-------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 10,536,389 | 9,901,799 |
| Investments | 11 | 6,188,742 | 6,554,506 |
| | | <u>16,725,131</u> | <u>16,456,305</u> |
| CURRENT ASSETS | | | |
| Stocks | 12 | 701,573 | 631,195 |
| Debtors | 13 | 534,988 | 608,486 |
| Cash at bank and in hand | 14 | 331,713 | 680,471 |
| | | <u>1,568,274</u> | <u>1,920,152</u> |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 15 | (1,061,593) | (1,415,300) |
| NET CURRENT ASSETS | | <u>506,681</u> | <u>504,852</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>17,231,812</u> | <u>16,961,157</u> |
| Creditors: amounts falling due after more than one year | 16 | (112,984) | (27,756) |
| NET ASSETS | | <u>17,118,828</u> | <u>16,933,401</u> |
| FUNDS | | | |
| Permanent endowment | | | |
| Heritage | 17 | 1,563,906 | 1,563,906 |
| Unrestricted | | | |
| Endowment | 17 | 8,844,462 | 8,868,508 |
| Development | 17 | 6,120,551 | 5,816,794 |
| Property maintenance | | 268,000 | 268,000 |
| General | | 321,909 | 416,193 |
| | 17 | <u>17,118,828</u> | <u>16,933,401</u> |

The financial statements on pages 6 to 24 were approved by the board of directors on 4 July 1999 and were signed on its behalf by:

Thomson & Manger

Thomson & Manger

)
) Directors
)

LEEDS CASTLE FOUNDATION

BALANCE SHEET AS AT 28 March 1999

| | Notes | 1999 £ | 1998 £ |
|--|-------|--------------------------|--------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 10,128,521 | 9,572,410 |
| Investments: | | | |
| Subsidiary company | 10 | 366,100 | 366,100 |
| Other | 11 | 6,188,742 | 6,554,506 |
| | | <u>16,683,363</u> | <u>16,493,016</u> |
| CURRENT ASSETS | | | |
| Debtors | 13 | 217,802 | 236,454 |
| Cash at bank and in hand | 14 | 314,210 | 663,368 |
| | | <u>532,012</u> | <u>899,822</u> |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 15 | (108,246) | (459,437) |
| NET CURRENT ASSETS | | <u>423,766</u> | <u>440,385</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u><u>17,107,129</u></u> | <u><u>16,933,401</u></u> |
| FUNDS | | | |
| Permanent endowment | | | |
| Heritage | 17 | 1,563,906 | 1,563,906 |
| Unrestricted | | | |
| Endowment | 17 | 8,844,462 | 8,868,508 |
| Development | 17 | 6,120,551 | 5,816,794 |
| Property maintenance | | 268,000 | 268,000 |
| General | | 310,210 | 416,193 |
| | | <u>17,107,129</u> | <u>16,933,401</u> |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 28 March 1999

| | Note | 1999 £ | 1998 £ |
|--|------|-------------|-------------|
| OPERATING ACTIVITIES | | | |
| Cash received from customers | | 6,950,346 | 7,101,904 |
| Cash payments to suppliers | | (1,556,243) | (1,733,495) |
| Staff costs | 3 | (3,095,063) | (3,036,857) |
| Other cash payments | | (2,080,129) | (1,754,609) |
| Property maintenance expenditure | | (313,990) | (442,136) |
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | | | |
| | 21 | (95,079) | 134,807 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Dividends received | 4 | 159,037 | 178,188 |
| Interest received | | 59,218 | 84,453 |
| Sundry income | 4 | 63,743 | 51,977 |
| Interest element of finance lease rentals | 7 | (12,856) | (13,370) |
| NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE | | | |
| | | 269,142 | 301,248 |
| TAXATION PAID | | | |
| | | (18,443) | (17,615) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Development projects | | (303,757) | (550,795) |
| Purchase of other fixed assets | | (372,175) | (143,149) |
| Proceeds from sale of fixed assets | | 21,800 | 88,556 |
| Purchases of fixed asset investments | 11 | (1,112,655) | (1,830,944) |
| Proceeds from sales of fixed asset investments | | 1,861,093 | 1,542,475 |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| | | 94,306 | (893,857) |
| NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING | | | |
| | | 249,926 | (475,417) |
| FINANCING | | | |
| Repayments of principal under finance leases | 23 | (71,385) | (79,765) |
| INCREASE/(DECREASE) IN CASH | | | |
| | 22 | 178,541 | (555,182) |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 March 1999

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 | 1999 £ | 1998 £ |
|--|------|-------------|-------------|
| TURNOVER | | | |
| Admission fees | | 2,523,572 | 2,628,789 |
| Special events: | | | |
| - Open Air Concerts | | 496,119 | 543,060 |
| - Other special events | | 86,675 | 79,515 |
| Catering | | 1,916,710 | 1,999,002 |
| Conferences | | 561,710 | 502,448 |
| Shop trading | | 1,064,150 | 1,146,150 |
| Golf | | 187,927 | 206,105 |
| Plants and garden products | | 34,946 | 27,749 |
| Sundry revenues | | 5,039 | 5,520 |
| | | <hr/> | <hr/> |
| | | 6,876,848 | 7,138,338 |
| Net operating expenses | | (6,396,291) | (6,483,400) |
| | | <hr/> | <hr/> |
| Gross profit | | 480,557 | 654,938 |
| Interest receivable | | 32,448 | 33,815 |
| Interest payable to Leeds Castle Foundation on long term loan | | (29,280) | (29,280) |
| | | <hr/> | <hr/> |
| Net profit | | 483,725 | 659,473 |
| Amount covenanted to Leeds Castle Foundation | 10 | (354,697) | (494,156) |
| | | <hr/> | <hr/> |
| | | 129,028 | 165,317 |
| Taxation | | (24,829) | (47,817) |
| | | <hr/> | <hr/> |
| | | 104,199 | 117,500 |
| Dividend paid to Leeds Castle Foundation | | (92,500) | (117,500) |
| | | <hr/> | <hr/> |
| Profit retained in subsidiary | | 11,699 | - |
| | | <hr/> | <hr/> |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

2 ANALYSIS OF TOTAL RESOURCES EXPENDED

| | Staff costs £ | Other costs £ | Total £ | 1998 £ |
|---|------------------|------------------|----------------|----------------|
| DIRECT CHARITABLE EXPENDITURE | | | | |
| Property maintenance | - | 313,990 | 313,990 | 442,136 |
| Management and administration of charity | 129,705 | 107,683 | 237,388 | 268,985 |
| | <u>129,705</u> | <u>421,673</u> | <u>551,378</u> | <u>711,121</u> |

3 NET OPERATING EXPENSES

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 1999 £ | 1998 £ | 1999 £ | 1998 £ |
| Change in stocks of consumables and goods for resale | (70,378) | 28,468 | - | - |
| Purchases of consumables and goods for resale | 1,626,621 | 1,701,174 | - | - |
| Staff costs | 3,095,063 | 3,036,857 | 129,705 | 133,883 |
| Depreciation of tangible fixed assets | 166,790 | 189,940 | - | - |
| Other operating charges | 1,815,583 | 1,795,946 | 107,683 | 135,102 |
| | <u>6,633,679</u> | <u>6,752,385</u> | <u>237,388</u> | <u>268,985</u> |

4 INVESTMENT INCOME

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 1999 £ | 1998 £ | 1999 £ | 1998 £ |
| Income from fixed asset investments | 159,037 | 178,188 | 274,662 | 325,063 |
| Bank interest receivable | 59,218 | 98,047 | 26,770 | 64,232 |
| Loan interest receivable from subsidiary | - | - | 29,280 | 29,280 |
| Rental income | 63,743 | 51,977 | 63,743 | 51,977 |
| | <u>281,998</u> | <u>328,212</u> | <u>394,455</u> | <u>470,552</u> |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

5 EMPLOYEES

Staff costs during the year were:

| | Group | | Company | |
|-----------------------|------------------|------------------|----------------|----------------|
| | 1999 | 1998 | 1999 | 1998 |
| | £ | £ | £ | £ |
| Permanent staff costs | 2,101,173 | 1,998,721 | 87,629 | 85,692 |
| Casual staff costs | 657,936 | 686,068 | - | - |
| Social security costs | 205,127 | 202,905 | 8,744 | 8,568 |
| Other pension costs | 130,827 | 149,163 | 33,332 | 39,623 |
| | <u>3,095,063</u> | <u>3,036,857</u> | <u>129,705</u> | <u>133,883</u> |

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

| | Group | | Company | |
|-----------|------------|------------|----------|----------|
| | 1999 | 1998 | 1999 | 1998 |
| | Number | Number | Number | Number |
| Full time | 109 | 111 | 3 | 3 |
| Part time | 216 | 208 | - | - |
| | <u>325</u> | <u>319</u> | <u>3</u> | <u>3</u> |

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

| | 1999 | | 1998 | |
|----------------------|----------|----------|----------|----------|
| | Group | Company | Group | Company |
| £50,001 to £60,000 | 2 | - | 2 | - |
| £60,001 to £70,000 | 1 | 1 | 1 | 1 |
| £90,001 to £100,000 | 1 | - | - | - |
| £130,001 to £140,000 | - | - | 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 £3,019 (1998: £4,120) were reimbursed to one Trustee.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Transactions with connected parties

Fees totalling £3,300 (1998: £9,300) for legal services were paid to Allen & Overy of which firm Mr P H T Mimpriss is a partner.

6 TAXATION

| | Group | | Company | |
|--|-------|--------|---------|------|
| | 1999 | 1998 | 1999 | 1998 |
| | £ | £ | £ | £ |
| Corporation tax payable at 21% (1998: 24.06%) | 1,704 | 18,442 | - | - |

7 NET INCOMING RESOURCES

| | Group | | Company | |
|--|----------|---------|---------|--------|
| | 1999 | 1998 | 1999 | 1998 |
| | £ | £ | £ | £ |
| NET INCOMING RESOURCES ARE STATED AFTER CREDITING: | | | | |
| Rent receivable | 63,743 | 51,977 | 63,743 | 51,977 |
| Profit on sale of fixed assets | (18,797) | 4,000 | - | - |
| AND AFTER CHARGING: | | | | |
| Depreciation on owned assets | 112,218 | 109,663 | - | - |
| Depreciation on assets held under finance leases | 54,572 | 80,277 | - | - |
| Charges paid on finance leases | 12,856 | 13,370 | - | - |
| Hire of plant and equipment - operating leases | 20,509 | 21,571 | - | - |
| Auditors' remuneration | 26,000 | 24,000 | 8,320 | 7,725 |
| Auditors' remuneration for non- audit services | 11,455 | 8,525 | 5,590 | - |

At 29 March 1999 the group had annual commitments on non-cancellable operating leases of plant and equipment as follows:

| | Group | | Company | |
|---|--------|--------|---------|------|
| | 1999 | 1998 | 1999 | 1998 |
| | £ | £ | £ | £ |
| Leases expiring: | | | | |
| - within one year | 7,552 | 4,042 | - | - |
| - within the second to fifth years inclusive | 11,417 | 4,966 | - | - |
| - after more than five years | 1,650 | 11,196 | - | - |
| | 20,619 | 20,204 | - | - |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

8 DEVELOPMENT EXPENDITURE

During the year, costs incurred on tangible fixed assets relating to the castle grounds and buildings, which are represented by the Development Fund, were as follows:

| | 1999 £ | 1998 £ |
|--|----------------|----------------|
| New garden construction | 194,786 | 290,487 |
| Shelter building construction | 19,479 | 199,727 |
| Fairfax Hall - food delivery point/store | 1,031 | 48,438 |
| Greenhouses - new visitor facilities | 15,028 | 35,196 |
| Coach/car park extension | - | 28,371 |
| Dog Collar Museum improvements | - | 9,667 |
| Cricket Pavilion rebuilding | 12,809 | - |
| Landscaping of the Grounds | 41,805 | 25,243 |
| Castle lighting and other improvements | - | 25,744 |
| Castle bedroom and bathroom re-equipping | 10,039 | 9,140 |
| Miscellaneous minor projects | 8,780 | 9,656 |
| | <u>303,757</u> | <u>681,669</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 | 5,785,867 | 506,908 | 1,912,049 | 1,679,471 | 9,884,295 |
| At 30 March 1998 | 6,285,867 | 1,374,494 | 1,912,049 | 1,679,471 | 11,251,881 |
| Additions | 303,757 | 13,439 | 238,915 | 285,866 | 841,977 |
| Disposals | - | - | - | (152,724) | (152,724) |
| At 28 March 1999 | 6,589,624 | 1,387,933 | 2,150,964 | 1,812,613 | 11,941,134 |
| DEPRECIATION | | | | | |
| At 30 March 1998 | - | - | - | 1,350,082 | 1,350,082 |
| Charge for year | - | - | - | 166,790 | 166,790 |
| Eliminated in respect of disposals | - | - | - | (112,127) | (112,127) |
| At 28 March 1999 | - | - | - | 1,404,745 | 1,404,745 |
| NET BOOK VALUE | | | | | |
| AT 28 MARCH 1999 | 6,589,624 | 1,387,933 | 2,150,964 | 407,868 | 10,536,389 |
| At 30 March 1998 | 6,285,867 | 1,374,494 | 1,912,049 | 329,389 | 9,901,799 |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Equipment and motor vehicles £407,868 (1998: £329,384), shown above, are wholly owned by Leeds Castle Enterprises Ltd and includes an amount of £168,763 (1998: £69,016) 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

| | 1999 £ | 1998 £ |
|------------------------------------|----------------|----------------|
| 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.

| | 1999 £ | 1998 £ |
|--|------------------|------------------|
| MARKET VALUE OF LISTED INVESTMENTS AT 30 MARCH 1998 | 6,554,506 | 5,151,699 |
| Less: Disposals at opening book value | (2,026,346) | (1,529,211) |
| Add: Acquisitions at cost | 1,112,655 | 1,830,944 |
| Net gains on revaluation at 28 March 1999 | 141,207 | 1,101,074 |
| MARKET VALUE AT 28 MARCH 1999 | <u>5,782,022</u> | <u>6,554,506</u> |
| Cash holdings at 28 March 1999 | 406,720 | - |
| Total value of fixed asset investments | <u>6,188,742</u> | <u>6,554,506</u> |
| Historical cost value of assets | <u>4,478,588</u> | <u>4,441,528</u> |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

At 28 March 1999 the market value of the investments split between UK investment assets and overseas assets was as follows:

| | 1999 £ | 1998 £ |
|---|------------------|------------------|
| UK investments | 4,526,590 | 4,854,977 |
| Overseas investments | 1,255,432 | 1,699,529 |
| | <u>5,782,022</u> | <u>6,554,506</u> |
| Cash | 406,720 | - |
| Total value of investments at 28 March 1999 | <u>6,188,742</u> | <u>6,554,506</u> |

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

12 STOCKS

| | Group | | Company | |
|------------------|----------------|----------------|-----------|-----------|
| | 1999 £ | 1998 £ | 1999 £ | 1998 £ |
| Goods for resale | 661,250 | 587,114 | - | - |
| Consumables | 40,323 | 44,081 | - | - |
| | <u>701,573</u> | <u>631,195</u> | <u>-</u> | <u>-</u> |

13 DEBTORS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 1999 £ | 1998 £ | 1999 £ | 1998 £ |
| AMOUNTS FALLING DUE WITHIN ONE YEAR: | | | | |
| Amounts due from subsidiary | - | - | 76,011 | - |
| Trade debtors | 186,809 | 217,145 | - | - |
| Other debtors | 83,053 | 76,996 | 32,702 | 65,113 |
| Prepayments and accrued income | 117,688 | 166,407 | - | 23,403 |
| Tax recoverable on dividends | 27,508 | 34,282 | 27,508 | 34,282 |
| Tax recoverable, deducted from donation | 119,930 | 113,656 | 81,581 | 113,656 |
| | <u>534,988</u> | <u>608,486</u> | <u>217,802</u> | <u>236,454</u> |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

14 CASH AT BANK AND IN HAND

| | Group | | Company | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 1999 | 1998 | 1999 | 1998 |
| | £ | £ | £ | £ |
| Cash at bank and in hand | 321,224 | 673,939 | 307,254 | 662,789 |
| Deposits | 10,489 | 6,532 | 6,956 | 579 |
| | <u>331,713</u> | <u>680,471</u> | <u>314,210</u> | <u>663,368</u> |

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 1999 | 1998 | 1999 | 1998 |
| | £ | £ | £ | £ |
| Bank overdrafts | 176,568 | 297,147 | - | 167,491 |
| Trade creditors | 172,172 | 251,836 | 8,199 | 39,483 |
| Amounts owed to subsidiary | - | - | - | 15,678 |
| Other taxation and social security payable | 97,860 | 98,019 | - | - |
| Other creditors | 141,278 | 165,823 | 4,393 | 1,725 |
| Accruals and deposits received in advance | 309,825 | 437,553 | 57,305 | 198,054 |
| Provision for corporation tax payable | 1,704 | 18,442 | - | - |
| Taxation due to Inland Revenue | 119,930 | 113,656 | 38,349 | 37,006 |
| Obligations under finance leases | 42,256 | 32,824 | - | - |
| | <u>1,061,593</u> | <u>1,415,300</u> | <u>108,246</u> | <u>459,437</u> |

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|--|----------------|---------------|----------|----------|
| | 1999 | 1998 | 1999 | 1998 |
| | £ | £ | £ | £ |
| Obligations under finance leases: | | | | |
| - Due in the second to fifth years inclusive | 101,391 | 27,756 | - | - |
| - Due after five years | 11,593 | - | - | - |
| | <u>112,984</u> | <u>27,736</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 28 MARCH 1999 ARE REPRESENTED BY: | | | | | | |
| Tangible fixed assets | 2,671,311 | 6,089,624 | 407,868 | 9,168,803 | 1,367,586 | 10,536,389 |
| Investments | 6,188,742 | - | - | 6,188,742 | - | 6,188,742 |
| Current assets | - | 30,927 | 1,341,027 | 1,371,954 | 196,320 | 1,568,274 |
| Liabilities | (15,591) | - | (1,158,986) | (1,174,577) | - | (1,174,577) |
| BALANCE AT 28 MARCH 1999 | 8,844,462 | 6,120,551 | 589,909 | 15,554,922 | 1,563,906 | 17,118,828 |
| BALANCE OF FUNDS AT 30 MARCH 1998 | 8,868,508 | 5,816,794 | 684,193 | 15,369,495 | 1,563,906 | 16,933,401 |
| Group income after tax | - | - | 209,473 | 209,473 | - | 209,473 |
| Realised losses on investments | (165,253) | - | - | (165,253) | - | (165,253) |
| Unrealised gains on investments | 141,207 | - | - | 141,207 | - | 141,207 |
| Loss on disposal of fixed assets | - | - | - | - | - | - |
| Development expenditure (note 8) | - | 303,757 | (303,757) | - | - | - |
| BALANCE OF FUNDS AT 28 MARCH 1999 | 8,844,462 | 6,120,551 | 589,909 | 15,554,922 | 1,563,906 | 17,118,828 |

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 1998. The 1998 valuation used the projected unit method and showed that the actuarial value of the scheme's assets represented 111% 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 £47,600 for the company (£1,243,000 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.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Pension costs are charged to the revenue account so as to spread the cost of pensions over employees' expected working lives with the group. The pension cost for the year was £5,999 (1998: £6,742) for the company, and £95,084 (1998: £91,410) for the group. Other pension costs represent ex-gratia payments and personal pension plans for certain individual employees, which in aggregate amounted to £27,333 (1998: 32,881) for the company and £35,743 (1998: £57,753) for the group.

20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITY

At 28 March 1999 the company and the group had no contractual commitments for development expenditure (1998: £84,513).

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

| | 1999 £ | 1998 £ |
|--|-------------|-------------|
| Total income of trading subsidiary | 6,876,848 | 7,138,338 |
| Expenditure of trading subsidiary and direct charitable net operating expenses | (6,633,679) | (6,752,385) |
| Operating profit | 243,169 | 385,953 |
| Finance lease charges | 12,856 | 13,370 |
| Depreciation charges on fixed assets | 166,790 | 189,940 |
| (Profit)/loss on sale of fixed assets included in operating profit above | 18,797 | (4,000) |
| Other cash movements: | | |
| Decrease/(increase) in stocks | (70,378) | 28,468 |
| (Increase)/decrease in debtors | 73,498 | (44,740) |
| (Decrease)/increase in creditors | (225,821) | 7,952 |
| Property maintenance expenditure | (313,990) | (442,136) |
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | (95,079) | 134,807 |

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 1999 £ | 1998 £ |
|--|-----------|-----------|
| (Decrease)/increase in cash in the period | 178,541 | (555,182) |
| Cash outflow from reduction in lease financing | 71,385 | 79,765 |
| Change in net funds resulting from cash flows | 249,926 | (475,417) |
| New finance leases | (166,045) | (16,771) |
| Movement in net funds in the period | 83,881 | (492,188) |
| Net funds at beginning of year | 322,744 | 814,932 |
| Net funds at the end of the year | 406,625 | 322,744 |

23 ANALYSIS OF CHANGES IN NET FUNDS

| | 1998 £ | Cash flow £ | Other non-cash changes £ | 1999 £ |
|---------------------------------------|-----------|----------------|-----------------------------------|-----------|
| Cash in hand and at bank | 680,471 | (348,758) | - | 331,713 |
| Cash held within investment portfolio | - | 406,720 | - | 406,720 |
| Overdrafts | (297,147) | 120,579 | - | (176,568) |
| Finance leases | (60,580) | 71,385 | (166,045) | (155,240) |
| Total | 322,744 | 249,926 | (166,045) | 406,625 |

24 RELATED PARTY TRANSACTIONS

There were no material related party transactions.

25 NET INCOME FOR THE FINANCIAL YEAR

As permitted by Section 230 of the Companies Act 1985, the parent company's statement of financial activities has not been included in these financial statements. The parent company's net income for the financial year was £173,728 (1998: £1,323,481).