

LEEDS CASTLE FOUNDATION AND SUBSIDIARY
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MARCH 1997

1172263

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 1996/97 financial year was another successful one for the Foundation and its trading subsidiary Leeds Castle Enterprises. The number of day visitors - 508,545 - was a new record, another programme of important and influential medical conferences took place, and our open air concerts continued to enjoy great popularity. Net income increased from £118,000 to £289,000 but we spent heavily on the maintenance of our buildings and grounds, with expenditure again approaching £500,000. Inevitably, given the age of our structures, we must expect to continue spending at a similar rate. In addition to routine items the Castle stonework is starting to show the ravages of time in a number of areas and the Trustees are likely to be faced with a lengthy and extensive programme of repair and renewal. So far as capital expenditure is concerned the main additions in the year, apart from the routine replacement of motor vehicles and essential equipment, were two freehold properties acquired under the Foundation's policy of rationalising its holdings and protecting its boundaries.

The successful operation of our trading subsidiary remains crucial to the achievement of the Foundation's charitable objectives, and the experience and performance of that Company's board is an important factor in that success. The Trustees have therefore taken steps to strengthen the board and widen the range of expertise represented by the appointment of two additional directors: Nicholas Day, Marketing and Special Events Manager, and Andrew Wilson, General Manager, Catering and Day Visitor Operations. I believe that we now have a good balance of skills in place for the future.

The Trustees remain determined to preserve the beauty and tranquillity of the Castle and its grounds, which remain very much as Lady Baillie knew them. However, we have to recognise the continuing increase in the number of visitors to Leeds Castle and ensure that their comfort and enjoyment while in our care are properly catered for. Two significant projects to enhance the visitor route are therefore at an advanced stage of planning: firstly a shelter building in the vicinity of the greenhouses which will afford protection from the elements and also contain information on less-well-known aspects of the Castle grounds; secondly, the construction of a new terraced garden on the derelict site of Lady Baillie's original aviary. This is an exciting development on a site which enjoys the natural advantages of sun and shelter and we believe it will be a significant addition to our visitors' enjoyment and an important element in our long-term plans to enhance the attractiveness of our gardens. This is in addition to the heavy ongoing programme of essential maintenance and renewal which our buildings and gardens require. As we approach the millennium I like to think that Leeds Castle will be well placed to welcome the many thousands of visitors which its continuing popularity must lead us to expect.

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. 1996/97 saw a new record number of visitors - 508,545 - 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 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, 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.

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.

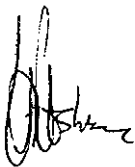
LEEDS CASTLE FOUNDATION AND SUBSIDIARY

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 27 March 1997. 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
6 July 1997

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 27 March 1997 and its net income, net movement in funds 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
6 July 1997

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 27 March 1997.

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.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

(iii) Defined Purposes Fund

This fund was originally set up in connection with the loan to the Foundation of certain works of art. Following the repayment during the year of a loan secured on these items, the Fund's assets were transferred to the General Fund and the Fund itself was abolished.

(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 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.

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 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 27 MARCH 1997

	Notes	Unrestricted funds £	Permanent Endowment fund £	Total funds 1997 £	Total funds 1996 £
INCOMING RESOURCES					
Income from fixed asset investments	4	188,454	-	188,454	195,824
Bank interest receivable	4	63,634	-	63,634	61,550
Rental income	4	51,675	-	51,675	38,908
		<u>303,763</u>	<u>-</u>	<u>303,763</u>	<u>296,282</u>
Income of trading subsidiary supporting charitable activities of Leeds Castle Foundation					
	1				
Admission fees		2,565,100	-	2,565,100	2,365,496
Special events		507,508	-	507,508	477,509
		<u>3,072,608</u>	<u>-</u>	<u>3,072,608</u>	<u>2,843,005</u>
Other income of trading subsidiary	1	3,750,901	-	3,750,901	3,480,719
		<u>6,823,509</u>	<u>-</u>	<u>6,823,509</u>	<u>6,323,724</u>
Total income of trading subsidiary					
Expenditure of trading subsidiary	1	(6,121,037)	-	(6,121,037)	(5,763,794)
		<u>702,472</u>	<u>-</u>	<u>702,472</u>	<u>559,930</u>
TOTAL INCOMING RESOURCES					
		<u>1,006,235</u>	<u>-</u>	<u>1,006,235</u>	<u>856,212</u>
RESOURCES EXPENDED					
Direct charitable expenditure:					
net operating expenses	2	(236,895)	-	(236,895)	(242,755)
property maintenance expenditure	2	(464,772)	-	(464,772)	(487,110)
Taxation	6	(15,982)	-	(15,982)	(8,265)
		<u>(717,649)</u>	<u>-</u>	<u>(717,649)</u>	<u>(738,130)</u>
Total resources expended					
Net incoming resources		288,586	-	288,586	118,082
Gains/(losses) on investments:					
Realised	17	45,251	-	45,251	277,599
Unrealised	17	510,542	-	510,542	640,354
Profit on sale of fixed asset investments	17	(36,126)	161,500	125,374	96,440
		<u>808,253</u>	<u>161,500</u>	<u>969,753</u>	<u>1,132,475</u>
Net movement in funds					
Total funds brought forward		13,237,761	1,402,406	14,640,167	13,507,692
		<u>14,046,014</u>	<u>1,563,906</u>	<u>15,609,920</u>	<u>14,640,167</u>
Total funds carried forward					

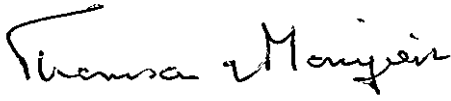
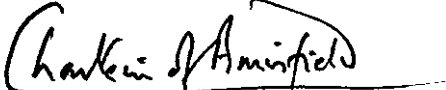
The notes on pages 13 to 23 form part of these accounts.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AT 27 MARCH 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	9,379,150	8,947,517
Investments	11	5,574,172	5,274,977
		<u>14,953,322</u>	<u>14,222,494</u>
CURRENT ASSETS			
Stocks	12	659,663	406,318
Debtors	13	602,792	648,243
Cash at bank and in hand	14	735,274	507,770
		<u>1,997,729</u>	<u>1,562,331</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(1,293,247)	(1,050,233)
NET CURRENT ASSETS		<u>704,482</u>	<u>512,098</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,657,804</u>	<u>14,734,592</u>
Creditors: amounts falling due after more than one year	16	(47,884)	(94,425)
NET ASSETS		<u><u>15,609,920</u></u>	<u><u>14,640,167</u></u>
FUNDS			
Permanent endowment			
Heritage	17	1,563,906	1,402,406
Unrestricted			
Endowment	17	8,098,614	7,578,947
Development	17	5,135,125	5,014,588
Defined purposes		-	75,000
Property maintenance		268,000	268,000
General		544,275	301,226
	17	<u><u>15,609,920</u></u>	<u><u>14,640,167</u></u>

The financial statements on pages 6 to 23 were approved by the board of directors on 6 July 1997 and were signed on its behalf by:

)
) Directors
)

LEEDS CASTLE FOUNDATION

BALANCE SHEET AS AT 27 MARCH 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	9,001,286	8,582,836
Investments:			
Subsidiary company	10	366,100	366,100
Other	11	5,574,172	5,274,977
		<u>14,941,558</u>	<u>14,223,913</u>
CURRENT ASSETS			
Debtors	13	215,061	273,746
Cash at bank and in hand	14	713,317	410,938
		<u>928,378</u>	<u>684,684</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(260,016)	(268,430)
NET CURRENT ASSETS		<u>668,362</u>	<u>416,254</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,609,920</u>	<u>14,640,167</u>
FUNDS			
Permanent endowment			
Heritage	17	1,563,906	1,402,406
Unrestricted			
Endowment	17	8,098,614	7,578,947
Development	17	5,135,125	5,014,588
Defined purposes		-	75,000
Property maintenance		268,000	268,000
General		544,275	301,226
	17	<u>15,609,920</u>	<u>14,640,167</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 27 MARCH 1997

	Note	1997 £	1996 £
OPERATING ACTIVITIES			
Cash received from customers		6,868,960	6,225,533
Cash payments to suppliers		(1,565,306)	(1,495,936)
Staff costs	3	(2,906,257)	(2,661,891)
Other cash payments		(1,954,847)	(1,539,112)
NET CASH INFLOW FROM OPERATING ACTIVITIES			
	21	442,550	528,594
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received	4	188,454	195,824
Interest received	4	63,634	61,550
Sundry income	4	51,675	38,908
Interest element of finance lease rentals	7	(15,507)	(27,331)
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
		288,256	268,951
TAXATION PAID			
		(11,781)	(14,116)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Development projects	8	(120,537)	(156,638)
Purchase of other fixed assets		(576,873)	(230,140)
Sale of assets		277,274	142,347
Purchases of fixed asset investments	11	(1,635,554)	(2,167,160)
Proceeds from fixed asset investments		2,028,507	2,271,639
Property maintenance expenditure	17	(464,772)	(487,110)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
		(491,955)	(627,062)
NET CASH INFLOW BEFORE FINANCING			
		227,070	156,367
FINANCING			
Repayments of principal under finance leases	23	(82,453)	(112,248)
INCREASE IN CASH			
	22	144,617	44,119

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27 MARCH 1997

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	1997 £	1996 £
TURNOVER			
Admission fees		2,565,100	2,365,496
Special events:			
- Open Air Concerts		507,508	477,509
- Other special events		66,861	75,021
Catering		1,866,705	1,755,841
Conferences		486,195	342,329
Shop trading		1,126,487	1,110,134
Golf		171,336	165,800
Plants and garden products		30,646	23,958
Sundry revenues		2,671	7,636
		<u>6,823,509</u>	<u>6,323,724</u>
Net operating expenses		(6,121,037)	(5,763,794)
		<u>702,472</u>	<u>559,930</u>
Gross profit			
Interest receivable		37,510	46,314
Interest payable on long term loan		(29,280)	(34,770)
		<u>710,702</u>	<u>571,474</u>
Net profit			
Amount covenanted to Leeds Castle Foundation	10	(570,587)	(427,818)
		<u>140,115</u>	<u>143,656</u>
Taxation	6	(42,115)	(38,156)
		<u>98,000</u>	<u>105,500</u>
Dividend paid to Leeds Castle Foundation		(98,000)	(105,500)
Profit retained in subsidiary		<u>-</u>	<u>-</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

2 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £	Other costs £	Total £	1996 £
DIRECT CHARITABLE EXPENDITURE				
Property maintenance		464,772	464,772	487,110
OTHER EXPENDITURE				
Management and administration of charity	135,740	101,155	236,895	242,755
	<u>135,740</u>	<u>565,927</u>	<u>701,667</u>	<u>729,865</u>

3 NET OPERATING EXPENSES

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Change in stocks of consumables and goods for resale	(253,345)	80,789	-	-
Purchases of consumables and goods for resale	1,818,651	1,415,147	-	-
Staff costs	2,906,257	2,661,891	135,740	140,142
Depreciation of tangible fixed assets	166,645	167,102	-	-
Other operating charges	1,719,724	1,681,620	101,155	102,613
	<u>6,357,932</u>	<u>6,006,549</u>	<u>236,895</u>	<u>242,755</u>

4 INVESTMENT INCOME

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Income from fixed asset investments	188,454	195,824	312,587	331,215
Bank interest receivable	63,634	61,550	26,124	15,236
Loan interest receivable from subsidiary	-	-	29,280	34,770
Rental income	51,675	38,908	51,675	38,908
	<u>303,763</u>	<u>296,282</u>	<u>419,666</u>	<u>420,129</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

5 EMPLOYEES

Staff costs during the year were:

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Permanent staff costs	1,924,253	1,682,266	87,249	84,689
Casual staff costs	632,998	678,629	-	-
Social security costs	195,795	174,234	8,776	8,875
Other pension costs	153,211	126,762	39,715	46,578
	<u>2,906,257</u>	<u>2,661,891</u>	<u>135,740</u>	<u>140,142</u>

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

	Group		Company	
	1997	1996	1997	1996
	Number	Number	Number	Number
Full time	112	114	3	4
Part time	202	189	-	-
	<u>314</u>	<u>303</u>	<u>3</u>	<u>4</u>

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

	1997		1996	
	Group	Company	Group	Company
£40,001 to £50,000	-	-	1	-
£50,001 to £60,000	2	-	2	1
£60,001 to £70,000	1	1	-	-
£110,001 to £120,000	-	-	1	-
£130,001 to £140,000	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.

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

6 TAXATION

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Corporation tax payable at 25.16% (1996: 25.12%)	<u>15,982</u>	<u>8,265</u>	<u>-</u>	<u>-</u>

7 NET INCOMING RESOURCES

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
NET INCOMING RESOURCES ARE STATED AFTER CREDITING:				
Rent receivable	51,675	38,908	51,675	38,908
Profit on disposal of fixed assets	144,774	107,818	125,374	96,440
AND AFTER CHARGING:				
Depreciation on owned assets	92,734	63,516	-	-
Depreciation on assets held under finance leases	73,911	103,586	-	-
Charges paid on finance leases	15,507	27,331	-	-
Hire of plant and equipment - operating leases	22,751	8,782	-	-
Auditors' remuneration	24,000	24,000	7,725	7,725
Auditors' remuneration for non-audit services	<u>9,055</u>	<u>7,015</u>	<u>1,275</u>	<u>-</u>

At 27 March 1997 the group had annual commitments on non-cancellable operating leases as follows:

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Payments within one year	18,505	4,987	-	-
Payments within the second to fifth years inclusive	<u>54,994</u>	<u>10,974</u>	<u>-</u>	<u>-</u>

Included within the total of profit on disposal of fixed assets is an amount of £161,500 relating to the sale of two persian carpets from the Castle. As these carpets were included within the 1974 Estate Valuation it has not been possible to attribute a direct cost to them and so the sales proceeds have been recognised as profit.

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:

	1997 £	1996 £
Terrace Room construction	9,327	48,824
Conversion and improvement of properties	24,957	21,272
Landscaping of the Grounds	46,317	28,606
Castle lighting and other improvements	16,051	5,770
Castle bedroom and bathroom re-equipping	4,150	12,225
New golf hole	5,231	32,598
Construction of Ibis House	9,214	-
Miscellaneous minor projects	5,290	7,343
	<u>120,537</u>	<u>156,638</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	4,983,661	452,630	1,778,959	1,414,743	8,629,993
At 25 March 1996	5,483,661	1,320,216	1,778,959	1,414,743	9,997,579
Additions	120,537	35,823	394,590	183,423	734,373
Disposals			(132,500)	(47,160)	(179,660)
At 27 March 1997	5,604,168	1,356,039	2,041,049	1,551,006	10,552,292
DEPRECIATION					
At 25 March 1996	-	-	-	1,050,062	1,050,062
Charge for year	-	-	-	166,645	166,645
Eliminated in respect of disposals	-	-	-	(43,565)	(43,565)
At 27 March 1997				1,173,142	1,173,142
NET BOOK VALUE					
AT 27 MARCH 1997	5,604,168	1,356,039	2,041,049	377,864	9,379,150
At 25 March 1996	5,483,661	1,320,216	1,778,959	364,681	8,947,517

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

Equipment and motor vehicles £377,864 (1996: £364,681), shown above, are wholly owned by Leeds Castle Enterprises. The net book value of equipment and motor vehicles of £377,864 (1996: £364,681) includes an amount of £132,728 (1996: £173,752) 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

	1997 £	1996 £
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.

	1997 £	1996 £
MARKET VALUE OF LISTED INVESTMENTS AT 25 MARCH 1996	4,988,858	4,175,384
Less: Disposals at opening book value	(1,983,255)	(1,925,616)
Add: Acquisitions at cost	1,635,554	2,167,160
Net gains on revaluation at 27 March 1997	510,542	571,930
MARKET VALUE AT 27 MARCH 1997	5,151,699	4,988,858
Cash holdings at 27 March 1997	422,473	286,119
Total value of fixed asset investments	5,574,172	5,274,977
Historical cost value of assets	3,522,924	4,100,554

At 27 March 1997 the market value of the investments split between UK investment assets and overseas assets was as follows:

	1997 £	1996 £
UK investments	3,691,153	3,525,563
Overseas investments	1,460,546	1,463,295
	5,151,699	4,988,858
Cash	422,473	286,119
Total value of investments at 27 March 1997	5,574,172	5,274,977

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

12 STOCKS

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Goods for resale	609,447	366,909	-	-
Consumables	50,216	39,409	-	-
	659,663	406,318	-	-

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

13 DEBTORS

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
AMOUNTS FALLING DUE WITHIN ONE YEAR:				
Trade debtors	162,562	211,120	-	-
Other debtors	63,190	174,893	35,815	116,468
Prepayments and accrued income	175,391	115,054	9,809	10,102
Tax recoverable on dividends	64,709	40,222	32,497	40,222
Tax recoverable, deducted from donation	136,940	106,954	136,940	106,954
	<u>602,792</u>	<u>648,243</u>	<u>215,061</u>	<u>273,746</u>

14 CASH AT BANK AND IN HAND

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Cash at bank and in hand	617,886	420,434	601,052	408,850
Deposits	117,388	87,336	112,265	2,088
	<u>735,274</u>	<u>507,770</u>	<u>713,317</u>	<u>410,938</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank overdraft	219,241	-	-	-
Trade creditors	275,210	250,677	35,149	28,320
Amounts owed to subsidiary	-	-	121,768	63,129
Other taxation and social security payable	95,934	84,436	-	-
Other creditors	118,331	137,867	1,688	125
Accruals and deposits received in advance	320,055	335,369	67,180	128,346
Provision for corporation tax payable	17,615	11,781	-	-
Taxation due to Inland Revenue	171,171	155,464	34,231	48,510
Obligations under finance leases	75,690	74,639	-	-
	<u>1,293,247</u>	<u>1,050,233</u>	<u>260,016</u>	<u>268,430</u>

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Obligations under finance leases due in the second to fifth years inclusive	47,884	94,425	-	-
	<u>47,884</u>	<u>94,425</u>	<u>-</u>	<u>-</u>
	<u>47,884</u>	<u>94,425</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 27 MARCH 1997 ARE REPRESENTED BY:						
Tangible fixed assets	2,529,502	5,104,198	377,864	8,011,564	1,367,586	9,379,150
Investments	5,574,172	-	-	5,574,172	-	5,574,172
Current assets	-	30,927	1,770,482	1,801,409	196,320	1,997,729
Current liabilities	(5,060)	-	(1,336,071)	(1,341,131)	-	(1,341,131)
BALANCE AT 27 MARCH 1997	<u>8,098,614</u>	<u>5,135,125</u>	<u>812,275</u>	<u>14,046,014</u>	<u>1,563,906</u>	<u>15,609,920</u>
BALANCE OF FUNDS AT 25 MARCH 1996	7,578,947	5,014,588	644,226	13,237,761	1,402,406	14,640,167
Group income after tax			990,253	990,253		990,253
Inter-fund transfers						
Realised gains on investments	45,251			45,251		45,251
Unrealised gains on investments	510,542			510,542		510,542
Profit/(loss) on disposal of fixed assets	(36,126)			(36,126)	161,500	125,374
Development expenditure		120,537	(120,537)			
Property maintenance expenditure			(464,772)	(464,772)		(464,772)
Operating expenditure			(236,895)	(236,895)		(236,895)
BALANCE OF FUNDS AT 27 MARCH 1997	<u>8,098,614</u>	<u>5,135,125</u>	<u>812,275</u>	<u>14,046,014</u>	<u>1,563,906</u>	<u>15,609,920</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 £6,109 (1996: £4,211) for the company, and £88,400 (1996: £57,379) 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

	1997 £	1996 £
Total income of trading subsidiary	6,823,509	6,323,724
Expenditure of trading subsidiary and direct charitable net operating expenses	(6,342,425)	(5,979,218)
Operating profit	481,084	344,506
Add back non cash charges:		
Depreciation charges on fixed assets	166,645	167,102
Lease charges on fixed assets		-
(Profit)/loss on sale of fixed assets	(19,400)	(11,378)
Other cash movements:		
(Increase)/decrease in stocks	(253,345)	80,789
(Increase)/decrease in debtors	45,451	(98,191)
Increase/(decrease) in creditors	22,115	45,766
NET CASH INFLOW FROM OPERATING ACTIVITIES	442,550	528,594

LEEDS CASTLE FOUNDATION AND SUBSIDIARY

22 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	1997 £	1996 £
Increase in cash in the period	144,617	44,119
Cash outflow from reduction in lease financing	82,453	112,248
Change in net funds resulting from cash flows	227,070	156,367
New finance leases	(36,963)	(36,441)
Termination of lease	-	4,703
Movement in net funds in the period	190,107	124,629
Net funds at beginning of year	624,825	500,196
Net funds at the end of the year	814,932	624,825

23 ANALYSIS OF CHANGES IN NET FUNDS

	At 25 March 1996 £	Cashflow £	Other non-cash changes £	At 27 March 1997 £
Cash in hand and at bank	507,770	227,504	-	735,274
Cash held within investment portfolio	286,119	136,354	-	422,473
Overdrafts	-	(219,241)	-	(219,241)
Finance leases	(169,064)	82,453	(36,963)	(123,574)
Total	624,825	227,070	(36,963)	814,932

24 RELATED PARTY TRANSACTIONS

There were no material related party transactions.