

HAREWOOD HOUSE TRUST LIMITED

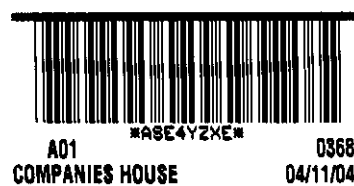
(A Company Limited by Guarantee)

Annual Report

And

Financial Statements

For the Year Ended 31 December 2003



HAREWOOD HOUSE TRUST LIMITED

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HAREWOOD HOUSE TRUST LIMITED

COMPANY INFORMATION

Trustees

Sir George W L Christie
Sir Nicholas Goodison
Sir Ernest Hall
The Right Hon The Earl of Harewood
The Right Hon The Countess of Harewood
The Viscount Lascelles
The Viscountess Lascelles
Sir Jonathan Miller
Sir Hugh H Roberts
Lord Romsey
Mr Roger Tempest

Chief Executive

Mr Terence Suthers

Company Secretary

Mr Terence Suthers

Registered Office

Moor House,
Harewood,
Leeds, LS17 9LQ

Registered Company Number

2004021

Charity Registration Number

517753

Bankers

NatWest Bank Plc
Leeds City Office
8 Park Row,
Leeds, LS1 1QS

Solicitors

Wrigley's Solicitors
19 Cookridge Street,
Leeds, LS2 3AG

Auditors

Lishman Sidwell Campbell & Price Ltd
Fisher More Chambers
12-14 Westgate
Tadcaster, LS24 9AB

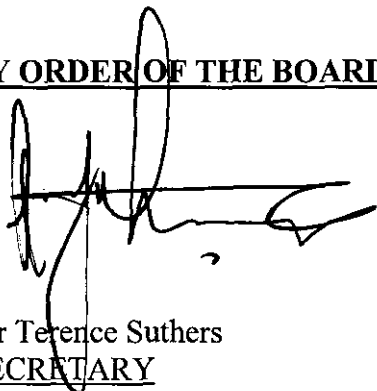
HAREWOOD HOUSE TRUST LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice hereby given that the 2004 annual general meeting of Harewood House Trust Limited will be held at Harewood House, Harewood, Leeds on **2 August 2004** to transact the following business:

1. To receive, consider and adopt the trustees' report and accounts for the year ended 31 December 2003.
2. To propose a resolution that Lishman Sidwell Campbell & Price Limited be re-appointed as auditors to the charity for the ensuing year.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'T. Suthers', written over a horizontal line.

Mr Terence Suthers
SECRETARY

HAREWOOD HOUSE TRUST LIMITED

TRUSTEES' REPORT TO THE MEMBERS OF THE HAREWOOD HOUSE TRUST LIMITED

The trustees submit their annual report and accounts for the year ended 31 December 2003.

Trustees

The trustees may appoint any person as a trustee provided that the maximum of twelve is not exceeded. Any trustee so appointed shall retire at the next annual general meeting but shall be eligible for re-election. Trustees will then retire by rotation every three years but will be eligible for re-election.

The trustees, who are also the directors of the charity, who served during the financial period, were:

Sir George W L Christie	The Viscountess Lascelles
Sir Nicholas Goodison	Sir Jonathan Miller
(Vice-Chairman Finance and General Purposes Committee)	Sir Hugh H Roberts
Sir Ernest Hall	Lord Romsey (Chairman of Audit Committee)
Lord Harewood	Mr Roger Tempest
Lady Harewood	
The Viscount Lascelles	
(Chairman of Board of Trustees and Chairman of Finance and General Purposes Committee)	

The trustees who are also members of the charity are:

Lord Harewood
Viscount Lascelles

Legal and Administrative Information

Harewood House Trust Limited is a registered charity No. 517753 and a company limited by guarantee No. 2004021 in England and Wales. The charity's governing document is contained in its Memorandum and Articles of Association. The charity's principal advisors are shown on page 2. The charity is a company limited by guarantee and each member's liability is limited to £1,000.

Principal Activities

The charity holds a lease of Harewood House and surrounding lands. The charity's principal activities are to preserve for the public benefit Harewood House with its ancillary buildings, gardens, arboreta, woodlands and park; to promote the study and appreciation of Harewood as a place of historic and cultural interest and natural beauty; to provide facilities for recreation and leisure time occupations; and to advance the education of the public in the arts and sciences.

Organisation and Policy

In order to achieve its objectives, the charity applies income generated by admissions donations, investments grants, and sponsorship to programmes of repairs and improvements to Harewood House and its grounds.

HAREWOOD HOUSE TRUST LIMITED

TRUSTEES' REPORT TO THE MEMBERS OF THE HAREWOOD HOUSE TRUST LIMITED

The trustees, the finance and general purposes committee and the audit committee each meet biannually to review progress and financial controls and also approve new initiatives. The chief executive is responsible for day-to-day management and implementing the decisions of the trustees.

Financial Position

The results for the year ended 31 December 2003 are shown on page 10 in the consolidated statement of financial activity. Donations and visitor related income for the year show a substantial increase on the previous year as the charity enjoyed another record attendance with 350,000 visitors. Grants and sponsorship also increased mainly because of the grant relating to the refurbishment of the basement area of Harewood House in preparation for the 'Below Stairs' exhibition in 2004.

Expenditure also increased as expected due to increased activity, the grant aided costs relating to the basement area mentioned above, increased costs in providing security and as a result of a rent review.

Overall the net deficit on ordinary activities was reduced to £(633,910) compared with the 2002 deficit on ordinary activities of £(686,658).

As set out in the accounting policies on page 17, group accounts have been prepared which consolidate the results of Harewood House Trust Limited and its subsidiary Harewood House Trading Limited. The results of the subsidiary are shown on page 25, note 15. Retail profits were unchanged but catering and events showed significantly increased returns. As a result, the gift aid contribution to the parent company increased by £86,333 over the 2002 result to £269,199.

The market value of the charity's investments increased in line with market trends. This largely offset the deficit on ordinary activities resulting in a net reduction in funds of £(99,143) compared with a net reduction in 2002 of £(1,814,866).

During the year the trustees decided to change the policy of using an increased bank overdraft facility as a means of providing funding. Sufficient equity investments were sold to repay this borrowing. The reduction in bank overdraft is shown within current liabilities in note 13 on page 24.

A financial review was undertaken during the year by independent consultants. The main recommendation was to eliminate the operating deficit and steps are being taken to achieve this. The trustees also decided not to pursue the bids to the Heritage Lottery Fund and other bodies to introduce permanent endowment funding into the charity. Other ways of achieving this are being investigated by the trustees.

For the first time the charity opened to the public in February for the 2004 season. Due to a successful event and exhibition programme, visitor numbers are 30% higher than the 2003 season to the date of this report and the indications are that the prospects for 2004 are good.

Investments and Reserves

The trustees delegate the management of its investments to two investment managers. The finance and general purposes committee of the charity, comprising of five trustees, receives quarterly reports from and meets with each manager to monitor their respective performance. The managers are not restricted in any way and are expected to outperform capital growth as shown on the appropriate indices.

HAREWOOD HOUSE TRUST LIMITED

TRUSTEES' REPORT TO THE MEMBERS OF THE HAREWOOD HOUSE TRUST LIMITED

Investments and Reserves continued

These endowed investment funds, introduced by Lord Harewood between 1987 and 1989, are held to fund both operating activities and capital requirements and are not restricted in any way. The funds are thus described as unrestricted income and expendable endowment throughout.

As in previous years, the unrestricted income fund remains in deficit. As described in the Financial Position note above, the trustees have introduced a budgetary control committee in the year ended 31 December 2003 to monitor expenditure more closely and to eliminate the operating deficit by the end of the 2005 financial year.

Statement of Trustees' Responsibility

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk Management

The trustees continually assess the risks to which the charity is exposed and are satisfied that systems are in place to mitigate those risks. The major risks identified are:

- Investment risk - the charity limits investment risk through the monitoring and policy instructions of the finance and general purposes committee in partnership with the fund managers.
- Security risk - the charity invests fully in security personnel and devices to ensure the safety of its assets. Emergency fire and evacuation plans are in place and are regularly tested and reviewed. Insurance cover is regularly assessed and is satisfactory.
- Public liability risk - staff are trained to assist members of the public and the charity is fully insured in connection with its opening to the public.

HAREWOOD HOUSE TRUST LIMITED

TRUSTEES' REPORT TO THE MEMBERS OF THE
HAREWOOD HOUSE TRUST LIMITED

Risk Management continued

In order to indemnify the trustees against the consequences of neglect or default on their part, the charity has purchased indemnity insurance. The cost is shown on page 20, note 5.

Trustee


.....

Date

2 August 2004
.....

HAREWOOD HOUSE TRUST LIMITED

AUDITORS REPORT TO THE MEMBERS OF THE HAREWOOD HOUSE TRUST LIMITED

We have audited the financial statements of Harewood House Trust Limited on pages 10 to 28. These financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value, and the accounting policies set out therein.

Respective responsibilities of trustees and auditors

As described on page 6, the charity's trustees, who are also the directors of the company for the purposes of company law, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the trustees is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees 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.

HAREWOOD HOUSE TRUST LIMITED

AUDITORS REPORT TO THE MEMBERS OF THE
HAREWOOD HOUSE TRUST LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and of the group as at 31 December 2003 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lishman Sidwell Campbell & Price Limited

Lishman Sidwell Campbell & Price Limited
Registered Auditor
Fisher More Chambers
12-14 Westgate
Tadcaster
LS24 9AB

Dated: *31 August 2004*

HAREWOOD HOUSE TRUST LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2003

NOTES

	<u>Unrestricted</u> <u>Income</u> <u>£</u>	<u>Expendable</u> <u>Endowment</u> <u>£</u>	<u>Total</u> <u>31.12.03</u> <u>£</u>	<u>Total</u> <u>31.12.02</u> <u>£</u>
<u>Incoming Resources:</u>				
<u>Activities to generate funds:</u>				
1 Admissions donations and events	1,505,634	-	1,505,634	1,275,396
Retail	345,681	-	345,681	343,679
Catering	640,685	-	640,685	588,629
Guide books and other book sales	38,673	-	38,673	41,402
Rents	26,010	-	26,010	25,590
	<u>2,556,683</u>	<u>-</u>	<u>2,556,683</u>	<u>2,274,696</u>
<u>Activities to further the charity's objects:</u>				
Grants & sponsorship receivable	231,744	-	231,744	87,633
Management services	30,797	-	30,797	42,505
	<u>2,819,224</u>	<u>-</u>	<u>2,819,224</u>	<u>2,404,834</u>
<u>Investment income:</u>	145,421	-	145,421	157,223
<u>Other income:</u>	40,851	-	40,851	38,389
<u>Total Incoming Resources</u>	<u>3,005,496</u>	<u>-</u>	<u>3,005,496</u>	<u>2,600,446</u>
<u>Resources Expended:</u>				
<u>Direct charitable expenditure:</u>				
Property held for preservation	369,874	-	369,874	330,211
Maintaining property open to the public	1,110,394	-	1,110,394	954,745
<u>Cost of generating funds:</u>				
2 Fund raising and publicity administration	1,780,151	-	1,780,151	1,657,051
<u>Support costs:</u>				
3 Management and administration	378,987	-	378,987	345,097
	<u>3,639,406</u>	<u>-</u>	<u>3,639,406</u>	<u>3,287,104</u>
<u>Net Outgoing Resources</u>	<u>(633,910)</u>	<u>-</u>	<u>(633,910)</u>	<u>(686,658)</u>
Realised gains/(losses) on investment assets	-	63,901	63,901	(49,247)
Unrealised gains/(losses) on investment assets	-	470,866	470,866	(1,078,961)
Net movement in funds	(633,910)	534,767	(99,143)	(1,814,866)
Funds brought forward at 1.1.03	(7,403,179)	11,648,334	4,245,155	6,060,021
<u>Funds Carried Forward at 31.12.03</u>	<u>(8,037,089)</u>	<u>12,183,101</u>	<u>4,146,012</u>	<u>4,245,155</u>

Movement in funds is disclosed in Note 16 to the financial statements.

The notes form part of these financial statements.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>31.12.03</u>	<u>31.12.02</u>
	<u>£</u>	<u>£</u>
1 <u>Admissions, Donations and Events</u>		
Donations under gift aid	996,547	486,947
Admissions	212,989	545,538
Special events	296,098	242,911
	<u>1,505,634</u>	<u>1,275,396</u>
2 <u>Fund Raising and Publicity</u>		
Bird garden operating costs	148,281	136,744
Marketing and site operating costs	474,985	415,775
Special events, retail and catering	980,933	944,309
Concerts and exhibitions	65,461	54,538
Management	110,491	105,685
	<u>1,780,151</u>	<u>1,657,051</u>
3 <u>Management and Administration</u>		
Salaries and office costs	238,406	296,751
Legal and professional fees	70,337	11,174
Rent	40,335	14,340
Audit fees	8,605	8,000
Trustees expenses	2,385	1,994
Trustees indemnity insurance	3,071	2,363
Investment management fees	15,848	10,475
	<u>378,987</u>	<u>345,097</u>

The accounting policy for the treatment of expenditure is set out on page 18.

The notes form part of these financial statements.

HAREWOOD HOUSE TRUST LIMITED**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>NOTE</u>	<u>31.12.03</u>	<u>31.12.02</u>
		<u>£</u>	<u>£</u>
<u>Turnover</u>		2,678,904	2,411,033
Operating and administrative expenses		(3,422,330)	(3,226,944)
<u>Operating (Deficit)</u>	5	<u>(743,426)</u>	<u>(815,911)</u>
Interest receivable and similar income	6	145,421	157,223
Interest payable and similar charges	7	<u>(35,905)</u>	<u>(27,970)</u>
<u>(Deficit) on Ordinary Activities</u>		(633,910)	(686,658)
Tax on (deficit) on ordinary activities	8	-	-
(Deficit) brought forward		(7,403,179)	(6,716,521)
<u>Retained (Deficit) Carried Forward</u>		<u>(8,037,089)</u>	<u>(7,403,179)</u>
<u>Total Recognised Gains and Losses</u>			
(Deficit) on ordinary activities		(633,910)	(686,658)
Realised gains/(losses) on disposal of investments	16	63,901	(49,247)
Unrealised gains/(losses) on investments	16	470,866	(1,078,961)
Total recognised (losses) relating to the year		<u>(99,143)</u>	<u>(1,814,866)</u>

Continuing Operations

None of the company's activities were acquired or discontinued during the current and previous periods.

The notes form part of these financial statements.

HAREWOOD HOUSE TRUST LIMITED**CONSOLIDATED BALANCE SHEET**
AS AT 31 DECEMBER 2003

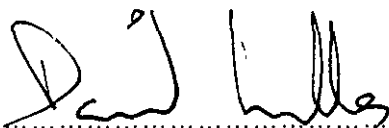
	<u>Notes</u>	<u>Group</u> <u>31.12.03</u> £	<u>Group</u> <u>31.12.02</u> £
<u>Fixed Assets</u>			
Tangible assets	9	804,967	807,706
Investments	10	<u>3,644,936</u>	<u>4,517,271</u>
		4,449,903	5,324,977
<u>Current Assets</u>			
Stocks	11	97,168	81,806
Debtors	12	195,378	180,252
Cash at bank and in hand		<u>4,203</u>	<u>3,423</u>
		296,749	265,481
<u>Creditors</u> - amounts falling due within one year	13	<u>(465,542)</u>	<u>(1,223,567)</u>
<u>Net Current (Liabilities)</u>		<u>(168,793)</u>	<u>(958,086)</u>
		4,281,110	4,366,891
<u>Creditors</u> - amounts falling due after more than one year	14	(135,098)	(121,736)
<u>Total Net Assets</u>		<u>4,146,012</u>	<u>4,245,155</u>

Financed by:

Funds

Expendable Endowment	16	12,183,101	11,648,334
Unrestricted Income Fund	16	(8,037,089)	(7,403,179)
		<u>4,146,012</u>	<u>4,245,155</u>

Trustee.....



Approved by the Board on.....

9 June 2004

The notes form part of these financial statements.

HAREWOOD HOUSE TRUST LIMITED

CHARITY BALANCE SHEET
AS AT 31 DECEMBER 2003

	<u>Notes</u>	<u>Charity</u> <u>31.12.03</u> <u>£</u>	<u>Charity</u> <u>31.12.02</u> <u>£</u>
<u>Fixed Assets</u>			
Tangible assets	9	741,837	733,384
Investments	10	<u>3,645,036</u>	<u>4,517,371</u>
		4,386,873	5,250,755
<u>Current Assets</u>			
Stocks	11	58,536	45,751
Debtors	12	260,321	335,950
Cash at bank and in hand		<u>3,533</u>	<u>2,758</u>
		322,390	384,459
<u>Creditors</u> - amounts falling due within one year	13	<u>(394,948)</u>	<u>(1,237,568)</u>
<u>Net Current (Liabilities)</u>		<u>(72,558)</u>	<u>(853,109)</u>
		4,314,315	4,397,646
<u>Creditors</u> - amounts falling due after more than one year	14	(135,098)	(121,736)
<u>Total Net Assets</u>		<u>4,179,217</u>	<u>4,275,910</u>

Financed by:

Funds

Expendable Endowment	12,183,101	11,648,334
Unrestricted Income Fund	<u>(8,003,884)</u>	<u>(7,372,424)</u>
	4,179,217	4,275,910

Trustee.....

Approved by the Board on.....9 June 2004.....

The notes form part of these financial statements.

HAREWOOD HOUSE TRUST LIMITED

CONSOLIDATED CASH FLOW STATEMENT **FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>Notes</u>	<u>31.12.03</u>		<u>31.12.02</u>	
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>Net Outgoing Resources</u>	1		(645,638)		(746,530)
<u>Before Financing</u>					
<u>Returns on investment and servicing of finance</u>					
Investment income received		145,421		157,223	
Interest paid		<u>(35,905)</u>		<u>(27,970)</u>	
			109,516		129,253
<u>Capital expenditure</u>					
Purchase of tangible fixed assets		(121,138)		(206,477)	
Sale of tangible fixed assets		-		-	
			(121,138)		(206,477)
<u>Management of liquid resources</u>					
Purchase of investments		(1,013,120)		(986,323)	
Sales of investments		<u>2,447,065</u>		<u>879,580</u>	
			1,433,945		(106,743)
<u>Financing</u>					
Lease finance		53,404		-	
Loan repaid		<u>(20,551)</u>		<u>(13,543)</u>	
			32,853		(13,543)
<u>Increase (Decrease) in Cash</u>					
<u>And Cash Equivalents</u>	2		<u>809,538</u>		<u>(944,040)</u>

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

1 Reconciliation of net outgoing resources before investment income and interest paid

	<u>31.12.03</u>	<u>31.12.02</u>
	<u>£</u>	<u>£</u>
Operating loss	(743,426)	(815,911)
Depreciation	123,877	121,150
(Increase)/decrease in stocks	(15,362)	9,313
(Increase)/decrease in debtors	(15,126)	19,474
Increase/(decrease) in creditors	4,399	(80,556)
	<u>(645,638)</u>	<u>(746,530)</u>

2 Analysis of changes in cash and cash equivalents during the year

	<u>£</u>
Balance at 1 January 2002	149,748
Net outflow	<u>(944,040)</u>
Balance at 31 December 2002	<u>(794,292)</u>
Balance at 1 January 2003	(794,292)
Net inflow	<u>809,538</u>
Balance at 31 December 2003	<u>15,246</u>

Analysed in balance sheet

Cash at bank and in hand	4,203
Investments - cash on deposit with fund managers	68,564
Bank overdraft	<u>(57,521)</u>
Net funds and debt at 31 December 2003	<u>15,246</u>

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2003**

1 Charitable Status

The company is a registered charity, number 517753.

2 Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with SORP 2000 as modified by the inclusion of fixed asset investments at market value. These financial statements consolidate the statement of financial activity and the balance sheet of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line-by-line basis. No separate statement of financial activity has been presented for the charity alone as permitted by s230 Companies Act 1985 and paragraph 304 of the SORP.

(b) Turnover

Turnover represents income receivable in the period comprising admissions, donations, special events, retail sales and catering income along with other income arising from the charity's principal activities.

(c) Tangible fixed assets

Depreciation is provided at the following annual rates, after deducting grants receivable, in order to write off each asset over its estimated useful life:

Motor vehicles and tractors	-	20% reducing balance
Plant and machinery	-	10% - 20% reducing balance
Playground equipment	-	10% reducing balance
Leasehold property and buildings	-	2% - 5% straight line

(d) Stocks

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

(e) Investments

Realised and unrealised surpluses and deficits on investments are dealt with through reserves. Income from investments is accounted for when it is received. Investments are stated at market value.

(f) Pensions

The charity operates a defined contribution scheme. Contributions payable for the year are charged in the income and expenditure account.

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2003**

2 Accounting Policies continued

(g) Grants receivable and other incoming resources

Grants receivable towards revenue expenditure are credited to the income and expenditure account in the period to which they relate. Grants receivable towards capital expenditure are deducted from the cost of fixed assets in the period in which the assets are acquired.

(h) Resources expended

All expenditure is accounted for on an accruals basis. Specific overheads are attributed directly to the preservation and maintenance of charitable activities. Overheads relating to the management of the charity's assets, its organisational administration and compliance with statutory requirements are reported as management and administration costs. Other non-specific overheads are allocated to preservation and maintenance or fund raising based on staff hours or level of fund raising as appropriate.

3 (a) Works of Art

Lord Harewood has donated in earlier years certain works of art, mirrors and porcelain and the trustees continue to add to the collection. These items are of national significance, inalienable and historic due to their association with Harewood House and because their continued display is in the furtherance of the objectives of the charity.

These inalienable and historic assets have not been capitalised because of the significant costs involved in producing reliable market values, which the charity considers to be onerous when compared to the additional information which would be provided to users of these accounts.

The inclusion of these assets at historic cost and/or value at the date of donation would increase total funds to £5,628,676.

The cost of acquiring inalienable and historic assets in the year was £200.

(b) Lease of Harewood House

On 4 June 1986 the charity took an assignment of a short lease of Harewood House and surrounding land and on 12 December 1996 took a further assignment of a lease of the same property for a period of 99 years from December 1996. There is an under lease of part of the property in favour of Lord and Lady Harewood on an arms length basis.

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

<u>NOTES</u>		<u>31.12.03</u>	<u>31.12.02</u>
4	<u>Staff Costs</u>	<u>£</u>	<u>£</u>
	Wages and salaries	1,337,862	1,189,519
	National insurance	101,014	84,578
	Pension costs	61,959	52,499
	Pension provision released	<u>(63,707)</u>	<u>-</u>
		<u>1,437,128</u>	<u>1,326,596</u>

During the year the company released a provision relating to costs associated with the winding up of the Harewood Retirement and Death Benefit Scheme. The company had been advised by the actuaries that the cost of funding on the set up of Harewood Group Pension Scheme for certain employees was less than predicted. As a result, a provision brought forward from the 2002 financial statements has been released.

The average number of employees during the period was as follows:

	<u>No</u>	<u>No</u>
Full time including full-time equivalents	110	101

The number of employees whose emoluments as defined for taxation purposes amounted to more than £50,000 in the year was as follows:

	<u>No</u>	<u>No</u>
£50,000 - £60,000	1	1

Pension contributions for high earners were £17,658 (2002 : £17,229).

The trustees receive no remuneration for their services. Expenses reimbursed are shown in note 5 below.

5	<u>Operating Deficit</u>	<u>31.12.03</u>	<u>31.12.02</u>
		<u>£</u>	<u>£</u>
	The operating deficit is stated after charging		
	Major renovation and project costs	369,875	330,211
	Less grants receivable	<u>(153,375)</u>	<u>(32,190)</u>
	Net major renovation and project costs	216,500	298,021

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

<u>NOTES</u>		<u>31.12.03</u>	<u>31.12.02</u>
5	<u>Operating Deficit continued</u>	<u>£</u>	<u>£</u>
	Auditors remuneration	8,605	8,000
	Auditors fees for other services	9,403	10,809
	Consultancy	60,934	2,746
	Depreciation	123,877	121,150
	Trustees expenses	2,385	1,994
	Trustees indemnity insurance	3,071	2,363
6	<u>Interest Receivable and Similar Income</u>	<u>£</u>	<u>£</u>
	Other interest	82	348
	Dividend income	145,339	156,875
		<u>145,421</u>	<u>157,223</u>
7	<u>Interest Payable and Similar Charges</u>	<u>£</u>	<u>£</u>
	Interest payable on short term borrowing	<u>35,905</u>	<u>27,790</u>
8	<u>Taxation</u>		

- (a) Charity - No corporation tax is chargeable because of the company's charitable status.
- (b) Subsidiary - No liability to UK corporation tax arose on ordinary activities for the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

NOTES

9 <u>Group Tangible Fixed Assets</u>	<u>Long lease</u>		<u>Plant and</u>	<u>Playground</u>	<u>Tractors</u>	<u>Motor</u>	<u>Total</u>
	<u>land &</u>	<u>buildings</u>	<u>machinery</u>	<u>equipment</u>		<u>vehicles</u>	
	£	£	£	£	£	£	£
<u>Cost</u>							
As at 1 January 2003	388,086		1,267,091	182,401	21,530	97,110	1,956,218
Additions	-		70,831	2,657	31,750	15,900	121,138
Disposals	-		(8,000)	-	(3,500)	-	(11,500)
As at 31 December 2003	388,086		1,329,922	185,058	49,780	113,010	2,065,856
<u>Depreciation</u>							
As at 1 January 2003	239,748		756,698	88,103	19,888	44,075	1,148,512
Disposals	-		(8,000)	-	(3,500)	-	(11,500)
Charge for the year	3,898		89,819	9,695	6,678	13,787	123,877
As at 31 December 2003	243,646		838,517	97,798	23,066	57,862	1,260,889
<u>Net Book Value</u>							
As at 31 December 2003	144,440		491,405	87,260	26,714	55,148	804,967
As at 31 December 2002	148,338		510,393	94,298	1,642	53,035	807,706

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

NOTES**9 Cont'd Charity Tangible Fixed Assets**

	<u>Long lease land & buildings</u>	<u>Plant and machinery</u>	<u>Playground equipment</u>	<u>Tractors</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£	£	£
<u>Cost</u>						
As at 1 January 2003	330,277	984,428	182,401	21,530	97,110	1,615,746
Additions	-	54,763	2,657	31,750	15,900	105,070
Disposals	-	(8,000)	-	(3,500)	-	(11,500)
As at 31 December 2003	<u>330,277</u>	<u>1,031,191</u>	<u>185,058</u>	<u>49,780</u>	<u>113,010</u>	<u>1,709,316</u>
<u>Depreciation</u>						
As at 1 January 2003	179,064	551,234	88,103	19,888	44,075	882,364
Disposals	-	(8,000)	-	(3,500)	-	(11,500)
Charge for the year	<u>3,823</u>	<u>62,632</u>	<u>9,695</u>	<u>6,678</u>	<u>13,787</u>	<u>96,615</u>
As at 31 December 2003	<u>182,887</u>	<u>605,866</u>	<u>97,798</u>	<u>23,066</u>	<u>57,862</u>	<u>967,479</u>
<u>Net Book Value</u>						
As at 31 December 2003	<u>147,390</u>	<u>425,325</u>	<u>87,260</u>	<u>26,714</u>	<u>55,148</u>	<u>741,837</u>
As at 31 December 2002	<u>151,213</u>	<u>433,194</u>	<u>94,298</u>	<u>1,642</u>	<u>53,035</u>	<u>733,384</u>

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2003**

NOTES

	<u>Group</u> <u>31.12.03</u> <u>£</u>
10 <u>Group Investments</u>	
Movements of investments market value	
As at 1 January 2003	4,475,550
Additions	1,013,120
Disposals	(2,447,065)
Realised gains	63,901
Unrealised gains	470,866
As at 31 December 2003	<u>3,576,372</u>

The investments, which are listed on recognised stock exchanges comprised:

	<u>Group</u> <u>31.12.03</u> <u>£</u>	<u>Group</u> <u>31.12.02</u> <u>£</u>
Direct listed investments		
UK	1,217,236	2,141,036
Overseas	-	-
	<u>1,217,236</u>	<u>2,141,036</u>
Indirect listed investments		
UK	1,594,767	1,476,039
Overseas	764,369	858,475
	<u>3,576,372</u>	<u>4,475,550</u>
Cash on deposit with investment managers	68,564	41,721
	<u>3,644,936</u>	<u>4,517,271</u>

Material Investments

Investments which comprise more than 5%
by value are:

	<u>31.12.03</u> <u>£</u>	<u>31.12.03</u> <u>%</u>
Charishare Dist. Units (UK)	1,360,219	37
KWS Overseas Fund Inc	237,494	7

Charity Investments

Investments held by the charity also include £100 investment in the subsidiary
company at cost. Movement in the year is as shown in the Group analysis above.

	<u>Charity</u> <u>31.12.03</u> <u>£</u>	<u>Charity</u> <u>31.12.02</u> <u>£</u>
Market value including investment in subsidiary at cost	3,645,036	4,517,371

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2003**

<u>NOTES</u>	<u>Group</u> <u>31.12.03</u> <u>£</u>	<u>Group</u> <u>31.12.02</u> <u>£</u>	<u>Charity</u> <u>31.12.03</u> <u>£</u>	<u>Charity</u> <u>31.12.02</u> <u>£</u>
11 <u>Stocks</u>				
Retail, catering and guide books	55,879	41,112	17,247	5,057
Bird collection	41,289	40,694	41,289	40,694
	<u>97,168</u>	<u>81,806</u>	<u>58,536</u>	<u>45,751</u>
12 <u>Debtors</u>				
Trade debtors and other debtors	76,166	74,593	25,949	26,542
Amounts owed by Trading subsidiary	-	-	101,499	121,258
Loan to Trading subsidiary	-	-	9,935	43,234
VAT	15,643	27,981	29,703	27,334
Prepayments and accrued income	103,569	77,678	93,235	117,582
	<u>195,378</u>	<u>180,252</u>	<u>260,321</u>	<u>335,950</u>
13 <u>Creditors:</u> <u>Amounts Falling Due Within One Year</u>				
Bank loan	21,043	21,043	21,043	21,043
Bank overdraft	57,521	839,436	55,681	803,888
Trade creditors	107,969	135,056	83,791	114,420
Other creditors including social security and other taxes	34,224	22,780	26,617	20,165
Amounts owed to Trading subsidiary	-	-	56,954	134,743
Accruals and deferred income	225,294	205,252	131,371	143,309
Lease purchase	19,491	-	19,491	-
	<u>465,542</u>	<u>1,223,567</u>	<u>394,948</u>	<u>1,237,568</u>
14 <u>Creditors:</u> <u>Amounts Falling Due After One Year</u>				
Lease purchase	27,981	-	27,981	-
Bank loan	107,117	121,736	107,117	121,736
	<u>135,098</u>	<u>121,736</u>	<u>135,098</u>	<u>121,736</u>

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2003**

NOTES

15 Subsidiary Company - Harewood House Trading Limited

The charity owns the whole of the issued ordinary share capital (100 shares of £1 each) of Harewood House Trading Limited, a company registered in England and Wales. The subsidiary is used for non-primary purpose trading activities, namely retail gift shops, catering and special events. All activities have been consolidated on a line by line basis in the statement of financial activity. The total net profit is gifted to the charity.

A summary of the results of the subsidiary is shown below.

Summary Profit & Loss Account

	<u>Retail</u>	<u>Catering</u>	<u>Events</u>	<u>Total</u>	<u>Total</u>
	<u>31.12.03</u>	<u>31.12.03</u>	<u>31.12.03</u>	<u>31.12.03</u>	<u>31.12.02</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Turnover	345,681	661,965	294,844	1,302,490	1,191,350
Cost of sales	266,330	390,458	83,593	740,381	668,854
Gross profit	79,351	271,507	211,251	562,109	522,496
Administrative expenses	31,195	203,203	60,951	295,349	331,067
Net profit	48,156	68,304	150,300	266,760	191,429
Gift aid donation				269,199	182,866
(Loss)/profit after gift aid to parent company				(2,439)	8,563

Summary Balance Sheet

	<u>31.02.03</u>	<u>31.12.02</u>
	<u>£</u>	<u>£</u>
Fixed assets	73,125	84,319
Current assets	138,589	188,382
Current liabilities	(234,277)	(282,937)
Liabilities due after more than one year	-	(9,888)
Net liabilities	(22,563)	(20,124)
Represented by:		
Share capital	100	100
Reserves	(22,663)	(20,224)
	(22,563)	(20,124)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

NOTES

16

Group Funds

Reconciliation and Analysis of Movement in Funds

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Total</u>	<u>Total</u>
	<u>Income Fund</u>	<u>Endowment</u>	<u>31.12.03</u>	<u>31.12.02</u>
	£	£	£	£
Opening value of funds	(7,403,179)	11,648,334	4,245,155	6,060,021
(Deficit) on income and expenditure account	(633,910)	-	(633,910)	(686,658)
Realised investment gains/(losses)	-	63,901	63,901	(49,247)
Unrealised investment losses	-	470,866	470,866	(1,078,961)
Transfer	-	-	-	-
Closing value of funds	<u>(8,037,089)</u>	<u>12,183,101</u>	<u>4,146,012</u>	<u>4,245,155</u>

Analysis of Group Net Assets Between Funds

Investments	-	3,644,936	4,517,271
Other net (liabilities)/assets	<u>(8,037,089)</u>	<u>501,076</u>	<u>(272,116)</u>
	<u>(8,037,089)</u>	<u>4,146,012</u>	<u>4,245,155</u>

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

NOTES

17 Transactions with Trustees and Connected Persons

The Earl of Harewood and the Countess of Harewood entered into transactions with the charity during the year as follows:

Rent and other charges to Lord and Lady Harewood £66,229 (2002: £53,268)

The charity charged rent in respect of apartments and the garden used by Lord and Lady Harewood within Harewood House. The rents charged are at market rates and were established by Messrs Carter Jonas, a third party firm of surveyors. In addition amounts were recharged for the use of utilities, a gardener and other office expenses at cost.

Viscount Lascelles entered into transactions with the charity during the year, through the following businesses in which he had a direct interest: -

The Harewood Estate
The Harewood Property Company Limited
The Culture Company

Details of the transactions are: -

(a) Transactions with Harewood Estate £22,629 (2002: £11,918)

The charity was reimbursed by the Harewood Estate for recharges of minor travel and office expenses.

(b) Transactions with Viscount and Viscountess Lascelles £10,927 (2002: £4,582)

The charity recharged the Viscount and Viscountess Lascelles with day-to-day office and other expenses.

(c) Purchases from the Harewood Estate £207,739 (2002: £132,221)

The charity was charged rent by the Harewood Estate, determined commercially by a third party surveyor, in respect of Moor House, the charity's head office, staff cottages and facility fees. These rents were reviewed during the year and increased to commercial rates.

In addition there were certain charges for repairs which were provided by the Harewood Estate to the charity and which were recharged by the Harewood Estate to the charity at cost. The cost of security was increased during the year and is now charged at cost together with an administration charge. In previous years, the Harewood Estate had subsidised the provision of the security service. This represents an amount paid to a trustee (Viscount Lascelles) for services provided to the charity.

HAREWOOD HOUSE TRUST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

NOTES

17 Transactions with Trustees and Connected Persons continued

(d) Purchases from Photo Arts 2000 t/a The Culture Company

The charity was charged a fee of £20,300 (2002: £20,000) by The Culture Company, a registered charity, for providing curatorial services to contemporary art exhibitions within Harewood House. Viscount Lascelles is a director and trustee of The Culture Company. No financial reward was received for his involvement.

(e) At 31 December 2003 balances were as follows: -

Owed to the charity by:

Harewood Estate	£400	(2002: £789)
Lord and Lady Harewood	£12,162	(2002: £5,370)
Viscount and Viscountess Lascelles	£742	(2002: £3,149)

As the charity and the Harewood Estate share the above common services which are re-invoiced by the charity to the Harewood Estate or vice versa, invoices which are rendered near to the end of the charity's financial year are shown in these accounts as amounts outstanding. These do not represent loans but are simply amounts outstanding as at 31 December 2003. In practice invoices are paid promptly by the Harewood Estate to the charity.

Owed by the charity to:

Harewood Estate	£ 99,731	(2002: £15,868)
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(f) In addition to the foregoing, travel and meeting expenses of £2,385 were incurred by the board of trustees in carrying out their duties. These items represent a reimbursement of trustee expenses.