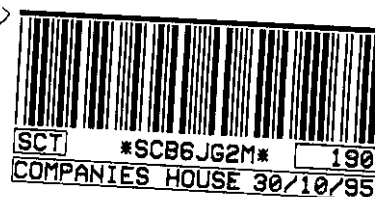


THE MOUNT STUART TRUST
(Company Number 118464)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1994

2



THE MOUNT STUART TRUST

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 1994.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the year. In preparing those financial statements, the directors 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 directors 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.

PRINCIPAL ACTIVITY

The company's main purposes are to promote education in art and fine art, knowledge and understanding of land use and the history and structure of buildings, the conservation of buildings of historical, architectural or scientific interest or importance and of land and woodland of natural or scenic beauty or geological, geophysical or other scientific interest (including without prejudice to these generalities the preservation and maintenance for the public benefit of Mount Stuart House and its policies and gardens).

The company's charitable status has been confirmed by HM Inspector of Taxes, Claims Branch in Edinburgh.

THE MOUNT STUART TRUST

DIRECTORS' REPORT (CONTINUED)

REVIEW OF THE CHARITABLE OBJECTIVES

Whilst the Trustees review the detailed charitable objectives of the Trust and their attainment and their means or attainment from time to time, their current energies have been concentrated on steps to preserve Mount Stuart House for the benefit of the public.

Work continued during the year on Mount Stuart House and the grounds in preparation for the property opening to the public on 16 June 1995.

GROUP FINANCIAL STATEMENTS

The directors have taken advantage of the exemption allowed by Section 248 of the Companies Act 1985 not to prepare group financial statements.

RESULTS FOR THE YEAR

Being a charity the company does not trade with a view to profit. In the year to 31 December 1994 the surplus of income over expenditure amounted to £379,825 (1993 - £2,217,173) and this surplus has been transferred to reserves.

FIXED ASSETS

Changes in tangible fixed assets are shown in Note 4 to the financial statements, and principally relate to expenditure on improvements to Mount Stuart House and to properties on the estate.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

Mr J A W Jennings	
Mr J C Dumfries	Chairman
Mr K R Grimston	
The Marchioness of Bute	
Lady Sophia Crichton-Stuart	
Lord Anthony Crichton-Stuart	

The above are also members of the company.

None of the directors had any beneficial interest in the share capital of any group company, either at the beginning or at the end of the year.

THE MOUNT STUART TRUST

DIRECTORS' REPORT (CONTINUED)

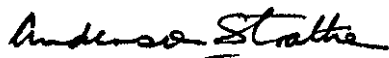
FUTURE DEVELOPMENTS

Following the opening of Mount Stuart House and grounds to the public in June 1995, the company's activities are expected to develop satisfactorily in the current year.

AUDITORS

Price Waterhouse have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

By Order of the Board



ANDERSON STRATHERN WS

Secretaries

13 September 1995

Registered Office:
48 Castle Street
Edinburgh EH2 3LX

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF THE MOUNT STUART TRUST

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by 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 the company's affairs as at 31 December 1994 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

13 September 1995

THE MOUNT STUART TRUST

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>Notes</u>	<u>1994</u> £	<u>1993</u> £
INCOME			
Donations	2	1,386,088	3,168,714
Other income		3,010	4,332
Interest receivable on bank deposit		<u>30,387</u>	<u>86,504</u>
TOTAL INCOME		1,419,485	3,259,550
Administrative expenses	3	<u>(1,039,660)</u>	<u>(1,042,377)</u>
SURPLUS OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR RETAINED		379,825	2,217,173
RETAINED SURPLUS AT BEGINNING OF YEAR		<u>11,043,477</u>	<u>8,826,304</u>
RETAINED SURPLUS AT END OF YEAR		<u>11,423,302</u>	<u>11,043,477</u>

There are no recognised surpluses or deficits other than the surplus for the financial year (1993 - £Nil).

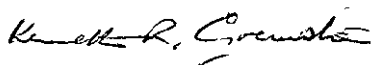
The notes on pages 8 to 12 form part of these financial statements.

THE MOUNT STUART TRUST

BALANCE SHEET - 31 DECEMBER 1994

	Notes	<u>1994</u> £	<u>1993</u> £
FIXED ASSETS			
Tangible assets	4	18,731,151	19,218,198
Investments	5	<u>1,000</u>	<u>1,000</u>
		<u>18,732,151</u>	<u>19,219,198</u>
CURRENT ASSETS			
Debtors	6	358,838	260,786
Cash at bank and in hand		<u>929,916</u>	<u>400,320</u>
		1,288,754	661,106
CREDITORS - Amounts falling due within one year	7	<u>(5,847,603)</u>	<u>(6,086,827)</u>
NET CURRENT LIABILITIES		<u>(4,558,849)</u>	<u>(5,425,721)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,173,302</u>	<u>13,793,477</u>
RESERVES			
Income and expenditure account		11,423,302	11,043,477
Revaluation reserve		<u>2,750,000</u>	<u>2,750,000</u>
MEMBERS' FUNDS	8	<u>14,173,302</u>	<u>13,793,477</u>

APPROVED BY THE BOARD ON
13 September 1995



K R Grimston
DIRECTOR

The notes on pages 8 to 12 form part of these financial statements.

THE MOUNT STUART TRUST

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>1994</u>		<u>1993</u>	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 11(1))		571,277		1,470,896
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	<u>30,251</u>		<u>76,713</u>	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		30,251		76,713
TAX RECOVERED				
Income tax recovered		9,223		-
INVESTING ACTIVITIES				
Purchase of tangible fixed assets	(115,154)		(1,246,091)	
Proceeds from disposal of tangible fixed assets	<u>33,999</u>		<u>87,883</u>	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(81,155)</u>		<u>(1,158,208)</u>
NET CASH INFLOW BEFORE FINANCING, AND INCREASE IN CASH AND CASH EQUIVALENTS (Note 11(2))		529,596		389,401
		<u> </u>		<u> </u>

The notes on pages 8 to 12 form part of these financial statements.

THE MOUNT STUART TRUST

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994

1

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable accounting standards. Under the provisions of Section 248 of the Companies Act 1985, group financial statements have not been prepared.

The company's significant accounting policies are as follows:

Taxation

The financial statements have been prepared on the basis that the company has charitable status, and thus is exempt from taxation.

Tangible fixed assets and depreciation

No depreciation is provided on freehold property. It is the company's practice to maintain the assets in a continual state of sound repair and to extend and make improvements thereto and accordingly the directors consider that the lives and residual values (based on values prevailing at acquisition or subsequent valuation) are such that their depreciation is insignificant. Adjustments to the value of freehold property arising from their revaluation are accounted for through the revaluation reserve, unless the total of the revaluation reserve is insufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the revaluation reserve is charged to the income and expenditure account.

Property improvements are stated at cost less depreciation. Depreciation is provided on a straight line basis, over an estimated useful life of 5 years.

Tangible fixed assets such as works of art and antique carpets are stated at cost, less any provision required for diminution in value.

Furniture and fittings are stated at cost less depreciation. Depreciation is provided on a straight line basis, over an estimated useful life of 10 years.

The sheep quota is carried at cost, and is not depreciated.

2

DONATIONS

Donations are stated after charging £3,820 (1993 - Nil) in respect of costs incurred to facilitate the disposal of various assets.

THE MOUNT STUART TRUST

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

3 ADMINISTRATIVE EXPENSES

Included within administrative expenses are the following charges/(credits):

	<u>1994</u>	<u>1993</u>
	£	£
Depreciation	572,451	547,193
Gain on disposal of tangible fixed assets	(4,249)	(55,103)
Management charges paid to subsidiary undertaking	230,000	500,000
Contractors' repairs	151,144	-
Auditors' remuneration in respect of audit services	<u>800</u>	<u>800</u>

The directors are the only employees of the company. None of the directors received any emoluments in respect of their services to the company during the year (1993 - £Nil).

4 TANGIBLE FIXED ASSETS

	Freehold property and property improvements £	Works of art £	Furniture & fittings £	Motor car £	Sheep quota £	Total £
COST OR VALUATION						
At 1 January 1994	19,558,941	75,835	130,615	-	-	19,765,391
Additions	74,326	-	29,334	2,750	8,744	115,154
Disposals	(27,000)	-	-	(2,750)	-	(29,750)
Reclassification	<u>60,578</u>	<u>-</u>	<u>(60,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1994	<u>19,666,845</u>	<u>75,835</u>	<u>99,371</u>	<u>-</u>	<u>8,744</u>	<u>19,850,795</u>
At cost	2,870,870	75,835	99,371	-	8,744	3,054,820
At valuation - 1989	<u>16,795,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,795,975</u>
	<u>19,666,845</u>	<u>75,835</u>	<u>99,371</u>	<u>-</u>	<u>8,744</u>	<u>19,850,795</u>
DEPRECIATION						
At 1 January 1994	547,193	-	-	-	-	547,193
Charge for year	<u>562,530</u>	<u>-</u>	<u>9,921</u>	<u>-</u>	<u>-</u>	<u>572,451</u>
At 31 December 1994	<u>1,109,723</u>	<u>-</u>	<u>9,921</u>	<u>-</u>	<u>-</u>	<u>1,119,644</u>
NET BOOK VALUE						
At 31 December 1994	<u>18,557,122</u>	<u>75,835</u>	<u>89,450</u>	<u>-</u>	<u>8,744</u>	<u>18,731,151</u>
At 31 December 1993	<u>19,011,748</u>	<u>75,835</u>	<u>130,615</u>	<u>-</u>	<u>-</u>	<u>19,218,198</u>

The properties were valued on an open market basis on 19 October 1989 by Savills at £17,250,000.

THE MOUNT STUART TRUST

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

5 FIXED ASSET INVESTMENTS

	<u>1994</u>	<u>1993</u>
	£	£
Shares in group undertakings, at cost	<u>1,000</u>	<u>1,000</u>

At 31 December 1994 the company had the following subsidiary, which was incorporated in Great Britain and registered in Scotland.

	<u>Proportion of issued share capital owned by the company</u>	
	<u>1994</u>	<u>1993</u>
Bute Estate Limited	100%	100%

The shareholding represents ordinary (equity) shares.

6 DEBTORS

	<u>1994</u>	<u>1993</u>
	£	£
Other debtors	20,467	22,518
Amounts owed by subsidiary undertaking	338,371	229,045
Income tax recoverable	<u>-</u>	<u>9,223</u>
	<u>358,838</u>	<u>260,786</u>

7 CREDITORS - Amounts falling due within one year

	<u>1994</u>	<u>1993</u>
	£	£
Trade creditors	45,603	86,827
Other creditors	<u>5,802,000</u>	<u>6,000,000</u>
	<u>5,847,603</u>	<u>6,086,827</u>

THE MOUNT STUART TRUST

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

8 RECONCILIATION OF TOTAL MOVEMENTS IN MEMBERS' FUNDS

	<u>1994</u> £	<u>1993</u> £
Surplus for the financial year, and net addition to members' funds	379,825	2,217,173
Opening members' funds	<u>13,793,477</u>	<u>11,576,304</u>
Closing members' funds	<u>14,173,302</u>	<u>13,793,477</u>

9 CONTINGENT LIABILITIES

At 31 December 1994 the financial statements of the subsidiary undertaking, Bute Estate Limited, showed an excess of liabilities over assets of £651,731. The company has confirmed that it will continue to support Bute Estate Limited to enable it to meet its obligations to third parties.

10 COMPANY STATUS

The company is limited by guarantee of its members and accordingly has no share capital. The company is recognised as a charity by the Inland Revenue for the purposes of Section 505 of the Income and Corporation Taxes Act 1988 and is exempt from Corporation Tax.

11 NOTES TO THE CASH FLOW STATEMENT

(1) Reconciliation of surplus income over expenditure to net cash inflow from operating activities.

	<u>1994</u> £	<u>1993</u> £
Surplus of income over expenditure (excluding interest receivable)	349,438	2,130,669
Depreciation	572,451	547,193
Gain on disposal of tangible fixed assets	(4,249)	(55,103)
(Increase)/decrease in debtors	(107,139)	263,223
Decrease in creditors	<u>(239,224)</u>	<u>(1,415,086)</u>
Net cash inflow from operating activities	<u>571,277</u>	<u>1,470,896</u>

THE MOUNT STUART TRUST

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

11 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(2) Analysis of changes in cash and cash equivalents during the year.

	<u>1994</u>	<u>1993</u>
	£	£
Balance at 1 January	400,320	10,919
Net cash inflow	<u>529,596</u>	<u>389,401</u>
Balance at 31 December	<u>929,916</u>	<u>400,320</u>

(3) Analysis of the balances of cash and cash equivalents as shown in the balance sheet.

	<u>1994</u>	<u>1993</u>	Change in year
	£	£	£
Cash at bank and in hand	<u>929,916</u>	<u>400,320</u>	<u>529,596</u>

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Price Waterhouse



**AUDITORS' REPORT TO THE DIRECTORS OF THE MOUNT STUART TRUST PURSUANT TO
SECTION 248(3) OF THE COMPANIES ACT 1985**

We have examined the financial statements of the company and of its subsidiary for the year ended 31 December 1994.

Basis of opinion

The scope of our work for the purpose of this report was limited to confirming that the company is entitled to exemption from preparing group financial statements.

Opinion

In our opinion the company is entitled to the exemption from preparing group financial statements conferred by Section 248 of the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

13 September 1995