

# **CHATSWORTH HOUSE TRUST**

**Annual report and consolidated financial statements**

**for the year ended 31 March 2018**

**Registered Charity Number 511149**

**Registered Company Number 01541046**



**CHATSWORTH**

# CHATSWORTH HOUSE TRUST

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## Annual report and financial statements

For the year ended 31 March 2018

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# **CHATSWORTH HOUSE TRUST**

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## **Legal and administration details for the year ended 31 March 2018**

### **Charity number**

511149

### **Trustees/Directors (Council of Management)**

The Duke of Devonshire – Chairman

The Duchess of Devonshire

The Hon. Mrs L Chetwode

Mr H M Wyndham

Mr J G E Monson

Mr E R H Perks

Mr J D S Booth

Mr M W Fane

### **Secretary**

Mr A C Lavery

### **Key Management Personnel**

Chief Executive Officer for Chatsworth House Trust (from 1 August 2018) and Chief Financial Officer for the Devonshire Group – Mr A C Lavery

Chief Executive Officer, Devonshire Group – Mr R H Reynolds (retired 31 July 2018)

Chief Operating Officer – Mr E A D Cadogan

### **Registered office**

The Estate Office

Edensor

Bakewell

Derbyshire

DE45 1PJ

### **Independent Auditors**

KPMG LLP

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

### **Solicitors**

Currey & Co LLP

33 Queen Anne Street

London

W1G 9HY

### **Bankers**

The Royal Bank of Scotland plc

The Square

Bakewell

Derbyshire

DE45 1BT

### **Investment advisors**

Smith & Williamson Investment Management Limited

25 Moorgate

London

EC2R 6AY

# **CHATSWORTH HOUSE TRUST**

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## **Report of the Council of Management for the period ended 31 March 2018**

The members of the Council of Management have pleasure in presenting their report together with the audited financial statements for the year ended 31 March 2018.

The information with respect to the Council of Management, officers and advisors set out on page 1 forms part of this report.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### **Constitution**

Chatsworth House Trust is a company limited by guarantee incorporated in the United Kingdom, number 01541046, on the 23<sup>rd</sup> January 1981 and governed by its Memorandum and Articles of Association. It is also a registered charity, number 511149. The liability of each member in the event of winding up is limited to £5,000.

The charity is governed by the Council of Management (hereafter referred to as the Council). Council members are directors of the company and charity trustees for the purposes of the Companies Act and the Charities Act respectively.

#### **Members of the Council of Management**

The following served as members of the Council during the year and up to the date of signing the financial statements.

- \* The 12<sup>th</sup> Duke of Devonshire - Chairman
- \* The Duchess of Devonshire
- The Hon. Mrs L Chetwode
- Mr H M Wyndham
- Mr J G E Monson
- Mr E R H Perks
- Mr J D S Booth
- Mr M W Fane

- \* These members of the Council are also members of the company.

Under the articles of association of the company, the number of the members of the Council shall not be less than 5 and no more than 8.

#### **Appointment of Members**

The power to appoint new members of the Council of Management is vested in the Council.

In appointing new Council members, the Council makes reference to the Charity Commission's guidelines and ensures the appropriate mix of skills, knowledge and experience exists to make sure the charity is well governed and is run effectively and efficiently in a manner appropriate to its size and complexity. The skills of Council members together with their ability to devote the necessary time and energy to the charity are regularly reviewed.

Membership of the Council is determined with a view to ensuring responsible oversight of the purposes of Chatsworth House Trust.

#### **New Member Induction and Training**

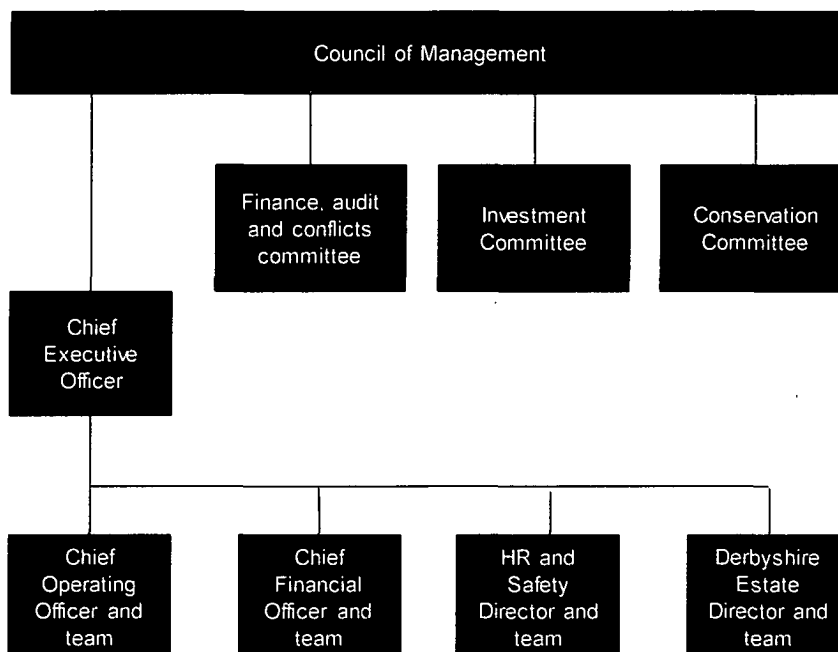
New members undergo an orientation day to brief them on their legal obligations under charity and company law, the Charity Commission guidance on public benefit, content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the charity. During the induction day they meet key employees and other Council members. Members are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

# CHATSWORTH HOUSE TRUST

## Report of the Council of Management for the year ended 31 March 2018 (continued)

### Organisational structure and decision making

The Council meets formally twice a year to review the company's operation and performance, receive reports as required and approve budgets and other matters. The Council has created sub-committees as set out below to oversee, monitor and report back to the full Council on specific aspects of the charity's activities and governance and to facilitate effective operations. The Council has delegated authority for day to day operational matters, including finance, estate management, employment and health and safety to a senior management team who are jointly employed by the company and the Trustees of the Chatsworth Settlement.



Mr Monson, Mr Booth and Mr Perks are members of the Finance, Audit and Conflicts Committee and members of the Investment Committee. These committees meet formally twice per year. Mr Reynolds, Mr Cadogan and Mr Lavery are in attendance for the meetings of each of these committees.

The Duke and Duchess of Devonshire, The Hon. Mrs L Chetwode, Mr Wyndham and Mr Perks are members of the Conservation Committee. The committee meets formally once per year. Mr Cadogan and members of his team responsible for the preservation and restoration of the art collection are in attendance at this committee.

The Council receives regular reports from and reviews the work of the Chief Executive and his team who manage the charity's activities and make such recommendations as they feel appropriate.

# CHATSWORTH HOUSE TRUST

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## Report of the Council of Management for the year ended 31 March 2018 (continued)

### OBJECTIVES AND ACTIVITIES

#### Objectives

The primary objectives and aims of the charity, as stated in its governing document, are to:

- Preserve for public benefit the mansion house known as Chatsworth House in Derbyshire, together with its ancillary buildings, gardens, arboreta, woodlands, and park; or such part or parts thereof as shall from time to time be held by the charity, and to promote for the public benefit the study and appreciation of Chatsworth as a place of historic and architectural interest and natural beauty.
- Preserve for the public benefit such pictures, statues, furniture, books and other chattels being of historic or artistic interest such as the charity considers it appropriate to acquire, and to keep at Chatsworth and to promote for the public benefit the study and appreciation of the charity's works of art as features of historic or artistic interest.
- Advance the education of the public in the arts and sciences.
- Provide at Chatsworth, in the interests of social welfare, facilities for physical recreation (including sports).
- Facilitate and encourage the use, occupation and enjoyment of the whole or any part of Chatsworth and the charity's works of art for such other exclusively charitable purposes as the charity from time to time considers appropriate.

#### Strategies and activities for achieving objectives and providing a public benefit

The charity holds a lease of Chatsworth House and its essential contents, with approximately 1,822 acres of land including the garden, park and woodland surrounding the House. The Council has considered and taken into account the Charity Commission's guidance on public benefit and fee charging when reviewing the charity's activities and setting objectives for the year.

The Council has implemented the following activities to help achieve the charity's objectives:

#### *Preservation of the house gardens and park*

Reflecting over 500 years of activity and endeavour, Chatsworth comprises a Grade I listed house and stables, a 105-acre garden and a 1,822-acre 'Capability' Brown-landscaped park, and houses one of Europe's most significant art collections. Respecting this legacy, the Council aims to continue supporting Chatsworth's evolution and, in particular, programmes which refurbish, update and improve both the fabric of Chatsworth and its appeal to a diversity of visitors.

The house and gardens at Chatsworth are open to the public every day from mid-March until early January, and much of the park and Stand Wood are open every day of the year. The charity generates income from its operations and investments which is used for the preservation and restoration of Chatsworth House and its contents, the garden and the parkland and for the purchase of works of art.

The house set within its landscape is the most admired feature of Chatsworth. Many thousands of people drive and walk through Chatsworth just to appreciate the view of the house in the landscape and to enjoy the parkland. The charity's long running Masterplan restoration programme has included extensive works to clean and restore the external façade of the building and the bastion wall, substantially improving its overall appearance.

The charity allows free public access to its parkland which provides picnic facilities and magnificent vistas on the banks of the river Derwent. In recent years, the charity has embarked on a Park Management Plan in which improvements are made to restore the landscape, views and vistas in the park including tree planting, repairing walls, footpaths and river bank maintenance. Its recently opened Game Larder Interpretation Centre is open to visitors free of charge all year round.

## CHATSWORTH HOUSE TRUST

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### Report of the Council of Management for the year ended 31 March 2018 (continued)

#### *Art collection*

Access to the Art Collection is available to the members of the public. A large portion of the art collection is on public display in the house and gardens through the year. The charity regularly holds events and exhibitions open to the general public displaying collections of art, sculpture and other historic artefacts. Members of the Chatsworth archives or curatorial teams carry out hundreds of record searches each year at the request of members of the public, host numerous research visits and facilitate access to the archives and works of art not normally on display. During 2017-18 loans from the Devonshire collections were viewed by over 2.5 million people in 14 global locations, including two of the top 20 most visited exhibitions worldwide during this period.

'House Style' our 2017 exhibition welcomed 295,250 visitors and helped draw people from across the country, expanding our traditional geographical reach and visitor profile. This included welcoming 10,658 children from across the UK and students from 13 UK universities including Sheffield, Derby, East Anglia, Portsmouth and Lincoln. Over 300 articles were published and generated relating to 'House Style' with an estimated 70 million in PR reach globally.

#### *Education*

In 2017/18 Chatsworth continued to offer subsidised education rates and received 21,152 educational visitors across the house, garden, farmyard and adventure playground (2016/17: 19,894).

Each year, members of the Chatsworth staff give talks delivered to local groups free of charge and Chatsworth hosts an event for local teachers and lecturers three times per year free of charge, with 456 attending in 2017/18.

Working through the Devonshire Educational Trust (DET), in 2017/18 the charity continued to be involved in a number of special educational projects. These included outreach projects completed with 70 people from minority ethnic communities and refugee and asylum seeker groups. During the year DET trust worked with 1,393 children and adults from a range of disadvantaged communities.

Since 2012, DET has been working in partnership with Derbyshire County Council's Virtual School to support children in care. The Council supports over 600 children in children's homes and in foster care and each year Chatsworth puts on two events for these young people and their carers.

In 2018 DET completed the transformation of The Old Potting Shed into a new learning centre. On the 5 October 2018 the facility was opened by HRH The Princess Royal.

#### *Facilities for recreation, the support of other charitable activities and social welfare*

Each year in the Park, the charity hosts a popular annual Country Fair and also hosts the Chatsworth International Horse Trials. During 2017 it hosted a Royal Horticultural Society flower show for the first time, this is now an annual event in the Chatsworth calendar. These events are attended by over 170,000 people, and the Chatsworth Country Fair has been free for children since the event started over 30 year ago.

The charity encourages and facilitates events to be held in the park by local charitable organisations and special interest groups. The Helens' Trust 10k run event is held frequently in the park and Chatsworth has been the home of the Derbyshire Charity Clay Shoot for some years now.

Chatsworth offers Associate Friends memberships to local public sector bodies and/or their social clubs, in 2017/18 we had 25 memberships. Annual membership provides access for up to 6 members of their staff per day and includes entry to Chatsworth House, the Garden and the Farmyard. An annual fee is charged which represents substantial discount to normal rates.

Each year, Chatsworth donates free family admission tickets to a large number of charity or social welfare organisations in the local area.

## CHATSWORTH HOUSE TRUST

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### Report of the Council of Management for the year ended 31 March 2018 (continued)

As part of our on-going mission to conserve and preserve the Devonshire collections for future generation during 2017-18 we conserved over 67 items from the collection including items from the archive, furniture, fine and decorative arts and textile collections.

#### **Statement of Council Members' responsibilities in respect of the councils' annual report and the financial statements**

The Council Members are responsible for preparing the Report of Council Management, incorporating the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Council Members to prepare financial statements for each financial year. Under that law they have are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Council Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company financial statements, the Council Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

The Council Members are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



# CHATSWORTH HOUSE TRUST

## Report of the Council of Management for the year ended 31 March 2018 (continued)

### STRATEGIC REPORT

#### Achievements and Performance

The Council considers that the charity's principal objectives of maintaining and preserving Chatsworth and opening the property to the public are being achieved.

#### Factors relevant to achieving objectives

The key performance indicators which the Council use to monitor whether the charity is achieving these objectives are:

- Visitor numbers and trends
- Completion of essential restoration and preservation work to the house and gardens
- Financial performance against income and expenditure targets

#### Visitor Numbers

The number of visitors to Chatsworth for the year ended to 31 March 2018 compared with 4 prior periods was as follows:

	<u>Year Ended 31 March</u>			<u>Year Ended 31 December</u>	
	2018	2017	2016	2014	2013
Visitor Numbers	642,817	624,075	660,999	610,083	644,817

Visitor numbers shown are visitors to the House, the Garden and/or the Farmyard and include visits by holders of Estate Passes (members of staff, pensioners and some tenants) and Friends of Chatsworth. Visitors to the park only and to events taking place in the park are not included in the above figures.

#### Special events and activities

The attendance and feedback from the various events that the charity organised and hosted, such as the annual Horse Trials, Country and Christmas Fairs, Sotheby's successful exhibition of sculpture in the grounds, the series of concerts and the bonfire night in the grounds was good.

The charity acquired works of art during the year to the value of £48,000 (2017: £3,062,000) to enhance the collection held. The charity also donated a sculpture to another charity to the value of £98,000.

#### Restoration and preservation work

The Master Plan is a major project of essential restoration and development intended to safeguard Chatsworth's heritage and continue its history.

The project involves restoring the exterior stonework and the historic interiors of Chatsworth House, creating new spaces for more displays, upgrading the interior services in the house and, with improved accessibility, making it easier for every visitor to enjoy their visit to Chatsworth.

The programme of work commenced in January 2007 and has now been extended to include work to the North Wing and the Lodges. The current phase of works will extend into early 2019. The current projected total cost of the project is £33.1m of which £32.3m had been spent at the balance sheet date. A further £0.8m has been committed in the current phase of the project.

Under the heading "Capital Commitments" within note 29 of these accounts, future expenditure commitments for the Master Plan programme are disclosed.

## Report of the Council of Management for the year ended 31 March 2018 (continued)

### Financial review

The Statement of Financial Activities is set out in detail on page 14. It shows that overall the charity had net resources expended £1,130,000 for the year incurred from its activities as compared to £15,000 in 2017. Of this, net resources expended of £1,299,000 were incurred in the General Fund, net incoming resources of £166,000 in the Art Purchases Fund and £3,000 in the Restricted Funds and no movement in the Endowment Fund.

### Incoming resources

The charity has four principal sources of income.

The first, which represents the majority of income, is income generated from charitable activities. This is predominantly income from admissions to the house and gardens during its open season from mid-March to early January each year. The admissions income accounted for 66% (2016/17: 70%) of the charity's total incoming resources in 2017/18.

The Council expect that the present level of activity will be sustained for the foreseeable future and admissions income will continue to be the major source of funding for the charity.

The second main income stream is trading activities which includes major events such as the Chatsworth Country Fair and the Dodson & Horrell Chatsworth International Horse Trials, operated by our subsidiary company Chatsworth House Enterprises Limited.

The third main income stream is one-off grants and donations which this year amounted to £495,000 (2016/17: £531,000)

The fourth revenue stream is dividends, interest and rental income from its investments. See the investment objective and performance section below for more detail.

### Resources expended

The charity's income has been applied in pursuance of its charitable purposes. The largest proportion of expenditure is on the costs of operating the house, admissions, general upkeep of the house and stables, and the maintenance of the garden park and woods; this accounted for 77% (2016/17: 72%) of total resources expended.

The charity also spent £3,655,000 (2016/17: £3,649,000) on the essential preservation and maintenance of the house and grounds including its Master Plan project.

### Investment powers, policy and performance

Under its Memorandum of Association the charity has power to invest its funds in such investments, securities or property as the charity thinks fit.

Aside from its directly held and managed investment properties, the Council has delegated management of its investment securities to Smith & Williamson Investment Management Limited who manage its portfolio on a discretionary basis, paying due consideration to the suitability of investments selected and their appropriate diversification.

The Council have set an investment objective of generating total returns against a composite benchmark as further described below.

# CHATSWORTH HOUSE TRUST

## Report of the Council of Management for the year ended 31 March 2018 (continued)

### Financial review (continued)

#### Investment powers, policy and performance (continued)

##### Performance review:

The General Fund received investment income of £337,000 (2016/17: £301,000) from its portfolio and £162,000 (2016/17: £235,000) from its property investments. In addition, the fund incurred realised and unrealised losses of £477,000 (2016/17: gain £1,425,000) during the year from its investment portfolio.

The Art Purchases Fund received investment income of £309,000 (2016/17: £309,000) from its investment portfolio. In addition, the fund incurred realised and unrealised losses of £454,000 (2016/17: gain £1,481,000).

During 2014, the investment committee altered the investment portfolio to allocate a specific proportion of the total portfolio to overseas markets in order to increase diversification in both the General and Art Purchases funds. At the same time the benchmarks against which performance is measured were also altered to reflect the new asset allocation policy. The benchmark in use, which reflects the target asset allocation, is a composite benchmark consisting of 20% FTSE Government Gilts 0-5 years Total Return, 40% FTSE All Share Total Return and 40% FTSE All World (£) Total Return.

Performance in the period against the benchmarks in place during the period is as follows:

	Total Return			
	2018 Actual	2018 Benchmark	2017 Actual	2017 Benchmark
General Fund	(2.3%)	2.0%	18.3%	21.9%
Art Purchases Fund	(2.2%)	2.0%	18.8%	21.9%

During the prior year, asset prices rose strongly in sterling terms following the June 2016 EU Referendum in the UK. In the third quarter of 2016, following consultations with the investment committee, the investment manager began to make a tactical reduction in risk assets in favour of cash and alternative investments.

During 2017/18, asset prices exhibited more muted returns and suffered significant volatility in the January – March quarter of 2018.

The investment committee review performance with the investment manager regularly. Over the period the investment committee is satisfied with the performance of the portfolio, having due regard to its defensive positioning and the uncertainties in the current market.

#### Overall result

After accounting for realised and unrealised losses on investments and on the pension scheme obligations, the total decrease in funds was £2,331,000 compared to the £1,553,000 increase in 2016/17. Of this, £2,046,000 (2016/17: £182,000) related to a decrease in the General Fund, £288,000 (2016/17: £1,742,000 increase) to a decrease in the designated Art Purchases Fund, £3,000 (2016/17: £7000) to an increase in the Restricted Funds and £nil (2016/17: £nil) to the Endowment Fund.

# CHATSWORTH HOUSE TRUST

## Report of the Council of Management for the year ended 31 March 2018 (continued)

### Financial review (continued)

#### Reserves policy

It is the policy of the Council to hold and maintain sufficient reserves at Chatsworth, to cover:

- Sustained periods of bad weather or emergencies that might affect visitor numbers (e.g. foot and mouth outbreak);
- Obligations under the charity's lease;
- Pension obligations to former employees;
- Commitment to maintain a living collection of art;
- An ongoing liability for repairs and maintenance.

Due to the uncertainty over the nature and magnitude of the future commitments of the charity, during 2014 the Council of Management has supported the creation of a fund raising office in order actively to solicit donations and sponsorship in support of the charity's objectives and meet its financial commitments.

The charity had total reserves at the year-end of £23,824,000 (2016/17: £26,156,000). These include unrestricted income funds (The General Fund and Art Purchases Fund) of £23,047,000 (2016/17: £25,382,000). The Council also monitors its "Free Reserves" position. Free reserves as at 31 March 2018 amounted to: £1,790,000 (2016/17: £4,203,000). Free reserves comprise assets that are available for expenditure in furtherance of the overall objects of the charity and the figure therefore excludes the Art Purchase Fund and other unrestricted funds which are tied up in tangible fixed assets and heritage assets. The objective of the Art Purchase Fund is to generate £250,000 of income per annum to acquire art.

The Council of Management is satisfied that the charity's assets are available and adequate to fulfil its obligations.

#### Employees

As stated in note 27 to the accounts, staff are jointly employed by the company and the Trustees of the Chatsworth Settlement. During the year the average number of staff involved was 156 (2016/17: 150). There were four staff members earning more than £60,000 per year (2016/17: three) which is more fully disclosed in note 12 "Analysis of staff costs". Pension contributions for these staff members amounted to £16,854 (2016/17: £9,783).

The charity's policy for setting remuneration for executives and staff is to pay fair market rates given the nature and extent of responsibilities of the relevant staff members. Benchmarking surveys are undertaken periodically.

The charity's policies for recruitment, training, career development and promotion of employees are based on the role and capability of the individual and give those who are disabled equal treatment with the able bodied. In addition, the charity does not discriminate against employees or potential employees on the basis of race, colour, nationality, ethnic or national origin, religion, political beliefs, sex or marital status. Where appropriate, employees disabled after joining the charity are given suitable training for continuing employment with the charity or elsewhere.

#### Plans for the Future

The Council will continue to maintain and preserve Chatsworth for the benefit of the public. This will include respecting Chatsworth's legacy as a place of evolution and for being contemporary in its time. Enhancing and extending the visitor experience will remain central to protecting the financial health of the organisation and thus enable it to deal with the challenges and potential risks ahead. In the immediate future, the Council's priority is to complete the current phase of the Masterplan. Over that period, the Council will be considering ambitious plans to extend Chatsworth's renovation programme which include the stables and the gardens as well as enhancements to the overall visitor experience.

# CHATSWORTH HOUSE TRUST

## Report of the Council of Management for the year ended 31 March 2018 (continued)

### Financial review (continued)

#### Risk Management

The Council of Management has reviewed the major risks to which the charity is exposed, in particular those related to the operations and finances of the charity and the protection of Chatsworth House against major damage or loss to its structure or fabric.

The Council desires to achieve and maintain appropriate corporate governance and, acknowledging its ultimate responsibility for the operation of the charity and safeguarding the assets in its ownership, has appointed senior management (as detailed above) to manage the systems that are in place to identify and mitigate the exposure to the major strategic, business and operational risks.

#### *UK economic downturn*

A downturn in the UK economy represents a risk to the charity. The charity is reliant on visitors continuing to visit Chatsworth to deliver its performance, and spend on leisure activities is considered discretionary. The Council and management regularly review the charity's operations with a critical eye to ensure they remain fresh and are meeting the needs and wants of a wide variety of visitors throughout the year. This includes putting on events such as the Chatsworth Country Fair, the Christmas Markets and the RHS Chatsworth Flower Show. The Council's reserves policy is also designed to protect the charity from the impact of an economic downturn.

#### *Financial Risk*

The charity is also exposed to price risk, liquidity risk and credit risk in the securities held in its investment portfolios. The Council has appointed qualified investment managers to manage the investment portfolios. These investment managers are subject to the oversight of the Investment Committee which meets the investment managers twice per year to review performance.

#### *Liquidity*

The charity is exposed to liquidity risk, in particular where long term commitments are funded by operating surpluses which may be vulnerable to short term trading downturns. The management of liquidity is the responsibility of the CFO and overseen by the Finance, Audit & Conflicts Committee and ultimately the Council. The Council takes a cautious approach to liquidity risk and the charity's reserves policy and the investments held in the general fund are important tools in managing this risk.

#### Charitable Donations

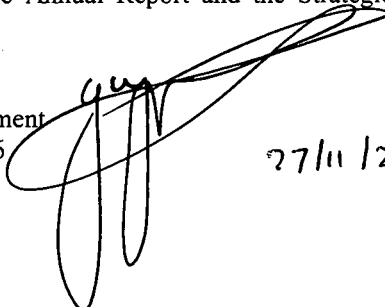
The charity has close links with the Devonshire Educational Trust. During the year £70,279 (2016/17: £74,042) was donated to Devonshire Educational Trust. Devonshire Educational Trust is considered to be a related party and more fully explained in note 27.

#### Fundraising Practices

The Charity carries out all fundraising and development activities on its own account by an internal team and without use of any outside parties. Activities of those engaged in fundraising and development are closely monitored by the management team to ensure that such activities are carried out with the highest possible standards. Activities of this nature fall within the oversight of the Finance and Audit Committee of the Council of Management.

The Council is approving both the Annual Report and the Strategic Report in their capacity as company directors and as trustees.

J G E Monson  
Member of the Council of Management  
Registered Company No: 01541046



27/11/2018

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHATSWORTH HOUSE TRUST

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We have audited the financial statements of Chatsworth House Trust ("the charitable company") for the year ended 31 March 2018 which comprise the consolidated statement of financial activities, consolidated and company balance sheets, consolidated statement of cash flows and related notes, including the accounting policies on page 17.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Other information

The Council Members are responsible for the other information, which comprises the Report of Council Management, incorporating the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Report of Council Management, incorporating the Strategic Report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHATSWORTH HOUSE TRUST (Continued)**

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### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Council Members' responsibilities**

As explained more fully in their statement set out on page 6, the Council Members (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.



**Clare Partridge (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

*18 December 2018*

# CHATSWORTH HOUSE TRUST

## Consolidated Statement of Financial Activities (incorporating the Income and Expenditure account) for the year ended 31 March 2018

		General	Art	Endowment	Other	Total	Total
	Notes	Fund	Purchases	Fund	Restricted	Funds	Funds
		(unrestricted)	(unrestricted)		(restricted)	2018	2017
		£000	£000	£000	£000	£000	£000
<b>Income from:</b>							
Charitable Activities	3	9,907	-	-	-	9,907	9,018
Trading activities	4	3,776	-	-	-	3,776	2,799
Donations & Legacies	6	492	-	-	3	495	531
Investment income	5	504	309	-	-	813	855
<b>Total</b>		<b>14,679</b>	<b>309</b>	<b>-</b>	<b>3</b>	<b>14,991</b>	<b>13,203</b>
<b>Expenditure on:</b>							
Raising funds	7	1,197	44	-	-	1,241	1,214
Charitable activities	8	11,126	99	-	-	11,225	8,355
Preservation and Maintenance		3,655	-	-	-	3,655	3,649
<b>Total</b>		<b>15,978</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>16,121</b>	<b>13,218</b>
<b>Net (expenditure)/income for the year</b>		<b>(1,299)</b>	<b>166</b>	<b>-</b>	<b>3</b>	<b>(1,130)</b>	<b>(15)</b>
Net (losses)/gains on investments		(477)	(454)	-	-	(931)	2,906
<b>Net income/(deficit) for the year</b>		<b>(1,776)</b>	<b>(288)</b>	<b>-</b>	<b>3</b>	<b>(2,061)</b>	<b>2,891</b>
<b>Other recognised gains and losses</b>							
Actuarial (loss)/gain on pension scheme	26	(270)	-	-	-	(270)	(1,338)
<b>Net movement of funds</b>		<b>(2,046)</b>	<b>(288)</b>	<b>-</b>	<b>3</b>	<b>(2,331)</b>	<b>1,553</b>
Total funds brought forward		7,370	18,011	765	9	26,155	24,602
<b>Total funds carried forward</b>		<b>5,324</b>	<b>17,723</b>	<b>765</b>	<b>12</b>	<b>23,824</b>	<b>26,155</b>

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The comparative figures for 2016/17 are shown in note 2.



# CHATSWORTH HOUSE TRUST

## Consolidated and Company Balance Sheets as at 31 March 2018

	Notes	Group		Charity	
		2018	2017	2018	2017
		£000	£000	£000	£000
<b>Fixed assets</b>					
Fixed assets	13	2,407	2,039	2,251	1,934
Heritage Assets	14	9,622	9,672	9,622	9,672
Investment properties	15	2,461	2,461	2,461	2,461
Investments	16	18,574	20,593	18,574	20,593
<b>Total Fixed Assets</b>		<b>33,064</b>	<b>34,765</b>	<b>32,908</b>	<b>34,660</b>
<b>Current assets</b>					
Stocks	17	65	63	65	63
Debtors	18	1,520	1,646	1,879	2,074
Cash at bank and in hand		2,605	1,626	1,473	553
<b>Total Current Assets</b>		<b>4,190</b>	<b>3,335</b>	<b>3,417</b>	<b>2,690</b>
<b>Creditors</b> (Amounts falling due within one year)	19	<b>(4,392)</b>	<b>(3,362)</b>	<b>(3,463)</b>	<b>(2,612)</b>
<b>Net current assets</b>		<b>(202)</b>	<b>(27)</b>	<b>(46)</b>	<b>78</b>
<b>Net assets excluding pension liability</b>		<b>32,862</b>	<b>34,738</b>	<b>32,862</b>	<b>34,738</b>
Defined benefit pension scheme liability	26	(9,038)	(8,582)	(9,038)	(8,582)
<b>Net assets</b>		<b>23,824</b>	<b>26,156</b>	<b>23,824</b>	<b>26,156</b>
<b>The funds of the charity:</b>					
Unrestricted income funds:					
General Fund	22	5,324	7,371	5,324	7,371
Art Purchases Fund	23	17,723	18,011	17,723	18,011
Restricted Funds	24	12	9	12	9
Endowment Fund	25	765	765	765	765
		<b>23,824</b>	<b>26,156</b>	<b>23,824</b>	<b>26,156</b>

The financial statements on pages 14 to 35 were approved by the Council on 24/10/2018 and were signed on its behalf by

  
J G E Monson  
Member of the Council of Management  
Registered Company No: 01541046

# CHATSWORTH HOUSE TRUST

## Consolidated Statement of Cash Flows for the year ended 31 March 2018

	<i>Notes</i>	<b>2018</b> <i>£000</i>	<b>2017</b> <i>£000</i>
<b>Cash flows from operating activities:</b>			
Net cash from operating activities	28	(41)	200
<b>Cash flows from investing activities:</b>			
Income from investments		813	855
Proceeds from the sale of property, plant and equipment		2	1
Purchase of property, equipment and heritage assets		(881)	(3,712)
Purchase of investments		(4,701)	(1,795)
Proceeds from sale of investments		4,006	5,908
Net cash (used in)/generated by investing activities		(761)	1,257
<b>Change in cash and cash equivalents</b>		<b>(802)</b>	<b>1,457</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>4,171</b>	<b>2,714</b>
<b>Cash and cash equivalents at the end of the period</b>	32	<b>3,369</b>	<b>4,171</b>

# **CHATSWORTH HOUSE TRUST**

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## **Accounting Policies for the year ended 31 March 2018**

### **Basis of Accounting**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and investment properties, in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Charities Act 2011 and the Companies Act 2006.

Chatsworth House Trust meets the definition of a public benefit entity under FRS 102.

The charity used its powers under the Companies Act 2006 to effect the change and notice was given to the registrar of companies on 15 December 2015.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

### **Going concern**

The financial statements have been prepared on a going concern basis. The Council have considered how the Charity will meet the challenges presented by the current economic climate. They have carried out a detailed review of the Charity's resources including the adequacy of working capital for the next twelve months. The Council are satisfied that the Charity has sufficient cash flows to meet its liabilities as they fall due for at least one year from the date of approval of these financial statements.

### **Group financial statements**

The financial statements consolidate the results of the charity and of its wholly owned subsidiary, Chatsworth House Enterprises Limited, registered number 09037793, on a line by line basis. The charity has claimed the exemption under section 405(2) of the Companies Act 2006 and has not consolidated its subsidiary undertaking, The Chatsworth Estates Company, in these financial statements as the directors consider that the amounts involved are not material for the purposes of giving a true and fair view. A separate Statement of Financial Activities and Income and Expenditure Account for the charity has not been presented because the charity has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

### **Tangible Fixed Assets**

All tangible fixed assets are for the company's use and are stated at cost to the company, or where gifted at probate value, less accumulated depreciation in accordance with the policies noted below.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation of equipment and vehicles is calculated on the straight line basis at annual rates estimated to write off assets over expected useful lives varying from three to ten years with the exception of turbines and boilers which are given an expected life of fifteen years. The minimum level at which assets are capitalised is £1,000.

The house and leasehold property are maintained in such a condition that the fabric and ambience of the house and park are not impaired by the passage of time. Expenditure on maintaining the house and park is written off as incurred. Additions to leasehold property are capitalised and written off over their expected useful lives, or the period of the lease if shorter. The expenditure on the stables restaurant, bar and meeting room is being written off over twenty-five years, and expenditure on the farmyard buildings and adventure playground over ten years.

Growing timber is not valued in the accounts as the timber will revert to the Chatsworth Settlement at the end of the lease

# CHATSWORTH HOUSE TRUST

## Accounting Policies for the year ended 31 March 2018 (continued)

### Heritage Assets

In its own right the company owns a collection of paintings, ceramics and sculptures previously identified as Arts & Treasures. These items are included in the accounts at their historical cost and are not depreciated as they are deemed to have indefinite lives. The assets held are reviewed for impairment at the reporting end date. To date, no impairments have occurred of capitalised items. Revaluations are not performed as the Council of Management does not consider that reliable information can be obtained due to the diverse nature of the assets and the lack of comparable market values. At the balance sheet date the book value of these items was £9,622,000 (2016/17: £9,672,000), of which £765,000 (2016/17: £765,000) was held in restricted funds.

The company also owns historical archives that have been donated to it. The archives are held at £nil value on the basis that they are rarely used for public display and that it would be extremely difficult to place a meaningful value upon them.

In addition to the above there are items not belonging to the company but displayed in areas open to the public within Chatsworth House and Gardens. These items are included in the lease assigned to the company on 10 April 1981 (see note 27) and represent the essential contents of Chatsworth House. The company does not therefore recognise these assets on its Balance Sheet. Under the terms of the lease and subject to the agreement of the Council of Management, chattels can be removed from public display if they are replaced by an item or items that are deemed to be of equal value, public interest or heritage importance.

### Investments

Investments are stated in the balance sheet at mid-market value and include cash balances held by the investment managers. Unrealised losses and gains on investments are taken to the revaluation reserve.

The fair value has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
- Level 3: Inputs are observable (i.e. for which market data is unavailable) for the asset or liability

Investments denominated in foreign currencies are converted into sterling at the exchange rate prevailing at the year end.

### Investment Properties

Investment properties are stated at fair value. A formal revaluation is carried out every five years by an independent valuer and property valuations are assessed annually by the Council of Management and reviewed internally by the Estates Director (see note 15)

The aggregate surplus or deficit on revaluation is transferred to a revaluation reserve. No depreciation or amortisation is provided in respect of freehold investment property.

### Foreign Exchange

Foreign currency transactions during the year have been translated at rates approximating to the rates prevailing at the date of the transaction. Foreign currency current assets and liabilities are translated to sterling at the rates of exchange prevailing at the end of the financial year. Any exchange profits or losses are credited or charged to net income in the year in which they arise.

### Stocks

Stocks are stated at the lower of cost and estimated net realisable value. The cost of stock is determined on a FIFO basis. 100% provision at cost has been made for items over 1 year old.

### Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

# CHATSWORTH HOUSE TRUST

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## Accounting Policies for the year ended 31 March 2018 (continued)

### Creditors and Provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

### Donations and Gifts

Grants and donations comprise the fair value of amounts receivable during the year. Rent costs of staff and pensioner housing are donated from the Chatsworth Settlement.

### Revenue Recognition

Grants receivable comprise amounts receivable during the year. Capital grants are recognised in full in the year of receipt, as required by the Charity Commission.

Income from UK equity investments is accounted for when it falls due; income from fixed interest securities and foreign investments is accounted for when it is received.

Other revenue is recognised on an accruals basis and represents net amounts, invoiced to third parties, excluding value added tax.

### Allocation of Costs

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category:

- Raising funds comprises of costs relating to the operation of major events and fees associated with the investment portfolio.
- Charitable activities are the costs incurred in opening the house, garden and farmyard to the public.
- Preservation and maintenance costs are the costs directly attributable to maintaining and preserving the house and its associated land.

### The charity's funds

The General Fund is an unrestricted fund which is available for the use at the discretion of the Council in furtherance of the general objectives of the company and which has not been designated for other purposes.

The Art Purchase Fund is an unrestricted fund that has been set aside by the Council for the purposes set out in note 23.

The Restricted Funds are used for the purpose of grant funded activities where there is a specific purpose for the grant.

The Endowment Fund has been created to account for a specific donation.

Investment income, gains and losses are allocated to the appropriate fund.

### Irrecoverable VAT

All resources expended are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

### Pension Liabilities

There has been a liability to provide pensions since 12 April 1981, for eligible employees of the Chatsworth Settlement jointly employed by the company. This liability remains unfunded, and is met as it falls due. The unfunded scheme has been closed to new entrants and a new money purchase pension scheme has been established for employees joining on or after 1 September 1999.

The liability in respect of the unfunded pension scheme has been recognised on the balance sheet.

### Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are recognised at their fair value.

# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 1 Legal status of the Company

The company is a charitable company limited by guarantee and has no share capital. Each member has undertaken to contribute to the assets of the company, in the event of its being wound up while he or she is a member, or within one year after he or she ceases to be a member, an amount not exceeding £5,000. At 31 March 2018 there were four (2017: four) members.

### 2 Comparative Statement of Financial Activities

The following shows the comparative consolidated Statement of Financial Activities for the period ended 31 March 2017, analysed between the General Fund, the Art Purchases Fund, the Restricted Funds and the Endowment Fund.

	General Fund (unrestricted) £000	Art Purchases Fund (unrestricted) £000	Endowment Fund £000	Other Restricted Funds (restricted) £000	Total Funds 2017 £000
<b>Income from:</b>					
Charitable Activities	9,018	-	-	-	9,018
Trading activities	2,799	-	-	-	2,799
Donations & Legacies	459	-	-	72	531
Investment income	546	309	-	-	855
<b>Total</b>	<b>12,822</b>	<b>309</b>	<b>-</b>	<b>72</b>	<b>13,203</b>
<b>Expenditure on:</b>					
Raising funds	1,166	48	-	-	1,214
Charitable activities	8,276	-	-	79	8,355
Preservation and Maintenance	3,649	-	-	-	3,649
<b>Total</b>	<b>13,091</b>	<b>48</b>	<b>-</b>	<b>79</b>	<b>13,218</b>
<b>Net (expenditure)/income for the year</b>	<b>(269)</b>	<b>261</b>	<b>-</b>	<b>(7)</b>	<b>(15)</b>
Net gains on investments	1,425	1,481	-	-	2,906
<b>Net (deficit)/income for the year</b>	<b>1,156</b>	<b>1,742</b>	<b>-</b>	<b>(7)</b>	<b>2,891</b>
<b>Other recognised gains</b>					
Actuarial gain on pension scheme	(1,338)	-	-	-	(1,338)
<b>Net movement of funds</b>	<b>(182)</b>	<b>1,742</b>	<b>-</b>	<b>(7)</b>	<b>1,553</b>
Total funds brought forward	7,553	16,269	765	16	24,602
<b>Total funds carried forward</b>	<b>7,371</b>	<b>18,011</b>	<b>765</b>	<b>9</b>	<b>26,155</b>

# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 3 Income from charitable activities

	2018 £000	2017 £000
Amounts receivable from admissions	9,907	9,018

### 4 Income from other trading activities

Income from park events	1,933	1,368
Rental income (see note 27)	757	693
Other income	1,086	738
	3,776	2,799

Rental income is receivable from the Trustees of the Chatsworth Settlement which operates catering and retail outlets at Chatsworth. Income is based on the annual turnover of these outlets.

The wholly owned trading subsidiary Chatsworth House Enterprises Limited (company number 9037793) pays all of its profits to the charity under the gift aid scheme. Chatsworth House Enterprises has been formed for the purpose of putting on events in the garden and domain and for other general trading purposes and has been in operation since 1 January 2015. The charity charges facility fees for the use of the House, Gardens and Park.

A summary of the trading results of Chatsworth House Enterprises Limited is shown below.

	2018 £000	2017 £000
Turnover	2,904	2,081
Cost of sales	(1,420)	(1,108)
Facility fee	(426)	(426)
Administration costs and interest payable	(16)	(11)
Net profit	1,042	536
Amount gift aided to the charity	(1,042)	(536)
Retained in subsidiary	-	-

The assets and liabilities of the subsidiary were:

Fixed assets	156	106
Current assets	2,009	1,480
Current liabilities	(2,165)	(1,586)
Total net assets	-	-

# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018

### 5 Investment income

	General Fund	Art Purchases Fund	2018	2017
	£000	£000	£000	£000
Income from quoted investments				
UK Fixed interest stocks	6	8	14	21
UK Equities	270	258	528	529
Overseas stocks	23	21	44	28
Interest on cash with broker	38	22	60	32
Other UK bank interest	5	-	5	10
Income from UK Properties	162	-	162	235
	<b>504</b>	<b>309</b>	<b>813</b>	<b>855</b>

### 6 Income from donations

	2018	2017
	£000	£000
Staff/pensioner housing	460	459
Other Donations & Legacies	35	72
	<b>495</b>	<b>531</b>

The income from donations and legacies was £495,000 (2016/17: £531,000) of which £492,000 was unrestricted (2016/17: £459,000) and £3,000 restricted (2016/17: £72,000). The restricted funds includes a grant from NMCT for the Thomas Hobbs archives restoration.

The charity benefits greatly from the support of its many volunteers. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of the volunteers is not recognised in the accounts.

### 7 Analysis of expenditure on raising funds

	2018	2017
	£000	£000
Subsidiary trading operations	1,152	1,119
Investment fees (see note 16)	89	95
	<b>1,241</b>	<b>1,214</b>

Investment fees includes £45,000 for the General Fund (2016/17: £47,000) and £44,000 for the Art Purchase Fund (2016/17: £48,000)



# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 8 Analysis of expenditure on charitable activities

	2018 £000	2017 £000
Admissions expenses	3,835	2,419
Maintenance of the art collection	330	324
Maintenance of the garden, park and woods	1,265	1,155
General upkeep of the house and stables	1,852	1,532
Repair expenditure	457	(188)
General insurance	207	206
Management Rents	460	459
Allocations of support costs (see note 9)	2,539	2,176
Allocation of governance costs (see note 9)	280	272
	<b>11,225</b>	<b>8,355</b>

Expenditure on charitable activities was £11,225,000 (2016/17: £8,355,000) of which £11,126,000 was unrestricted (2016/17: £8,275,000) and £99,000 was restricted (2016/17: £79,000).

### 9 Analysis of governance and support costs

	2018 £000	2017 £000
Management Charge	1,088	1,003
Wages & Salaries	835	771
Legal & Professional	48	41
Depreciation	194	103
Other Administrative	186	183
Service & interest cost on unfunded pension scheme	442	329
Secretarial Fees	46	39
Audit Fees	25	24
Trustee's expenses (see note 27)	-	-
	<b>2,864</b>	<b>2,493</b>
Allocated:		
Charitable activities	2,540	2,176
Governance Costs	279	272
Preservation and Maintenance	45	45

Included within legal and professional fees are amounts payable to the auditor of £2,000 for non-audit services.

### 10 Taxation

The company is generally exempt from United Kingdom corporation tax because of its charitable status.

# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 11 Staff numbers

The average monthly head count was 331 staff (2015/16: 300 staff) and the average monthly number of full-time equivalent employees (including casual and part-time staff) during the period was as follows:

	2018 Number	2017 Number
Administration and management	28	24
Domestic	8	8
Wardens	43	39
Maintenance	31	29
Gardens	25	27
Domain	7	6
Farm yard	14	18
	<b>156</b>	<b>151</b>

### 12 Analysis of staff costs, trustee remuneration and expenses and the cost of key management personnel

	2018 £000	2017 £000
Salaries & Wages	3,124	2,945
Social Security	526	483
Employers pension contributions to the money purchase scheme	103	69
Staff/pensioner housing	460	459
Service cost on unfunded pension	213	76
Interest cost on unfunded pension	229	253
	<b>4,655</b>	<b>4,285</b>

Four employees had employee benefits in excess of £60,000 (2016/17: three).

	2018 Number	2017 Number
£60,000 - £70,000	1	1
£70,000 - £80,000	1	1
£80,000 - £90,000	1	1
£90,000 - £100,000	1	-
	<b>4</b>	<b>3</b>

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

No fee nor salary is paid to any Council member during the year (2016/17: £nil). Council members were reimbursed for out of pocket expenses incurred during the period - £413 (2016/17: £276). As outlined in note 27, Mr ERH Perks is also a partner in Currey & Co LLP which supplies legal services to the charity.

The key management personnel of the parent charity comprise the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. The total employee benefits of the key management personnel of the parent charity total £254,000 (2016/17: £244,000).

The key management personnel of the group comprise those of the parent charity and the key management personnel of its wholly owned subsidiaries, The Chatsworth Estate Company and Chatsworth House Enterprises Limited.

# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 13 Tangible assets

	Long Leasehold Buildings £000	Equipment and Vehicles £000	Assets under Construction £000	Total £000	Long Leasehold Buildings £000	Equipment and Vehicles £000	Assets under Construction £000	Total £000
<b>Cost:</b>								
At 1 April 2017	1,735	5,439	-	7,174	1,735	5,334	-	7,069
Additions	-	673	160	833	-	619	160	779
Disposals	-	(12)	-	(12)	-	(12)	-	(12)
At 31 March 2018	1,735	6,100	160	7,995	1,735	5,941	160	7,836
<b>Accumulated Depreciation:</b>								
At 1 April 2017	1,338	3,797	-	5,135	1,338	3,797	-	5,135
Charge for the period	14	451	-	465	15	447	-	461
Disposals	-	(12)	-	(12)	-	(12)	-	(12)
At 31 March 2018	1,352	4,236	-	5,588	1,352	4,232	-	5,585
<b>Net Book Amounts</b>								
At 31 March 2018	383	1,864	160	2,407	383	1,709	160	2,251
At 31 March 2017	397	1,642	-	2,039	397	1,537	-	1,934

### 14 Heritage Assets

During the period additions of £48,000 (2016/17: £3,062,000) were added to the collection. Disposals of £98,000 were made relating to a donation of a sculpture in the garden to another charity (2016/17: nil).

#### Five year financial summary of heritage asset transactions

	2018 £000	2017 £000	2016 £000	2014 £000	2013 £000
Opening balance b/fwd	9,672	6,610	5,747	5,475	4,997
Acquisitions	48	3,062	863	272	478
Disposal	(98)	-	-	-	-
Closing balance c/fwd	9,622	9,672	6,610	5,747	5,475

#### Preservation and Management

The charity employs its own Collections Department which is responsible for the ongoing restoration and maintenance of the collection at Chatsworth. The collections team consists of fourteen full-time and four part-time staff and comprises a Director of Collections and Exhibitions who has overall responsibility as well as her team of curators, archivists, librarians and a textiles team.

The team utilises a sophisticated collections management system which is used to maintain the nature, location and provenance of all items in the collection.

The company incurs as an expense all the costs associated with its own heritage assets as well as those assets which are the subject of the lease. In 2017/18 £36,000 was expended on restoration and maintenance of the collection (2016/17: £61,000).

# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 15 Investment properties

	2018 £000	2017 £000
Investment properties held at fair value	2,461	2,461

An independent open market valuation was carried out as at 31 December 2014 valuing the investment properties at £2,461,000. The valuation was carried out by Miss Fiona Yarrow of the Royal Institute of Chartered Surveyors, a partner in Strutt and Parker LLP. Nicholas Wood, the Estates Manager of Chatsworth Settlement Trustees has reviewed that valuation as at 31 March 2018 and advised no change in the fair value.

### 16 Investments

	General Fund £000	Art Purchases Fund £000	Total 2018 £000	Total 2017 £000
Market value at 1 April 2017	10,958	9,635	20,593	19,780
Acquired during the period, at cost	2,386	2,315	4,701	1,795
Disposal	(1,679)	(1,609)	(3,288)	(4,883)
Unrealised (losses)/gains for the period	(846)	(804)	(1,650)	1,879
Investment Income	337	309	646	611
Cashdraw down	(1,675)	(664)	(2,339)	1,506
Management Fees	(45)	(44)	(89)	(95)
Market value at 31 March 2018	9,436	9,138	18,574	20,593

	General Fund £000	Art Purchases Fund £000	Total 2018 £000	%	Total 2017 £000	%
£ Fixed Interest	637	617	1,254	6.8%	1,210	5.9%
£ Index Linked	158	307	465	2.5%	706	3.4%
Other Index Linked	105	103	208	1.1%	501	2.4%
Alternative Investments	781	747	1,528	8.2%	872	4.2%
United Kingdom	3,456	3,308	6,764	36.4%	6,819	33.1%
Europe	120	118	238	1.3%	193	1.0%
Rest of the World	3,592	3,456	7,048	38.0%	7,747	37.6%
Other Securities	157	148	305	1.6%	-	-
Cash	430	334	764	4.1%	2,545	12.4%
Total market value	9,436	9,138	18,574	100.0%	20,593	100.0%
Cost	7,684	7,753	15,437		14,024	

# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 16 Investments (continued)

The investments have been fair valued by obtaining an appropriate market value and are classified as level 1, 2 or 3 according to the fair value hierarchy:

	as at 31 March 2018			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Listed stocks or collective investment vehicles	17,807	-	-	17,807
Accrued interest	-	-	3	3
Cash	764	-	-	764
Market value at 31 March 2018	18,571	-	3	18,574

	as at 31 March 2017			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Listed stocks or collective investment vehicles	18,042	-	-	18,042
Accrued interest	-	-	5	5
Cash	2,546	-	-	2,546
Market value at 31 March 2017	20,588	-	5	20,593

The charity is also exposed to price risk, liquidity risk and credit risk in the securities held in its investment portfolios. The Council has appointed qualified investment managers to manage the investment portfolios. These investment managers are subject to the oversight of the Investment Committee which meets the investment managers twice per year to review performance.

#### Investments in subsidiary and associated undertakings

	Country of incorporation	Principal activity	Holding	Net assets	Profit/ (Loss) for period
The Chatsworth Estates Company	United Kingdom	Investment Company and Nominee	100%	£9,991	(£1,879)
Chatsworth House Enterprises Limited	United Kingdom	Trading activities	100%	£1	£nil
Treasure Houses Exhibitions Asia*	United Kingdom	Overseas exhibitions	10%	£nil	£nil

\* held indirectly

### 17 Stocks

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Stores	40	40	40	40
Livestock	25	23	25	23
	65	63	65	63

## CHATSWORTH HOUSE TRUST

### Notes to the financial statements for the year ended 31 March 2018 (continued)

#### 18 Debtors

	2018 £000	2017 £000	2018 £000	2017 £000
Trade debtors	697	353	64	74
Bad Debt Provision	(33)	(26)	(33)	(26)
	<u>664</u>	<u>327</u>	<u>31</u>	<u>48</u>
Amounts due from group companies	-	-	1,236	834
Prepayments and accrued income	856	1,319	612	1,192
	<u>1,520</u>	<u>1,646</u>	<u>1,879</u>	<u>2,074</u>

Balances due to/from the group companies are interest free, unsecured and repayable on demand.

#### 19 Creditors – Amounts falling due within one year

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts falling due within one year:				
The Chatsworth Settlement	727	516	727	516
Other trade creditors	588	475	540	458
Deferred income	306	325	305	325
Accruals	2,771	2,046	1,891	1,313
	<u>4,392</u>	<u>3,362</u>	<u>3,463</u>	<u>2,612</u>

The Chatsworth Settlement is shown as a net balance within creditors. The trustees consider it appropriate to show debtor and creditor balances net, due to a legal right of offset.

#### 20 Deferred income

Deferred income comprises the element of membership fees of the Friends of Chatsworth which relate to future periods.

	£000
Balance as at 1 April 2017	325
Amounts released to income earned from charitable activities	(325)
Amounts deferred in year	305
<b>Balance as at 31 March 2018</b>	<u><b>305</b></u>

## CHATSWORTH HOUSE TRUST

### Notes to the financial statements for the year ended 31 March 2018 (continued)

#### 21 Analysis of group net assets between funds

	General Fund £000	Art Purchases Fund £000	Endowment Funds £000	Other Restricted Funds £000	Total £000
Tangible fixed assets	3,534	7,730	765	-	12,029
Investment properties	2,461	-	-	-	2,461
Investments	9,437	9,137	-	-	18,574
Cash at bank and in hand	2,203	402	-	-	2,605
Net current assets	(3,273)	454	-	12	(2,807)
Unfunded pension scheme liability	(9,038)	-	-	-	(9,038)
	<b>5,324</b>	<b>17,723</b>	<b>765</b>	<b>12</b>	<b>23,824</b>

#### 22 General Fund

The company's General Fund was established by gifts from the 11<sup>th</sup> Duke of Devonshire, the 12<sup>th</sup> Duke of Devonshire and the Duke of Devonshire's Charitable Trust.

	Revaluation reserve £000	Revenue reserve £000	Total £000
The reserves at the fund comprise:			
At 1 April 2017	3,981	3,390	7,371
Unrealised losses on investments	(846)	-	(846)
Actuarial losses on unfunded pension scheme liability	-	(270)	(270)
Realised gains on investments	-	369	369
Net outgoing resources	-	(1,299)	(1,299)
Transfer between reserves	(1,383)	1,383	-
<b>At 31 March 2018</b>	<b>1,752</b>	<b>3,572</b>	<b>5,324</b>

The revaluation reserve represents the surplus of the market value over the cost of investments and investment properties. The revenue reserve represents accumulated revenue surpluses, accumulated realised surpluses on disposals of investments, together with capital grants and donations received.

# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 23 Art Purchases Fund

The charity has established this fund from surpluses arising in past years from the General Fund to generate income primarily for the purchase of works of art for the public benefit, though the fund may be used for other purposes at the discretion of the Council of Management.

	Revaluation reserve £000	Revenue reserve £000	Total £000
The reserves of the fund comprise:			
At 1 April 2017	2,588	15,423	18,011
Unrealised losses on investments	(803)	-	(803)
Realised losses on investments	-	349	349
Net incoming resources	-	166	166
Transfer between funds	(399)	399	-
<b>At 31 March 2018</b>	<b>1,386</b>	<b>16,337</b>	<b>17,723</b>

The revaluation reserve represents the surplus of the market value over the cost of investments. The revenue reserve represents accumulated revenue surpluses, accumulated realised surpluses on disposals of investments, together with capital grants and donations received.

### 24 Restricted Funds

The company has established these funds to account for donations for specific projects and for specific grant funded activities.

	Seahorse Fountain £000	Thomas Hobbes Archives Restoration £000	RPA (Tree Planting) £000	Total £000
The reserves of the fund comprise:				
At 1 April 2017	8	-	1	9
Income	-	3	-	3
Expenditure	-	-	-	-
<b>At 31 March 2018</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>12</b>

The grant received from The National Manuscripts Conservation Trust will be used for the Thomas Hobbes archive restoration and the RPA grant will be used for tree planting in the park. The seahorse fountain grant from Duke of Devonshire's Charitable Trust will be used for its restoration.

### 25 Endowment Fund

The charity has established this fund to account for donations of art to the charity arising in the prior period.

	Chaos Meteoro £000	Total £000
The reserves of the fund comprise:		
At 1 April 2017	765	765
Income	-	-
Expenditure	-	-
Transfer between funds	-	-
<b>At 31 March 2018</b>	<b>765</b>	<b>765</b>

This donated sculpture has been placed in the Chatsworth garden. At the time that the donation was made, the Council agreed that the work should remain at Chatsworth for a period of 35 years from October 2015.



# CHATSWORTH HOUSE TRUST

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 26 Pensions

Contributions were made during the year to the Chatsworth Settlement (2001) Pension Scheme (a defined contribution scheme), which amounted to £77,000 (2016/17: £69,000).

Since 12 April 1981, there has been an obligation to provide pensions for eligible employees of the Chatsworth Estate Pension Scheme. The Chatsworth Estate Pension Scheme provides benefits based on final pensionable salary. The scheme was closed to new members in 1999.

Pensions paid to former employees under the Chatsworth Estate Pension scheme (a defined benefit scheme) in the year amounted to £256,000 (2016/17: £238,000).

During the year a formal valuation has been undertaken by Jim Burrows FIA, a senior consultant with Punter Southall Limited. This valuation as required by FRS 102 has been recognised in the accounts.

The major assumptions used in the calculation of the liability are as follows:

	2018	2017
Discount rate	2.6%	2.7%
Salary Inflation	3.3%	3.3%

The amounts recognised in the balance sheet are as follows:

	2018 £000	2019 £000
Present value of scheme liabilities	9,038	8,582
Deficit in the scheme	9,038	8,582

#### Analysis of amount recognised within actuarial gains and losses

Changes in assumptions underlying the present value of the scheme liabilities

Changes in discount rate and mortality rates	270	1,338
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	2018 £000	2017 £000
<b>Changes in the present value of the defined benefit obligation are as follows</b>		
Opening defined benefit obligation	8,582	7,153
Actuarial (gains)/losses	270	1,338
Interest cost	229	253
Service cost	213	76
Benefits paid	(256)	(238)

<b>Closing defined benefit obligation</b>	<b>9,038</b>	<b>8,582</b>
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## CHATSWORTH HOUSE TRUST

### Notes to the financial statements for the period ended 31 March 2018 (continued)

#### 27 Related party transactions (continued)

##### Devonshire Educational Trust

The Devonshire Educational Trust is a related party as the Duke of Devonshire, the chairman of the Chatsworth House Trust is a trustee of The Devonshire Educational Trust. The charity has made donations in the period of £70,279 (2016/17: £74,042) to The Devonshire Educational Trust. During the period, The Devonshire Educational Trust entered into a memorandum of understanding for ten years to occupy a dilapidated building situated at Chatsworth for a nominal ground rent of £250 per annum. The building was subsequently refurbished by The Devonshire Educational Trust to create a facility suitable for educational visits to Chatsworth.

##### Mrs S Reynolds

Mrs S Reynolds was a Director of the Art Out Loud exhibition and is related to Mr R H Reynolds, who was the Chief Executive Officer of Chatsworth House Trust until his retirement in July 2018. During the year Mrs Reynolds was paid a fee of £10,000 (2017: £10,000).

##### Sotheby's

The Duke of Devonshire, the chairman of the Chatsworth House Trust is on the Board of Directors of Sotheby's.

During the year the company received £250,000 (2016/17: £250,000) from Sotheby's, for hosting Sotheby's annual selling exhibition of modern and contemporary sculpture. Set up costs of £70,269 (2016/17: £82,986) were recharged to Sotheby's.

##### The Derbyshire Charity Clay Shoot Event (DCCS)

The DCCS is an annual fundraising event supporting local charities held on land belonging to the Chatsworth Settlement and within the lease held by the charity. Members of the Chatsworth management team are actively involved as organisers of the DCCS event and the charity benefits from the continued success of this event as part of the event surplus is donated to The Devonshire Educational Trust to support activity at Chatsworth which advances the education of the public in the arts and sciences.

During the year the company received a facility fee of £10,000 (2016/17: £10,000).

##### Transactions with Council Members

Members of the Council were reimbursed for travel expenses amounting to £413 (2016/17: £276).

The Duke of Devonshire leases the private apartments from the charity, pursuant to the lease set out above, under which a full market rent is payable (subject to five yearly reviews). During the year rent of £75,000 (2016/17: £75,000) was received. A rent review was undertaken during 2015/16 with a revised rent being applicable from March 2015.

## CHATSWORTH HOUSE TRUST

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### Notes to the financial statements for the year ended 31 March 2018 (continued)

#### 27 Related party transactions

##### The Chatsworth Settlement

The Chatsworth Settlement is a related party due to its common management with Chatsworth House Trust.

The related party transactions in the year relate to the following:

- Recharges

Staff are jointly employed by the company and the Chatsworth Settlement. The Chatsworth Settlement operate central payroll and the total cost of staff invoiced to the charity during the period was £3,752,349 (2016/17: £3,456,005).

Support costs include charges from the Chatsworth Settlement for senior management time and central overheads including; Finance, Human Resources, IT Systems, Land Agency and Planning. These staff are jointly employed by the charity and the Trustees of the Chatsworth Settlement. During the period £1,087,937 (2016/17: £1,004,948) was recharged to the company. In addition, the company charges for work undertaken by its own internal departments for the benefit of the Chatsworth Settlement. All charges are made on the basis of time spent or resources consumed.

Rent costs of staff and pensioner housing are donated from the Chatsworth Settlement, the amount during the period was £460,121 (2016/17: £458,726). Included in the management fee above is the maintenance and repair costs for this housing of £171,513 (2016/17: £148,964).

- Rent

The charity leases from the Chatsworth Settlement under a 99 year lease at nominal rent, granted in 1981, Chatsworth House and its essential contents, together with the garden, park and woodland surrounding the house (comprising approximately 1,822 acres in total). The charity's lease was granted subject to a sub-lease of the private quarters to the Duke of Devonshire. The charity waived its rights under the lease over some of the contents referred to above in exchange for a commitment that Chatsworth Settlement Trustees replace these contents with chattels of not less than an equivalent value and interest to the public.

Rental income (note 4) is also receivable from the Chatsworth Settlement based on the annual turnover of businesses operated by them in premises located at Chatsworth. During the year £757,479 (2016/17: £693,433) was received.

A ground rent of £250 per annum has been agreed in respect of the occupation of land by Devonshire Renewable Energy Limited for the renewable energy centre. The company is 100% owned by the Chatsworth Settlement. During the period, the company sold heat and power amounting to £133,814 (2016/17: £26,368) to the charity.

##### Currey & Co LLP

Currey & Co LLP is a related party as Mr ERH Perks, who was a Member of the Council during the period, is also a partner in Currey & Co LLP.

Fees are charged for the legal services provided by Currey & Co LLP. The fees for the period are £45,572 (2016/17: £39,070).

## CHATSWORTH HOUSE TRUST

### Notes to the financial statements for the year ended 31 March 2018 (continued)

#### 27 Related party transactions (continued)

The charity invoices the Duke of Devonshire the full costs of any private expenditure incurred. During the year £10,560 (2016/17: £11,774) was invoiced for gas, electricity, maintenance, stationery and office costs.

	2018 £	2017 £
Amounts due (from)/to Chatsworth House Trust at 31 March 2018 (to)/from		
The Chatsworth Settlement	(726,903)	(475,475)
Duke of Devonshire	-	367
Devonshire Renewable Energy Ltd	(12,783)	(242)

#### 28 Reconciliation of movement in funds to net cash flow from operating activities

	2018 £000	2017 £000
Net income/(deficit) for the year	(2,331)	1,553
(Gains)/losses on investments	931	(2,906)
Actuarial loss on pension scheme	270	1,338
Pension service and interest	442	329
Unfunded pension scheme non-cash movement	(256)	(238)
(Profit)/Loss in disposal of assets	98	-
Depreciation charges	465	440
Investment income	(813)	(855)
(Increase)/decrease in stocks	(2)	(2)
(Increase)/decrease in debtors	125	(438)
Increase/(decrease) in creditors	1,030	979
<b>Net cash outflow from operating activities</b>	<b>(41)</b>	<b>200</b>

#### 29 Capital commitments

At the 31<sup>st</sup> March 2018 phases 1, 2, 3a and 3b of the Master Plan were complete (subject to normal retentions against defects) and phase 4 was in progress. The expected remaining expenditure under the masterplan amounts to £0.8m at the balance sheet date.

In May 2018 after the year end, the contractor engaged in carrying out the Masterplan works was placed in administration.

The Charity terminated the construction contract and is continuing with the work directly. The Council of Management is satisfied that no adjustment is necessary to the financial statement in respect of this event.

#### 30 Operating lease commitments

There were no operating lease commitments as at 31 March 2018 and 31 March 2017.

## CHATSWORTH HOUSE TRUST

### Notes to the financial statements for the year ended 31 March 2018 (continued)

#### 31 Financial instruments

	2018 £000	2017 £000
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	<u>664</u>	<u>327</u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	<u>4,392</u>	<u>3,362</u>

#### 32 Reconciliation of cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	2,605	1,626
Cash held with investment manager	764	2,545
<b>Net funds at 31 March 2018</b>	<u>3,369</u>	<u>4,171</u>

#### 33 Judgements applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management has noted the following areas of judgement:

##### *Pension Scheme*

The carrying value of the liability in respect of the Chatsworth Estate Pension Scheme relies on judgment of the future inflation, mortality rates and the discount rate to be applied. Any changes in these assumptions which are disclosed in note 26 will impact the carrying value of the pension liability. In addition, the last actuarial valuation of the pension scheme liability was performed as at 31 March 2016. The carrying value of the liability as at 31 March 2018 is derived from a roll-forward approach. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact the carrying value of the liability.

##### *Tangible fixed assets – Art*

As explained in the accounting policies, revaluations are not performed of the charity's heritage property owing to the lack of comparable market values.

##### *Tangible fixed assets – property*

The charity's property investment is valued on an open market value by a firm of Chartered Surveyors. By its nature this is a matter of judgement and an actual sale of the property could realise more or less than the carrying value in the charity's accounts.