

The Wordsworth Trust

Trustees' report and consolidated
financial statements

Registered charity number 1066184

Registered company number 03442086

For the fifteen months to 31 March 2018



WORDSWORTH TRUST

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Trustees' Annual Report

The trustees are pleased to present their report together with the audited consolidated financial statements for the fifteen months ended 31 March 2018. The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, the Companies Act 2006, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014.

The Wordsworth Trust is registered with the Charity Commission, registration number 1066184, and is a company limited by guarantee, registration number 03442086. The charitable company is governed by its Memorandum and Articles of Association. The Trust was incorporated on 30 September 1997 and the registered address is Dove Cottage, Grasmere, Cumbria, LA22 9SH. The Trustees' Annual Report also contains the information required under the Companies Act 2006 for a Directors' Report.

The Trust is honoured to have as Royal Patron, His Royal Highness the Prince of Wales.

The Honorary President of the Trust during the year was Pamela Woof FRSL who has been succeeded by The Rt Hon Lord Smith of Finsbury PC.

Chair	Professor Sir Drummond Bone (appointed 16 November 2017)
Chair	The Rt Hon Lord Smith of Finsbury PC (retired 16 November 2017)
Hon. Treasurer	John Collier FCA
The Robert Woof Director	Michael McGregor
Company Secretary	Amanda Pickup FCA

Trustees who served during the year

Professor Sir Drummond Bone (appointed 16 November 2017)
Mrs Mary Chuck
Mr John Collier FCA
Ms Judith Cooke
Mr David Heal
Mrs Diana Matthews JP
Dr Lucy Peltz
Dr Seamus Perry (retiring November 2018)
Professor Nicholas Roe FEA FRSE (retired 4 November 2017)
Mr Charles Seabag-Montefiore FSA (resigned 11 July 2018)
Dr Lynn Shepherd (resigned 31 October 2018)
The Rt Hon Lord Smith of Finsbury PC (retired 16 November 2017)
Ms Jennifer Uglow OBE

The trustees are the members of the charitable company and act as Directors for the purposes of company law. In the event of the charitable company being wound up, the guarantee of each member is limited to £1.

In accordance with the Articles of Association, trustees retire and, if eligible, offer themselves for re-appointment at the forthcoming Annual Retirement Meeting. There are no eligible trustees this year.

Trustees' annual report (*continued*)

OBJECTIVES AND ACTIVITIES

The Wordsworth Trust was founded in 1891 to secure Dove Cottage, in the words of its first trustees, "for the eternal possession of those who love English poetry all over the world". Since then, it has acquired many of the other historic buildings that make up the hamlet of Town End, secured the great majority of Wordsworth's manuscripts, opened the Wordsworth Museum, established an archive, library and fine art collection that celebrate Romanticism and the cultural history of the Lake District, and created a conservation and research centre so that these holdings could remain at Dove Cottage, one of the world's most important literary sites.

The Wordsworth Trust's purposes are set out in its Memorandum and Articles of Association, and can be summarised as:

1. to provide a living memorial to William Wordsworth and his contemporaries by looking after Dove Cottage and its environs, and by preserving and developing a permanent collection; and
2. to advance public knowledge and enjoyment of the works of Wordsworth and the literature and culture of the Romantic period (c.1750–1850) through a wide range of public activities.

The Wordsworth Trust's aims are the same in their intent as these purposes. They provide public benefit through the advancement of education, heritage, culture and the arts, and thereby meet the definition of 'charitable purposes' provided by the 2011 Charities Act.

Wordsworth sought through his poetry "to console the afflicted, to add sunshine to daylight by making the happy happier, to teach the young and the gracious of every age, to see, to think and feel". Our activities are inspired by this vision: of a world in which anyone, anywhere can enrich their life through Wordsworth's ideas and philosophy, regardless of means or background. In undertaking them, we have therefore taken due regard of the Charity Commission's public benefit guidance.

Our activities, and the criteria that we use to measure their success, are reported in detail in the 'Achievements and Performance' section. We use digital technology, publishing and venues in numerous locations to ensure that access is not restricted by geography. While certain activities are aimed at specific beneficiary groups, most are open to anyone. They take place all year round, and some are free of charge.

ACHIEVEMENTS AND PERFORMANCE

We have changed our year-end from 31 December to 31 March, to align our financial year with that of Arts Council England, our principal revenue funder, and make it easier to manage our budgeting, monitoring and reporting. We therefore report here our progress over the fifteen months to 31 March 2018; please note that variances against 2016, our previous financial year, are not a like-for-like comparison.

1. Overview of progress against strategy

2017/18 has been another year of major achievements for the Wordsworth Trust.

We continued to use the power of Wordsworth's poetry to enhance people's lives, at Dove Cottage, across Cumbria and beyond. Alongside our general activities, we also continued to focus on particular areas, including formal and informal learning, community cohesion, and health & wellbeing. Our capacity to target our work in this way is greatly enhanced by the funding that we

Trustees' annual report *(continued)*

Achievements and performance *(continued)*

receive from Arts Council England through the Cumbria Museum Consortium, and we were delighted to learn in June that the Consortium's application to be one of the Arts Council's new 'National Portfolio' of regularly funded organisations had been successful. This funding is therefore confirmed at least until March 2022, and we look forward to continuing to work with schools, universities and local communities, and to go on training the museum professionals of the future.

Our main strategic focus has been 'Reimagining Wordsworth'. This c. £6m project will establish Wordsworth's continuing relevance in the 21st century. It marks the biggest investment in Dove Cottage and the Wordsworth Museum as a visitor attraction in nearly 40 years, and in financial terms it is the Wordsworth Trust's biggest initiative in our 127-year history. We have made effective use of the development funding that we were awarded by the Heritage Lottery Fund in 2016, and we now have a coherent master plan that will realise our full potential to provide enriching, inspirational experiences at Dove Cottage while resolving our site's many practical challenges. We also have an activity plan that will take our work in new and exciting directions, significantly increasing our public impact. In summer 2017 we launched a new website, www.reimaginingwordsworth.org.uk, where the project is described in detail.

'Reimagining Wordsworth' is informed by a comprehensive survey of our historic buildings and collection, and underpinned by a robust business plan – both also completed during the year. It received planning permission in December, and, thanks to the many generous funding bodies and individuals who share our vision, we have completed our fundraising for the project in full. A year ago, 'Reimagining Wordsworth' was an aspiration; it is now our firm strategic priority. Its completion will be a fitting way to mark Wordsworth's 250th birthday in April 2020, and it will transform our capacity to provide public benefit for generations to come.

2. Public benefit

We monitor our activities by beneficiary group, as shown in the table on the following page. As well as the statistical analysis shown here, we use various qualitative evaluation methods to ensure that our activities meet the needs and aspirations of our beneficiaries.

Trustees' annual report (continued)

Our public benefit in numbers

15 months to 31 Mar 2018				12 months to 31 Dec 2016			Variance
Visits to Dove Cottage and the Wordsworth Museumⁱ				38,872			16%
	<i>Onsite</i>	<i>Offsite</i>		<i>Onsite</i>	<i>Offsite</i>		
Participation in activities for young people in formal education (student-days)							
Secondary, primary and pre-school	1,927	4,675	6,602	1,816	4,712	6,528	1%
Higher education - short courses	1,014	-	1,014	409	-	409	148%
Higher education - other	1,051	515	1,566	799	273	1,072	46%
Teacher development opportunities	18	56	74	32	73	105	-30%
Total	4,010	5,246	9,256	3,056	5,058	8,114	14%
Participation in activities for families							
Events	192	-	192	122	-	122	57%
Other activities ⁱⁱ	838	1,664	2,502	760	1,083	1,843	36%
Total	1,030	1,664	2,694	882	1,083	1,965	37%
Participation in community activities							
Activities specifically for elderly / vulnerable adults	150	2,267	2,417	36	702	738	228%
Activities specifically for young people ⁱⁱⁱ	22	334	356	-	133	133	168%
Activities for general audiences	197	376	573	363	1,747	2,110	-73%
Total	369	2,977	3,346	399	2,582	2,981	12%
Attendances at talks, poetry readings and other events (excluding family events)	1,555	268	1,823	1,414	471	1,885	-3%
Interactions via new media							
Website (unique page views)			185,212			140,186	32%
Views of video material (Youtube, Vimeo, Facebook)			14,302			16,201	-12%
Social media followers (31 March 2018)			28,797			22,266	29%
Research visits (research-days)				123			171%
Sales of Wordsworth Trust publications							
New titles			4			1	300%
Sales			5,258			5,255	0%
Distributions			427			150	185%
Participants in vocational training^{iv}				17			35%
Volunteers^v				11			73%

ⁱ Includes public tours of the Jerwood Centre. ⁱⁱ On-site activities comprise discovery trails and other self-guided activities therefore 838 in 2017/18 (760 in 2016) is also included within general visitors to Dove Cottage and the Wordsworth Museum. ⁱⁱⁱ Meetings of the Dove Cottage Young Poets were previously recorded as schools activity, but they are increasingly independent of the sixth forms through which the group was established and it is now more appropriate to show it here. Our 2016 schools figures have been similarly adjusted. ^{iv} Excludes work experience placements. ^v People who did volunteer work on a regular basis and / or for sustained periods of time.

Trustees' annual report *(continued)*

Achievements and performance *(continued)*

a) Visitors to Dove Cottage and the Wordsworth Museum

Even after over 125 years of providing access to Dove Cottage, we still try to find innovations and respond to visitors' changing interests and expectations. This year, and in anticipation of 'Reimagining Wordsworth', we gave more prominence to Wordsworth's poetry and lines from the Grasmere Journal on the guided tour; we also created a new handout about the garden, and by strengthening the Wi-Fi signal and introducing QR codes, we made it possible for visitors to use their own devices to listen to poetry and other information about the plants in the garden.

In the Wordsworth Museum, Wordsworth's Lake District continued to be a key theme, as we continued our successful exhibition *Wordsworth Country: Lakes, Mountains and Waterfalls* for a second year. Another prominent topic was the weather, as our collaboration with the University of Leeds over its research project, 'British Romantic Writing and Environmental Catastrophe' informed much of our activity, including our exhibition *Weather Words* (July–August), which explored the influence and impact of the weather on the Wordsworths' lives at Dove Cottage.

We opened ten other exhibitions during the year, each showcasing and responding to Romantic themes and items in our collection. A particular highlight was *By Duddon's Side* (May–June), co-curated with artist Nikki Pugh, Lancaster University and members of the Duddon History Group, in which we set out to identify the exact locations in Wordsworth's famous sonnet sequence. Displayed alongside manuscripts and early printed editions were Victorian photographs, contemporary artworks, a hand-built kayak, and a touch-reactive sound-wall that gave visitors an interactive, multimedia experience. *Wordsworth's Flowers* (March), curated by Brandon Chao-Chi Yen, an Early Career Fellow funded by the British Association for Romantic Studies, also incorporated sound recordings, and was linked to the new interpretation in Dove Cottage garden.

b) Formal education

By providing workshops for schools visiting Dove Cottage and making classroom visits to local schools, we put on over two hundred education sessions for nearly a hundred different schools during the year. 80% of this activity benefited children in Cumbria, but the schools that visited Dove Cottage came from across the UK and as far afield as South Africa and Singapore.

Specific initiatives included reading group activities and an after-school club which we continued to run for our two most local primary schools, in Grasmere and Ambleside. Again, our collaboration with Leeds University informed this work, with c.200 students from four schools taking part in activities that included an art workshop on Turner's approach to painting the weather.

We successfully concluded our two-year creative writing project aimed at two schools in Workington whose catchment areas have some of the highest areas of multiple deprivation in Cumbria. The participating poets were poets Holly Corfield Carr, Katie Hayle and Clare Shaw. We were delighted with its success, and published an anthology of the pupils' poems in March. Our work with schools in the early part of the year was also animated by Holly Corfield Carr and David Tait, the second and third of the poets in residence that we commissioned with Clarissa Luard Award funding received from Arts Council England in 2016. The demand was clear, and we will respond by commissioning more poets to work with schools from 2018/19 onwards.

We have also included teacher development opportunities as a performance measure this year, to reflect our involvement in teacher conferences at both primary and secondary level, and other teacher training sessions linked to poetry and creative writing.

Trustees' annual report *(continued)*

Achievements and performance *(continued)*

We were pleased to see an increase in the take-up of the immersive courses for students that we can uniquely provide. Courses averaged 2.5 days; the longest took place over a full eight days. Offsite activities benefiting students in higher education were boosted by Curator Jeff Cowton's visit

to the University of Texas in October, where he gave the President's Address at the International Conference of Romanticism.

c) Families and young people

Our ongoing 'Rucksack of Rhymes' and other family activities, held at Dove Cottage and in towns and villages across Cumbria, were complemented by new initiatives including activities with a family literacy group based in Maryport, an outdoor workshop based on 'Forest School' principles, and a project linked to the Arts Award programme for a group of local families who have young children with Down's syndrome. These latter two activities formed part of our preparation for 'Reimagining Wordsworth', and gave us valuable insights into how people with special educational needs and disabilities can enjoy our site. We also helped to devise a Wordsworth family trail at the Lake District National Park Centre, Brockhole, where our 'Wordsworth Wednesday' family events during half terms and school holidays continued for a second successful year.

We continued our support for the Dove Cottage Young Poets, who meet regularly in Kendal with poet Kim Moore. Members of the group performed their work at Kendal Poetry Festival, the Borderlines festival in Carlisle, and in Grasmere when Paines Plough brought its Roundabout Theatre to the village in September. Group member Hannah Hodgson won a Personal Achievement Award at the North West Cultural Education Awards in April; the work of the Cumbria Museum Consortium was recognised with a Big Impact Award at the same ceremony.

d) Outreach and Community

Our ongoing work with local community groups was amongst the activities to be enriched this year by our collaboration with the University of Leeds. Residents of Caldbeck, Fletchertown, Hesketh Newmarket and other Cumbrian villages explored the themes of extreme weather with professional poets, artists and photographers; the project led to exhibitions at Dove Cottage and community locations, and a free publication co-published with the Old Courthouse Community Centre in Shap. Our now well-established work with the Parkhill Poets, based at an activity centre for adults with disabilities in Maryport, also resulted in a publication this year. Meanwhile, our regular involvement with the Solway Poetry People, the Grasmere History Group, the West Cumbria Carers and other community groups continued, as did our 'In the Moment' sessions in Penrith and Kendal, organised in partnership with the Alzheimer's Society, and 'What are Words Worth?', a drop-in poetry event that this year took place up to three times a week in cafés, care homes, community centres and churches in towns and villages across Cumbria.

e) Events

New additions to our year-round events programme included Wordsworth walks (in conjunction with the Lake District National Park Authority), events on the themes of mindfulness and on poetry and music, 'Poetry Sundays' with Lucy Crispin, 'Meet the Curator' events, and 'Discover Poetry', a friendly and informal poetry reading group with Grasmere-based poet Polly Atkin. Established features of the programme, such as the 'Dove Cottage Tuesdays' fireside talks, the annual Wordsworth Lecture in London (given this year by Professor Sir Drummond Bone) and the literature classes led by Pamela Woof, continued to be popular.

Trustees' annual report (continued)

Achievements and performance (continued)

f) Digital engagement

We continued to harness the potential for digital technology to reach a worldwide audience. We used the StoryMap platform to create our first virtual tour of our exhibition *A Celebration of Watercolours* (September–December), and in another new initiative we published a series of short

films on our YouTube channel linked to our exhibition *Women Behind the Words*. The films featured curatorial staff and volunteers exploring the roles of Dorothy, Mary and Dora Wordsworth in the creation of the verse manuscripts in our archive, and they helped to maintain the number of views of our online video material, boosted in 2016 by a one-off Chinese-language broadcast from Dove Cottage garden. We continued to commission and provide free access to thought-provoking articles via the 'Wordsworth and Romanticism' blog, and the online catalogue of our collection was significantly enhanced by the digitisation of the Iain Bain collection of Thomas Bewick papers, which we acquired in 2013.

g) Other performance measures

Our collection is the engine that drives our activities, and a major programme of manuscript conservation, begun in 2011, was completed this year. The programme had been devised by Christopher Clarkson, our advisor for many years and a leader in his field, and we were very saddened by Christopher's death in March 2017.

The access that we provide to our collection through our own programme of changing exhibitions was supplemented by loans to the National Trust (for an exhibition at Wordsworth House, Cockermouth) and the Brontë Society (the Brontë Parsonage Museum, Haworth).

3. Acknowledgements

Everything that we do depends upon the financial support that we receive from those funding bodies and people who, just as we do, value Dove Cottage as a special place where Wordsworth's memory is kept alive.

We began 2017/18 with a fundraising target of over £5 million to make 'Reimagining Wordsworth' a reality, and we are extremely grateful to everyone whose generosity during the period helped us to achieve that target in full. We thank the Heritage Lottery Fund, already a major stakeholder in the project, and now its principal supporter. We thank the Department for Digital, Culture, Media & Sport, for its support through the Northern Cultural Regeneration Fund, and for seeing our potential to enhance the Lake District's new status as a UNESCO World Heritage Site, and we gratefully acknowledge the bequest from the estate of the late Lord Chorley, a loyal and committed supporter of our work for many years.

We also thank all those other institutions and individuals whose support for 'Reimagining Wordsworth' helped us to make such a compelling case for lottery funding: South Lakeland District Council, the Wolfson Foundation, the Linbury Trust, the Garfield Weston Foundation and the Foyle Foundation, for so generously endorsing our plans; and the John R. Murray Charitable Trust, the Wyfold Charitable Trust, the Postcode Local Trust, St John's College, Cambridge, the Dr Mortimer and Theresa Sackler Foundation, the Charlotte Bonham-Carter Charitable Trust, the Swire Charitable Trust, Patricia Grodd and Michael Stone, Harry Williamson, John and Sally Barker, Stephen Gill, Bill Zachs, Peter Brears, Debbie Pfuntner, David McKitterick and the many other institutions and individuals who responded with such enthusiasm to our appeal.

Trustees' annual report *(continued)*

Achievements and performance *(continued)*

As always, we thank our three major funding partners – Arts Council England, South Lakeland District Council and Lancaster University – and our Patrons, Friends and other regular donors, whose support underpins our ongoing work. We also thank everyone who helped us with specific accomplishments during the year: the Sir John Fisher Foundation, for funding the staff that maintain our collection and enabling us to provide a free Reading Room service for researchers; the Michael Marks Charitable Trust, with whose support we promote excellence in contemporary

poetry; the University of Leeds, for supporting our exhibitions and work in local communities; the John Ellerman Foundation, for helping the Cumbria Museum Consortium to provide a leadership role for the county's museum sector; the John S. Cohen Foundation, whose funding has given valuable opportunities to schoolchildren in disadvantaged parts of west Cumbria; the Friends of the National Libraries, for digitising the Thomas Bewick archive, and the Digital Content Unit at Cambridge University Library for their help with equipment and specifications; the National Manuscripts Conservation Trust, for helping to keep our precious manuscript archive in good repair for future beneficiaries; and Tony Reavell, for enabling us to mark the centenary of the death of William Knight, a pioneering Wordsworth scholar whose gift of Wordsworth's lifetime editions remains a cornerstone of our collection, with such a handsome publication.

We are delighted to acknowledge receipt of donations of fine art, manuscripts, books and other material to our collection from the W.W. Spooner Charitable Trust, Professor Paul Betz, Dr David Wilson, Lord Smith of Finsbury, Veronica Finch, Piet de Jong and many others. Our collection continues to grow, and it is gifts such as these that make the Wordsworth Trust such a vibrant organisation.

Finally, we thank Lord Smith of Finsbury (Chris Smith), who stepped down as Chair in November, for his astute leadership of the Wordsworth Trust over the last sixteen years, and we welcome his successor, Professor Sir Drummond Bone. Drummond joins the Wordsworth Trust at a very exciting time.

FUTURE PLANS

2018/19 will be another milestone year, as we start the delivery phase of Reimagining Wordsworth. We will commission detailed plans and drawings, and appoint a contractor in time to complete the building and fit-out work in 2019/20. Working with our partner organisations, we will also continue to plan a programme of activities to celebrate the 250th anniversary of Wordsworth's birth in 2020. In the meantime, we will continue to diversify our offer, so that our activities can appeal to as diverse a range of people as possible.

Specific objectives for 2018/19 include:

a) Visitors

- enhancing the experience of visiting Dove Cottage and its garden by providing opportunities for new 'meet-and-greet' volunteers.
- presenting, with guest curator Fiona Sampson, a major new exhibition, *In Search of Mary Shelley*, to mark the bicentenary of the publication of *Frankenstein*.
- presenting further exhibitions and displays on the theme of 'Women Behind the Words', to mark 100 years since women secured the right to vote.
- improving the general presentation of Town End for the benefit of all its visitors, including the exteriors of those historic properties that do not form part of the Reimagining Wordsworth project.

Trustees' annual report *(continued)*

Future plans *(continued)*

b) Formal education

- increasing (from one to two) our free classroom sessions in local schools, to add value to their visit to Dove Cottage.
- helping Newman University students present an exhibition in Birmingham Public Library based on their responses to William and Dorothy Wordsworth.

c) Outreach and community

- working with local volunteers to devise and open a sensory garden in an unused part of our site, for the benefit of Grasmere residents, visitors to Dove Cottage and the many walkers who pass through our site.

d) Digital engagement

- relaunching the Wordsworth Trust's website with a simpler, more user-friendly design.
- contributing to 'A History of the North in 100 Objects', an online exhibition linked to the Great Exhibition of the North.

e) Other performance measures

- creating a new brand identity for the Wordsworth Trust.
- recruiting a Volunteer Coordinator, a new post, to help realise our ambitions to improve the visitor experience and our outreach work through the Reimagining Wordsworth project.
- working with our partners in the Cumbria Museum Consortium to present 'Success in the Sticks', a conference specific to museums in rural locations.

FINANCIAL REVIEW

1. Summary

The net income for the fifteen months, including investment gains and losses, was £364,000 (year to 31 December 2016: £325,000 net income).

The Trust made the decision to changing its financial reporting date from 31 December to 31 March so these financial statements cover a fifteen month period. This inevitably means that comparisons between the years are harder to draw, exacerbated by the inclusion of expenditure on the delivery phase of the Reimagining Wordsworth project which ran throughout the calendar year of 2017.

In 2017 the admission price was increased and this helped to increase the income from admissions in the fifteen months. Visitor numbers increased in the calendar year 2017 compared to 2016, which had been heavily impacted by the closure of the main road through the Lake District in the early months of the year, but fell slightly against the number for 2015.

The Catalyst Endowment campaign, supported by the Arts Council England resulted in a large increase in donations and legacies in 2015 and 2016. As the campaign has now completed there were no donations during the fifteen months to 31 March 2018 (Year to 31 December 2016: £691,000).

The impact of the Reimagining Wordsworth project can be seen in a number of areas in the financial statements. The development phase ran until early January 2018 when the application to the Heritage Lottery Fund (HLF) for round two funding to support the delivery phase was submitted.

The expenditure on the development phase was £517,000 of which £266,000 was capitalised, including £259,000 as assets under construction. The balance was treated as expenditure. £494,000

Trustees' annual report *(continued)*

Financial review *(continued)*

in grant income was received from the HLF (2016: £51,000) and the remaining expenditure was covered by income that had been raised by the Trust in earlier years and which was being held in designated or restricted reserves.

In March 2018 the HLF announced their support for the delivery phase of the project with a grant of up to £4,094,800 against a project cost of £5,425,800. The Trust has been successful in fundraising for the balance of the project costs and in the accounts for the fifteen months to 31 March 2018 £162,000 of income received and £153,000 of pledged income has been recognised. None of the HLF delivery grant has been recognised in the period.

Salary costs for the fifteen months amount to £1,045,000 (Year to 31 December 2016: £773,000). This has increased as a result of a pay award in April 2017 of 1% plus an increase to the national living wage. Also there are increased salary costs as a result of the staff being employed directly to support the Reimagining Wordsworth Project.

The Major Partner Museum grant the Trust received from the Arts Council as a part of the Cumbria Museums Consortium was renewed with effect from 1 April 2018 for four years.

Expenditure against other restricted funds includes £135,000 of depreciation on the Jerwood Centre which was funded by grants in prior years.

There have been difficult trading conditions for the trading subsidiary Dove Cottage Promotions Ltd which has seen a loss of £8,000 (2016: £5,000 profit). This has been exacerbated by the fifteen month period covering the Trust closed period and two of the weakest trading months at the start of 2018.

2. Investments

The Trust owns several properties in Town End in Grasmere in the vicinity of Dove Cottage that are held as investment assets as the rental income is an important source of revenue for the Trust and the capital appreciation helps its long term financial security. The properties are let to a mix of the Trust's staff and third parties and rents are assessed against market rates. One property is a guest house and is let on a commercial lease. Rental income for the fifteen months was £141,000 which was a proportionate increase on 2016 (Year to 31 December 2016: £107,000).

The Trust has four discrete funds which are managed by Cazenove Capital Management (the wealth management arm of Schroder plc): the Development Fund, the RS Woof Memorial Fund, which permanently endows the post of the RS Woof Director, the Catalyst Endowment Fund and the Reserve Fund, which is held in the balance sheet as a current asset investment. There are no ethical restrictions on any of the funds under management.

The Development Fund comprises both a permanent endowment and a designated element. Due to the restrictions placed upon the entire Development Fund by the donor of the endowment element, both components of the fund must be treated as permanent endowment. The fund overall is invested on a total return basis and the managers have investment discretion to meet a target total return of CPI + 2%.

Trustees plan to allocate at least £50,000 per year on a regular basis from the entire fund to income in order to aid planning within the organisation. In 2017-18 they decided to allocate £16,250 per quarter. In making this allocation trustees have sought the opinion of the investment manager and considered the impact on both current and future beneficiaries. At 31 March 2018 the unapplied total return amounted to £307,000 (31 December 2016: £296,000) in the Endowment

Trustees' annual report *(continued)*

Financial review *(continued)*

Development Fund and £192,000 (31 December 2016: £186,000) in the designated element of the Fund. By the end of the year the FTSE-100 Total Return Index had risen 3.9% over the fifteen months to 31 March 2018. The Development Fund generated a total return of +8.6% against a target of 5%

(CPI + 2% for the fifteen months to 31 March 2018) and a benchmark of +8.6% in the calendar year 2017 and a total return of -4.8% against a benchmark of -3.9% in the three months to 31 March 2018.

The purpose of the RS Woof Memorial Fund is to endow the position of the Robert Woof Director. To this end the objective of the fund is to maximise income while maintaining the capital value.

As the fund raising for the Catalyst Endowment fund has now finished there was no increase in the funds available for investment during the fifteen month period. The fund is invested with a prudent approach to risk to maximise income consistent with maintaining the real value of the capital. It has a higher requirement for income than the development fund being set at 3.5%.

The smaller RS Woof Memorial Fund, which has a more defensive mandate, saw a 2.7% capital appreciation over the fifteen months while generating a yield of 4.17% in the calendar year 2017. The Catalyst Endowment fund, which reduced in size over the fifteen months by £4,000 generated a yield of 3.56% over the calendar year 2017. All the Trust's fixed asset investments are managed for the longer term and trustees remain confident that the long-term outlook remains favourable.

The Reserve Fund investments are held as current assets which are available to support the operating cash flow should a short-term need arise. Rather than use low return bank deposits trustees have decided to invest this surplus cash in a readily tradeable bond fund. This fund generated a yield of 4.1% for the calendar year 2017. During 2016 £25,000 was taken from the fund to support the cash flow for Reimagining Wordsworth (2017-18 £Nil).

The results of the Trust's trading subsidiary, Dove Cottage Promotions Limited, which runs a book and gift shop, are summarised in note 5 of the accounts. With reduced visitor numbers and the impact of the fifteen month accounting period a trading loss of £8,000 in the fifteen month period was recorded (2016 Profit £5,000). Margins were comparable to 2016. The company has not made a gift aid payment to the Trust for this accounting period (2016: £5,000).

3. Reserves

The Trust maintains reserves to enable it to fulfil its charitable remit by providing for business continuity, security to its collection, and the maintenance of its properties in circumstances where its revenue requirements may not be covered by short-term income. The reserves are managed to offer the best return for the charity while remaining relatively liquid to meet the needs of the Trust.

The trustees periodically review their reserves policy as part of the risk management process, and they have identified several main reasons for holding reserves:

- To allow the financing of a controlled reduction in expenditure should extraordinary events beyond the Trust's control generate a long-term reduction in income streams.
- To provide short-term support in circumstances where a temporary interruption to income means it is not appropriate to lose the skills and knowledge of the staff team or to curtail the charity's programme of events.

Trustees' annual report *(continued)*

Financial review *(continued)*

- To accommodate the fact that many of the Trust's major events such as exhibitions and conferences are planned, and therefore expenditure committed, months if not years in advance while income from these events in terms of admissions is not received until after the event opening. This misalignment of income and expenditure is a main consideration in determining an adequate level of reserves.
- To anticipate potential site closure during the building phase of the Reimagining Wordsworth project, which would result in a loss of admissions income.

The level of reserves therefore varies depending on the specific circumstances and cannot be expressed as an exact figure. However after taking all of these factors into consideration the trustees believe a free reserve (funds not tied to fixed assets, designated or restricted funds) of relatively liquid assets equivalent to the external income required to fund between three and six months' budgeted expenditure is appropriate.

At the end of the year the Trust's total funds were £14,899,000. Of this £2,623,000 were endowment funds and £2,607,000 were restricted funds which are not available for the general purposes of the charity. The Designated Development Fund of £900,000 must be treated as permanent endowment under the terms of the Endowment Development Fund as described in note 17 of the accounts. Of the other three designated funds the Collection Assets Fund (£3,295,000) represents the heritage assets of the Trust and cannot be realised with the sale of the collection. The designated Warren Collection Fund of £59,000 is held as cash or near cash and is available to spend at any time on the acquisition of heritage assets. Tangible fixed assets and investment properties held in the general fund totalled a further £6,453,000. To purchase investment properties and fixed assets and to provide working capital trustees have taken out long-term loans of which £1,000,000 remains outstanding.

The Trustees have reviewed the method of calculation of free reserves in line with guidance produced by the Charity Commission (including reflecting an allocation of the tangible fixed assets and investment properties the Trust holds). As a result they consider period end free reserves are now £201,000 (2016: £216,000). The trustees believe that three months' budgeted expenditure is an acceptable measure for the level of free reserves. At 31 March 2018 this would equate to £284k. The current level reflects the difficult trading conditions over the last few years and highlights the need for the Reimagining Wordsworth project which has as one of its aims the long term financial sustainability of the Trust. There will be additional pressure on the reserves during 2019 as the project delivery phase gets under way and there will be some periods of closure. This will be mitigated by careful planning with the professional team, maximising the time Dove Cottage is open, opening the café and retail area as soon as possible and minimising expenditure on seasonal staff.

4. Fundraising

The activities reported here are only achieved with the generous financial support of many institutions and individuals, and fundraising is an ongoing activity. We employ two members of fundraising staff, and our fundraising costs also reflect the Director's involvement in the effort.

The Development Manager reports quarterly to Trustees, and more regularly to our Fundraising & Communications Committee. We opted into self-regulation in 2013 by becoming a member of the Fundraising Standards Board in 2013, and are now registered with the Fundraising Regulator. We have given due consideration of its codes of practice, including the general principle that we must act reasonably and fairly in all of our fundraising, and take the needs of vulnerable people into account.

Trustees' annual report *(continued)*

STRUCTURE, GOVERNANCE AND MANAGEMENT

We explain how we would respond to any complaints about our fundraising in our Feedback Policy and our Privacy Notice, and publish both documents on our website. We received no complaints about our fundraising during the year.

We continued to use a fundraising strategy consultant (contracted in 2016) during the year, to help us with our 'Reimagining Wordsworth' fundraising strategy and plan our future revenue fundraising beyond the project's completion. The brief was to advise us on strategy and support grant applications; we do not use consultants or agencies to approach individuals for support on our behalf.

1. Board of Trustees

The Board of Trustees is responsible for the overall management and strategic direction of the Trust, and comprises between 10 and 15 members. Board members come from a range of backgrounds including Wordsworth and Romantic scholars, museum professionals, educationalists and business people.

In November 2017 the Rt Hon Lord Smith of Finsbury PC retired as Chair of the Board of Trustees and Professor Sir Drummond Bone was appointed.

When filling vacancies, the Board reviews its existing skills to ensure it can draw on a range of relevant experience in fulfilling its obligations. Trustees are appointed by the Board, and candidates are subject to a vetting process to verify their suitability as a charity trustee. The Trust advertises to recruit new trustees with appropriate qualifications. Candidates are shortlisted and interviewed by the Nominations Committee, which makes recommendations to the Board as a whole.

On appointment, trustees complete a register of interests and undertake an induction programme that includes familiarisation with the purposes and operation of the Trust, its strategies and its objectives. They receive copies of the Trust's main documents including financial statements and business plan and meet senior employees and other staff. There is currently no ongoing training programme for trustees. There are job descriptions for the position of trustee and the posts of Chair and Honorary Treasurer.

Each trustee retires from office at the third Annual Retirement Meeting following the commencement of their term of office. Retiring trustees may be reappointed but can serve for no more than sixteen continuous years.

The trustees have no interest in the Trust's surplus or assets, receive no remuneration and must comply with the Trust's Conflict of Interest Policy.

To assist in the performance of its role, the Board has established several standing committees. Individual trustees serve on a number of committees which consider specific matters in greater detail and make recommendations on those matters to the Board as a whole.

- Collection and Education Committee – oversees the development, management and care of the permanent collection, and the public benefit the collection generates through the programme of exhibitions, learning and outreach.
- Estate Committee – monitors the development and maintenance of Dove Cottage, its garden and all the other properties owned or occupied by the Trust in Town End, Grasmere.
- Finance Committee – makes recommendations to the Board on financial policies, goals and budgets and reviews financial performance against those targets.

Trustees' annual report *(continued)*

Structure, governance and management *(continued)*

- Fundraising Committee –originally constituted to support the development of the Catalyst Endowment Fund the role has been expanded to fundraise for the Reimagining Wordsworth project and other strategic priorities.
- Investment Committee – has responsibility for monitoring the performance of the investment managers, for making recommendations regarding their appointment and on investment policy. The Investment Committee includes co-opted members with particular investment expertise.
- Nominations Committee – considers the skills, experience, age and gender of the Board, develops succession plans for trustees and key office holders and seeks to identify suitable candidates for the roles of trustee, Chair, Treasurer and Director of the charity for consideration by the full Board.
- Project Committee – oversees the process for the completion of the development phase of the Reimagining Wordsworth project supported by the Heritage Lottery Fund.

Two trustees along with the Robert Woof Director form the board of the trading subsidiary, Dove Cottage Promotions Ltd.

The Board approves the annual plans and budgets against which the Trust's performance is assessed. Day-to-day management of the Trust is delegated to the Robert Woof Director and the senior management team (SMT). The Board met four times during the year, to receive and review minutes from the standing committees and reports from the SMT.

2. Senior management team

The SMT provides the Board with departmental reports and quarterly management accounts and departmental reports for each meeting. The members of the SMT attend the Board meetings. The Director is responsible to the Board for the financial performance against annual budgets and for the charitable impact of the Trust. The SMT are the Key Management Personnel for the Trust.

Salaries for the SMT members are reviewed annually at the same time as the staff and in 2017/18 and 2016 on the same basis. As with all positions at the Trust SMT salaries are on occasion benchmarked against salaries in comparable organisations.

During the fifteen months to 31 March 2018 the SMT comprised:

The Robert Woof Director	Michael McGregor
Curator and Head of Learning	Jeff Cowton MBE
Development Manager	Mark Bains
Finance and Operations Director	Amanda Pickup

3. Risk Management

The trustees keep the major risks to which the charity is exposed under review and seek to mitigate against those risks which could, if they occur, have a severe impact on the ability of the Trust to achieve its strategic targets. Where appropriate, insurance has been taken out.

Despite this, trustees are aware that any system of control can provide only reasonable and not absolute assurance against material loss or misstatement. In the opinion of trustees, the Trust has established resources and review systems, which under normal conditions should allow these risks to be mitigated to an acceptable level in the day-to-day operations of the Trust.

Trustees' annual report (continued)

Structure, governance and management (continued)

During the delivery phase of the Reimagining Wordsworth project a separate project risk register will be maintained. The trustees have identified the following as being the main risks to which the charity is exposed:

Risk category	Type of risk	Mitigation
Environmental	Risks to demand based on external factors	Reimagining Wordsworth site development. Audience development plan developed and regular updating of offer. Ongoing market research Reserves.
Financial	Adequacy of reserves – through the Reimagining Wordsworth project	Reimagining Wordsworth project will address Trust sustainability and will assist in building reserves on completion Development and Endowment funds. Reserve investment fund to be transferred to cash to support cashflow through the project. Careful planning to maximise income and minimise costs through 2019.
Financial	Risks associated with financial mismanagement	Policies codified in the Financial Control Manual. Insurance. Pre- employment checks Trustee reporting
Funding	Risks regarding the ability to achieve fundraising targets and loss of support from a major funder	Establishment of Fundraising and Communications Committee. Development of fundraising strategy. Communication with grant giving bodies. Obtaining written agreements. Policy to reduce dependency on donated income. Reserves.
Funding	Loss of public confidence in fund raising activity	Registration with the Fundraising Regulator. Adherence to established codes of practice
Governance	Risks related to corporate governance issues	Nominations Committee. Trustee induction process. Conflict of interests policy. Approved strategy, operating plan and annual budgets. Job descriptions.
Health and Safety	Risks associated with legal H&S obligations	On-going review of H&S policies. Regular reviews of Safeguarding policy and training for all staff Periodic review by Management Committee. Insurance.
Operational	Risk associated with management of the Trust's assets including major damage to Dove Cottage or theft of or damage to other collection assets	Automated alarms. Collection stored in locations with BMS to BS5454. Monitoring of statutory regulations. Insurance.
Personnel	Risks related to maintaining a competent workforce	Job descriptions. Staff appraisal system. Broadening of decision making with the Management Committee. External salary review undertaken and staffing review planned as part of Reimagining Wordsworth.
Regulatory	Risks of failure to comply with external regulations	Monitor regulations and changes to them. Staff training. Collection management policies. Insurance cover
Reimagining Wordsworth project	Risks associated with successfully implementing the Reimagining Wordsworth project	Use of professional advisors. Monitoring by Heritage Lottery Fund. Contingency allowance. Trustee Fundraising Committee. Planning Performance Agreement. New posts. Project risk register.

Trustees' annual report *(continued)*

Structure, governance and management *(continued)*

5. Principal advisors

Principal solicitors:
Bates, Wells & Braithwaite
10 Queen Street Place
London
EC4R 1BE

Principal bankers:
Barclays Bank plc
Barclays House
Oxenholme Road
Kendal
LA9 7RL

Investment advisors:
Cazenove Capital
1 London Wall Place
London
EC2Y 5AU

Registered auditor:
Mazars LLP
One St Peter's Square
Manchester
M2 3DE

DISCLOSURE OF INFORMATION TO AUDITOR

The trustees who held office at the date of approval of this trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Mazars LLP will therefore continue in office.

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

By order of the board.


Professor Sir Drummond Bone
Chair of Trustees

2ND November 2018

Registered company number 03442086
Registered charity number 1066184

Statement of responsibilities of the Trustees of The Wordsworth Trust in respect of the Trustees' Annual Report and the financial statements

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law they 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 trustees 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 income and expenditure of the group for that period. In preparing each of the group and charitable company financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue its activities

The trustees 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 the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and the group and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website.

Statement as to disclosure to the auditors

In so far as the trustees are aware at the time of approving the Trustees' Annual Report:

- there is no relevant information, being information needed by the auditor in preparing their report, of which the auditor is unaware; and
- the trustees, having made enquiries of fellow trustees and having taken all the steps they are obliged to take as a trustee in order to make themselves aware of any relevant audit information, have established that the auditor is aware of that information.

By order of the board.


Professor Sir Drummond Bone
Chair of Trustees

 November 2018

Independent auditor's report to the members of The Wordsworth Trust

Opinion

We have audited the financial statements of The Wordsworth Trust (the 'parent charity') and its subsidiary (the 'group') for the period ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 March 2018 and of the group's income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of The Wordsworth Trust (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report which includes the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 17, the trustees (who are also the directors of the parent charity 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charity'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 the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of The Wordsworth Trust *(continued)*

Use of the audit report

This report is made solely to the 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 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.


Janine Fox

(Senior Statutory Auditor)
for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE

2 November 2018

Consolidated statement of financial activities (incorporating income & expenditure account)
for the fifteen months ended 31 March 2018

		Unrestricted funds		Endowment funds		Restricted funds	Total 15 months to 31 March 2018	Total Year to 31 December 2016
	Notes	Unrestricted funds £000	Designated Development Fund £000	Development Fund £000	Other Endowment Funds £000	£000	£000	£000
Income and endowments from:								
Donations and legacies	3	165	2	-	-	1,309	1,476	691
Charitable activities								
Admission fees and sales	4	430	-	-	-	-	430	338
Other trading activities								
Book and gift shop sales	5	159	-	-	-	-	159	150
Investments	6	155	32	56	48	-	291	234
Other		16	-	-	-	-	16	17
Total income		925	34	56	48	1,309	2,372	1,430
Expenditure on:								
Raising funds								
Fundraising costs		166	-	-	8	61	235	152
Book and gift shop costs		159	-	-	-	-	159	142
Investment management costs		-	3	5	4	-	12	8
Management costs of the let estate		125	-	-	-	-	125	105
Charitable activities:								
Custodianship		272	-	-	2	224	498	358
Access and learning		350	-	-	3	635	988	715
Total expenditure	7	1,072	3	5	17	920	2,017	1,480
		(147)	31	51	31	389	355	(50)
Net gains/(losses) on investments		-	1	1	7	-	9	375
Net income/(expenditure)		(147)	32	52	38	389	364	325
Transfers between funds	8	100	(24)	(41)	(35)	-	-	-
Net movements in funds		(47)	8	11	3	389	364	325
Reconciliation of funds:								
Total funds b/f at 1 January 2017		8,816	892	1,557	1,052	2,218	14,535	14,210
Total funds c/f at 31 March 2018		8,769	900	1,568	1,055	2,607	14,899	14,535

The notes on page 24 to 45 form a part of these financial statements.

The net income and resulting net movement in funds arise from continuing operations.

The charitable company has no recognised gains or losses other than the net movement of funds for the period.

There is no material difference between the reported results and the historical results of the charitable company.

Balance Sheet at 31 March 2018

	Notes	Group		Charitable company	
		31 March 2018	31 December 2016	31 March 2018	31 December 2016
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9	3,167	3,051	3,167	3,051
Heritage assets	10	3,295	3,184	3,295	3,184
Investment property	11	5,233	5,233	5,233	5,233
Investments	12	3,521	3,508	3,536	3,523
Total fixed assets		15,216	14,976	15,231	14,991
Current assets					
Investments		380	380	380	380
Stocks	13	34	37	-	-
Debtors	14	201	49	235	75
Cash at bank and in hand		158	179	137	161
Total current assets		773	645	752	616
Creditors: Amounts falling due within one year	15	(90)	(84)	(83)	(77)
Net current assets		683	561	669	539
Total assets less current liabilities		15,899	15,537	15,900	15,530
Creditors: Amounts falling due after more than one year	16	(1,000)	(1,002)	(1,000)	(1,002)
Total net assets		14,899	14,535	14,900	14,528
The funds of the charity					
Undesignated funds:					
General funds	17	1,249	1,302	1,250	1,295
Revaluation reserve	17	4,149	4,150	4,149	4,150
		5,398	5,452	5,399	5,445
Designated funds:					
Warren Collection Fund	17	59	59	59	59
Collection Assets Fund	17	3,295	3,184	3,295	3,184
Reimagining Wordsworth – Delivery	17	17	121	17	121
Designated Development Fund	17	900	892	900	892
Total unrestricted funds		9,669	9,708	9,670	9,701
Restricted funds:	17	2,607	2,218	2,607	2,218
Endowment funds:					
Endowment Development Fund	17	1,568	1,557	1,568	1,557
RS Woof Memorial Fund	17	267	258	267	258
Catalyst Endowment Fund	17	788	794	788	794
Total charity funds		14,899	14,535	14,900	14,528

The charitable company has made a surplus of £373k in the period to 31 March 2018 (£325k in the year to 31 December 2016).

These financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies.

Approved by the board of trustees on 2nd Nov 18 and signed on its behalf by:

Professor Sir Drummond Bone
Chair of Trustees

Registered company number 3442086
Registered charity number 1066184

Consolidated Statement of cash flows

For the fifteen months 31 March 2018

	15 months to 31 March 2018 £000	Year to 31 December 2016 £000
Cash flows from operating activities		
Net cash used in operating activities	(11)	(151)
Cash flows from investing activities		
Dividends and interest allocated to income	150	127
Rents from investment properties	141	107
Purchase of assets	(296)	(24)
Proceeds from sales of investments	279	239
Purchase of investments	(283)	(228)
Net cash (used in)/provided by investing activities	(9)	221
Cash flows from financing activities		
Repayments of borrowing	(1)	(1)
Receipts of endowment	-	-
Cash used in financing activities	(1)	(1)
Change in cash and cash equivalents in the period:	(21)	69
Cash and cash equivalents at start of year	179	110
Cash and cash equivalents at end of year	158	179
Reconciliation of net income to net cash used in operating activities		
Net income	364	325
Adjustments for:		
Depreciation	180	135
(Gains) on investments	(9)	(375)
Dividends and interest	(150)	(127)
Rent on investment properties	(141)	(107)
Gifts in kind	(111)	(46)
Receipts of endowment	-	-
Decrease/(Increase)/ in stocks	3	(4)
(Increase)/Decrease in debtors	(152)	19
Increase in creditors	5	29
Net cash used in operating activities	(11)	(151)

Notes (forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the group's financial statements.

Basis of preparation

The Wordsworth Trust (the "Trust") is a registered charity and a company limited by guarantee and incorporated and domiciled in the UK.

These Group and parent company financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the Trust's governing document, the Companies Act 2006, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014. The presentation currency of these financial statements is sterling.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Statement of Financial Activities or cash flow statement or with related notes is included; and
- Key Management Personnel compensation has not been included a second time as they are included for the group

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Trust has changed its accounting date from 31 December to 31 March primarily to be in line with its major funding partners. As a result these financial statements cover a fifteen month period from 1 January 2017 to 31 March 2018 with comparatives covering the period 1 January 2016 to 31 December 2016.

The Wordsworth Trust meets the definition of a public benefit entity under FRS 102.

Measurement convention

The financial statements are prepared on the historical cost basis except for investment property that is stated at fair value.

Basis of consolidation

These consolidated financial statements consolidate the results of the Trust and its wholly owned subsidiary undertaking, Dove Cottage Promotions Limited (registered number 02091130), on a line-by-line basis.

These accounts are made up to 31 March 2018 and are based on the accounts of the subsidiary undertaking which are coterminous with those of the Trust.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Going concern

The trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, a period that is not less than twelve months from the date of signing the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes (continued)

1 Accounting policies (continued)

Related party transactions

Transactions with those subsidiary undertakings whose voting rights are 100% controlled within the group are not disclosed, as provided for in FRS 102, section 33. Transactions with other parties are detailed in note 21.

Fixed asset investments

Fixed asset investments are included at the quoted mid-market price ruling at the balance sheet date. Realised and unrealised gains and losses on investments are shown in the Statement of Financial Activities and represent the change in market value from the beginning of the year.

Unquoted investments are included at the share capital value.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

- i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the Statement of Financial Activities in the period that they arise; and
- ii. no depreciation is provided in respect of investment properties applying the fair value model.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Property	-	fifty years
Plant	-	fifteen years
Fixtures, fitting and equipment	-	between three and five years

Fixed assets purchased below £500 are not capitalised.

Heritage assets

Items purchased for the collection are valued at cost. Donated items have been valued at the Curator's best estimate of current value at the time of acquisition since 2010. It is the responsibility of the Trust to preserve and conserve Collection items for the benefit of the Nation and due to their nature they are expected to have a long life. Depreciation is therefore not charged on Collection items which are capitalised since this is deemed to be immaterial. Impairment reviews are carried out annually.

Current asset investments

Current asset investments are fixed interest bonds essentially held as an alternative to bank deposits. Current asset investments are included at the quoted mid-market price ruling at the balance sheet date. Realised and unrealised gains and losses on investments are shown in the Statement of Financial Activities and represent the change in market value from the beginning of the year.

Stocks

Stocks consist of purchased goods for resale and are stated at the lower of cost and estimated selling price less costs to complete and sell.

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.

Notes (continued)

1 Accounting policies (continued)

Creditors

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

Income

All income is recognised once the Trust has entitlement to the resources, it is probable that the resources will be received and the monetary value can be measured with sufficient reliability.

Donations and grants

Income from donations and grants is credited to the Statement of Financial Activities when receivable. Where such income is received in advance the income is deferred until the Trust becomes entitled to the resources. Legacies are recognised on an accruals basis to the extent that the Trust has been notified that it is a beneficiary and there is a clear indication of the amounts involved.

Income from charitable activities

Income from admissions to Dove Cottage and Museum and for charitable activities undertaken by the Trust is recognised when receivable. Related gift aid is also accounted for on a receivable basis.

Book and gift shop sales

Trading income from the book and gift shop operated by the Trust's trading subsidiary represents the value of goods sold net of VAT and this is recognised at the point of sale.

Investment income

Investment income and gains of the Development Fund are split between the Designated and Endowment funds based on the opening value of their investments. Investment income generated on restricted funds remains restricted.

Rents and interest are included when receivable at an amount which includes any tax recoverable from HMRC.

Expenditure

Expenses are accounted for on an accruals basis.

Direct charitable expenditure includes the direct costs of the activities. Support costs are also incurred to enable the Trust to provide these activities. Where such costs relate to more than one functional cost category, they have been apportioned as a percentage of staff time employed on the relevant activity.

Pension costs

The Trust contributes to the defined contribution pension schemes of some employees. The assets of the schemes are held separately from those of the Trust in independently administered funds. The amount charged in the Statement of Financial Activities represents the contributions payable to the schemes in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Fund accounting

Funds held by the Trust are either:

Unrestricted general funds – these are funds which can be used in accordance with the charitable objectives at the discretion of the trustees.

Designated funds – these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.

Designated Development Fund – a designated unrestricted fund shown separately from the Endowment Development Fund, since it is expendable in the event of a 75% majority decision by the trustees. However this fund must be treated as if it were an endowment fund, otherwise the whole of the Endowment Development Fund becomes repayable.

Restricted funds – these are funds that can only be used for restricted purposes within the objects of the Trust. Restrictions arise when specified by the donor or when funds are raised for a restricted purpose.

Endowment Development Fund – a permanent endowment fund created to provide an additional income stream for the Trust.

RS Woof Memorial Fund – a permanent endowment fund to be used to endow the post of the Robert Woof Director of the Trust.

Catalyst Endowment Fund – supported by Arts Council England, this is a restricted endowment fund established to support the general operating costs of the Trust.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Where a grant or donation is received to fund a capital item or where an asset is donated, if there is an obligation relating to the future use or retention of the relevant asset, the balance relating to that asset is held within restricted funds as long as that restriction exists. Where there is no such restriction, the restricted income relating to the purchase of capital items is transferred to unrestricted funds in the Statement of Financial Activities.

Taxation

The Wordsworth Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge has arisen in the year.

Irrecoverable VAT

Irrecoverable VAT is accounted for in the expenditure category under which the cost is incurred.

Critical accounting judgements and key sources of estimation uncertainty

In applying the charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Trustees' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Notes (continued)

1 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements

The critical accounting judgements that the Trustees have made in the process of applying the charity's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

- **Classification of investment properties**

In assessing whether properties held should be classified as investment properties or tangible fixed assets, the Trustees have considered the motivations behind the continued ownership of such assets. In respect of certain properties classified as investment properties there are multiple motivations. In determining the classification of these properties the Trustees have made an assessment that, on balance, classification as investment property most accurately reflects the position.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Valuation of heritage assets**

The methods undertaken to attribute a value to donated heritage assets is disclosed on page 25. The valuation is inherently an estimate. In performing the valuation, the Curator utilises a variety of factors to enhance the accuracy of the investment including using information provided by the donor on the purchase price of the donations, information regarding the valuations or sales price of the same or similar items and his own knowledge and awareness of the current market for such items.

- **Determining residual values and useful economic lives of property, plant and equipment**

The charity depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes. Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Notes (continued)

2 Statement of Financial Activities comparative figures

The Charities SORP requires comparative figures to be presented for every figure given in the statement of financial activities. Consolidated figures for the year ended 31 December 2016 are given below.

	Unrestricted funds		Endowment funds		Restricted funds	Total
	Unrestricted funds	Designated Development Fund	Development Fund	Other Endowment Funds		Year to 31 December 2016
	£000	£000	£000	£000	£000	£000
Income and endowments from:						
Donations and legacies	219	2	-	-	470	691
Charitable activities						
Admission fees and sales	338	-	-	-	-	338
Other trading activities						
Book and gift shop sales	150	-	-	-	-	150
Investments	125	25	44	40	-	234
Other	17	-	-	-	-	17
Total income	849	27	44	40	470	1,430
Expenditure on:						
Raising funds						
Fundraising costs	142	-	-	8	2	152
Book and gift shop costs	142	-	-	-	-	142
Investment management costs	-	2	3	3	-	8
Management costs of the let estate	105	-	-	-	-	105
Charitable activities:						
Custodianship	151	-	-	2	205	358
Access and learning	332	-	-	2	381	715
Total expenditure	872	2	3	15	588	1,480
	(23)	25	41	25	(118)	(50)
Net gains on investments	62	86	151	76	-	375
Net income/(expenditure)	39	111	192	101	(118)	325
Transfers between funds	93	(24)	(41)	(28)	-	-
Net movements in funds	132	(87)	151	73	(118)	325
Reconciliation of funds:						
Total funds b/f at 31 December 2015	8,684	805	1,406	979	2,336	14,210
Total funds c/f at 31 December 2016	8,816	892	1,557	1,052	2,218	14,535

Notes (continued)

3 Donations and legacies

	Unrestricted funds	Designated Development Fund	Catalyst Restricted Endowment Fund	Restricted funds	15 months to 31 March 2018	Year to 31 December 2016
	£000	£000	£000	£000	£000	£000
Heritage Lottery Fund	-	-	-	494	494	51
Arts Council England (MPM Grant)	-	-	-	383	383	297
Linbury Trust	-	-	-	150	150	-
W.W. Spooner Charitable Trust	64	-	-	-	64	43
John R. Murray Charitable Trust	-	-	-	30	30	-
Professor Paul Betz	29	-	-	-	29	-
Sir John Fisher Foundation	-	-	-	24	24	20
Michael Marks Charitable Trust	-	-	-	20	20	20
University of Leeds	-	-	-	18	18	8
John Ellerman Foundation	-	-	-	16	16	8
Patricia Grodd and Michael Stone	-	-	-	15	15	7
Lancaster University	-	-	-	15	15	15
South Lakeland District Council	-	-	-	10	10	10
Wyfold Charitable Trust	-	-	-	10	10	-
Postcode Local Trust	-	-	-	8	8	-
Anonymous	-	-	-	8	8	-
St John's College, Cambridge	-	-	-	7	7	-
Dr David Wilson	6	-	-	-	6	-
The Late Lord Chorley	-	-	-	5	5	-
John S. Cohen Foundation	-	-	-	5	5	5
Anonymous	-	-	-	5	5	-
Anonymous	-	-	-	5	5	-
Mr Harry Williamson	-	-	-	5	5	-
Dr Mortimer & Theresa Sackler Foundation	-	-	-	5	5	-
Mr and Mrs John Barker	-	-	-	5	5	-
Piet De Jong	4	-	-	-	4	-
The Friends of the National Libraries	-	-	-	4	4	-
Mr Tony Reavell	-	-	-	4	4	1
Dr William Zachs	-	-	-	3	3	-
Charlotte Bonham-Carter Charitable Trust	-	-	-	3	3	-
Anonymous	-	-	-	3	3	3
Professor Stephen Gill	-	-	-	3	3	-
Lord Smith of Finsbury	3	-	-	-	3	-
The Swire Charitable Trust	-	-	-	2	2	10
Jonathan Wordsworth	2	-	-	-	2	-
University of Sunderland	-	-	-	1	1	27
Mr Richard Delbridge (legacy)	-	-	-	-	-	50
Miss Henrietta Richardson Perkins (legacy)	-	-	-	-	-	44
Cumbria County Council	-	-	-	-	-	10
Millicent Monck-Mason (legacy)	-	-	-	-	-	5
The Hon Mr Robert & Mrs Donna Lloyd George	-	-	-	-	-	5
Margaret Hill	-	-	-	-	-	3
Mr Edward D. Baker	-	-	-	-	-	3
Anonymous	-	-	-	-	-	3
Friends	16	-	-	-	16	13
Patrons	27	-	-	-	27	18
Gift Aid and others (£2,000 or below)	14	2	-	43	59	20
	165	2	-	1,309	1,476	691

Notes (continued)

4 Income from charitable activities

	15 months to 31 March 2018 £000	Year to 31 December 2016 £000
Admission fees	365	295
Short course programme	65	43
Publications	3	3
Less sales to subsidiary	(3)	(3)
	<u>430</u>	<u>338</u>

5 Commercial trading activity income

The charitable company has one trading subsidiary, Dove Cottage Promotions Limited, a company incorporated in England and Wales (company registration number 02091130). The charitable company owns the entire share capital of this company being 15,000 £1 ordinary shares. Dove Cottage Promotions Limited operated a book and gift shop throughout the year.

A summary of the trading result of Dove Cottage Promotions Limited is shown below. Audited financial statements for the year ended 31 March 2018 are filed with the Registrar of Companies. A Gift Aid donation of the taxable profit of £Nil (2016: £4,529) was made to The Wordsworth Trust.

	15 months to 31 March 2018 £000	Year to 31 December 2016 £000
Turnover	159	150
Cost of sales	(72)	(68)
Gross profit	<u>87</u>	<u>82</u>
Administrative expenses	(95)	(77)
Operating (loss)/profit	<u>(8)</u>	<u>5</u>
Tax	-	-
(Loss)/Profit on ordinary activities after taxation	<u>(8)</u>	<u>5</u>
Gift aid payment	-	(5)
Retained (loss)/profit for the year after payment of gift aid	<u>(8)</u>	<u>-</u>

The aggregate of the assets, liabilities and funds was:

	31 March 2018 £000	31 December 2016 £000
Assets	60	55
Liabilities	(46)	(33)
Funds	<u>14</u>	<u>22</u>

6 Investment income

Group

	15 months to 31 March 2018 £000	Year to 31 December 2016 £000
Dividends receivable	150	127
Rents receivable	141	107
	<u>291</u>	<u>234</u>

Notes (continued)

7 Analysis of expenditure

Group		Direct costs	Support costs	15 months to 31 March 2018	Year to 31 December 2016
		£000	£000	£000	£000
Fundraising costs		184	51	235	152
Book and gift shop costs	Cost of sales	72	-	72	68
	Other	87	-	87	74
Investment management costs		12	-	12	8
Management of the let estate		109	16	125	105
		<u>464</u>	<u>67</u>	<u>531</u>	<u>407</u>
Cost of charitable activities					
Custodianship					
Historic buildings		60	4	64	192
Collection		388	46	434	166
		<u>448</u>	<u>50</u>	<u>498</u>	<u>358</u>
Access and learning					
Visitor operations		579	180	759	522
Exhibitions and publications		39	14	53	64
Education		111	30	141	98
Contemporary literature		33	2	35	31
		<u>762</u>	<u>226</u>	<u>988</u>	<u>715</u>
Total cost of charitable activities		<u>1,210</u>	<u>276</u>	<u>1,486</u>	<u>1,073</u>
Total expenditure		<u>1,674</u>	<u>343</u>	<u>2,017</u>	<u>1,480</u>

Notes (continued)

7 Analysis of expenditure (continued)

Allocation of support costs

	Fundraising	Management of let estate	Charitable activities	15 months to 31 March 2018	Year to 31 December 2016
	£000	£000	£000	£000	£000
Management	30	10	161	201	120
Finance	11	3	57	71	51
Information technology	6	2	32	40	24
Human resources	-	-	8	8	3
Governance	4	1	18	23	24
	51	16	276	343	222

Support costs are allocated in line with salary costs based on an estimate of the actual time spent, which trustees believe is consistent with the use of the resources. The cost allocation includes an element of judgement and the trustees have had to consider the cost benefit of detailed calculations and record keeping. Therefore the support costs shown are a best estimate of the costs that have been so allocated.

The following costs are included in the management and administrative costs of The Wordsworth Trust and Dove Cottage Promotions Limited:

	Group	Charitable company		
	15 months to 31 March 2018 £000	Year to 31 December 2016 £000	15 months to 31 March 2018 £000	Year to 31 December 2016 £000
Audit fees	17	14	15	11
Depreciation on owned fixed assets	180	135	180	135

Notes (continued)

7 Analysis of expenditure (continued)

Staff numbers and costs

The average number of staff employed during the year (excluding directors who are trustees) was 43 (2016: 39). The Trust employs a number of seasonal and part-time staff; the average number of full-time equivalent employees was 36 (2016: 33).

The total staff costs for the charitable group were as follows:

	15 months to 31 March 2018 £000	Year to 31 December 2016 £000
Wages and salaries	934	696
Employers' social security costs	73	54
Employers' pension contributions	38	23
Group total	<u>1,045</u>	<u>773</u>

Two members of staff received emoluments totalling more than £60,000 but below £70,000 for the fifteen month period (2016: None).

The Trust contributes to the defined contribution pension schemes of some employees. All eligible staff are enrolled in to a qualifying defined contributions pension scheme. The pension charge for the fifteen months represents contributions payable by the Trust to the pension schemes and amounted to £37,932 (Year 2016: £22,577). At the end of the fifteen months £883 in contributions was outstanding (2016: £3,106).

Day-to-day management of the Trust is delegated to the Senior Management Team (SMT). The employee benefits of the SMT, including employer pension contributions for the fifteen months, were £244,432 (Year 2016: £193,261). The salary costs of SMT are allocated on a time spent basis across the restricted and unrestricted funds.

Ex gratia payments on termination of employment of £8,046 (2016: £Nil) were made in the fifteen months.

The trustees received no remuneration during the fifteen months. Travel and subsistence expenses of £8,182 (2016: £8,009) were paid to or on behalf of 13 trustees during the fifteen months (2016: 14). In addition £241 (2016: £172) was paid in relation to travel and subsistence for the Trust's President.

Interest payable

	15 months to 31 March 2018 £000	Year to 31 December 2016 £000
On bank loans and overdrafts	<u>25</u>	<u>21</u>

Notes (continued)

8 Transfers between funds

Transfers into unrestricted funds during the year comprised:

	15 months to 31 March 2018 £000
Investment income transferred from the Designated Development Fund	24
Investment income transferred from the Endowment Development Fund	41
Investment income transferred from the Catalyst Endowment Fund	35
Total transfers	<u>100</u>

On 8 November 2014 trustees passed a resolution in accordance with Regulation 3(2) of the Charities (Total Return) Regulations 2013 to invest the Endowment Development Fund on a total return basis.

The baseline value of the gift component of the fund was set as the value when the fund became permanent endowment in accordance with the agreement with the donor, the Heritage Lottery Fund, on 1 January 2013. The balance of investment gains, investment losses, investment income and transfers to the general fund since this date represent the closing balance of unapplied total return.

At the same time in exercise of the power of investment in the Trust's Articles of Association trustees also resolved to invest the Designated Development Fund on the same basis.

Adopting a power of total return allows the trustees to invest permanently endowed funds to maximise total return and to apply an appropriate portion of the unapplied total return to income each year. Until a decision is made to transfer a portion of unapplied total return to income, the unapplied total return remains invested as part of the permanent endowment. The power allows the trustees to decide in each year how much of the unapplied total return is transferred to income funds and so available for expenditure. Having considered their obligations under the duty of even-handedness, the trustees made a transfer of a total of £65,000 (2016: £65,000) unapplied total return from both elements of the Development Fund to unrestricted income funds.

In making this decision the trustees have taken account of the investment climate, the return on investment for the year and the income needs of the charity. The trustees have taken advice from their Investment Sub-Committee and the Investment Managers, Cazenove Capital Management Ltd, as to the sustainability of the investment fund after making this transfer.

Notes (continued)

8 Transfers between funds (continued)

	Investment fund £000	Unapplied total return £000	Total £000
Opening value of the Endowment Development Fund			
Gift component	1,261	-	1,261
Unapplied total return	-	296	296
Total	1,261	296	1,557
Movements during the year			
Investment return: dividends and interest	-	56	56
Investment return: realised and unrealised gains	-	1	1
Investment management charges	-	(5)	(5)
Total	-	52	52
Unapplied total return allocated to income	-	(41)	(41)
Net movement during the year	-	11	11
Closing value at 31 March 2018			
Gift component	1,261	-	1,261
Unapplied total return	-	307	307
Total	1,261	307	1,568

	Investment fund £000	Unapplied total return £000	Total £000
Opening value of the Designated Development Fund			
Gift component	706	-	706
Unapplied total return	-	186	186
Total	706	186	892
Movements during the year			
Investment return: dividends and interest	-	32	32
Investment return: realised and unrealised gains	-	1	1
Investment management charges	-	(3)	(3)
Donations received	2	-	2
Total	2	30	32
Unapplied total return allocated to income	-	(24)	(24)
Net movement during the year	2	6	8
Closing value at 31 March 2018			
Gift component	708	-	708
Unapplied total return	-	192	192
Total	708	192	900

Notes (continued)

9 Tangible fixed assets

<i>Group</i>	Jerwood Centre	Other freehold property	Assets under construction	Fixtures, fittings, equipment and motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2017	3,442	1,203	-	324	4,969
Additions	-	-	259	37	296
At 31 March 2018	<u>3,442</u>	<u>1,203</u>	<u>259</u>	<u>361</u>	<u>5,265</u>
Depreciation					
At 1 January 2017	1,374	242	-	302	1,918
Charge for the fifteen months	141	23	-	16	180
At 31 March 2018	<u>1,515</u>	<u>265</u>	<u>-</u>	<u>318</u>	<u>2,098</u>
Net book value					
At 31 March 2018	<u>1,927</u>	<u>938</u>	<u>259</u>	<u>43</u>	<u>3,167</u>
At 31 December 2016	<u>2,068</u>	<u>961</u>	<u>-</u>	<u>22</u>	<u>3,051</u>

The total of non-depreciable assets included in other freehold property at the period-end was £279,204 (2016: £279,204).

Assets under construction comprises the capitalised elements of the expenditure incurred in the development phase of the Reimagining Wordsworth project.

Under the terms of the Heritage Lottery Fund grant to support the Reimagining Wordsworth project the Heritage Lottery Fund has taken a charge over the four properties owned by the Trust which are the main focus of the project. The net book value of the properties covered by the charge is £1,000,094.

Notes (continued)

9 Tangible fixed assets (continued)

<i>Charitable Company</i>	Jerwood Centre	Other Freehold property	Assets under construction	Fixtures, fittings, equipment and motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2017	3,442	1,203	-	297	4,942
Additions	-	-	259	37	296
At 31 March 2018	3,442	1,203	259	334	5,238
Depreciation					
At 1 January 2017	1,374	242	-	275	1,891
Charge for year	141	23	-	16	180
At 31 March 2018	1,515	265	-	291	2,071
Net book value					
At 31 March 2018	1,927	938	259	43	3,167
At 31 December 2016	2,068	961	-	22	3,051

10 Heritage assets

Dove Cottage, the home of William Wordsworth from 1799 to 1808, was acquired by the Trust in 1890 and is maintained as a visitor attraction 'for the eternal possession of those who love English poetry all over the world'.

The Trust acquires objects within the subject area: William Wordsworth and the Age of British Romanticism. To understand and interpret the context and significance of this subject, it is occasionally necessary to collect items before and after the accepted chronological framework for the Romantic period, 1750-1850. Priority areas for collecting are manuscripts, printed works, fine art and artefacts that advance the public knowledge and enjoyment of the works of William Wordsworth and the literature and culture of this period.

- The collection of manuscripts (30,000+) includes material of very great significance, drawing researchers and academics world-wide, and includes verse and prose manuscripts of William and Dorothy Wordsworth, Samuel Taylor Coleridge, Thomas De Quincey, and many others. The collection is considered the greatest collection by an author now housed in the place where the greatest works were written.
- The collection of books and pamphlets (numbering approx. 14,500 titles) include the following themes:
 - A portion of Wordsworth's own library of books which he owned at Dove Cottage and Rydal Mount, and a good number of titles that belonged to Coleridge or Southey. Some of these volumes have been annotated by Wordsworth or Coleridge.
 - A near complete copy of first and lifetime editions of printed books by Wordsworth and leading Romantic writers, including Coleridge, Southey, Keats and Shelley. In addition, early editions by their well and lesser known contemporaries covering the span of Romantic literature.
 - Guides, illustrated works and travel literature based on the Lake District from around 1750 to the present day.

Notes (continued)

10 Heritage assets (continued)

- Magazines and periodicals from the period 1750-1850.
- Critical and reference works and published letters of all the major figures of the period, as well as general works on Romantic literature and art.
- The collection of fine art (13,000+ items) encompasses portraits of the major figures and family members, as well as the development of the interpretation of landscape from the c18th century to the present day and includes:
 - Paintings and drawings of William and Dorothy Wordsworth and families, Coleridge, De Quincey and others of the period.
 - Paintings, drawings and prints of Lake District themes, including interpretation of landscape and aspects of cultural and working life.
 - Prints of the earliest views of the Lake District from the 1750s onwards.
 - A significant collection of c19th photographs along the themes of portraits and landscape.
- A collection of artefacts (c.600 items) that relate to Wordsworth and his family and aspects of Lake District life and history incorporating items that reflect life in a typical Grasmere cottage of the period (c.1800), and includes furniture and utensils (including spinning wheels) relating to the social history of the period.

Items purchased for the collection are valued at cost. Donated items have been valued at the Curator's best estimate of current value at the time of acquisition since 2010. It is the responsibility of the Trust to preserve and conserve collection items for the benefit of the nation and due to their nature they are expected to have a long life. Depreciation is therefore not charged on collection items which are capitalised since this is deemed to be immaterial. Impairment reviews are carried out annually.

Preservation and Management

Expenditure which in the Trustees view is required to preserve or prevent further deterioration of individual items is recognised in the Statement of Financial Activities when incurred.

The Trust complies with PAS 197:2009, the BSI and Collections Trust's *Code of practice for cultural collections management*, works to SPECTRUM: the UK Museum Collections Management Standard and maintains a full catalogue of collection items including a description, the condition of the item, where it is kept and acquisition information.

The Trust has digitised much of its manuscript and fine art collections. These collections are variously available online either on the Trust's own website or by subscription to educational establishments on the AM Digital website. All newly acquired works of art are digitised as part of the cataloguing process.

The Trust actively encourages public engagement with the collection. Within the Jerwood Centre adjacent to the museum the Trust runs a research room where bona fide researchers may view original material. There is a programme of events throughout the year, aimed at audiences of all ages and a variety of backgrounds; monthly talks on site, workshops, specialist day courses and conferences. University academics and groups of students spend several days learning about the meaning of manuscripts and then create interpretative projects for wider audiences; several thousand school children visit the site each year and learn from resources developed from the collection. Outreach activities take facsimiles of our collections into the communities of Cumbria.

Notes (continued)

10 Heritage assets (continued)

Disposal

The Trust has a long term purpose, and holds and builds the permanent collection in relation to its stated objectives. The Trust accepts the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the museum's collection.

Items may be removed from the collection for the following reasons:

- i. duplication within the collection;
- ii. falling outside the collecting area of the Trust;
- iii. being wrongly accessioned;
- iv. a better copy being received;
- v. poor condition.

Proposals to remove an item or items from the collection are the responsibility of the Curator, and will be presented for approval to the Collections Committee, followed by the full Board of Trustees.

Decisions to dispose of objects will not be made with the principal aim of generating funds. Any monies received by the Trust from the disposal of items will be applied for the benefit of the collection. This will normally mean the purchase of further acquisitions but in exceptional cases improvements relating to the care of collection may be justifiable. Where an object has been donated or purchased with external funding, any conditions relating to its disposal will always be adhered to.

Once a decision to dispose of an item has been taken, priority will be given to retaining the item in the public domain, unless it is to be destroyed. It will therefore be offered in the first instance, by exchange, gift or sale directly to other accredited museums likely to be interested in its acquisition.

	2018 £000	2016 £000
Opening value of Heritage Assets		
Purchases	2,789	2,789
Donations at valuation	395	349
Total	3,184	3,138
Acquisitions during the period		
Purchases	-	-
Donations at valuation	111	46
Total	111	46
Closing value of Heritage Assets		
Purchases	2,789	2,789
Donations at valuation	506	395
Total	3,295	3,184

Donated items are valued on acquisition based on evidence from a recognised source if received with the donation or at the Curator's best estimate of current value at the time of acquisition.

	15 months to 31 March	Year to 31 December			
Five year financial summary of heritage asset transactions	2018 £000	2016 £000	2015 £000	2014 £000	2013 £000
Purchases	-	-	1	-	113
Donations	111	46	69	65	35
Total acquisitions	111	46	70	65	148

There have been no disposals in any of the last five years

Notes (continued)

11 Investment property - UK

<i>Group and charitable company</i>	31 March 2018 £000	31 December 2016 £000
Brought forward	5,233	5,175
Increase on revaluation	-	58
Carried forward	<u>5,233</u>	<u>5,233</u>

Investment properties with an original cost of £1,130,000 were valued as at the end of 2015 by Mr DJK Capps MRICS at £5,175,000 based on estimated open market values which was increased by £58,000 based on market movements in the year ended 31st December 2016.

12 Fixed asset investments

	Group 31 March 2018 £000	Group 31 December 2016 £000	Charitable company 31 March 2018 £000	Charitable company 31 December 2016 £000
Ordinary £1 shares in Dove Cottage Promotions Limited	-	-	15	15
Development Fund investments	2,466	2,458	2,466	2,458
RS Woof Memorial Fund investments	267	258	267	258
Catalyst Endowment Fund investments	788	792	788	792
	<u>3,521</u>	<u>3,508</u>	<u>3,536</u>	<u>3,523</u>
<i>Group and charitable company</i>	Development Fund £000	RS Woof Memorial Fund £000	Catalyst Endowment £000	Totals £000
Opening market value	2,170	256	745	3,171
Additions	256	-	27	283
Disposals	(85)	-	(27)	(112)
Net investment (losses)/gains	1	10	(2)	9
Closing market value	<u>2,342</u>	<u>266</u>	<u>743</u>	<u>3,351</u>
Cash on deposit	124	1	45	170
	<u>2,466</u>	<u>267</u>	<u>788</u>	<u>3,521</u>

All investments other than the subsidiary are listed on the London Stock Exchange. Investments in the following funds exceeded 5% of the total portfolio at 31 March 2018:

M&G Investment Management Global Dividend Fund
Vanguard S&P 500 Exchange Traded Fund
Schroders Equity Income Trust for Charities
Schroders ISF Strategic Credit Fund
Troy Asset Management Trojan Fund

13 Stocks

<i>Group</i>	31 March 2018 £000	31 December 2016 £000
Goods held for resale	<u>34</u>	<u>37</u>

Notes (continued)

14 Debtors: amounts falling due within one year

	Group	Group	Charitable company	Charitable company
	31 March	31 December	31 March	31 December
	2018	2016	2018	2016
	£000	£000	£000	£000
Trade debtors	25	17	24	16
Other taxes and social security	1	-	-	-
Grants receivable	-	3	-	11
Prepayments	18	11	15	11
Accrued income	157	18	157	10
Amounts owed by subsidiary undertaking	-	-	39	27
	<u>201</u>	<u>49</u>	<u>235</u>	<u>75</u>

15 Creditors: amounts falling due within one year

	Group	Group	Charitable company	Charitable company
	31 March	31 December	31 March	31 December
	2018	2016	2018	2016
	£000	£000	£000	£000
Trade creditors	25	24	20	23
Other taxes and social security	15	16	15	14
Other creditors	3	3	3	3
Mortgages	-	-	-	-
Other loans	2	1	2	1
Accruals and deferred income	45	40	43	36
	<u>90</u>	<u>84</u>	<u>83</u>	<u>77</u>

16 Creditors: amounts falling due after more than one year

	Group	Group	Charitable company	Charitable company
	31 March	31 December	31 March	31 December
	2018	2016	2018	2016
	£000	£000	£000	£000
Bank loan	-	-	-	-
- due between 2 and 5 years	1,000	1,000	1,000	1,000
- due after 5 years	-	-	-	-
Other loans	-	2	-	2
	<u>1,000</u>	<u>1,002</u>	<u>1,000</u>	<u>1,002</u>

Creditors: amounts falling due after more than one year

The mortgage was refinanced in 2015 with an interest only bank loan. The bank loan is repayable in full in 2020. Interest is charged at the base rate plus 1.65%. It is secured on four investment properties owned by the Trust. The amount outstanding represents 67% (2016: 67%) of the value of the properties charged.

The other loans are repayable by instalments and are interest free.

Notes (continued)

17 Reconciliation of movement in funds

Group	Funds at 1 January 2017	Income	Expenditure	Transfers /investment gains	Funds at 31 March 2018
	£000	£000	£000	£000	£000
Unrestricted funds:					
General funds	1,302	814	(1,072)	205	1,249
Revaluation reserve	4,150	-	-	(1)	4,149
Warren Collection Fund	59	-	-	-	59
Collection Assets Fund	3,184	111	-	-	3,295
Reimagining Wordsworth - development	-	-	-	-	-
Reimagining Wordsworth - delivery	121	-	-	(104)	17
Designated Development Fund	892	34	(3)	(23)	900
Restricted funds:					
Income funds	88	500	(540)	-	48
Acquisition funds	2	-	-	-	2
Reimagining Wordsworth - development	38	494	(243)	(289)	-
Reimagining Wordsworth - capital	2	-	(2)	269	269
Reimagining Wordsworth - delivery	4	315	-	20	339
Capital funds	2,084	-	(135)	-	1,949
Endowment funds:					
Endowment Development Fund	1,557	56	(5)	(40)	1,568
RS Woof Memorial Fund	258	13	(14)	10	267
Catalyst Endowment Fund	794	35	(3)	(38)	788
	14,535	2,372	(2,017)	9	14,899

The Revaluation Reserve has arisen on the valuation of investments shown in notes 11 and 12.

The Warren Fund has been designated by the trustees for the purchase of books, manuscripts and fine arts. The fund comprises the balance of an unrestricted legacy received during 2000.

The Collection Assets Fund represents the amount of heritage assets capitalised. This fund consists of a mixture of both restricted and unrestricted amounts, an allocation of which is not possible.

In 2015 the Trustees designated funds to the Reimagining Wordsworth project to develop the Town End site. In January 2016 the Heritage Lottery Fund announced it was supporting the development phase of this project which was completed in January 2018. In March 2018 the HLF announced that it was supporting the delivery phase of the project which starts in May 2018 and completes in 2020. Fundraising has secured the remaining funding for the project and this income is split between designated and restricted funds. The money received from the HLF for the development phase of the project has been treated as restricted income.

The Designated Development Fund has been established by the Trust to provide an income that will contribute towards the Trust's core running expenses. The intention is to maintain an income generating fund. Exceptionally, the fund is expendable in the event of a 75% majority decision by the trustees. The terms of the contract under which the Endowment Development Fund was established require that the Designated Development Fund be operated as an endowment, the result of a breach being that the amount given to establish the Endowment Development Fund will be repayable. However, these conditions do not directly apply to the Designated Development Fund, and so it continues to be disclosed as a designated fund within unrestricted funds.

The Endowment Development Fund has been established by the Trust in order to build up a portfolio of investments to provide an alternative source of income. On 1st January 2013 the fund became permanent endowment. The full amount given to establish the fund is repayable in the event of a default.

The RS Woof Memorial Fund is an endowment fund for the purposes of endowing the post of the Robert Woof Director of the Trust.

The Catalyst Endowment Fund is an endowment fund established with the aid of Arts Council England Catalyst Funding to support the general operating costs of the Trust.

Notes (continued)

18 Analysis of net assets between funds

Group	Unrestricted funds		Endowment funds		Restricted funds	Total funds
	Unrestricted funds	Designated Development Fund	Development Fund	Other endowment funds		
	£000	£000	£000	£000	£000	£000
<i>Fund balances at 31 March 2018 represented by:</i>						
Fixed assets	9,480	898	1,566	1,055	2,217	15,216
Current assets	379	2	2	-	390	773
Current liabilities	(90)	-	-	-	-	(90)
Creditors falling due after one year	(1,000)	-	-	-	-	(1,000)
	<u>8,769</u>	<u>900</u>	<u>1,568</u>	<u>1,055</u>	<u>2,607</u>	<u>14,899</u>
<i>Fund balances at 31 December 2016 represented by:</i>						
Fixed assets	9,400	888	1,554	1,050	2,084	14,976
Current assets	502	4	3	2	134	645
Current liabilities	(84)	-	-	-	-	(84)
Creditors falling due after one year	(1,002)	-	-	-	-	(1,002)
	<u>8,816</u>	<u>892</u>	<u>1,557</u>	<u>1,052</u>	<u>2,218</u>	<u>14,535</u>

In the opinion of the trustees, the group's assets are sufficient to fulfil the obligations of the group.

Charitable company	Unrestricted Funds		Endowment Funds		Restricted funds	Total funds 2018
	Unrestricted funds	Designated Development Fund	Development Fund	Other endowment funds		
	£000	£000	£000	£000	£000	£000
<i>Fund balances at 31 March 2018 represented by:</i>						
Fixed assets	9,495	898	1,566	1,055	2,217	15,231
Current assets	358	2	2	-	390	752
Current liabilities	(83)	-	-	-	-	(83)
Creditors falling due after one year	(1,000)	-	-	-	-	(1,000)
	<u>8,770</u>	<u>900</u>	<u>1,568</u>	<u>1,055</u>	<u>2,607</u>	<u>14,900</u>
<i>Fund balances at 31 December 2016 represented by:</i>						
Fixed assets	9,415	888	1,554	1,050	2,084	14,991
Current assets	473	4	3	2	134	616
Current liabilities	(77)	-	-	-	-	(77)
Creditors falling due after one year	(1,002)	-	-	-	-	(1,002)
	<u>8,809</u>	<u>892</u>	<u>1,557</u>	<u>1,052</u>	<u>2,218</u>	<u>14,528</u>

19 Share capital

The charitable company is limited by guarantee and as such, has no share capital. In the event of the charitable company being wound up, the guarantee of each member is limited to £1.

Notes (continued)

20 Capital commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

	31 March 2018	31 December 2016
	£000	£000
Authorised but not committed	49	-
	<u> </u>	<u> </u>
Against which orders have been placed	299	-
	<u> </u>	<u> </u>

The capital commitments noted represent the contractual relationships with the professional team involved in the Reimagining Wordsworth project with whom we had a contract for the development phase which would then continue in to the delivery phase subject to HLF backing.

21 Related party transactions

The President, Pamela Woof, has had the partial use of a Trust property under licence with council tax and water rates paid by the Trust. In 2018 this benefit amounted to £3,091 (2016: £2,301).

In aggregate Trustees, co-opted committee members, the President and members of the SMT made donations totalling £46,974 during the year (2016: £3,340). This can be split as follows:

	Fifteen months to 31 March 2018	Year to 31 December 2016
	£000	£000
Unrestricted	3,974	2,740
Restricted	40,500	600
In kind	2,500	-
Total donations	<u>46,974</u>	<u>3,340</u>

22 Financial instruments

	Group 31 March 2018 £000	Charitable company 31 December 2016 £000	Group 31 March 2018 £000	Charitable company 31 December 2016 £000
Financial assets at amortised cost	64	63	80	54
Financial liabilities at amortised cost	1,069	1,025	1,030	1,029

Financial assets represent trade debtors and amounts owed by the subsidiary undertaking. Financial liabilities represent trade and other creditors, bank loans and other loans.