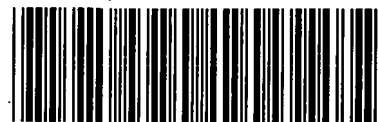




THE DITCHLEY FOUNDATION

THE COUNCIL'S ANNUAL REPORT AND ACCOUNTS 2013-2014

SATURDAY



A3BHQHBS

A12

05/07/2014

#176

COMPANIES HOUSE

TABLE OF CONTENTS

The Ditchley Foundation

List of Office Holders	page 2
Finance and General Purposes Committee	page 3
Investment Sub-Committee	page 3
Programme Committee	page 4
Business Committee	page 4
Notice of Meeting	page 5

The Trustees' Annual Report

Structure, Governance and Management	page 6
Aims, Objectives, Activities and their Public Benefit	page 7
The Conference Programme	page 9
Report of the Chairman on Achievement and Performance	page 10
Report of the Director	page 12
Plans for the Future	page 18
Financial Review	page 20
Trustees' Responsibilities	page 22

Consolidated Accounts

Report of the Auditors	page 23
Statement of Financial Activities	page 24
Balance Sheets	page 25
Notes to the Accounts	page 26

The Ditchley Park Conference Centre Ltd

Report of the Directors	page 33
Report of the Auditors	page 34
Profit and Loss Account	page 35
Balance Sheet	page 36
Notes to the Accounts	page 37

THE DITCHLEY FOUNDATION

Charity Number: 309657 Company Number: 599389

Registered Office: The Ditchley Foundation, Ditchley Park, Enstone, Oxfordshire. OX7 4ER

HONORARY LIFE PRESIDENT

Lady Wills JP

COUNCIL OF MANAGEMENT

[Trustees of the Foundation]

Chairman

The Rt Hon. Lord Robertson of Port Ellen KT GCMG Hon. FRSE

Vice-Chairman

Mr Philip Stephens

Members of the Council

The Lord Aldington

The Lord Bilimoria of Chelsea CBE DL

His Excellency Mr Gordon Campbell

The Lord Chadlington of Dean

Mr Charles Grant CMG

Professor The Lord Hennessy of Nympsfield FBA

Mr Joseph Johnson MP

The Rt Hon. Dame Tessa Jowell DBE MP

Professor Sir David King DSC FRS KB

Ms Bronwen Maddox

Dr Pippa Malmgren

The Rt Hon. Baroness Prashar of Runnymede CBE

Sir Nigel Sheinwald GCMG

Sir Crispin Tickell GCMG KCVO

The Rt Hon. Baroness Williams of Crosby

Dr Catherine Wills

THE FOUNDATION'S EXECUTIVE STAFF

Director: Sir John Holmes GCVO KBE CMG

Deputy Director, Secretary and Editor: Ms Sarah Puntan-Galea

Bursar: Colonel Mike Montagu

Auditors: Rees Russell

Bankers: Barclays Bank plc, Oxford

Investment Managers: Partners Capital LLP

Solicitors: Herbert Mallam Gowers & Co., Oxford

FINANCE AND GENERAL PURPOSES COMMITTEE

Chairman

The Lord Aldington

Secretary

Colonel Mike Montagu

Members

Mr Francis Findlay CMG OBE
Sir John Holmes GCVO KBE CMG
Mr Paul Newman
Mrs Elizabeth Padmore
Dr Catherine Wills

INVESTMENT SUB-COMMITTEE

Chairman

Mr Nicholas Ferguson

Secretary

Colonel Mike Montagu

Members

The Lord Aldington
Mrs Elizabeth Padmore

PROGRAMME COMMITTEE

Chairman

Mr Charles Grant CMG

Members

Dr Rudolf Adam
Sir Rodric Braithwaite GCMG
Ms Elizabeth Dibble
Ms Xenia Dormandy
Dr Dougal Goodman OBE FREng
Professor the Lord Hennessy of Nympsfield FBA
Mr Peter Hill
Sir John Holmes GCVO KBE CMG
Lady Judge CBE
Dr Ian Kearns
Mr Alan Kessel
Ms Bronwen Maddox
Dr Edwina Moreton OBE
Mr Virander Paul
Professor Sir Adam Roberts KCMG FBA
Mr Rory Stewart OBE MP
Ms Gisela Stuart MP
Ms Jo Swinson MP
Dr Catherine Wills

BUSINESS COMMITTEE

Chairman

The Lord Bilimoria of Chelsea CBE DL

Secretary

Mrs Yvonne Arnold

Members

The Lord Aldington
The Rt Hon. Baroness Bottomley DL
Lady Judge CBE
Dr Philippa Malmgren
Sir Richard Mottram GCB
Mrs Elizabeth Padmore
Mr John Weston CBE

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Foundation will be held on Saturday 12 July, 2014 at 2.15pm at Ditchley Park, Enstone, Chipping Norton, Oxfordshire.

BUSINESS:

1. To receive the Statement of Accounts and Report of the Council of Management for the year ended 31 March, 2014.
2. Composition of the Council of Management.
3. A resolution to appoint Rees Russell as auditors for the year ending 31 March 2015 will be put to the Annual General Meeting.
4. To transact any other business.

Dated this 4th day of June, 2014

By order of the Council of Management

SARAH PUNTAN-GALEA

Secretary



Ditchley Park,
Enstone, Chipping Norton,
Oxfordshire. OX7 4ER.

NOTE:

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies, one of whom can attend and vote on their behalf. A proxy need not be a member of the Foundation.

The Trustees' Annual Report Structure, Governance and Management

The Ditchley Foundation is “a Company limited by guarantee not having a share capital”, incorporated on the 24th day of February 1958, the Articles of Association having been subsequently amended on the 29th day of November 1966 and the 7th day of July 2007.

Members of the Foundation are currently designated “Governors”. They meet at least once a year, at the Annual General Meeting of the Foundation, to approve the Annual Report and accounts of the Foundation and to receive the report of the auditors; to elect, as necessary, in accordance with the Articles of Association, the Council of Management; and to deal with other business of the Foundation.

Trustees (Members of the Council of Management) are normally selected from the ranks of the Governors and are invited to join the Council by the Chairman, acting on the recommendations and advice of the existing Trustees, with a view to maintaining a balance of experience, expertise and background within the body of Trustees. They are subsequently elected by the Governors and serve a four-year term, renewable for one further four-year term.

All Trustees are fully familiar with the aims and ideals of the Foundation. The element of training necessary for this is the responsibility of the Director, who invites members of the Council of Management to conferences and familiarises them with the Foundation's Articles of Association.

The administration of the Foundation is carried out by the Council of Management, through the Finance and General Purposes Committee. The day-to-day management of the Foundation is conducted by the Director, who is appointed by, and responsible to, the Council of Management.

The Ditchley Park Conference Centre Limited (DPCC) is the trading arm of the Foundation, and oversees events in the House when not in use by the Foundation. These events include visits (the House is a Grade I listed historic house), conferences and meetings organised by outside bodies and use of the House for education, photography and films. DPCC also sells guide books and postcards.

The Council of Management is responsible for the management of risks faced by the Foundation. Detailed considerations of risk are delegated to the Director and his staff. Risks are identified, assessed, and controls established throughout the year. A formal review of this process is undertaken annually.

The key controls used by the Foundation include:

- Biannual meetings of the Council at which the Director and his senior staff brief the Trustees;
- Biannual meetings of the Finance and General Purposes Committee, which precede the Council Meetings, and a further annual meeting of the Committee at Ditchley, when they inspect the House, decide on major works, and review health and safety procedures;
- Detailed job descriptions for the Director and Senior Staff, which are reviewed in detail on changes of incumbent;

- Three meetings a year between the Investment Sub-Committee of the Finance and General Purposes Committee and the investment managers of the endowment. Additionally, members of this Committee with particular investment experience liaise with the investment managers as often as market conditions warrant it;
- An annual meeting of the Director's Risk Committee, plus bi-annual meetings of the Director's Health and Safety Committee, to review risks and safety procedures and decide on any necessary policy adjustments in the light of legislative changes.

Through this risk management process the Trustees are satisfied that the major risks have been identified and adequately mitigated where necessary.

Aims, Objectives, Activities and their Public Benefit

The principal aim of the Foundation is "to promote, carry out or advance any charitable objects, and in particular any branches or aspects of education, likely to be for the common benefit of British subjects on the one hand and citizens of the United States of America on the other". The aim and outcome of its activities are the advancement of education and improvement of public policy-making in the UK, North America and beyond. It thereby benefits the public in all those countries and regions.

The Foundation organises conferences, by invitation only, aimed at improving policy approaches and public sector problem-solving on complex issues of international concern. These include the promotion of international security, effective global governance, sustainable development and democracy. It does this by bringing together international experts on a chosen topic to exchange views using the medium of Ditchley Park to create a stimulating and confidential atmosphere. The Foundation achieves its aims and objectives for the public benefit by inviting well-informed people to its conferences, by providing a venue in which conference participants can safely and frankly share new ideas, by guiding and promoting discussion of relevant issues, by encouraging contacts, study and mutual understanding, and by facilitating more effective operational diplomacy. Participants are invited from across the world. There is no restriction on who might be invited to attend conferences, other than the criterion of expertise in the subject area being discussed. Travel funds are occasionally made available for participants unable to meet the cost of their travel to Ditchley Park.

The Foundation publishes the outcome and findings of conferences on its website and disseminates them to government ministers, civil servants, journalists and others. A news item on the Foundation's website informs the public of recent events, discussions held and changes to the Foundation's governance structure. Background information, a Forward Programme and summarising note on each conference are among the items published on the website. The Foundation also uses social media to disseminate information, with an active presence on Facebook, and relevant content posted on Twitter via the Director's account.

The benefits generated by the conferences are a deeper understanding of issues of international concern and a subsequent improvement in public policy-making. These benefits are not quantifiable, but are clearly attested to by participants' feedback. As can be judged from the Director's reports on these meetings and the responses of the participants, the

outcomes are directly relevant to policy development and are seen by government participants, and by other observers and commentators, as a valuable contribution to public life.

An integral part of the organisation's purpose is to maintain Ditchley Park as an effective location for wide-ranging debate and discussion which, in turn, encourages senior international experts to make use of it. Being a premier venue for discussion, policy development and intellectual exchange allows the Foundation to maximise the benefit to the public at large. No individual receives financial benefit from the Foundation. Board and accommodation are provided in exchange for participants' time and expertise.

The Foundation's main objectives over the past year have been met principally by the holding of the conferences listed in the section below. It also hired out its facilities to other organisations convening similar events. All proceeds earned by Ditchley Park Conference Centre in this way were donated to the Foundation to be used for its charitable aims. In addition, as in past years, the Park's facilities were made available several times this year without charge to charities in Oxfordshire and the surrounding region for fundraising events.

The Foundation maintains Ditchley Park as a historic house, part of the national heritage. It is open to societies and individuals to study its history, art and architecture as a Grade I listed building. The public is given access to the building in the form of guided tours for a small charge, to cover costs only. They are only allowed access by appointment, and to the major rooms of the house, for reasons of security and to limit wear and tear.

The Director, Deputy Director, and other officers of the Foundation undertake a range of other activities to promote the reputation and objectives of the Foundation and to attract new participants and supporters for the Foundation. They regularly meet with policy-makers (civil servants, politicians, academics, journalists and others) in the UK, North America and beyond, to attract expert participants and disseminate the findings of previous conferences. They attend other organisations' seminars to pass on key findings of Ditchley conferences and encourage further debate and action. Smaller events at venues outside Ditchley Park, and sometimes abroad, are occasionally organised to raise the profile of the Ditchley Foundation and target new audiences.

Some of the objectives stated in the Foundation's original Memorandum of Association of 1948 (such as "to establish fellowships, scholarships and prizes" and "to establish paid residential or other fellowships") cannot currently be fulfilled because of budgetary constraints.

The Trustees have paid due regard to the Charity Commission's guidance on public benefit in fulfilling their duties and in setting the Foundation's objectives and planning its activities.

The 2013-2014 Conference Programme

Ensuring a responsible financial sector

(20-22 September, 2013)

In partnership with the Canadian Ditchley Foundation – conference held in Canada

Chair: The Hon. James Michael Flaherty PC, MP

Germany's role in the EU

(24-26 October, 2013)

Co-sponsored by Deutsche Bank / Foreign and Commonwealth Office

Chair: Ambassador Wolfgang Ischinger

Urbanisation: the century of cities

(21-23 November, 2013)

Chair: Professor Tony Travers

Japan's regional and global future

(12-14 December, 2013)

Co-sponsored by The Great Britain Sasakawa Foundation

Chair: Sir Stephen Gomersall KCMG

The future of manufacturing: is 'reshoring' the new name of the game?

(23-25 January, 2014)

Chair: Mr Terry Morgan CBE

Power rivalries in Asia: towards a new arms race?

(27 February-1 March, 2014)

Chair: Ambassador Iftekhar Chowdhury PhD

Managing the digital revolution: can governments keep up?

(20-22 March, 2014)

Chair: Mr Mike Bracken

Brazil's place in the world

(10-12 April, 2014)

Chair: Minister Celso Lafer

The shale energy revolution and geopolitics

(22-24 May, 2014)

In partnership with the Canadian Ditchley Foundation

Chair: Mr Nick Butler

The Arab awakening three years on: were the pessimists right?

(5-7 June, 2014)

Chair: Sir Jeremy Greenstock, GCMG

Concluding Phase of the 2013-2014 Programme

Ditchley's conference year runs from September to July and does not correspond to the financial year to which this report, strictly speaking, relates. Thus three conferences during the period April-June 2013 fell during the financial year 2013-2014 but were included in the list of conferences in last year's Annual Report. This year's report follows the same practice.

Report of the Chairman on Achievement and Performance

I am honoured to be entering my sixth year as Chairman of the Council of Management for a Foundation which continues to make such a significant contribution to the world of transatlantic understanding and foreign policy influence, and to stay faithful to Sir David Wills' legacy and vision. I am also proud to report that The Ditchley Foundation has enjoyed yet another successful year, with a fascinating Annual Lecture; 10 varied, interesting and relevant conferences; and a number of outreach events, including a particularly well-attended debate in the Palace of Westminster on transatlantic trade. The Foundation also launched two new initiatives this year: a Businesswomen Breakfast Briefing, and an Australia-UK 1.5 track dialogue on Asia.

The Director will use his report to focus on the conferences in the usual way, and on future fundraising, while I concentrate on other aspects of the Foundation's year.

At last year's Annual Lecture, Honorary Governor and ex-Foreign Secretary David Miliband spoke about the effect on foreign policy of a decade of war, and the need for the west to go on trying to shape international developments despite the setbacks in Iraq and Afghanistan. He also spoke of the importance of the humanitarian imperative in what was his last major speech in the UK before moving to New York to head the International Rescue Committee, an international humanitarian NGO. It was a fascinating and thoughtful address, on which he expanded frankly in response to questions. This year, the eminent historian and former leader of the Canadian Liberal Party, Professor Michael Ignatieff, will give the Foundation's 50th Lecture, on how the world order is changing in the light of developments in Ukraine. He is the first Canadian to give the Lecture since 1964, which makes him particularly welcome.

The third Ditchley Parliament Event was held in partnership with the British-American All-Party Parliamentary Group in the Speaker's State Rooms last autumn. It tackled the subject of EU/US free trade, and the Transatlantic Trade and Investment Partnership, and featured the US Ambassador, Matthew Barzun, on the distinguished panel, as well as Douglas Alexander, the Shadow Foreign Secretary, and speakers from the European Commission and the UK Department of Trade and Industry – we were honoured that it was the Ambassador's first official speaking engagement in the Palace, and one of his first overall. This year's event will look at British and European defence policies and how our defence spending plans (or lack of them) are affecting relations with the US Administration.

In a new effort to increase the number of women around the Foundation's conference table, especially from the private sector, a Breakfast Briefing for senior women in business and finance was held in London earlier this year. Hosted by Ditchley Governor Lady Judge, and addressed by Dame Tessa Jowell MP (who is also a member of the Council of Management) on the issue of women in public life and politics, the event was deemed a significant success and will be repeated on an occasional basis. The turn-out was excellent, the discussion lively, and the interest in what Ditchley has to offer clear – we now aim to invite many of those present to future appropriate conferences.

This year sees the beginning of a new partnership between Ditchley and the prestigious Sydney-based Lowy Institute for International Policy. With the support of the Australian Department of Foreign Affairs and Trade and the British Foreign and Commonwealth Office, we have taken on the running of an annual 1.5 track dialogue meeting on Asia (ie involving outside experts as well as government representatives). The aim is to bring together British and Australian expertise to focus on how we can work together better to understand and influence events in Asia, and promote our interests, widely defined. This is part of the so-

called AUKMIN process, which brings together the foreign and defence ministers of the two countries on an annual basis. The first Asia dialogue meeting is planned in June at Ditchley Park. Next year's dialogue will be held in Sydney.

The successful planning and running of these events, together with the Foundation conferences and the numerous guest events at Ditchley, designed to raise extra revenue for the Foundation, is down to the dedication of the Ditchley team. They do an amazing and effective job, especially considering their small number. The Director's intellectual contribution, and Lady Holmes' eye for detail in keeping the House looking its best, remain vital to maintaining the high standards for which Ditchley is rightly known. I know I speak for the whole Foundation family in expressing our gratitude for what they continue to achieve after four years here.

We also owe a huge amount to the 'office team', headed enthusiastically by Deputy Director Sarah Puntan-Galea, with a special mention for stalwarts Conference Coordinator Sandra Ricks, Communications Officer Katie Williams and the Director's PA Yvonne Arnold; and to the Bursary team, headed by Mike Montagu: Accountant Fiona Rollo, Events Manager Sue Lee, and Domestic Bursar Jeanette Waterman. Warm thanks go also to Caretaker James McFarlane, Night Porter Janet McFarlane, Butler Ian Scott-Hunter, the new Chef Jamie King and his kitchen hands, the cleaning staff, maintenance men, the gardening team led by David Swindley, plus the waiting staff. All do more than their fair share to make everyone's time at Ditchley special.

I would like to pay particular tribute to all the Governors, members of the Council of Management, and members of our other committees, whose voluntary work over the past year has helped sustain the quality and status of this unique institution. I am delighted to welcome the following new Governors: Bernard Gray, Jo Johnson, Rachel Lomax, Paul Newman, Trevor Philips, Emma Reynolds, General The Lord Richards, Sir Martin Smith, Rory Stewart, Jo Swinson, Sir Paul Tucker, and Lord Turner of Ecchinswell.

The work of the Programme Committee, the Finance and General Purposes Committee, plus its Investment Sub-Committee, and the Business Committee, remains essential to the Foundation and is much valued. On the Programme Committee, Xenia Dormandy has replaced Robin Niblett, and joins other new members: Elizabeth Dibble (US Embassy), Dougal Goodman (Royal Society), Alan Kessel (Canadian High Commission), and Virander Paul (Indian High Commission). I would like to thank for their efforts Antoine Anfré (France), Claude Boucher (Canada), Susan Gregson (Canada), and Barbara Stephenson (US), who have left us owing to the end of their UK postings.

We continue to be indebted to both the American and Canadian Ditchley Foundations. The dedicated, unpaid work of all involved in both Foundations is vital to ensure good participants from their respective countries, and to help financially with our programme, particularly the conferences held every two years in the US and Canada respectively.

In the US, I am particularly grateful to Chairman Strobe Talbott and President Cary Koplin for their continuing support, as well as to their deputies and other members of the Board. Art Hickok's administrative support has been much appreciated. I want to thank Steve Trachtenberg for his many years of service as Treasurer, and welcome his successor Peter Bass. Other new Board members are John Bellinger and Reuben Jeffery. I salute the service of John Heimann, who steps down from the Board, and Henry Kaufman who is leaving the Advisory Council, and it is with great sadness that I report the death earlier this year of Richard Ullman, who was a member of the Advisory Council.

In Canada, special thanks go to Chairman Kevin Lynch, President Pierre Lortie, Treasurer Stephen Browne, and Vice-President/Secretary Claude Laverdure. Claude will sadly be stepping down this autumn after many years of yeoman service to the Foundation and will be sorely missed. I would like to acknowledge particularly his efforts on our behalf, and warmly welcome current board member, Don McCutchan, into the role. I would also like to express my deep thanks to Joe Rotman for his time on the Board of Directors, and generosity over the years, and to Heather Munroe-Blum for her help on the Program Advisory Committee. Joining the Committee are Suzanne Fortier and Louis Saint-Arnaud.

Above all, let me thank Lady Wills and Dr Catherine Wills for their committed involvement and untiring support over the past 12 months. Without them none of this would be possible, and we are eternally grateful to them.

I look forward with confidence to a further agenda-setting year in 2014/15.

Report of the Director

The world has had an eventful and overall not particularly encouraging year. While the global economic situation has improved, the same cannot be said for the political side, with the dramatic developments around Ukraine, rising tensions in parts of Asia, and continuing chaos and violence in Syria, and other countries in the Middle East and Africa. In Europe, while again the economics look a little better, the rise of populism and the lack of credibility of the institutions of the EU do not bode well. All this suggests that Ditchley's unique ability to bring people together from round the world to reflect on and discuss international issues, look for constructive ways forward, and improve policy-making, is more valuable, indeed more desperately needed, than ever.

I will focus in this report on the conferences and the future requirements of the Foundation.

Our first conference of the autumn 2013 season, in Montebello in Canada, was on the **financial sector**, and whether the lessons had been learned from the crisis of 2008. It was chaired by then Canadian Finance Minister Jim Flaherty, who has since sadly passed away. We had an excellent list of participants, and a lively and frank discussion. We came away not convinced that some of the underlying cultural factors behind the crisis had yet changed, or that some of the underlying problems, such as too big to fail and competing national regulations, had been tackled effectively. We were also worried that another crisis might not be too far away, even though the immediate issues seemed to have been dealt with, and for example capital ratios at most banks were now far better.

October 2013 saw us looking at **German leadership in Europe**. Was she ready to exercise it, and were other European countries ready to accept it? We thought Germany might be a reluctant hegemon, but a hegemon she nevertheless was, by virtue of her economic strength, and for the most part a benevolent one. Other Europeans were increasingly ready for this reality, though there was still no agreed vision of where Germany wanted to take the EU. The other missing element was German readiness to develop and exercise a meaningful foreign policy outside Europe, but there were signs, since confirmed, that this too might be changing.

In November our subject was **urbanisation**. To what extent would this be the century of cities? Our expert collective was clear that rapid urbanisation would continue – people continued to be attracted by the opportunity and freedom/anonymity offered by the urban context. The question was therefore how we were going to manage it and make cities more liveable. We also discussed the increasing power of big city mayors, and how far the large, successful cities of the world would begin to seek a greater degree of political and economic autonomy from their states. There was little doubt that we would see more of this.

Japan's place in the world was next, inspired particularly by Abenomics on the economic side and increasing political tensions in the region. We were relatively optimistic that the new Prime Minister's policies could help jolt the Japanese economy out of its long stasis, but concerned that Japanese society overall remained very conservative, and unready for other changes needed to restore Japan's place in the world fully. We worried that, in part because the issue of Japan's recent history still needed to be more definitively tackled than it had been so far, tensions with her neighbours would persist and could even lead to conflict. The Japan-China relationship was particularly dysfunctional.

Our first conference of 2014 was devoted to **the future of manufacturing**, and in particular the phenomenon of re-shoring. We decided that this was indeed happening, but to a limited extent so far, and was not in any case the most interesting thing going on in manufacturing. The speed of technological change was astonishing, for example in areas like additive manufacturing (3-D printing), and was likely to transform the face of manufacturing in the space of a few years. Smaller, more versatile units operating on short-term consumer demands, and reusing materials, would be the future. It was unclear where this would happen most successfully in geographical terms. Meanwhile governments' thinking on manufacturing, and about how to attract and retain it, risked being left behind by the new realities.

February took us back to **Asia**, and once more to the **power rivalries** at work, not least between China and Japan. We were not sure that we were about to witness a cold-war style arms race, but were still fearful that the tensions might easily spiral out of control despite economic interdependence. The Korean peninsula looked particularly worrying. Unfortunately the regional or global fora and mechanisms which could help to avert conflict did not so far exist in effective ways, and this looked unlikely to change in the near future.

The **digital revolution** preoccupied us in March, and particularly how governments were responding to it. Most were trying to keep up, but few seemed to be succeeding. Some were meanwhile using it to reinforce their grip on their populations – it was not always a liberating force. New approaches were needed such as bringing in more young people to whom the new technologies were second nature, and using flexible experimentation with new app-style approaches rather than commissioning huge new IT projects. Meanwhile no government seemed yet to have cracked the secret of using new technology and social media to govern in different, more responsive ways. The risk of alienation between the younger generations and old-style politics was growing accordingly.

We turned our attention to **Brazil's place in the world** in April. The country had made enormous economic and political progress in recent years, and the world's eyes would be on her for the football World Cup and Olympic Games. She continued to face significant internal challenges, including reform of the political system, improving the quality of education, and making her economy and industry genuinely globally competitive. Regionally she should be the major player, but was not seen as such by her neighbours, despite her

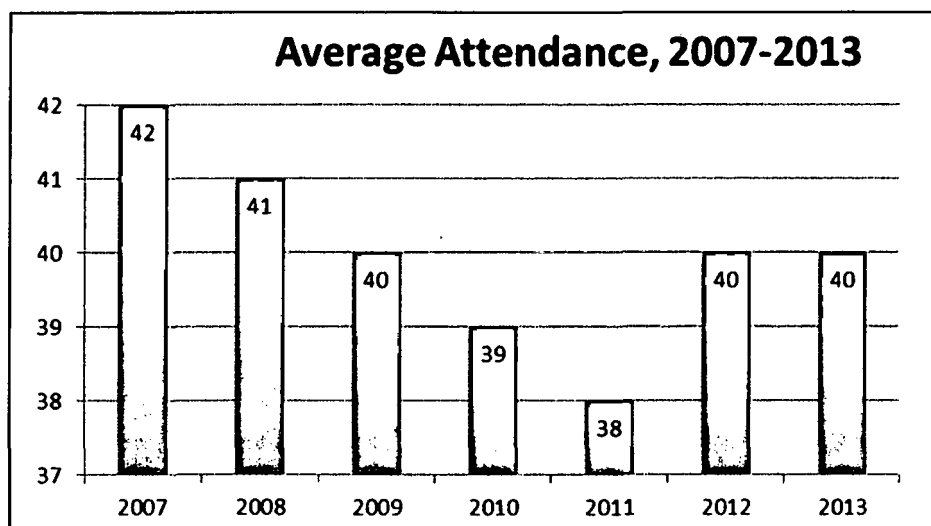
support for greater integration. Globally, there was also a mismatch between Brazil's perception of herself as principled and influential, if not prescriptive; and the views of other powers, particularly in the west, who tended to see her as sitting on the fence for the most part.

May found us studying the effect of **shale energy** on the global energy market and on geopolitics. We were reminded regularly during the debate that the so-called shale revolution is for the moment only a reality in North America, and that the prospects elsewhere are still subject to high degrees of uncertainty. Nevertheless, the effects on the mentioned energy market, on global economic prospects, and a political balance in the world are bound to be profound over time. If the big winner for now is the US, in time it might be China, with her huge shale reserves. Meanwhile, the energy debate in Europe is bound to intensify further, not least under the pressure of events in and around Ukraine.

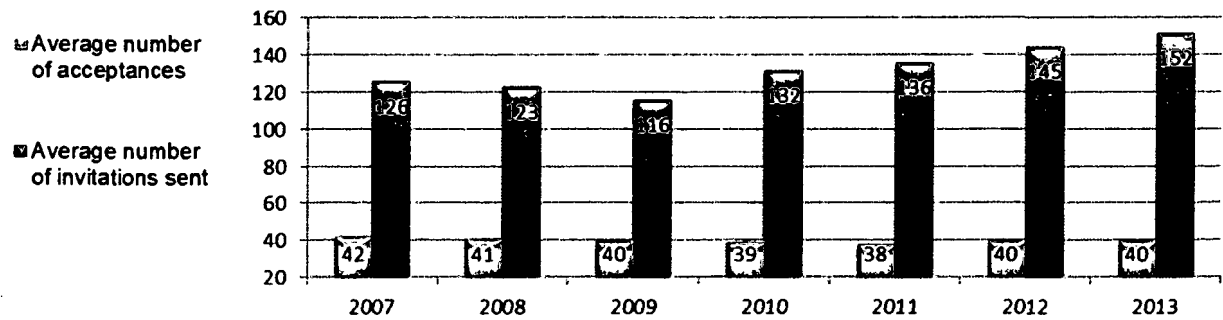
The last conference of the reporting year, too late for this report, took us back to the Arab awakening to ask whether the pessimists had been right all along, and whether this was a region simply not yet ready for more accountable and democratic governments.

The future conference season begins with a look at the global role of the US, with the conference to be held at the Greentree Estate just outside New York, under the auspices of the American Ditchley Foundation. The rest of 2014 sees us tackling continuing French aspirations to lead in Europe and globally; the future of post-NATO Afghanistan; and which military capabilities are needed for the future, for what purposes. Plans for 2015 are set out elsewhere in the report. There is no shortage of major questions on which to focus – the problem is, as ever, choosing between them.

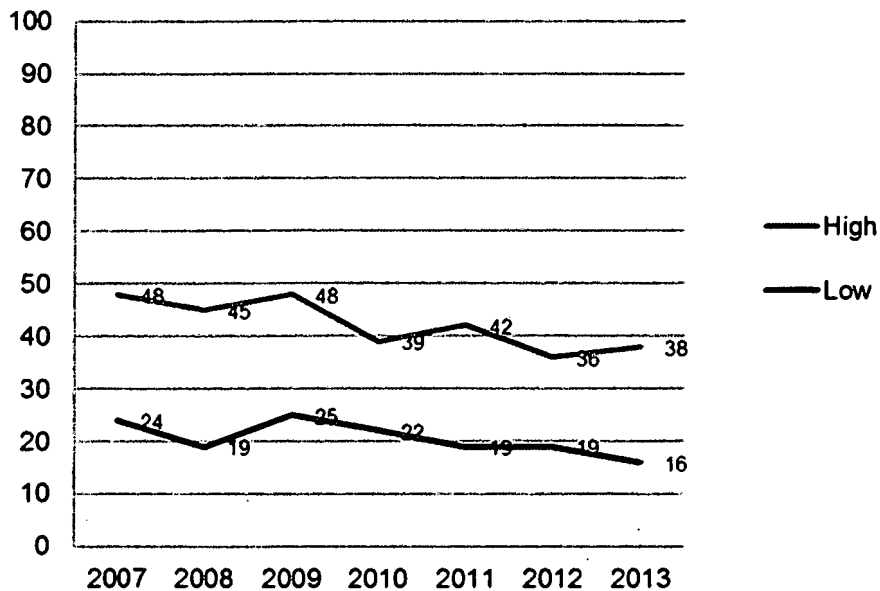
Attendance at conferences over the last year has been good in every sense, with many oversubscribed from an early stage, even though we now spread our net increasingly widely geographically, and therefore have to issue more invitations overall to ensure the right response from some far-flung places. We continue to work hard to attract more participants from Asia, and from the major rising powers from other parts of the world, with significant, but still insufficient, success. We are also making a major effort to involve more people from the business and financial communities, again with some encouraging results so far. The role of the Business Committee, which regularly discusses whom we should target for each conference, has been particularly valuable in this area. The graphs below illustrate some of these trends. Gender balance remains a particular challenge.



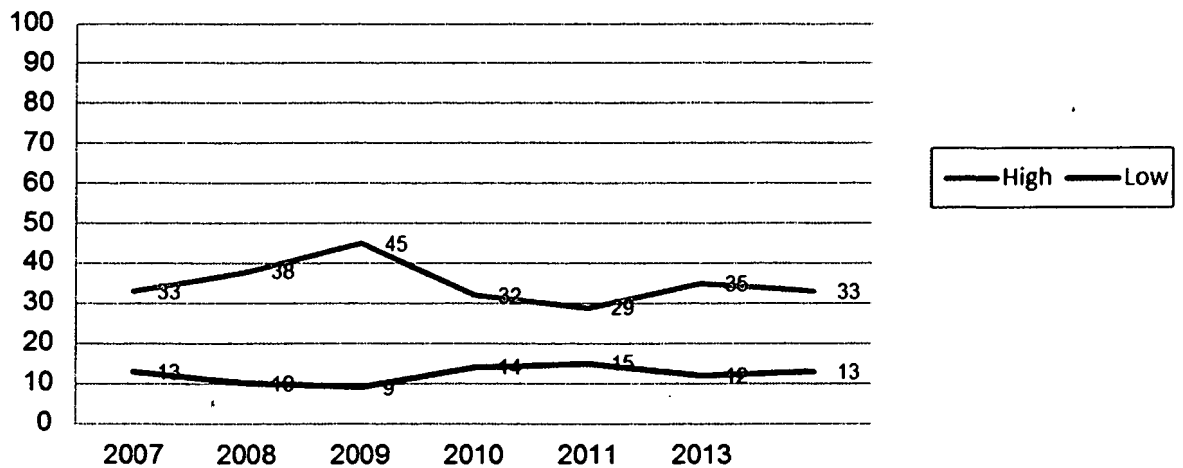
Average Number of Invitations Sent : Average Number of Acceptances, 2007-2013

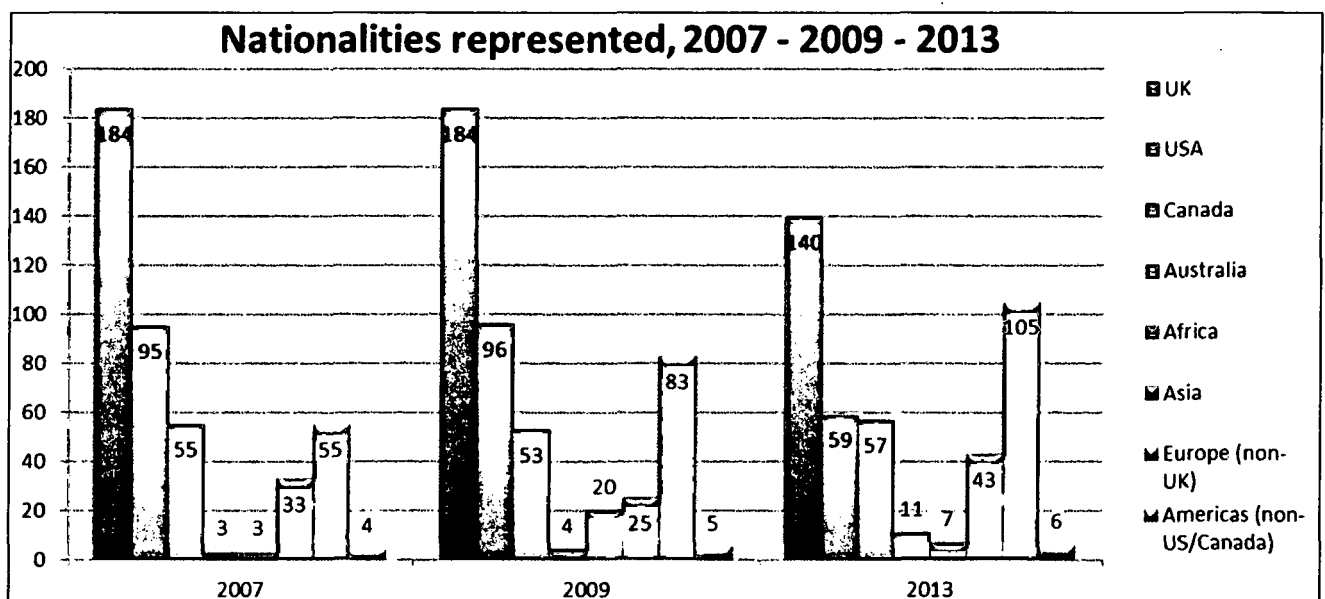
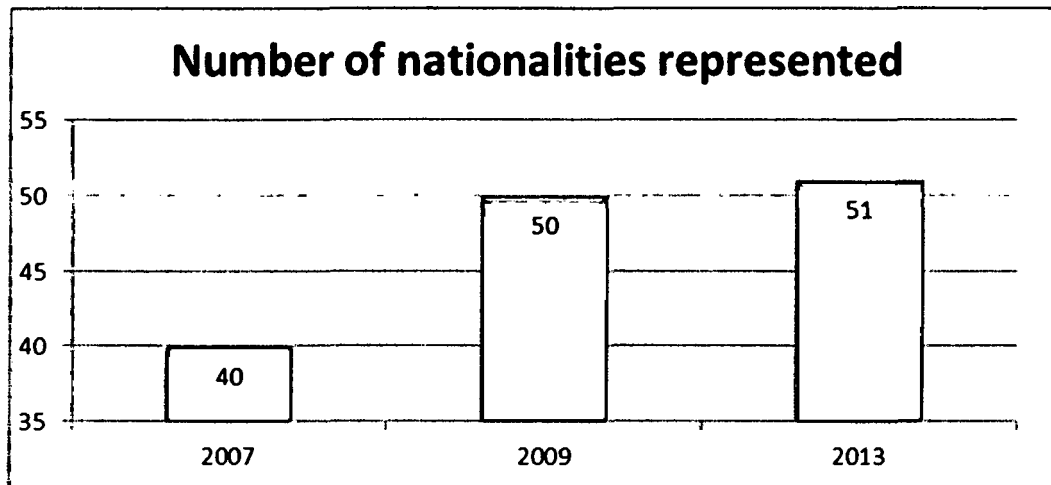


Highest and lowest % of invitees who accepted their invitation per conference



Highest to lowest % female attendance per conference





What overall trends can we discern from the conferences over the last year? One major concern is the continuing decline in the effectiveness of global institutions, and the inability of traditional multilateralism to address the big cross-cutting issues. A related underlying theme has been the nature of international leadership, in particular the US role in a multipolar world, and the rise of back-to-the future sovereign nationalism. Worries about democracy's ability to tackle modern problems dynamically are also growing – an issue which we will consider in the first conference of 2015, inspired by the 800th anniversary of Magna Carta. There is nothing very new about most of this, but few new solutions are in sight. Muddling through in a rather messy fashion appears to be the order of the day. There may be worse ways to run things, but the risks of simplistic new ideas or dangerous new authoritarian trends filling the vacuum are also rising, and not only in Europe. I hope Ditchley can help us move forward in this area.

It remains difficult if not impossible to measure the real impact of our conferences on decision-making. However, responses to the online questionnaires we send to participants a couple of weeks after each conference, and to the new specific question we ask about impact, tend to confirm the anecdotal evidence from the unsolicited tributes we receive, namely that nearly all who come to Ditchley continue to find it not only a unique and rewarding experience, but also one which really does affect the way they think and act in their subsequent working lives.

Here are just a few quotes from those questionnaires:

"The multi-day format, with all participants housed in the same building and talking with each other round the clock, not just in formal sessions, is one of the things that distinguished this conference and made it especially useful."

"An incredibly timely and relevant conference."

"I have participated at a number of conferences, but the advantage of a Ditchley conference is the diversity of the experts' competence areas and nationalities, as well as the round table approach... the conference was unique in its style among many others nowadays."

"The quality of people and conversation was top-notch, with the debate wide-ranging, challenging and intensive. I've never experienced a conference like this, and it very much exposed me to new perspectives."

"Because of the new insights I heard, I'm reassessing several concepts that I write about regularly."

"The disciplined agenda, intimacy of the venue, the quality of participants, and the seamless organisation makes Ditchley conferences unique and highly rewarding."

"The issues we discussed are core to current re-examinations of strategy and policy making around the world... it allowed me to reposition my association's services and policy work toward priority issues over the next three-five years."

"I'm a policy lead in Government; the conversations were highly relevant to what I do daily."

We have tried to encapsulate all of this in a new mission statement for Ditchley:

The Ditchley Foundation brings together leading practitioners and experts from around the world to help shape policy on the major international issues of the day. Its unique blend of intellectual rigour, informality and discretion, in a glorious rural setting, promotes new understanding, fresh thinking, and better decision-making.

The greatest long-term challenge we face is to maintain and improve The Foundation's ability to attract influential participants and to hold conferences which can make a difference to policy-making on important issues. This is more than just a financial challenge, but having the Foundation's finances on a fully sustainable footing is fundamental to the chances of future success. The endowment so generously left by Sir David Wills, although supplemented over the years by gifts from various sources, and by the appeal which ended in 2008, is not sufficient to cover all the costs of running the Foundation. Revenue from other sources, particularly from other organisations hiring the Ditchley facilities for their own events and from conference sponsorship, has helped, and continues to increase. We are working hard to professionalise and improve our efforts in these directions, and in particular plan to attract greater sponsorship for themed conferences over a number of years. But this cannot fill the whole gap. The risk is therefore that we begin to draw down capital from the endowment, which would be the road to long-term ruin.

I and others have spent a lot of time over the past year reflecting and consulting on how this problem can best be addressed. We have come to the view that another one-off campaign to

raise endowment funds will not succeed, and that we need a different approach, based on fundraising on a continuous basis, and on the improvement of what we have to offer, not just its maintenance in its present form. We have already upgraded significantly the wireless access in the House, within the limits of the current cables on which we depend, and plan to continue this process. More ambitiously, we have also decided that we need to upgrade the bedroom/bathroom facilities, particularly on the second floor, and perhaps to develop some new bedroom space elsewhere, most likely in the stable block just down the hill from the main House.

This will be a significant new investment for which we need to raise specific funds, and we will be developing specific proposals for this purpose to take to potential backers over the next few months. This will not of course solve our longer-term financial problems, but our hope is that this evidence of our ambition for the future will help us over time to attract more interest in wider funding for what we do, as well as equipping us better to attract outside business in the shape of corporate guest events.

We are meanwhile launching a separate Fabric Fund, to enable us to finance more modest restoration and improvement of the House, with specific opportunities for those who would like to help, and a series of fund-raising events for this purpose. The first of these was a lunch and talk on William Kent on 10 May, which raised some £3,000. We are also revamping our Legacies Campaign.

The Ditchley story is therefore approaching a new chapter, which will require a lot of hard work and effort to take through to successful implementation. The continued support of all in the Ditchley wider family will be needed. I have no doubt this will be forthcoming, based on my experience over the last four years. I am very grateful for the engagement and commitment of the Council of Management and the various committees, for the continued invaluable backing from the American and Canadian Ditchley Foundations, and not least for the constant and inspiring presence and support of Lady Wills and Catherine Wills. Above all, I would like to thank all the team here at Ditchley, which regularly achieves miracles from remarkably little resources, and which is dedicated to the Foundation and its ethos in a quite extraordinary way. We could accomplish nothing without their work and devotion.

Plans for the Future

The Foundation intends to continue meeting its purpose by the holding of conferences, with a full participation of senior international experts, on the preliminary programme listed below. It will also continue to be available for hire as a venue for debate and study to outside organisations.

THE 2014-2016 CONFERENCE PROGRAMME

The future global role of the US

(19-21 September, 2014)

In partnership with the American Ditchley Foundation – conference to be held in the USA

Chair: Professor Joseph Nye

France's European and global role: can she lead?

(23-25 October, 2014)

Chair: Mrs Christine Ockrent

Post-NATO Afghanistan: neighbours and friends

(20-22 November, 2014)

Chair: Mr Francesc Vendrell

Future military capabilities and their uses

(11-13 December, 2014)

Chair: General The Lord Richards of Herstmonceux, GCB, CBE, DSO

Democracy – how do we build it, and preserve it?

(29-31 January, 2015)

Chair: The Rt Hon. The Lord Judge QC

European security and the Ukraine crisis: a post-Helsinki world?

(26-28 February, 2015)

Chair: TBC

The future of higher education: physical or virtual?

(19-21 March, 2015)

Chair: TBC

21st-century development aid: where can it make the difference?

(16-18 April, 2015)

Chair: TBC

Intelligence, security and privacy

(14-16 May, 2015)

Chair: TBC

South Asia: prosperity through cooperation?

(11-13 June, 2015)

Chair: TBC

The Arctic: the new frontier

(18-20 September, 2015)

Chair: TBC

Investment and security in Africa

(22-24 October, 2015)

Chair: TBC

Debt and the international financial system

(19-21 November, 2015)

Chair: TBC

The digital economy: power and accountability in the private sector

(10-12 December, 2015)

Chair: TBC

2016

January

Adaptation to climate change: is nuclear energy part of the answer?

February

Turkey and her neighbours

March

Global and local grievances: understanding political Islam

Financial Review

The Foundation's portfolio performance in 2013 made a return of over 9.5%, a gain of £1.5m before income drawdown and fees. Thus far, in 2014, growth has been much weaker and the endowment at the end of the reporting period stood at just under £17m, a slight decrease on last year's value.

The relationship with Partners Capital, the endowment managers, is into its fifth year. The Finance and General Purposes Committee (F&GP), through the recently instituted Investment Sub-Committee chaired by Nicholas Ferguson, is bringing new levels of scrutiny over the endowment's progress. Asset allocation, in particular, has been comprehensively reviewed, which has led to the adoption of a slightly less conservative approach to risk through a modest and staged increase in private equity investments.

A number of conferences have received financial assistance this year, amounting to around £40,000, including contributions from: Canadian Ditchley for *The shale energy revolution and geopolitics*; the Great British Sasakawa Foundation for *Japan's regional and global future*; plus Deutsche Bank/Foreign and Commonwealth Office for *Germany's role in the EU*. Canadian Ditchley also covered the costs for the *Ensuring a responsible financial sector* conference held in Canada. We have plans to increase conference sponsorship in coming years.

American Ditchley has also continued to transfer the money raised in the 2008 campaign to help us fund other conferences. However, this income stream will have been exhausted by the end of this calendar year. We have been extremely grateful for this support, which has provided a very positive boost to our hard-pressed budget. But the income gap of over £200,000 will have an immediate impact, with the drawdown from endowment requirement expected to rise this FY from just 5% of endowment value to 5.3%.

Ditchley Park Conference Centre (DPCC) had an unprecedented level of bookings in the last quarter of FY 2013/14, but cancellations resulted, yet again, in another quiet spring of 2014. However, DPCC conference income for the last FY was up at £247,000, compared with £196,000 for the previous year. Conference income was as usual supplemented by some limited shooting sessions for the fashion industry and the Butler School, which struggled to recruit its customary numbers, although thus far in 2014 there has been a marked uptake in students. The level of DPCC bookings for the coming year is encouraging, and should produce a higher yield than FY 2012/13's return. While efforts will continue to maximise

income, consistent with the requirements of the Ditchley Conferences, a benchmarking exercise recently undertaken by the F&GP Committee under Elizabeth Padmore's leadership has established that our pricing structure is broadly in line with our peer establishments.

The major works programme was quieter than last year, dominated by the biomass project, which has now been running successfully for 18 months. Income from the Government Renewable Heat Incentive and heat sales exceeded £50,000. While it is still early to verify the payback period, the latest 'return on investment' is estimated at 6.5 years, once the annual saving of £40,000 in oil and the grant of £750,000 made by the HDH Wills Trust in 2012 are taken into account. Despite the absence of a major project, the in-house maintenance team have been kept busy with a higher than usual level of repairs, occasioned by both the age of the House's fabric and the stormy winter weather. Capital works have been modest, including the repair and recovering of Lions Court, which came in under-budget. The emphasis, and increased spend level, on repair will continue, with a number of significant works planned including refurbishment of the East Wing Clock Tower. A new area of fabric spend was introduced in the last FY with an allocation of £30,000 to assets in the House requiring more specialist maintenance and redecoration.

Overall, the Foundation expenditure, less major works, was £1.306m, 4% over budget after accruals. Major works raised this to £1.332m. This FY's expenditure is forecast at a little over £1.36m, which includes additional provision to meet the liability entailed in the introduction of pensions auto-enrolment, and an injection of £20,000 to help plan proposed improvements to what the House can offer its guests.

Trustees' Responsibilities

As directors, the Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. They are required by UK company law to prepare, for each financial year, financial statements which give a true and fair view of the state of affairs of the company, and the group, and of the profit or loss of the company and the group for that period.

The Trustees confirm that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ending 31 March, 2014. They are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company in recognition of their responsibilities under the Companies Act 2006. The Trustees are responsible for taking reasonable steps to safeguard the assets of the company, and the group, and to prevent and detect fraud and other irregularities.

As far as the Trustees are aware, there is no relevant audit information (information needed by the Foundation's auditors in connection with preparing their report) of which the Foundation's auditors are unaware; Trustees individually have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the Foundation's Auditors are aware of that information. The Trustees are required to prepare financial statements on an ongoing concern basis, unless it is inappropriate to presume that the charity will continue in operation.

Principal activities and business review

The consolidated statement of financial activities for the year is set out on page 24. A review of the Foundation's business during the year is contained in the Chairman's Report starting on page 10 and the Director's Report on page 12.

Dividends

In accordance with the Memorandum of Association, no dividends may be paid to Members.

Directors

The Members of the Council of Management are listed on page 2.

By order of the Council of Management,



SARAH PUNTAN-GALEA
Secretary
4 June, 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DITCHLEY FOUNDATION

We have audited the financial statements of The Ditchley Foundation for the year ended 31 March 2014 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Company Balance Sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with regulations made under Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the charitable company and its members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 22, the trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustee's Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2014 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

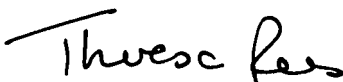
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

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



Theresa Rees
Senior Statutory Auditor
For and on behalf of Rees Russell LLP

Rees Russell
37 Market Square
Witney
Oxfordshire
OX28 6RE

Date: 4 June, 2014

Rees Russell LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

THE DITCHLEY FOUNDATION
Company Number 599389

Consolidated Statement of Financial Activities for Year ended 31 March, 2014

	Note	Unrestricted Funds Maintenance	Other	Restricted Funds	Total 2014	Total 2013
		£	£	£	£	£
INCOMING RESOURCES						
Incoming Resources from generated funds						
Voluntary income	2	0	17,422	263,078	280,500	460,071
Activities for generating funds						
Trading turnover of subsidiary		0	266,597	0	266,597	212,536
Investment income	3	0	34,454	2,000	36,454	37,724
Other incoming resources		0	68,226	0	68,226	875
Total incoming resources			386,699	265,078	651,777	711,206
RESOURCES EXPENDED						
Costs of generating funds						
Trading costs of subsidiary	4	0	172,053	0	172,053	134,182
Investment management fees		0	16,316	0	16,316	11,718
		0	188,369	0	188,369	145,901
Conference programme		0	1,087,369	258,466	1,345,834	1,353,256
Governance costs			6,546		6,546	7,327
TOTAL RESOURCES EXPENDED		0	1,282,284	258,466	1,540,750	1,506,483
NET OUTGOING RESOURCES BEFORE TRANSFERS			(895,585)	6,612	(888,973)	(795,277)
Transfers between Funds		71,500	(71,500)	0	0	0
GAINS ON INVESTMENT ASSETS						
Realised			(63,605)	0	(63,605)	73,387
Unrealised			708,286	0	708,286	1,802,799
NET MOVEMENT IN FUNDS		71,500	(322,404)	6,612	(244,292)	1,080,908
Fund balances brought forward as at 1 April 2013		500,500	22,812,928	121,486	23,434,914	22,354,005
FUND BALANCES CARRIED FORWARD AT 31 MARCH 2014		£572,000	£22,490,524	£128,098	£23,190,622	£23,434,914
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES						
Net Surplus/(Deficit) for the year					(952,577)	(721,890)
Unrealised gains/(losses)					708,286	1,802,799
Net gains/(losses) recognised in the year					(£244,292)	£1,080,908

Notes:

- (1) As permitted by Section 408 of the Companies Act 2006 the Foundation's Income and Expenditure Account has not been included in these accounts. The subsidiary company retained neither profit nor loss in either year.
- (2) The results for the years above are derived from continuing activities.
- (3) There is no difference between the operating surplus for the years stated above, and their historical cost equivalents.
- (4) Guest conference income relates to the turnover of Ditchley Park Conference Centre, details of which are shown on page 35.
- (5) Restricted Funds comprise the Dulverton and other Travel Funds and other restricted donations.
- (6) It is the policy of the Foundation to budget for a deficit in each year which is funded from the total returns received on investments within the endowment.

THE DITCHLEY FOUNDATION
Company Number 599389
Balance Sheets at 31 March, 2014

	Note	2014		2013	
		Group	Foundation	Group	Foundation
		£	£	£	£
FIXED ASSETS					
Tangible assets	8	3,830,697	3,830,697	3,924,472	3,924,472
Investments	9	19,166,374	19,166,374	19,473,445	19,473,445
Investment in subsidiary	10	0	2	0	2
		<u>22,997,071</u>	<u>22,997,073</u>	<u>23,397,917</u>	<u>23,397,919</u>
CURRENT ASSETS					
Stocks	11	31,253	29,937	49,509	47,850
Debtors	12	253,746	246,043	140,929	159,731
Bank balances and cash		48,913	22,046	109,178	59,898
		<u>333,912</u>	<u>298,026</u>	<u>299,616</u>	<u>267,479</u>
CURRENT LIABILITIES					
Creditors falling due within one year	13	(140,361)	(104,478)	(262,619)	(230,484)
		<u>193,551</u>	<u>193,549</u>	<u>36,997</u>	<u>36,995</u>
NET CURRENT ASSETS/(LIABILITIES)					
		<u>£23,190,622</u>	<u>£23,190,622</u>	<u>£23,434,914</u>	<u>£23,434,914</u>
NET ASSETS					
		<u>£23,190,622</u>	<u>£23,190,622</u>	<u>£23,434,914</u>	<u>£23,434,914</u>
SHARE CAPITAL					
RESERVES					
General Funds - includes revaluation reserve of £5,268,588 (2013 - £4,560,302)	15	22,490,524	22,490,524	22,812,928	22,812,928
Maintenance Fund	15	572,000	572,000	500,500	500,500
Unrestricted Funds		<u>23,062,524</u>	<u>23,062,524</u>	<u>23,313,428</u>	<u>23,313,428</u>
Restricted Fund	15	128,098	128,098	121,486	121,486
Total Charity Funds		<u>£23,190,622</u>	<u>£23,190,622</u>	<u>£23,434,914</u>	<u>£23,434,914</u>

The accounts on pages 24 to 32 were approved by the Council of Management on 4 June 2014 and were signed on its behalf by:



The Rt Hon. Lord ROBERTSON of Port Ellen KT GCMG HON FRSE
Chairman of the Council of Management

4 June, 2014

THE DITCHLEY FOUNDATION

Notes to the Accounts – 31 March, 2014

1. PRINCIPAL ACCOUNTING POLICIES

- (1) **Basis of Accounting** - The Foundation prepares its annual accounts in accordance with the historical cost convention modified by the revaluation of investment properties and other investments in accordance with the principal provisions of the Statement of Recommended Practice for Charities, applicable accounting standards and, except for the non-depreciation of investment properties, with the Companies Act 2006. An explanation of the departure from the requirements of the Act is given below in section 5.
- (2) **Related Parties** - The Foundation is related to The Ditchley Park Conference Centre Limited, a 100% subsidiary. The exemption available under FRS 8 re the non-disclosure of transactions with group companies is utilised by the Foundation as group accounts are prepared.

There are no other related party transactions or balances to be disclosed.

- (3) **Basis of Consolidation** - The Consolidated Statement of Financial Activities, Income and Expenditure Account and Balance Sheet include the financial statements of the Foundation and its subsidiary undertaking. Intra-group charges are eliminated fully on consolidation.
- (4) **Fixed Assets** - The house and land at Ditchley Park, acquired by gift, are not valued: staff properties were valued at 31 March 2008, and are depreciated (see Note 7). Expenditure on renovation and improvements is at cost less depreciation.

Individual fixed assets costing £500 or more are capitalised at cost.

- (5) **Depreciation** - Depreciation is calculated to write off, by equal instalments, the cost of tangible fixed assets over their useful lives, which are estimated to be:

Staff property, renovation and improvements to freehold property	- Between 20 and 50 years
Furniture, equipment and furnishings	- Between 3 and 10 years
Motor vehicles	- 5 years

Investment properties: in accordance with SSAP19, no depreciation is provided in respect of investment properties. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. These properties are, however, held not for consumption but for investment, and it is considered that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors in the annual valuation and the amount which would otherwise have been shown cannot reasonably be separately identified.

THE DITCHLEY FOUNDATION

Notes to the Accounts – 31 March, 2014

-
- | | | |
|------|----------------------|--|
| (6) | Investments and Cash | - Investments, including property, are valued on the following basis: |
| | (i) | Freehold properties held for investment purposes are valued periodically on professional advice. |
| | (ii) | Quoted investments have been valued at the bid market price at the close of business at the year end. The market value of unit trusts and managed funds units is either taken as the bid or Net Asset Value price at the year-end as advised by the investment managers. |
| | (iii) | Realised gains and losses on investments are calculated as the difference between sale proceeds and their market value at the start of the year or subsequent cost and are credited or charged to the statement of financial activities in the year of disposal.

Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the statement of financial activities based on the market value at the year end. |
| (7) | Stocks | - Stocks are valued at the lower of cost and net realisable value. |
| (8) | Income | - Income is accounted for on an accrual basis. Donations are accounted for in the period in which they are received. Guest conference income excludes value added tax and represents the invoiced value of goods and services supplied. |
| (9) | Expenditure | - Expenditure is allocated to the cost of generating funds, charitable activities and governance costs on an actual basis. |
| (10) | Cash Flow Statement | - The company qualifies as a small company under the terms of the Companies Act 2006. As a consequence it is exempt from the requirement under Financial Reporting Standard No. 1, 'Cash Flow Statements', to publish a cash flow statement. |
| (11) | Fund Accounting | - The Ditchley Foundation has the following types of funds for which it is responsible:

Unrestricted Funds: Funds which are expendable at the discretion of the Council of Management in furtherance of the objects of the Foundation.

Restricted Funds: Donations or funds received which are earmarked by the donor for specific purposes within the overall aims of the Foundation. These funds may be income only (where the capital must be retained) or income and capital (where the donation and income deriving therefrom may be utilised). |
| (12) | Pension Costs | - The pension scheme is a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. |

THE DITCHLEY FOUNDATION

Notes to the Accounts – 31 March, 2014 (continued)

				2014	2013
				£	£
2.	VOLUNTARY INCOME				
	General purpose			17,422	225,813
	Restricted Funds:				
	Earmarked donations – conferences			244,832	231,332
	Donations for travel			18,246	2,926
	Other donations restricted			0	0
				<u>£280,500</u>	<u>£460,071</u>
3.	INVESTMENT INCOME				
	Dividends on listed investments			0	0
	Bank interest			141	729
	Rents			34,313	34,581
				<u>34,454</u>	<u>35,310</u>
	Interest on Dulverton Travel Fund (restricted)			2,000	2,414
				<u>£36,454</u>	<u>£37,724</u>
4.	ANALYSIS OF TOTAL RESOURCES EXPENDED				
		Staff costs	Other	Depreciation	Total 2014
		£	£	£	£
	Costs of generating funds				
	Trading costs of subsidiary	35,654	136,399		172,053
	Investment management fees		16,316		16,316
		<u>35,654</u>	<u>152,715</u>	<u>0</u>	<u>188,369</u>
	Charitable activity	750,067	458,503	137,264	1,345,834
	Governance costs		6,546		6,546
	TOTAL	<u>£785,721</u>	<u>£617,764</u>	<u>£137,264</u>	<u>£1,540,750</u>
5.	STAFF COSTS				
	Expenditure includes the following amounts in respect of staff costs:				
	Salaries and wages			700,296	642,682
	Social security costs			58,715	47,817
	Other pension costs			26,710	137,299
				<u>£785,721</u>	<u>£827,798</u>
	<u>Average monthly number of staff</u>			No.	No.
	Administration			9	10
	Establishment			15	15
	Conference – part-time			6	4
				<u>30</u>	<u>29</u>

Note:

None of the Council of Management received any emoluments during the year (2013: £Nil)

The Foundation provided Public Liability insurance cover amounting to £10m (2013: £10m)

One member of staff earned more than £60,000 in the year (2013: 1)

THE DITCHLEY FOUNDATION

Notes to the Accounts – 31 March, 2014 (continued)

6.	RELATED PARTIES		
	During the year Sir John Holmes utilised the facilities of the conference centre on commercial terms amounting to £1,979 (2013 - £86)		
		2014	2013
7.	OTHER EXPENDITURE	£	£
	OTHER CHARITABLE EXPENDITURE		
a.	Administration		
	Travelling	17,683	15,837
	Representation abroad	2,034	7,417
	Postage and telephones	13,189	15,849
	IT Systems	11,352	20,691
	Maintenance of office equipment	0	182
	Printing, stationery and office expenses	49,816	35,752
	Vehicle running costs	8,682	8,130
	Architects' and surveyors' fees	0	0
	Legal and professional fees	5,850	9,089
	Bank charges	1,641	2,040
	General expenses	17,614	15,514
		<u>£127,861</u>	<u>£130,501</u>
	Repairs and Maintenance		
	Buildings - Major works	24,857	14,484
	- General Repairs and maintenance	26,765	19,285
	Repairs and renewals of furniture and equipment	57,547	19,944
	Upkeep and maintenance of roads and gardens	15,324	23,287
		<u>£124,493</u>	<u>£77,000</u>
	Household and Services costs		
	Heating and lighting		
	Insurance	69,805	67,267
	Rates and water	46,940	41,038
	Household and cleaning	33,072	26,478
		7,482	7,990
		<u>£157,299</u>	<u>£142,773</u>
	Conference		
	Catering	70,214	71,455
	Participants' travel costs to UK	31,948	35,571
	(partly funded by earmarked donations)		
	Participants' travel costs – from UK	1,699	3,119
	Other conference expenditure	17,479	13,729
		<u>121,340</u>	<u>123,874</u>
	Value Added Tax	42,840	81,391
		<u>573,832</u>	<u>555,538</u>
	Less attributable to DPCC	(115,329)	(101,113)
		<u>£458,503</u>	<u>£454,425</u>
b.	GOVERNANCE COSTS		
	Audit fee	6,500	6,500
	Trustees' costs	46	827
		<u>£6,546</u>	<u>£7,327</u>

THE DITCHLEY FOUNDATION

Notes to the Accounts – 31 March, 2014 (continued)

8. TANGIBLE ASSETS -- GROUP AND FOUNDATION

	Freehold Property	Furniture & Equipment	Furnishings	Motor Vehicles	Total
COST/OR VALUATION	£	£	£	£	£
At 31 March, 2013	4,521,437	370,920	34,441	39,873	4,966,671
Additions	21,065	22,424	0	0	43,489
Disposals	0	0	(18,155)	0	(18,155)
At 31 March, 2014	4,542,502	393,344	16,287	39,873	4,992,005
DEPRECIATION					
At 31st March, 2013	619,202	357,599	34,441	30,956	1,042,198
Charge for year	128,100	5,597	0	3,567	137,264
Disposals	0	0	(18,155)	0	(18,155)
At 31 March, 2014	747,302	363,196	16,287	34,523	1,161,308
NET BOOK VALUE					
At 31 March, 2013	£3,902,235	£13,321	£0	£8,916	£3,924,472
At 31 March, 2014	£3,795,200	£30,148	£0	£5,349	£3,830,697

Freehold Property

Comprises expenditure on renovations and improvements. The house and associated land are valued at nil since they were acquired by gift. No value has been attributed to this asset as, in accordance with the wishes of the donor, it is inalienable. Ditchley House was built in 1722 and is a listed Grade 1 building. Significant costs would be involved in valuing the property which, in the opinion of the Trustees, would be onerous compared with the additional benefit derived by users of the accounts in assessing the stewardship of assets. The House and outbuildings are currently insured for £42,786,487. Other properties occupied by staff and considered as permanent staff quarters have been valued at 31 March 2008 by Laws and Fiennes, Chartered Surveyors.

9. INVESTMENTS -- GROUP AND FOUNDATION

	Listed Securities	Short Term Deposits	Investment Properties	Total
MARKET VALUE	£	£	£	£
At 31 March, 2013	17,104,614	279,831	2,089,000	19,473,445
Additions	2,425,359	0	0	2,425,359
Disposals	(3,388,127)	(52,589)	0	(3,440,716)
Net unrealised gains/(losses)	708,286	0	0	708,286
At 31 March, 2014	£16,850,132	£227,242	£2,089,000	£19,166,374
Cost at 31 March, 2014	£12,941,356	£227,242	£787,439	£13,956,037

Disposals are at market value as at 1 April, 2013, or cost if acquired during the year. Proceeds of disposals amount to £3,325,761 giving rise to a loss of £62,366. The investment properties were valued at 31 March, 2008 by Laws and Fiennes, Chartered Surveyors. Trustees are not aware of any material changes since last valuation.

10. INVESTMENT IN SUBSIDIARY

The Foundation's investment in subsidiary relates to a 100% holding of the ordinary share capital of Ditchley Park Conference Centre Ltd, a company incorporated in Great Britain. The principal activity of the company is the provision of guest conference facilities.

THE DITCHLEY FOUNDATION

Notes to the Accounts – 31 March, 2014 (continued)

11. STOCKS	2014		2013	
	Group £	Foundation £	Group £	Foundation £
Wine cellar	12,216	12,216	12,191	12,191
Heating oil	3,685	3,685	3,220	3,220
Biomass fuel	14,036	14,036	32,440	32,440
Publications for resale	1,315	0	1,659	0
	<u>£31,253</u>	<u>£29,937</u>	<u>£49,509</u>	<u>£47,850</u>

12. DEBTORS (Due within one year)

Trade debtors	52,745	3,353	39,040	4,129
Amount due by subsidiary (Ditchley Park Conference Centre Ltd)		41,689		53,713
Prepayments	57,444	57,444	8,734	8,734
Accrued Income & Other Debtors	143,556	143,556	93,155	93,155
	<u>£253,746</u>	<u>£246,043</u>	<u>£140,929</u>	<u>£159,731</u>

13. CREDITORS (Due within one year)

Payments received in advance	39,443	4,359	34,688	2,553
Trade creditors	44,717	44,717	76,301	76,301
Amount due to subsidiary (Ditchley Park Conference Centre Ltd)	0	0	0	0
Taxation and social security payable	22,798	22,798	20,740	20,740
Other creditors & accruals	33,404	32,604	130,890	130,890
	<u>£140,361</u>	<u>£104,478</u>	<u>£262,619</u>	<u>£230,484</u>

14. SHARE CAPITAL

The liability of members is limited by guarantee and no shares are authorised or issued by the Foundation. Each Member undertakes to contribute £1 to the assets of the Foundation in the event of the same being wound up whilst a Member, or within one year of ceasing to be a member, for the payment of debts and liabilities of the Foundation contracted before ceasing to be a member, and of the cost, charges and expenses of winding up, such as may be required not exceeding £1.

15. RESERVES

	Unrestricted Funds			Restricted Funds	
	Maintenance Fund £	General Fund £	Revaluation Reserve £	Total £	£
Balance at 31 March 2013	500,500	18,252,626	4,560,302	23,313,428	121,486
Net incoming resources	71,500	(967,085)		(895,585)	6,612
Gains	0	(63,605)	708,286	644,681	0
Balance at 31 March, 2014	<u>£572,000</u>	<u>£17,221,936</u>	<u>£5,268,588</u>	<u>£23,062,524</u>	<u>£128,098</u>

THE DITCHLEY FOUNDATION

Notes to the Accounts – 31 March, 2014 (continued)

The General Fund comprises the original gift to the company by HDH Wills family and family trusts together with changes to the capital value of investments and surpluses and deficits on income and expenditure. The Maintenance Fund was instituted by the Council on 22 November, 2005 when it was agreed that a certain amount be transferred from the General Fund from 2006/7 onwards for exceptional maintenance items, such as new boilers and rewiring.

Restricted Funds comprise the Dulverton Trust Travel Fund, the income from which offsets the cost of conference participants' travel and other restricted donations.

16. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Restricted funds £	2014 Total funds £	2013 Total funds £
Fund balances at 31 March, 2014 are represented by:				
Tangible fixed assets	3,830,698		3,830,698	3,924,472
Investments	19,046,132	120,242	19,166,374	19,473,445
Current assets	326,055	7,857	333,912	299,616
Current liabilities	(140,361)		(140,361)	(262,619)
Total net assets	<u>£23,062,524</u>	<u>£128,098</u>	<u>£23,190,623</u>	<u>£23,434,914</u>

17. PENSION SCHEMES

The Foundation maintains a pension scheme covering, substantially, all of its employees. It is a defined contribution scheme (employer 5-9%) administered by the trustees. Its funds are kept separate from those of the Foundation. There were contributions outstanding at the balance sheet date of £2,921 (2013 - £99,353). The pension cost charge represents contributions payable by the Foundation in accordance with the rules of the Scheme.

In addition the Foundation contributes to separate money purchase schemes for senior executives, with the Foundation's contribution set at 10%. These funds are also kept separate from those of the Foundation. Pension costs for the year are shown in note 5.

18. TRAVEL EXPENSES

£46 was disbursed for travel and associated expenses incurred by one member of the Council of Management while attending business directly associated with the purposes of the Foundation (2013 - £827).

19. CAPITAL COMMITMENTS

No capital commitments. (2013 - Nil).

20. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March, 2014 (2013 - Nil).

THE DITCHLEY PARK CONFERENCE CENTRE LIMITED

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company, Registered No. 1944182, is incorporated in Great Britain. Its principal business activity is the provision of conference facilities for outside bodies. It has also assumed responsibility for the commercial activities of the Ditchley Foundation including, principally, open days, i.e. for visits to Ditchley Park either by members of the public during any open period or by individuals and specialist groups at other times by prior arrangement.

A total of 14 guest conferences and events were held during the financial year covered by this report, and these contributed largely to the Company's operating profit of £94,554.

CHARITABLE CONTRIBUTIONS

During the period the company made a contribution of £94,554 to the Ditchley Foundation.

RESULTS AND DIVIDENDS

The retained profit for the year amounted to £Nil.

The Directors do not recommend the payment of a dividend in respect of this year's profits.

DIRECTORS' INTEREST IN SHARES

Directors are Sir John Holmes, GCVO, KBE, CMG, and Colonel Mike Montagu, neither of whom have had any interest in the shares of the company at any time during the period.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure 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 company and to prevent and detect fraud and other irregularities.

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of, and which they know the auditors are unaware of.

This report is prepared in accordance with the small companies' regime under the Companies Act 2006.

By order of the Board,



SARAH PUNTAN-GALEA

Secretary

4 June, 2014

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE DITCHLEY PARK CONFERENCE CENTRE LIMITED
FOR THE YEAR ENDED 31 MARCH 2014**

We have audited the financial statements of The Ditchley Park Conference Centre Limited for the year ended 31 March 2014 set out on pages 35 to 37 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective Responsibilities of the Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March, 2014 and of its result for the year 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Theresa Rees
Senior Statutory Auditor
For and on behalf of Rees Russell LLP

Date: 4 June, 2014

Rees Russell
37 Market Square
Witney
Oxfordshire
OX28 6RE

THE DITCHLEY PARK CONFERENCE CENTRE LIMITED
Profit and Loss Account for Year Ended 31 March, 2014

	2014 £	2013 £
TURNOVER		
Conference income	247,141	196,007
Visitors' entrance fees	3,603	3,534
Sale of publications	528	498
Other	4,759	3,586
Sale of drinks	10,566	8,907
Bank interest	10	4
	<hr/> £266,607 <hr/>	<hr/> £212,536 <hr/>
OPERATING EXPENSES		
Management and service fees	150,983	121,429
Cost of drinks sold	6,051	5,268
Publications for resale	534	696
Guiding fees	867	388
Auditors' remuneration	800	800
Other operating costs	12,818	5,601
	<hr/> £172,053 <hr/>	<hr/> £134,182 <hr/>
OPERATING PROFIT	<hr/> 94,554 <hr/>	<hr/> 78,354 <hr/>
PROFIT ON ORDINARY ACTIVITIES	£94,554	£78,354
PAYMENT UNDER GIFT AID	<hr/> (£94,554) <hr/>	<hr/> (£78,354) <hr/>
RETAINED PROFIT FOR THE YEAR	<hr/> £NIL <hr/>	<hr/> £NIL <hr/>

NOTES:

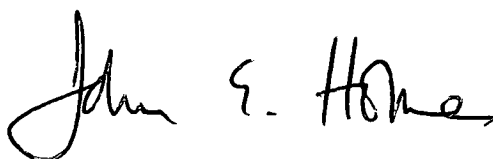
- (1) The results for the years above are derived from continuing operations.
- (2) The company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.
- (3) There is no difference between the profit on ordinary activities and the retained profit for the years stated above, and their historical cost equivalents.

THE DITCHLEY PARK CONFERENCE CENTRE LIMITED

Balance Sheet at 31 March, 2014

	Notes	2014 £	2013 £
CURRENT ASSETS			
Debtors	2	49,392	34,911
Stocks	3	1,316	1,659
Cash in bank and in hand	4	26,867	49,280
		<u>77,575</u>	<u>85,850</u>
CURRENT LIABILITIES			
Creditors falling due within one year	4	77,573	85,848
		<u></u>	<u></u>
NET ASSETS		<u>£2</u>	<u>£2</u>
CAPITAL AND RESERVES			
Called-up share capital	5	<u>£2</u>	<u>£2</u>

The financial statements on pages 35 to 37 were approved and authorised for issue by the Board of Directors on 4 June 2014 and were signed on their behalf by:



SIR JOHN HOLMES GCVO, KBE, CMG

Chairman and
Managing Director

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention.

STOCKS

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

TURNOVER

Turnover is stated net of Value Added Tax, and represents the invoiced value of goods and services supplied.

CASH FLOW STATEMENT

The company qualifies as a small company under the terms of the Companies Act 2006. As a consequence it is exempt from the requirement under Financial Reporting Standard No. 1, 'Cash Flow Statements', to publish a cash flow statement.

THE DITCHLEY PARK CONFERENCE CENTRE LIMITED

Notes to the Accounts

1. DIRECTORS AND EMPLOYEES

The company has no employees other than the Directors. (2013: NIL)
None of the directors received any remuneration during the year (2013: £NIL)

2. DEBTORS

	2014	2013
	£	£
Trade Debtors	49,392	34,911
Due from parent company	0	0
Other debtors	0	0
	<u>49,392</u>	<u>34,911</u>

3. STOCKS

Stocks comprise publications for resale.

4. CREDITORS (Due within one year)

	2014	2013
	£	£
Payments received on account	35,084	32,135
Amount owed to parent company	41,689	53,713
Other	800	0
	<u>77,573</u>	<u>85,848</u>

5. CALLED-UP SHARE CAPITAL

Authorised 100 ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
Issued, allotted, called-up and fully paid 2 ordinary shares of £1 each	<u>£2</u>	<u>£2</u>

6. ULTIMATE PARENT COMPANY

The company's ultimate parent company and ultimate controlling party is The Ditchley Foundation, a company limited by guarantee and incorporated in Great Britain.

7. RELATED PARTIES

During the year Sir John Holmes utilised the facilities on commercial terms amounting to £1,979. (2013: £86)