

**Company Registration No.1172263 (England and Wales)**  
**Charity Registered No.268354 (England and Wales)**

**LEEDS CASTLE FOUNDATION**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 24 MARCH 2016**

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# LEEDS CASTLE FOUNDATION

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# LEEDS CASTLE FOUNDATION

## ADMINISTRATIVE DETAILS

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<b>Trustees</b>	Mr Niall F R Dickson (Chairman) The Hon Mark T Bridges, CVO Mr B Michael Covell Dr Anna Keay Mr Richard G Laing Mr Jonathan B Neame, DL Mr Timothy J Stevens, OBE Mrs Laura C A Nesfield Mr Thomas C Wright, CBE
<b>Company secretary</b>	Mr R Richman
<b>Charity Number</b>	268354
<b>Company number</b>	1172263
<b>Registered office</b>	Leeds Castle Broomfield Nr. Maidstone Kent ME17 1PL
<b>Statutory auditors</b>	Crowe Clark Whitehill LLP 10 Palace Avenue Maidstone Kent ME15 6NF
<b>Bankers</b>	Royal Bank of Scotland London Corporate Banking Centre PO Box 39952 21/2 Devonshire Square London EC2M 4XJ
<b>Investment manager</b>	Ruffer LLP 80 Victoria Street London SW1E 5JL

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# LEEDS CASTLE FOUNDATION

## ADMINISTRATIVE DETAILS

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### Sub-committee membership

<b>Finance, Audit and Risk Committee</b>	Mr Richard G Laing The Hon Mark T Bridges, CVO Mr Jonathan B Neame, DL Mr Thomas C Wright, CBE	Chairman  (Until 7 June 2015) (From 7 June 2015)
<b>Investment Committee</b>	Mr B Michael Covell Mr Richard G Laing Mrs Laura C A Nesfield	Chairman
<b>Nominations Committee</b>	The Baroness Cumberlege, CBE, DL Mr Niall F R Dickson The Hon Mark T Bridges, CVO Mr Richard G Laing Dr Anna Keay	(Until 11 December 2015) Chairman from 11 December 2015
<b>Directors, Leeds Castle Enterprises Limited</b>	Mr Jonathan B Neame, DL Mr Niall F R Dickson Mr Alan E M Britten, CBE Vice-Admiral, Sir David Steel, KBE, DL Mr William Lash  Mr Robin Richman Mr Thomas C Wright, CBE	Chairman (From 7 June 2015)  (Until 11 December 2015) Chief Executive (From 7 July 2015) Interim Chief Executive (until 7 July 2015) Finance Director and Secretary
<b>Senior Management Team of the Foundation</b>	Vice-Admiral, Sir David Steel, KBE, DL  Mr W Lash  Mr R Richman Mrs D Matthews Mrs J Creasey Mr S Guy Mrs S Codrington Mrs A Kemkaran-Smith Mr C Day	Chief Executive (From 7 July 2015) Deputy Chief Executive (Interim Chief Executive (until 7 July 2015)) Finance Director Hospitality Business Manager Human Resources Manager Head of Tourism Head of Marketing Curator Estate Services Manager

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# **LEEDS CASTLE FOUNDATION**

## **TRUSTEES' ANNUAL REPORT FOR THE PERIOD ENDED 24 MARCH 2016**

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The Trustees of the Leeds Castle Foundation, who are also the directors of the charity, present their report and the financial statements for the Foundation and its trading subsidiary (the group) for the period ended 24 March 2016, which have been prepared in accordance with the 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 (FRS102) (effective 1<sup>st</sup> January 2015) and the Companies Act 2006.

For operational reasons the accounts have been prepared this year for the period to 24 March 2016.

### **Objects**

The Foundation's objects are wide ranging, and are set out in full in the memorandum and articles. However, the key focus of the charity is best summarised as follows:

- 1 To preserve the castle and its estate for public benefit.
- 2 To provide an excellent, enjoyable and authentic experience for every visitor.
- 3 To inspire visitors of all ages through educational resources and facilities.
- 4 To promote health and other charitable purposes.

### **Strategic Report**

Sections in this report noted below constitute the Strategic Report for the purposes of the Companies Act 2006:

- Review of the year.
- Incoming resources.
- Costs and application operating surpluses.
- Reserves Policy.
- Investment Policy and Objectives
- Core Activities – Public Benefit.
- Plans for the Future.
- Risk.

### **Review of the year**

The Foundation continues to be in good health, able to withstand external buffeting, while investing in major long-term conservation and development. The Castle and its estate remains one of the most visited historic settings in the country, and the Foundation continues to maintain and develop a respected position in the local community, providing a wonderful resource for local people and tourists as well as supporting other charities.

Despite a significant shortfall in visitor numbers in Summer 2015, influenced by the effects of Operation Stack (partial closure of M20 to accommodate overflow of parked commercial vehicles in periods when Channel Tunnel and docks were closed) and more generally by poor weather, the combination of a highly successful programme of autumn events allied with record visitor figures over Christmas enabled us to end the year with more visitors than we had expected. Our operating surplus, however, fell by a quarter, in part as a result of discretionary expenditure on un-programmed maintenance of our guest bedrooms.

Among our many successes, this year both the annual Fireworks displays and the Christmas market, delivered better than anticipated returns. Their continued and growing popularity underlined the attraction of good quality activities at reasonable cost. The quieter winter months also allowed us the opportunity to completely refurbish our primary kitchen in the Fairfax Hall and to replace the standby generator.

# **LEEDS CASTLE FOUNDATION**

## **TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 24 MARCH 2016**

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In our view it is not only important that Leeds Castle and its estate is conserved but that development in the surrounding area does not inflict damage on what is a major national asset. This year we have joined with other local and national organisations to oppose developments which would seriously harm the setting in which we operate. The Foundation remains committed to doing whatever it can to encourage sympathetic improvements but will vigorously defend the beauty, peace and tranquillity of the estate and to ensure it is accessible and preserved for future generations.

### **Incoming resources**

Incoming funds increased by £575,000 over last year as a consequence of increased visitor numbers but most particularly from attracting over 100 weddings and an increase in accommodation sales.

Special events held during the year have generated additional income and enabled large numbers to enjoy theatre, music and firework displays with the Castle as a backdrop. The Christmas market, in its third year and offered in conjunction with the traditional Christmas decoration of the Castle, brought significant numbers to the Castle grounds over the holiday period.

Hospitality sales have improved, and the investment programme by our catering contractors has created improvements in the service we can offer. The evening restaurant is now an established feature and has provided a popular additional dimension to the bed and breakfast service which has expanded significantly in recent years. Importantly this aspect of our work, and hospitality in general generates income that is more or less insulated from the impact of bad weather. The trading company again performed well, achieving operating profits of £1.175m and gift aiding £938,000 to support the Foundation.

### **Costs and application of operating surpluses**

We are concerned to make sure we manage our costs and that will be a key focus in the coming year. At the same time there is a need for considerable investment in the fabric of the building. The operating surplus will be dedicated to continuing the preservation of the castle and enhancing the visitor experience, particularly the restoration of the castle interiors as part of a wider presentation strategy.

In line with the agreed three year pension deficit reduction plan, we also made a special contribution of £68,000 towards the Leeds Castle Retirement Benefits Scheme. The scheme has been closed to new members since 2005. The triennial revaluation produced a smaller deficit which will mean we will face a reduced contribution to the scheme from 2015 until next revaluation when the contribution will next be reviewed.

### **Reserves policy**

The Trustees have reviewed the reserves policy, taking into account the predominant risks to the Foundation and its anticipated working capital requirements.

The review of risk highlights major events, such as a fire, which would have a severe impact on income, which can be readily mitigated by both direct and business interruption insurance cover. However, other risks, such as closure or periods of low visitor numbers as a consequence of prolonged bad weather or other factors, and their impact on income are uninsurable. To mitigate these risks Trustees have invested heavily in recent years to diversify income generation, thereby reducing the dependence on day visitor numbers, by maximising the use of available assets and income generating opportunities. Additional funds are therefore required to be held in free reserves to ensure we meet commitments and working capital requirements should such short term volatility in revenues result. Taking into account core cost needs over a six month period, the Trustees are of the view that, it is appropriate to hold free reserves of a minimum of £2m.

# **LEEDS CASTLE FOUNDATION**

## **TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 24 MARCH 2016**

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At 24 March 2016, the total consolidated funds in the accounts stand at £19.8m, of which £2.8m is restricted and £9.8m relates to unrestricted tangible fixed assets and investment property. After deducting the designated funds of £4.1m and pension reserve of £0.1m this leaves general free reserves of £3.0m. This level of reserve, while above the minimum of £2.0m agreed by the Trustees, has been achieved without unnecessarily diverting funds from addressing our charitable purposes.

Leeds Castle's funds comprise a number of restricted funds and unrestricted funds within which a number of designations have been made by the Trustees.

Restricted funds comprise The Heritage and Development Fund and the Chattels Fund. The Heritage and Development Fund, is an Expendable Endowment Fund and represents freehold land and buildings classified as functional tangible assets which are considered to be integral to the bequeathed estate. The Heritage and Development Fund relates entirely to the Foundation.

The Chattels Fund represents proceeds from the disposal of heritage assets. These proceeds are to be used solely for the purpose of acquiring replacement heritage assets.

The Trustees have concluded that Designated Reserves should be set up to cover the approximate estimate of potential spending on specific projects which have been identified as part of the five year planning process, in order to:

- Fund the Foundation's primary responsibility of preserving and maintaining the castle and its collections
- Invest in developments to enhance the visitor experience and understanding of the castle.
- Develop income generating opportunities.
- Improve or replace operating facilities.

As at 24 March 2016, the Designated Reserves currently represent:

- Battel Hall refurbishment and commissioning as a hospitality facility.
- Castle collection presentation.
- Upgraded visitor reception facility.

In addition, the Foundation carries business interruption insurance to cover the cost of core liabilities in the event the castle was unable to generate income as a consequence of exceptional insurable incidents. The reserves policy is reviewed annually by the Trustees.

## TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 24 MARCH 2016

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### Investment policy and objectives

#### a) Investment land and properties

Investment land and properties relate to interests in land and buildings which are held for their investment potential, and which are not utilised by the company or its group in the course of their operations.

#### b) Cash and listed investments

The Trustees reviewed and ratified their investment policy in 2014. The fundamental objective in managing the investment assets is to generate a rate of return, in real terms, to help meet the Foundation's charitable objectives. Investment assets are expected to be invested in relatively liquid assets. Such assets should include equities, bonds and cash, and the long term objective is to provide a return significantly in excess of the rate of inflation.

The investment portfolio is currently managed by Ruffer LLP, whose mandate is to achieve a rate of return of at least 4% over RPI over the long term, and that the rate of return in any particular year should not be negative. Investment performance for the year is summarised on pages 10-11.

### Core Activities

#### Public benefit

The Trustees referred to the Charity Commission's guidance on public benefit when reviewing the aims and objectives and in planning the future activities. In particular, the Trustees considered how planned activities will contribute to the aims and objectives they have set. The Trustees are confident that the Foundation's current activities deliver public benefit, as follows.

#### a) Objective 1 – To preserve the castle and its estate for public benefit.

A large proportion of the Foundation's income is devoted to activities which preserve the castle, its collections, the estate buildings, and its grounds.

#### The Dining Room Project

The Dining Room at Leeds Castle was first used by Lady Baillie as an area for Servants' quarters, including a dining hall and sitting room. In 1938 she and her designer Stephane Boudin, embarked on a refurbishment of this space as a grand Dining Room, removing the dividing walls and opening the space so that it resembled the space during the Wykeham Martin period of 1822-1925. The outbreak of the Second World War interrupted the refurbishment and the room was used as a hospital ward for injured servicemen. As soon as the war was over, Lady Baillie and Boudin revisited their original scheme and completed the design. Over the subsequent decades the room was repainted in a cold mint green colour that did not tone in with the curtain silk or the 18<sup>th</sup> century Aubusson tapestries on the walls.

During the recent project, paint analysis and research was carried out to determine the original colour of the walls which has been described as a 'Water Green' and employed the same dragged paint finish as seen in other Boudin interiors in the castle. The restoration was carried out by a specialist decorating company Campbell Smith using Little Greene paint colours. The tapestries had to be taken down, sent for cleaning in Belgium, then undergo an extensive period of conservation to ensure that the woven threads do not split under their own weight when they are reinstalled in November 2016.



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### The Library Project

The Library at Leeds Castle was originally used by Lady Baillie as a schoolroom for her two daughters Pauline and Susan. It adjoins the Dining Room which until 1938 was Servants' quarters and therefore an ideal position for the children to be schooled and cared for by the staff.

In 1938 Lady Baillie and Boudin started the refurbishment of this room, installing bookshelves exactly like those found in the interiors of French architect Daniel Marot (1661-1752), but like the Dining Room, the Second World War interrupted these efforts and the space was used as a hospital ward for injured servicemen. The bookshelves, complete with books, were boarded over, and only uncovered when the room returned to normal usage after the war.

During the recent redecoration project, the colours were revived to their original scheme and the details acanthus leaf mouldings were picked out in an ochre colour which was chosen by Lady Baillie and Boudin to compliment the spines of the leather books on the shelves.

The portrait of Lady Baillie and her two daughters that was specially commissioned by Lady Baillie from the artist Etienne Drain in 1948, was returned to its original position above the fireplace in the library, completing the original scheme and allowing visitors to enjoy it in its original state for the first time since 1974.

### **b) Objective 2 – To provide an excellent, enjoyable and authentic experience for every visitor.**

At the centre of the Foundation's work are the hundreds of thousands of visitors who come and enjoy Leeds Castle. They may come for the day, just once; others living more locally take advantage of the free repeat visits facility and come much more frequently. The comments posted on the Tripadvisor website demonstrate high levels of satisfaction, with a wide range of visitors finding interest and enjoyment.

In 2015-16 we welcomed more than 542,000 visitors from all over the world, a reduction of around 5% on the previous year but above budget.

The castle was open for 362 days during the year – and on two of the three days it was closed to visitors, it hosted major special events. We believe the annual ticket represents good value, and the estate provides a safe and beautiful environment for recreation. Our new custom-built playground for the under sevens, refurbished and extended during the year, has continued to be a great success and the gardens and entertainment programme have been a source of joy and pleasure to thousands of visitors.

This year we continued to invest in a range of initiatives to enrich the experience of our visitors. These have included the representation of the Dog Collar Collection so that once again we opened the doors to the largest collection of its kind on public display anywhere in the world. The fascinating collection of canine neckwear spanning five centuries is on daily display in a fresh and creative new presentation. Christmas was themed on Notes of Christmas inspired by traditional Christmas Carols and decorations created entirely by hand by a local Artist. This ran alongside the Christmas Market.

### **c) Objective 3 – To inspire visitors of all ages through educational resources and facilities.**

Our education programme is thriving, with workshops, activities and talks for children and students through all the key stages, from the age of 3 - 18. The new workshop added this year is one based on Art and Wild Life studies bringing the number of workshops we offer to 11, covering the subjects of history, art and design, drama, numeracy, geography, science and literacy, with additional materials for all Key Stages available online. In

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### TRUSTEES' ANNUAL REPORT FOR THE PERIOD ENDED 24 MARCH 2016

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addition many children who do not attend the workshops but choose to self-guide, use the materials produced by our education staff to enhance their visits.

During 2015-16 we welcomed more than 12,000 children, from over 300 hundred schools, to Leeds Castle and brought in revenue of almost £100,000.

The refurbishment of the Education Centre took place in January 2016, closing it for a whole month. The changes increased our capacity and in the first four months of this financial year we welcomed an additional 67 schools compared to the same time period last year.

We recently joined with 2 schools in Dartford to enable every child in both schools to visit Leeds Castle. Each child has experienced a workshop, met 'King Henry VIII' and participated in a Falconry display, as well as enjoying all the other activities throughout the estate. This was a most successful venture and the children were all tasked with producing a project based on their visit.

We continue to take part in the Kent Children's University scheme and provide free worksheets for primary school children. The number of worksheets and educational resources downloaded from our website increases each year, and we are delighted that more secondary schools are making use of our materials.

We also work with local secondary schools on coursework projects for their students. Furthermore we offer a variety of talks to cover the subjects studied at NVQ, Btech, GCSE and A levels, as well as for various adult learning groups. Our Business, Leisure & Tourism, Marketing and Customer Service talks all continue to be requested, and we are always happy to write a new talk. This year we wrote and delivered a talk entitled 'The changing role of women in Tudor Society' to 96 students from a Girls School.

Education in its widest sense is at the heart of what we aim to deliver for everyone who visits the castle and its estate.

#### **d) Objective 4 – To promote health and other charitable purposes**

The Foundation has continued to support health charities and organisations in hosting medical conferences in the castle and to promote healthy living. We held the Leeds Castle Triathlon again this year which proved to be a great success with more than 900 participants swimming in the castle moat before setting off on their cycle and run. The Triathlon has recently been recognised with national competition status and we will build on the event over coming years.

20,667 rounds were played on our golf course, with membership increasing to around 200, and we welcomed countless walkers and ramblers who enjoy the grounds on the public footpaths. We continue to support the Leeds and Broomfield Cricket Club with subsidised rent, a new lease to allow for greater certainty of tenure and therefore opportunities for investment in their facilities. This year, we have worked with other charities on fundraising initiatives using the castle's facilities. We have again provided support and facilities for Breast Cancer Now, the Alzheimer's Society and again offered a site for a Supercar Event and held a dinner to support the Royal Marines and Royal Navy Children's Fund, raising significant sums to help the children of servicemen.

We continue to support local communities and charities by offering access to the castle, whether through the provision of more than 1,100 free family tickets for auctions and raffles, for more than 500 foster families, or as a reward for 600 schoolchildren across Kent who walk to school. The grounds were used for three charity fun run events; local schools and youth groups from the surrounding villages were also able to use the castle grounds for activities; and we provided support to local cricket clubs, schools and other parish events.

# **LEEDS CASTLE FOUNDATION**

## **TRUSTEES' ANNUAL REPORT FOR THE PERIOD ENDED 24 MARCH 2016**

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### **Plans for the future**

We have allocated expenditure for major improvement in the irrigation system for our golf course and improvement in all the tees. Work is underway in converting one of our larger historical properties and its annex into a high end accommodation and functions facility, which we aim to open in June 2017. Plans are being developed for the provision of a new visitor reception facility. The entrance to Broomfield Gate will be

improved and we aspire to renovate the Pavilion to make it available for shelter and occasional hospitality functions.

### **Risk**

The Charity has an active risk management policy. The Risk Register was fully revised during the year, and is subject to quarterly review and scrutiny by the Foundation's Finance, Audit and Risk Committee. This has enabled staff and Trustees to identify key risks more accurately and to manage them more effectively.

The upkeep of the castle and the estate is a heavy, largely fixed cost that must be borne irrespective of the fortunes of our trading activities. Apart from some catastrophic disaster such as fire, the most critical risk for the charity is - for whatever reason - failing to generate sufficient income to support that cost. The Foundation encourages its trading subsidiary to explore diversified sources of income continuously.

To manage any catastrophic occurrence we have reviewed business continuity this year and have produced a comprehensive plan designed to restore us to operational capacity as quickly as possible.

The Foundation takes the health and safety of its staff and visitors very seriously. The management team is committed to ensuring that staff operate safe systems and that visitors are able to enjoy their time with us without incident or accident. All activities on the estate are risk-assessed, and incidents logged with follow-up action closely monitored. An external adviser is contracted to provide specialist advice on health and safety, and we use a computerised risk assessment tool.

Of course there are extraneous risks over which we have little control. The most significant of these is poor weather, which affects both event sales and the core activity of encouraging visitors to the castle. While we were able to recover the number of visitors to meet our budget target overall, the summer months brought poor weather and reduced visitor numbers. The adverse impact of the frequent closure of the M20 Motorway because of Operation Stack also had a significant influence on the number of visitors.

# **LEEDS CASTLE FOUNDATION**

## **TRUSTEES' ANNUAL REPORT FOR THE PERIOD ENDED 24 MARCH 2016**

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### **Structure, Governance and Management**

The Leeds Castle Foundation was established as a company limited by guarantee by the last private owner of the castle, Hon. Olive, Lady Baillie, with the intention of preserving the castle for the benefit of the public. It is governed by its Memorandum and Articles of Association dated 30 May 1974. It is registered as a charity with the Charity Commission. The Charity is administered by a board of Trustees. As set out in the Articles of Association, the Chair of the Trustees is elected by his fellow Trustees. Niall Dickson is now completing his third year in the Chair.

By way of induction, new Trustees are provided with a comprehensive briefing pack, and spend a day with the Chief Executive and senior team. If they do not have experience of working with charities, they are offered additional training and support.

The Board's standing subcommittees cover audit (which also addresses finance and risk), investment, nominations, presentation, and strategic development. Two Trustees also sit on the Leeds Castle Retirement Benefits Scheme board.

The Chief Executive is appointed by the Trustees to advise on strategy and development, and manage the day-to-day operations of the charity. To facilitate effective operations the Chief Executive has delegated authority, within terms of delegation approved by the Trustees, for all operational matters. He is supported by a finance director, who is also company secretary, and by six senior managers.

In November 2014 the Chief Executive for the past 10 years, Victoria Wallace left to become Director General of the War Graves Commission. The Trustees appointed Vice-Admiral Sir David Steel as the Foundation's new Chief Executive, who took up his post in July 2015.

The Foundation receives no public funding and has to balance the need to generate income with the impact of commercial activities on the historic buildings and environment.

### **Remuneration of key management personnel**

Key management personnel comprise the senior management team. Salaries for the senior management team are reviewed annually by the Trustees and benchmarked against other members of the Treasure Houses Association.

### **Employee involvement and disabled persons**

Leeds Castle Foundation and its subsidiary Leeds Castle Enterprises Limited (the group) require management to establish and maintain close communication with staff and other employees, to ensure all are fully informed about the progress of the group's activities. There are informal and formal information exchange procedures, feedback sessions at all levels as well as individual performance development sessions with all members of staff in place. Success is celebrated with an annual awards ceremony and when financial circumstances permit, a performance-related bonus scheme. We provide a workplace that offers equality of opportunity for all our staff, whatever their gender, religion, sexual orientation, age or physical ability.

# LEEDS CASTLE FOUNDATION

## TRUSTEES' ANNUAL REPORT FOR THE PERIOD ENDED 24 MARCH 2016

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### Trustees Responsibility

The Trustees (who are also directors of Leeds Castle Foundation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that 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 are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

Crowe Clark Whitehill LLP were appointed as auditors in the year and have expressed their willingness to remain in office.

The Report of the Trustees, which includes the Strategic Report, was approved by the Board on 9<sup>th</sup> December 2016 and signed on their behalf by:



Niall Dickson

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Mr Niall F R Dickson  
Chairman of Trustees

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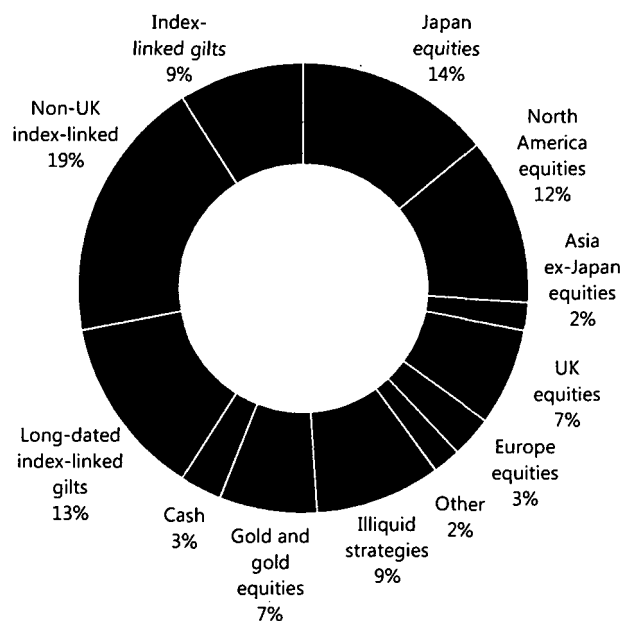
### INVESTMENT MANAGERS REPORT FOR THE PERIOD ENDED 24 MARCH 2016

Ruffer began managing a portfolio for the Foundation in 2005. At the end of the year under review, the value of the portfolio was £5.8m.

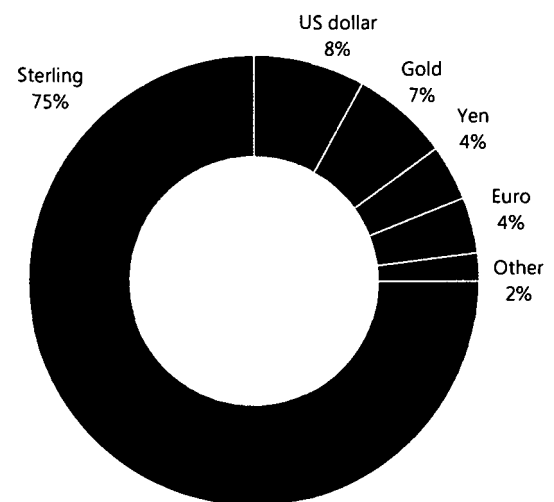
Ruffer aims to preserve capital over any 12 month period and generate positive returns meaningfully ahead of the return on cash. In keeping with our absolute return approach, the portfolio comprises global equities, to drive gains during favourable economic and market conditions, together with a selection of bonds, currencies and gold, which are included to provide protection in the event of a fall in markets.

The make-up of the portfolio at 31 March 2016 is illustrated below.

Asset allocation



Currency allocation



Over the last year, the Scheme's portfolio was down 5.4%. It is clearly disappointing that over the last twelve months we have not succeeded in our primary objective of preserving capital, an outcome largely rooted in the portfolio's fall in Q3 2015. With this in mind it was encouraging to see a much more robust performance from the portfolio in the first quarter of 2016 under not dissimilar circumstances.

The behaviour of markets over the 12 months under review shows the dangers posed by deflation. When debt levels are high, deflation is dangerous because it makes debt even harder to service – wages fall, but debt (eg mortgage repayments each month) remains the same. By any measure, we live in a world of high debt, thus markets react with fear to any perceived deflationary events. One such event happened last year, in August; the Chinese devalued their currency by two per cent over two days, making all of the goods we import from China cheaper (so prices fall). Most indexes fell by ten per cent, and the portfolio was initially robust thanks to derivative protection in place, but – fearful of a greater calamity – we did not take profits in the protection, which hurt returns as markets calmed in September.

In late January, equities seemed to be in freefall, gripped by deflationary fears, but with no fundamental economic supports to latch onto: the oil price fell to a low near \$26 per barrel; the Chinese renminbi continued its devaluation; and the US Federal Reserve was promising to tighten global monetary conditions, with four interest rate increases in 2016.

Steadily, policymakers stepped in to underpin markets. The Saudis suggested talks on controlling oil supply, and the European Central Bank's Mario Draghi reinforced his 'whatever it takes' reputation with the promise, and then the delivery, of further stimulus. Like last summer, at their worst global equities fell almost 10% in sterling terms. The portfolio fared reasonably well in the turbulence, with protective positions in index-linked

**INVESTMENT MANAGERS REPORT  
FOR THE PERIOD ENDED 24 MARCH 2016**

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bonds, gold and currencies performing well, as we would expect. Ironically, the largest negative resulted from the stimulus effort, not in Europe, but in Japan. The Bank of Japan's unexpected introduction of negative interest rates was intended to weaken the yen, but instead unnerved markets and had the opposite effect, impacting equities and financial stocks in particular. Frustratingly, this leaves us more pleased with the behaviour of the portfolio over the three months than its end return. The 12 month performance still reflects the weak period last summer and disappointingly leaves us failing to meet our capital preservation objective.

Nonetheless, we remain confident in the portfolio's construction. As explained above, deflation is not a palatable option for the world we live in; our economies are ill-equipped to see cash rewarded as the best investment. So, central banks moved in 2009 to extraordinarily unconventional monetary policies: interest rates to zero (unprecedented in itself); quantitative easing on sovereign bonds; quantitative easing on private sector credit; outright equity purchases. Ordinarily, central bank ownership of large chunks of the bond or equity markets would be derisively regarded as the preserve of tin-pot dictatorships or Soviet-style planned economies; not so since the credit crisis.

Yet even all this fuel already poured on the fire has not been enough to achieve 'escape velocity'; the global economic flame is still sputtering. Central banks are feverishly throwing kerosene at the situation in the form of ever-more-negative interest rates, but there is a growing consensus that monetary policy alone may not be sufficient. Ultimately, central bank policies are designed to induce the holder of cash to spend it – on factories, on fashion. But they are only ever able to induce it; governments, through increased spending, are able to force it. Governments have not been unhelpful to economic growth since the crisis (with the exception of the austere UK) but those advocates of central bank-financed fiscal expansion, previously on the loon fringe of economics, are gradually featuring in the mainstream debate.

With increased (and unfinanced) government spending comes the devaluation of money, or inflation. At its root, inflation is a tax on the saver (such as the Foundation) in order to provide a subsidy to the borrower. Thus a substantial part of the portfolio is held in index-linked bonds, to protect against this outcome. However, in the event that economies return to powerful real growth without inflation spiking, those bonds would perform poorly; it is for this reason that we hold shares, particularly in cyclically-sensitive companies such as industrial services provider Emerson Electric, US chipmaker Texas Instruments, and corporate database provider Oracle Corporation.

In theory, the greed assets such as equities will perform in the 'good times', and the protective assets such as bonds and gold will perform in the 'bad times'. It is our hope that over time, an informed view on the future of money will help preserve the portfolio's capital, while good stockpicking will help to grow it.

Ruffer LLP  
August 2016

# LEEDS CASTLE FOUNDATION

## INDEPENDENT AUDITORS' REPORT FOR THE PERIOD ENDED 24 MARCH 2016

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We have audited the financial statements of Leeds Castle Foundation for the period ended 24 March 2016 on pages 14 to 43.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

### **Respective responsibilities of trustees and auditors**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the 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 as auditors under the Charities Act 2011 and the Companies Act 2006 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 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 group's and the parent charity'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 Strategic report and the Trustees' 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 the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 24 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the period then ended;



## LEEDS CASTLE FOUNDATION

### INDEPENDENT AUDITORS' REPORT FOR THE PERIOD ENDED 24 MARCH 2016

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- have been properly prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

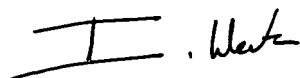
#### **Opinion on other requirement of the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Trustees' Annual Report for the financial period 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 require us to report to you if, in our opinion:

- the parent charity has not kept adequate and sufficient accounting records, 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 specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Ian Weekes  
(Senior Statutory Auditor)  
For and on behalf of

**Crowe Clark Whitehill LLP**

**Chartered Accountants  
Statutory Auditors**

Maidstone, Kent

Date: 19 December 2016

# LEEDS CASTLE FOUNDATION

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT) FOR THE PERIOD ENDED 24 MARCH 2016

		Unrestricted Funds	Restricted funds	Total funds 2016	Total funds 2015
	Notes	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>					
Donations and legacies	6	8	-	8	8
Other trading activities	7	5,112	-	5,112	4,635
Investments	8	146	-	146	187
Charitable activities	9	5,058	-	5,058	4,919
<b>Total income and endowments</b>		10,324	-	10,324	9,749
<b>Expenditure on</b>					
Raising funds	7	(4,179)	-	(4,179)	(3,971)
Charitable activities	9	(5,865)	(6)	(5,871)	(6,357)
<b>Total expenditure</b>		(10,044)	(6)	(10,050)	(10,328)
Net (losses)/gains on investments	22	(323)	-	(323)	669
<b>Net income/(expenditure)</b>		(43)	(6)	(49)	90
<b>Other recognised gains/(losses)</b>					
Gains/(losses) on revaluation of:					
Fixed assets and investment properties	21	373	-	373	1,046
Actuarial gains/(losses) on defined benefit pension scheme (net of deferred tax)	30	81	-	81	(334)
<b>Net movement in funds</b>		411	(6)	405	802
<b>Reconciliation of funds</b>					
Total funds brought forward		16,578	2,813	19,391	18,589
<b>Total funds carried forward</b>	29	16,989	2,807	19,796	19,391

The notes on pages 18 to 43 form part of these financial statements.

The Charity has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

# LEEDS CASTLE FOUNDATION

## CONSOLIDATED BALANCE SHEET AS AT 24 MARCH 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	18	4,256	4,182
Heritage assets	19	-	-
		<u>4,256</u>	<u>4,182</u>
<b>Investments:</b>			
Properties	21	8,283	7,910
Listed investments	22	5,765	5,639
Cash held as an investment	22	44	549
		<u>14,092</u>	<u>14,098</u>
		18,348	18,280
<b>Current assets</b>			
Stocks	23	301	230
Debtors	24	1,307	1,577
Cash at bank and in hand	25	2,405	2,312
		<u>4,013</u>	<u>4,119</u>
<b>Creditors: amounts falling due within one year</b>	26	(2,392)	(2,587)
<b>Net current assets</b>		1,621	1,532
<b>Creditors: amounts falling due within more than one year</b>	27	(106)	(213)
<b>Defined benefit scheme liability</b>	30	(67)	(208)
<b>Total assets less current liabilities</b>		<u>19,796</u>	<u>19,391</u>
<b>Funds</b>			
Expendable endowment fund	29	2,729	2,729
Restricted income fund	29	78	84
<b>Total restricted funds</b>		<u>2,807</u>	<u>2,813</u>
Unrestricted general fund	29	12,992	12,590
Unrestricted designated fund	29	4,064	4,196
Unrestricted pension reserve	29 & 30	(67)	(208)
<b>Total charity funds</b>		<u>19,796</u>	<u>19,391</u>

The notes on pages 18 to 43 form part of these financial statements.

The financial statements on pages 14 to 43 were approved by the Board of Trustees and Directors on 9/12/2016 and were signed on its behalf by:

Niall Dickson

Mr Niall F R Dickson  
Chairman of Trustees

Company number: 1172263

# LEEDS CASTLE FOUNDATION

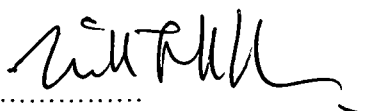
## FOUNDATION BALANCE SHEET AS AT 24 MARCH 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	18	4,186	4,098
Heritage assets	19	-	-
		<u>4,186</u>	<u>4,098</u>
<b>Investments:</b>			
Subsidiary company	20	866	866
Properties	21	8,283	7,910
Listed investments	22	5,765	5,639
Cash held as an investment	22	44	549
		<u>14,958</u>	<u>14,964</u>
		19,144	19,062
<b>Current assets</b>			
Stocks	23	-	1
Debtors	24	1,488	868
Cash at bank and in hand	25	480	854
		<u>1,968</u>	<u>1,723</u>
<b>Creditors:</b> amounts falling due within one year	26	(1,644)	(1,394)
<b>Net current assets</b>		<u>324</u>	<u>329</u>
<b>Total assets less current liabilities</b>		<u>19,468</u>	<u>19,391</u>
<b>Funds</b>			
Expendable endowment fund	29	2,729	2,729
Restricted income fund	29	78	84
<b>Total restricted funds</b>		<u>2,807</u>	<u>2,813</u>
Unrestricted general fund	29	12,597	12,382
Unrestricted designated fund	29	4,064	4,196
<b>Total charity funds</b>		<u>19,468</u>	<u>19,391</u>

The notes on pages 16 to 41 form part of these financial statements.

The financial statements on pages 12 to 41 were approved by the Board of Trustees and Directors on 8/12/ 2016 and were signed on its behalf by:

Niall Dickson



Mr Niall F R Dickson  
Chairman of Trustees

Company number: 1172263

# LEEDS CASTLE FOUNDATION

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 24 MARCH 2016

	Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities:</b>			
Net cash provided by/(used in) operating activities	31	478	(143)
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments	8	146	187
Purchase of property, plant and equipment		(587)	(624)
Proceeds from sale of investments		1,399	3,578
Purchase of investments		(1,848)	(2,506)
<b>Net cash provided by/(used in) investing activities</b>		(890)	492
<b>Change in cash and cash equivalents in the reporting period</b>		(412)	(492)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		2,861	3,353
<b>Cash and cash equivalents at the end of the reporting period</b>		<u>2,449</u>	<u>2,861</u>
 <b>Reconciliation of cash and cash equivalents</b>			
	Note	2016 £'000	2015 £'000
Cash in hand	25	2,405	2,312
Cash held as an investment	22	44	549
<b>Total cash and cash equivalents</b>		<u>2,449</u>	<u>2,861</u>

The notes on pages 16 to 41 form part of these financial statements.

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

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### 1.1 **Company information**

The company is limited by guarantee, registered in England and Wales, and a registered charity. The registered office is Leeds Castle, Maidstone, Kent ME17 1PL.

### 2.1 **Accounting policies**

#### 2.1 **Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention, in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities SORP (FRS102) as it applies from 1 January 2015 and the Companies Act 2006. The statements have been prepared on the basis of a going concern (see the Trustees' Report). The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those of the previous year.

Leeds Castle Foundation meets the definition of a public benefit entity under FRS 102.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

Having assessed the charity's financial position, its plans for the foreseeable future, the risks to which it is exposed and the detailed cash forecasts the trustees are satisfied that it remains appropriate to prepare the financial statements on the going concern basis.

The individual entity accounts of Leeds Castle Foundation have taken advantage of the disclosure exemption under FRS 102 to separately disclosure categories of financial instruments and items of income, expenses, gains or losses relating to instruments as these have been presented on a group basis in the notes to the accounts.

#### 2.2 **Basis of consolidation**

The group financial statements consolidate the financial statements of the Foundation and its subsidiary for the period ended 24 March 2016. The statement of financial activities (SOFA) and the balance sheet consolidate the financial statements on a line by line basis where appropriate. No separate SOFA has been presented for the Charity alone as permitted by Section 408 of the Companies Act 2006 and paragraph 397 of the SORP 2015. Details concerning the subsidiary company, results and financial position are set out in note 2.

#### 2.3 **Reconciliation with previous Generally Accepted Accounting Practice (policy)**

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. In their estimation, the impact of transitioning is not material to the financial statements and therefore the restatement of comparative items is not required. The transition date was 1 April 2014.

#### 2.4 **Stocks**

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

#### 2.5 **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at net incoming/(outgoing) resources.

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

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### 2 Accounting policies (continued)

#### 2.6 Form of financial statements

The funds of the Charity comprise four distinct categories, which are:

a) Heritage and development

This restricted expendable endowment fund relates to changes to the infrastructure of the estate carried out to improve the facilities available to support public access. Such assets are for all practical purposes integral with the bequeathed estate and are therefore also regarded as being inalienable. See note 29 for more information regarding the accounting treatment of this fund.

b) Restricted income fund

Restricted funds are those funds subject to specific trusts declared by the donor, or in relation to funds generated from the sale of certain heritage assets. The funds are expendable by the Charity at the discretion of the Trustees in accordance with the terms of their receipt.

c) General unrestricted fund

The Fund was created from a pecuniary legacy bequeathed by the late Hon. Lady Baillie, together with additional funds realised from the authorised sale of certain items included in the original transfer of the property.

The capital and income of the Fund are available for expenditure by the Trustees on the Foundation's charitable objectives, including development expenditure.

d) Designated fund

Designated funds are those funds set aside by the Trustees out of unrestricted general funds for specific future purposes or projects.

#### 2.7 Incoming resources

Incoming resources represents total income receivable, excluding value added tax, from admission fees, the sale of goods, services supplied, investment income and sundry income. Donations are recognised when received. All incoming resources are included in the SOFA when the Charity is legally entitled to recognise the income and the amount can be quantified with reasonable accuracy. Any income received in relation to future periods is deferred as appropriate.

#### 2.8 Investment income

Dividends and interest on listed investments are accounted for on an accruals basis. Interest on bank deposits is accounted for on an accruals basis.

#### 2.9 Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to each of the Charity's activities. Support costs which cannot be directly attributed to a specific activity have been allocated to activities on a basis consistent with their use of the resources.

Costs of generating funds includes all costs associated with the trading and management of the Charity's subsidiary.

Governance costs are incurred in meeting the constitutional and statutory requirements of the charity.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 24 MARCH 2016**

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**2 Accounting policies (continued)**

**2.10 Finance and operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

Assets obtained under finance leases, hire purchase contracts and similar loan agreements are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired under hire purchase contracts and similar loan agreements are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such arrangements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**2.11 Deferred taxation**

Deferred tax is provided in full in respect of taxation, deferred by timing difference between the treatment of certain items for taxation and accounting purposes. Deferred tax balances are not discounted.

**2.12 Pension scheme arrangements**

The group accounts for pension schemes in accordance with Financial Reporting Standard 102 "Retirement Benefits".

For defined contribution schemes, contributions are charged to resources expended in the statement of financial activities as payable in respect of the accounting period. This includes contributions made to the personal pension schemes of employees.

For defined benefit schemes the amounts charged to resources expended include the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as part of investment income. Actuarial gains and losses are recognised immediately as part of other recognised gains and losses within the statement of financial activities.

The assets of the group's defined benefit scheme are held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred taxation, is presented after other net assets on the face of the balance sheet and is represented by the unrestricted pension reserve.

**2.13 Tangible fixed assets and depreciation**

**a) Heritage assets**

Heritage assets are the tangible assets of the Charity that are of historical importance and are held to advance the preservation, conservation and educational objectives of the Charity and through public access contribute to the nation's culture and education.



# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

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### 2 Accounting policies (continued)

#### 2.13 Tangible fixed assets and depreciation (continued)

##### a) Heritage assets (continued)

The Castle, grounds and contents bequeathed by the late Hon. Lady Baillie, in 1974 and subsequent development expenditure in these assets, are considered to be heritage assets and are integral to the Leeds Castle Estate.

Due to the historic and unique nature of the assets concerned conventional valuation approaches lack sufficient reliability. As a consequence the value of heritage assets has not been included in the financial statements.

Included in the assets bequeathed were certain inalienable assets which are not considered to be heritage assets but cannot be realised and so no value is attributed to these assets.

Costs incurred which, in the Trustees' view, are required to preserve the heritage assets are recognised as expenditure as incurred. Capital improvements to the Maidens Tower have been capitalised at cost and included as fixed assets since the Trustees consider that the improvements are operational in nature. Further information on the maintenance of the heritage assets is given in note 13 to the accounts.

##### b) Other tangible assets

Functional assets are those tangible assets which are used for charitable purposes, including fundraising, but are not considered to be heritage assets. This includes modern buildings utilised for charitable purposes, such as education, and ancillary purposes such as catering outlets. It also includes plant and equipment used for charitable purposes.

Depreciation has been provided on buildings on a straight line basis over their remaining economic lives of ten or twenty-five years.

Plant and equipment are included in the balance sheet at cost and depreciated on a straight line basis over their useful economic life estimated to be 4 years. Assets costing less than £1,000 are written off in the year of purchase. Assets are disposed of and replaced when it is no longer economically viable to keep them in working use.

#### 2.14 Investment

##### a) Investment land and properties

Investment land and properties relate to interests in land and buildings which are held for their investment potential, and which are not utilised by the company or its group in the course of their operations. However some of these holdings have strategic value to the Foundation, securing boundaries from unwanted development. These assets are included within investments at their open market valuation, based on a professional valuation undertaken at 31 March 2015. Further professional valuations will be obtained every five years. In the intermediate years the carrying value of the investment properties will be reviewed by the Trustees and any material movement in their valuation recognised.

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

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### 2 Accounting policies (continued)

#### 2.14 Investment (continued)

##### b) Listed investments

These are included in the balance sheet at market valuation. Realised and unrealised gains/(losses) arising on the disposal or revaluation of investments are included in the SOFA and credited or charged to the Unrestricted General Fund. The fees charged for the purchase and sale of investments in the portfolio are included within the Foundation's resources expended.

### 3 Financial instruments

Leeds Castle Foundation has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise stock, cash and bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise, trade, other creditors and accruals.

Investments, including bonds held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure. Investments in subsidiary undertakings are held at cost less impairment.

### 4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, which are described in note 1, Trustees are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

**Pension liabilities** – The charity recognises its liability to its defined benefit pension scheme which involves a number of estimations as disclosed in note 30.

**Valuation of investment properties**– The charity's investment properties are stated at their estimated fair value based on professional valuations as disclosed in note 21.

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 5 Net income from trading activities of subsidiary

The Charity has one wholly owned subsidiary, Leeds Castle Enterprises Limited, company no: 01413563, which is registered in England and Wales. A summary of the company's trading results is shown below:

	2016 £'000	2015 £'000
<b>Turnover</b>	5,035	4,476
Costs of trading activities and administrative expenses	(3,860)	(3,711)
<b>Operating profit</b>	1,175	765
Interest receivable	91	88
Interest payable to Leeds Castle Foundation on long term loan	(21)	(22)
Other finance income/(costs)	(8)	3
<b>Profit/(loss) before donation and taxation</b>	1,237	834
Taxation	(51)	(36)
Gift Aid donation payable to Leeds Castle Foundation	(938)	(472)
<b>Retained profit for the period</b>	248	326
Actuarial gain/(loss) related to pension scheme, net of deferred tax	81	(334)
<b>Total recognised losses for the period</b>	329	(8)
Retained profit brought forward	-	8
<b>Profit retained in subsidiary</b>	329	-

The net assets of Leeds Castle Enterprises Limited are £329,000 as at 24 March 2016 (2015: net assets £nil).

Leeds Castle Enterprises Limited's activities are those trading activities of the group deemed to be non-charitable, such as shop trading, golf, certain special events, conferences and weddings, with the intention of any profits generated being donated to the Foundation for the furtherance of its charitable activities.

### 6 Income from donations and legacies

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
Other donations and voluntary income	8	-	8	8
	8	-	8	8

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 7 Other trading activities

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
<b>Income</b>				
Concerts and other special events	388	-	388	480
Functions	2,640	-	2,640	2,048
Shops	936	-	936	935
Golf	234	-	234	210
Holiday lettings	719	-	719	784
Ancillary services	66	-	66	56
Other sundry income	129	-	129	122
	<u>5,112</u>	<u>-</u>	<u>5,112</u>	<u>4,635</u>
<b>Expenditure on raising funds</b>				
Cost of sales	1,938	-	1,938	1,762
Staff costs (see note 14)	1,304	-	1,304	1,187
Property and equipment costs	313	-	313	358
Administration costs	17	-	17	20
Marketing and fundraising costs	176	-	176	142
Finance costs	172	-	172	247
Investment management costs	64	-	64	66
Proportion of support costs (see note 11)	195	-	195	189
	<u>4,179</u>	<u>-</u>	<u>4,179</u>	<u>3,971</u>
<b>Net income from activities for generating funds</b>	<u>933</u>	<u>-</u>	<u>933</u>	<u>664</u>

Activities for generating funds are those trading and other fundraising activities carried out by the Foundation and its subsidiary undertaking Leeds Castle Enterprises Limited primarily to generate incoming resources which will be used to undertake the charitable activities of the Foundation. It includes trading activities such as shop trading, golf, certain special events, conferences and weddings.

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 8 Income from investments

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
Income from investment properties	89	-	89	109
Income from listed investments	60	-	60	71
Bank interest receivable	5	-	5	4
Net return on pension scheme assets	(8)	-	(8)	3
	<u>146</u>	<u>-</u>	<u>146</u>	<u>187</u>

### 9 Charitable activities

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
<b>Income from Charitable activities</b>				
Day visitor admissions	5,028	-	5,028	4,891
Other sundry income	30	-	30	28
	<u>5,058</u>	<u>-</u>	<u>5,058</u>	<u>4,919</u>
<b>Expenditure on Charitable activities</b>				
Cost of sales	430	-	430	630
Staff costs: visitor team, estate and Castle maintenance (see note 14)	1,928	-	1,928	1,778
Estate and equipment costs	1,654	-	1,654	1,436
Marketing costs	533	-	533	495
Finance costs	139	-	139	132
Preservation and security of heritage assets	181	6	187	895
Proportion of support costs (see note 11)	1,000	-	1,000	996
	<u>5,865</u>	<u>6</u>	<u>5,871</u>	<u>6,357</u>
<b>Net resources expended from charitable activities</b>	<u>(807)</u>	<u>(6)</u>	<u>(813)</u>	<u>(1,438)</u>

Income from charitable activities comprises income from the admission of day visitors to Leeds Castle (primary purpose trading) and related ancillary income such as catering. In addition the proceeds from the disposal of heritage assets are included within charitable activities. This income is considered to be restricted and can only be used to acquire replacement heritage assets.

In addition to expenditure related to these activities, costs include amounts incurred in acquiring new heritage assets, maintaining the Castle and other existing heritage and assets and ensuring their security (see note 13).

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 10 Other income

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
Profit on disposal of tangible fixed assets held for charitable purposes	-	-	-	-

### 11 Support costs

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 restated £'000
Staff costs (see note 14)	762	-	762	730
Property and equipment costs	-	-	-	-
Administration costs	350	-	350	340
Corporation tax charge	45	-	45	60
Deferred tax charge (see note 15)	6	-	6	(24)
Governance costs (Auditors's remuneration)	32	-	32	30
Legal and professional costs	-	-	-	44
	1,195	-	1,195	1,180
Allocated as follows:				
Activities for generating funds	195	-	195	189
Charitable activities	1,000	-	1,000	991
	1,195	-	1,195	1,180

Wherever possible costs are allocated to a specific activity as they arise. Those costs that cannot be allocated to a specific activity are deemed support costs. Support costs are allocated to the activities of the Foundation on the basis of their level of activity during the year under review.

Previous year restated to include marketing department salaries as per current year.

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 12 Governance costs

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
Auditor's remuneration (see below)	32	-	32	30

Auditors' remuneration comprises amounts incurred by the charity itself in respect of its governance and not of the group as a whole. The total amount payable to the charity's auditors by the group, including associated pension schemes, is as follows:

	2016 £'000	2015 £'000
Fees payable to the charity's auditor for the audit of the charity's annual Accounts	16	16
Fees payable to the charity's auditor for other services:		
- The audit of the charity's subsidiary	7	7
- Tax services	3	3
- All other services	3	3
Fees in respect of the group pension scheme:		
- Audit	3	3
- Tax services	-	-

An analysis of fees paid to the charity's auditor for non-audit services to the Foundation itself is not disclosed because the charity's consolidated financial statements are required to disclose such fees on a consolidated basis.

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 13 Preservation and security of heritage assets

In compliance with the disclosure requirements of Financial Reporting Standard 102: Heritage Assets, costs relating to the preservation and security of the Castle, grounds and contents, classed as being heritage assets which have been expensed in the last five years are summarised below:

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Renovation of Castle Library	-	56	-	-	-
Renovation of Castle Dining Room	-	155	-	-	-
Gatetower stonework	-	(13)	(2)	765	-
Gloriette stonework	-	584	690	-	-
Renovation of tapestries	2	54	-	-	-
Roads, paths and fencing	-	-	8	3	-
Moat flood wall	-	-	43	-	-
Castle interior	23	35	16	-	19
Maidens Tower renovation	-	-	-	3	2
Entrance development	-	-	-	-	61
Renovation of Garden House	-	-	-	-	107
Barbican area	-	-	-	-	26
Stonework repairs	25	-	-	6	-
Castle representation	123	-	-	-	-
Battel Hall retable	11	-	-	-	-

### 14 Staff costs

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
Staff costs during the year were:				
Wages and salaries	3,518	-	3,518	3,231
Social security costs	240	-	240	209
Other pension costs	114	-	114	105
Training, recruitment and welfare	122	-	122	150
	<u>3,994</u>	<u>-</u>	<u>3,994</u>	<u>3,695</u>

The average weekly number of employees, including directors, during the year was as follows:

	Group		Foundation	
	2016 No	2015 No	2016 No	2015 No
Full time	78	78	59	56
Part time	182	172	111	101
	<u>260</u>	<u>250</u>	<u>170</u>	<u>157</u>
This equates to a full time equivalent of	<u>164</u>	<u>158</u>		



# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 14 Staff costs (continued)

The number of employees with annual remuneration packages in excess of £60,000 was as follows:

	Group		Foundation	
	2016 No	2015 No	2016 No	2015 No
£70,000 to £80,000	-	1	-	1
£80,000 to £90,000	1	1	1	1
£110,000 to £120,000	2	-	2	-
£140,000 to £150,000	-	1	-	1
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the period the group paid contributions totalling £7,650 (2015: £16,017) in respect of the personal pension schemes of three of the above higher-paid employees (2015: three).

Pension contributions to defined contribution schemes in the period totalled £46,000.

No remuneration was paid to the Trustees and Directors of the Charity or any persons connected with them during this period or the previous period.

Travelling and other costs amounting to £661 (2015: £1,898) were reimbursed to three trustees (2015: six).

The company considers that the key management personnel comprise the senior management team as listed in the administrative details. During the period the group made remuneration payments to key management personnel totalling £612,956 (2015: £508,844).

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 15 Taxation

The Foundation, as a charitable company, is exempt from corporation tax on its charitable activities, including primary purpose trading, and investment income. Leeds Castle Enterprises Limited, the Foundation's operating subsidiary is subject to corporation tax on its trading profits, in as far as they are not donated to the Foundation.

Details relating to the tax charge of Leeds Castle Enterprises Limited are disclosed in that company's financial statements. The total corporation tax liability in the period for the company was £60,000 (2014: £nil).

#### Deferred tax

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
At 31 March 2015	15	(9)	-	-
Movement for the period	(6)	24	-	-
<b>Deferred tax asset/(liability) at 24 March 2016</b>	<b>9</b>	<b>15</b>	<b>-</b>	<b>-</b>
The deferred tax asset/(liability) is made up of the following:				
Decelerated capital allowances	-	-	-	-
Other timing differences	9	15	-	-
Unutilised trading losses	-	-	-	-
	<b>9</b>	<b>15</b>	<b>-</b>	<b>-</b>

The credit for the period for deferred tax is included within support costs (see note 11).

### 16 Net outgoing resources

	Unrestricted Funds £'000	Restricted Funds £'000	Total Fund 2016 £'000	Total Fund 2015 £'000
<b>Net outgoing resources are stated after (crediting)/charging:</b>				
Depreciation: owned assets	513	-	513	484
Operating lease rentals:				
Hire of plant and equipment	27	-	27	27

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 17 Consolidated statement of financial activities for the year ended 31 March 2015

	Unrestricted funds £'000	Restricted funds £'000	Total funds 2015 £'000
<b>Income and endowments from:</b>			
Donations and legacies	8	-	8
Other trading activities	4,635	-	4,635
Investments	187	-	187
Charitable activities	4,919	-	4,919
<b>Total income and endowments</b>	<b>9,749</b>	<b>-</b>	<b>9,749</b>
<b>Expenditure on</b>			
Raising funds	(3,971)	-	(3,971)
Charitable activities	(6,357)	-	(6,357)
<b>Total expenditure</b>	<b>(10,328)</b>	<b>-</b>	<b>(10,328)</b>
Net gains/(losses) on investments	669	-	669
<b>Deficit for the year</b>	<b>90</b>	<b>-</b>	<b>90</b>
<b>Gains/(losses) on revaluation of:</b>			
Fixed assets and investment properties	1,046	-	1,046
Actuarial losses on defined benefit pension scheme (net of deferred tax)	(334)	-	(334)
<b>Net movement in funds</b>	<b>802</b>	<b>-</b>	<b>802</b>
<b>Reconciliation of funds</b>			
Total funds brought forward	15,776	2,813	18,589
<b>Total funds carried forward</b>	<b>16,578</b>	<b>2,813</b>	<b>19,391</b>

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 18 Tangible fixed assets

#### a) Group

	<b>Freehold land and buildings £'000</b>	<b>Plant and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2015	5,170	2,146	7,316
Additions	192	395	587
Disposals	-	(168)	(168)
<b>At 24 March 2016</b>	<b>5,362</b>	<b>2,373</b>	<b>7,735</b>
<b>Depreciation</b>			
At 1 April 2015	1,404	1,730	3,134
Charge for the period	290	223	513
Disposals	-	(168)	(168)
<b>At 24 March 2016</b>	<b>1,694</b>	<b>1,785</b>	<b>3,479</b>
<b>Net book value</b>			
<b>At 24 March 2016</b>	<b>3,668</b>	<b>588</b>	<b>4,256</b>
<b>At 31 March 2015</b>	<b>3,766</b>	<b>416</b>	<b>4,182</b>

#### b) Foundation

	<b>Freehold land and buildings £'000</b>	<b>Plant and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2015	5,170	1,111	6,281
Additions	192	395	587
Disposals	-	(160)	(160)
<b>At 24 March 2016</b>	<b>5,362</b>	<b>1,346</b>	<b>6,708</b>
<b>Depreciation</b>			
At 1 April 2015	1,404	779	2,183
Charge for year	290	209	499
Disposals	-	(160)	(160)
<b>At 24 March 2016</b>	<b>1,694</b>	<b>828</b>	<b>2,522</b>
<b>Net book value</b>			
<b>At 24 March 2016</b>	<b>3,668</b>	<b>518</b>	<b>4,186</b>
<b>At 31 March 2015</b>	<b>3,766</b>	<b>332</b>	<b>2,183</b>

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 19 Heritage assets (Group and Foundation)

In accordance with the Foundation's accounting policy, heritage assets are not included within the financial statements as, due to the historic and unique nature of the assets concerned, conventional valuation approaches lack sufficient reliability.

The Castle island buildings are insured for £52.0m and other estate buildings for £17.2m. Castle contents which include various pieces of furniture, pictures and prints, silverware and textiles have been valued for insurance purposes with Ecclesiastical Insurance at £26.4m, which includes loaned items valued at £11.1m.

A survey of Castle stonework was produced by independent experts in 2007. This resulted in the preparation of a major stonework programme which was completed at the end of 2014/15. Minor repairs are undertaken when necessary in parallel with the major stonework programme, these repairs typically include frost damage and general wear and tear. Further works are expected to be undertaken commencing 2017.

### 20 Investment in subsidiary company

	2016 £'000	2015 £'000
100 Ordinary shares of £1 each at cost		
Floating rate unsecured loan stock 2025	866	866
	<u>866</u>	<u>866</u>

Leeds Castle Foundation owns 100% of the voting rights and nominal share capital of Leeds Castle Enterprises Limited. The subsidiary's accounts have been consolidated with the Foundation's accounts.

### 21 Investment land and properties (Group and Foundation)

	2016 £'000	2015 £'000
Market value of properties at 1 April 2015	7,910	6,864
Disposal proceeds	-	-
Profit on disposal	-	-
Revaluation	373	1,046
<b>Market value of properties at 24 March 2016</b>	<u>8,283</u>	<u>7,910</u>
<b>Historical cost value of assets</b>	<u>1,578</u>	<u>1,578</u>

All investment land and properties are located within the United Kingdom.

The land and properties were valued by Page & Wells, a firm of independent surveyors and valuers on an open market basis as at 31 March 2015 and the revaluation to 24 March 2016 was calculated based on published indices.

Certain properties are considered to be inalienable. These properties have been attributed an open market value of based on valuations provided by the property agents, Coles, at 31 March 2015.

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 21 Investment land and properties (Group and Foundation) (continued)

Five properties are provided with a lifetime occupancy at zero rent, seven are used for job related accommodation. Other property and land is rented out at a commercial rent. Future minimum lease receivables under non-cancellable operating leases are as follows:

	<b>Group</b>		<b>Foundation</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rent received:				
Within one year	65	56	65	56
Between two and five years	29	84	29	84
Between six and ten years	5	6	5	6
	<u>99</u>	<u>146</u>	<u>99</u>	<u>146</u>

### 22 Listed investments (Group and Foundation)

These comprise listed investments, Certificates of Deposit and other cash holdings.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Market value of listed investment at 31 March 2015	5,639	6,042
Acquisitions at cost	1,848	2,506
Disposal proceeds	(1,399)	(3,578)
(Losses)/gains for the year	(323)	669
<b>Market value at 24 March 2016</b>	<u>5,765</u>	<u>5,639</u>
Cash holdings at 24 March 2016	44	549
<b>Total value of fixed asset investments</b>	<u>5,809</u>	<u>6,188</u>
<b>Historical cost value of assets</b>	<u>5,115</u>	<u>4,715</u>

As at 24 March 2016 the market value of the investments split between UK investment assets and overseas assets was as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
UK investments	1,620	1,674
Overseas investments	4,145	3,965
	<u>5,765</u>	<u>5,639</u>

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 22 Listed investments (Group and Foundation) (continued)

The portfolio at 31 March 2015 contained investments managed by Ruffer LLP. The following investments exceed 3% by value of the total portfolio and are deemed to be material:

	2016 £'000	%	2015 £'000	%
Ruffer Illiquid Strategies Fund	213	3.7	248	4.4
UK 0.125% Treasury Stock 2019	452	7.8	449	8.0
UK 0.125% Treasury Stock 2068	262	4.6	242	4.3
UK 1.25% Treasury Stock 2055	246	4.3	242	4.3
Ruffer Illiquid Multi Strategies Fund	353	6.1	-	-
CF Ruffer Pacific	114	2.0	194	3.4
CF Ruffer Gold	188	3.3	-	-
USA Treasury notes 2022	589	10.2	557	9.9
	<u>2,417</u>	<u>42.0</u>	<u>1,932</u>	<u>34.3</u>
Other investments	3,348	58.0	3,707	65.7
	<u>5,765</u>	<u>100.0</u>	<u>5,639</u>	<u>100.0</u>

### 23 Stocks

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Goods for resale	<u>301</u>	<u>230</u>	<u>-</u>	<u>1</u>

### 24 Debtors

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Amounts falling due after more than one year:</b>				
Trade debtors	40	103	-	-
<b>Amounts falling due within one year:</b>				
Trade debtors	810	967	201	86
Amount owed by group undertakings in respect of gift aid	-	-	938	472
Other debtors	60	185	59	75
Prepayments and accrued income	388	307	290	235
Deferred tax asset (see note 12)	9	15	-	-
	<u>1,307</u>	<u>1,577</u>	<u>1,488</u>	<u>868</u>

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 25 Cash at bank and in hand

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash in hand	28	14	-	-
Cash at bank – Current accounts	535	1,125	(39)	851
Cash at bank – Deposit accounts	1,842	1,173	519	3
	<u>2,405</u>	<u>2,312</u>	<u>480</u>	<u>854</u>

In addition to the cash at bank and in hand and deposits above, included within the investment portfolio were cash holdings of £43,980 (2015: £549,052) (see note 18).

### 26 Creditors: Amounts falling due within one year

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	501	470	428	390
Corporation tax	45	60	-	-
Other taxation and social security Payable	21	99	21	41
Other creditors	33	53	1	5
Amounts owed to group undertakings	-	-	710	565
Accruals	630	723	484	393
Deposits in advance	1,162	1,182	-	-
Deferred tax liability (see note 12)	-	-	-	-
	<u>2,392</u>	<u>2,587</u>	<u>1,644</u>	<u>1,394</u>

### 27 Creditors: Amounts falling after one year

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deposits in advance	<u>106</u>	<u>213</u>	<u>-</u>	<u>-</u>

The company has received deposits in advance for events occurring in over one year of which £106,110 (2015: £189,163) relates to events occurring within 1-2 years and £Nil (2015: £24,095) relates to events occurring within 2-5 years.



## LEEDS CASTLE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

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#### 28 Financial commitments

At 24 March 2016 the group had annual minimum payments under non-cancellable operating leases of plant and equipment as follows:

	Group		Foundation	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Payments made:				
Within one year	14	21	1	5
Between two and five years	49	50	-	1
Between six and ten years	24	27	-	-
	<u>87</u>	<u>98</u>	<u>1</u>	<u>6</u>

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 29 Group funds

	Restricted funds Restated		Unrestricted funds		
	H&D Fund £'000	Chattels Fund £'000	General Fund £'000	M&D Fund £'000	Total Funds £'000
<b>Fund balances at 24 March 2016 are represented by</b>					
Tangible assets	2,504	-	1,752	-	4,256
Investments	225	-	11,175	2,692	14,092
Current assets	-	78	2,563	1,372	4,013
Liabilities	-	-	(2,498)	-	(2,498)
Pension scheme deficit	-	-	(67)	-	(67)
<b>At 31 March 2016</b>	<b>2,729</b>	<b>78</b>	<b>12,925</b>	<b>4,064</b>	<b>19,796</b>
<b>Movement of funds during the year</b>	<b>As at 1 April 2015 (£)</b>	<b>Income (£)</b>	<b>Expenditure (£)</b>	<b>Gains/ losses (£)</b>	<b>As at 24 March 2016 (£)</b>
<b>Restricted funds</b>					
Heritage and Development Fund	2,729	-	-	-	2,729
Chattels Fund	84	-	(6)	-	78
	2,813	-	(6)	-	2,807
<b>Unrestricted funds</b>					
Maintenance and Development Fund	4,196	-	(132)	-	4,064
General Fund	12,590	10,324	(9,972)	50	12,992
Pension Reserve	(208)	-	(60)	81	(67)
	16,578	10,324	(10,044)	131	16,989
<b>Total funds</b>	<b>19,391</b>	<b>10,324</b>	<b>(10,050)</b>	<b>131</b>	<b>19,796</b>

The H&D (Heritage and Development) Fund, which is an expendable endowment fund, represents freehold land and buildings classified as functional tangible assets, as these are considered to be integral to the bequeathed estate (see note 2.6(a)) and inalienable investment properties included within investment properties.

## LEEDS CASTLE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

#### 29 Group funds (continued)

The Chattels Fund, which is a restricted income fund, represents the proceeds from disposal of items formerly held for display and presentation purposes. This fund is utilised to acquire furniture, works of art or other antiques.

The unrestricted General Fund represents surpluses generated from activities for generating funds, charitable activities and investment performance. This fund is utilised in acquiring new heritage assets and the preservation and maintenance of existing heritage assets.

The M&D (maintenance and development) fund is an unrestricted, designated fund which the trustees have allocated for future capital development and the ongoing maintenance programme of the Castle and the wider estate. In the year £132,000 was used to finance the renovation of various Castle rooms.

The Heritage and Development Fund and the Chattels Fund relate entirely to the Foundation. The proportion of the Unrestricted General Fund attributable to the Foundation amounts to £11,742,000 (2015: £11,910,000).

#### 30 Pension scheme

Leeds Castle Enterprises Ltd (LCE) sponsors Leeds Castle Retirement Benefits Scheme, a funded defined benefit pension scheme in the UK, which was closed to future accrual in 2005. The scheme is set up on a tax relieved basis as a separate trust independent of LCE and is supervised by independent trustees. The trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

To eliminate the funding shortfall revealed at the 2013 valuation, the Trustees and LCE have established a recovery plan. The aim of the recovery plan is for the deficit to be removed over a period of 3 years from 1 April 2014 through the payment of contributions at the rate of £68,000 per annum. These contributions are exclusive of any allowance for administration expenses and Pension Protection Fund (PPF) levies, as these are met directly by LCE.

A formal actuarial valuation was carried out as at 1 April 2013. The results of that valuation have been projected to 31 March 2016 with allowance for payroll and benefit information and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

**The amounts recognised in the statement of financial position are as follows:**

	31/03/2016 £'000	31/03/2015 £'000 (restated)
Defined benefit obligation	(4,490)	(4,750)
Fair value of plan assets	4,406	4,489
Net defined benefit (liability)/asset	(84)	(261)
Deferred tax asset	17	53
Net amount recognised at year end	(67)	(208)

**LEEDS CASTLE FOUNDATION****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 24 MARCH 2016****30 Pension scheme (continued)****The amounts recognised in comprehensive income are:**

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in profit or loss. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	Period ended 31/03/2016 £'000	Year ended 31/03/2015 £'000
Service cost:		
Current service cost (net of employee contributions)	-	-
Administration expenses	-	-
Net interest expense/(credit)	8	(3)
Charge/(credit) recognised in profit or loss	<u>8</u>	<u>(3)</u>
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in net interest expense)	191	(225)
Actuarial (gains)/losses	(308)	615
Movement on deferred tax asset	(36)	(53)
Charge/(credit) recorded in other recognised gains or losses	<u>81</u>	<u>337</u>
Total defined benefit cost/(credit)	<u>(109)</u>	<u>387</u>

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 30 Pension scheme (continued)

#### The principal actuarial assumptions used were:

	31/03/2016	31/03/2015
Liability discount rate	3.52%	3.25%
Inflation assumption - RPI	3.22%	3.20%
Inflation assumption - CPI	2.52%	2.50%
Rate of increase in salaries	n/a	n/a
Revaluation of deferred pensions: all benefits accrued	2.52%	2.50%
Increases for pensions in payment: benefits accrued prior to 6 April 1997	0.00%	0.00%
benefits accrued after 5 April 1997	2.50%	2.50%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	0.00%	0.00%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	87.2	87.4
Female aged 65 at year end:	89.2	89.6
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	88.9	88.7
Female aged 45 at year end:	91.1	91.2

#### Reconciliation of scheme assets and liabilities

	Assets £'000	Liabilities £'000	Total £'000
At start of period	4,489	(4,750)	(261)
Benefits paid	(105)	105	-
Administration expenses	-	-	-
Current service cost	-	-	-
Contributions from the employer	68	-	68
Contributions from employees	-	-	-
Interest income / (expense)	145	(153)	(8)
Return on assets (excluding amount included in net interest expense)	(191)	-	(191)
Actuarial gains/(losses)	-	308	308
deferred tax asset	17	-	17
Assets distributed / liabilities extinguished on settlements	-	-	-
Assets acquired / liabilities assumed in a business combination	-	-	-
At end of period	4,389	(4,490)	(67)

# LEEDS CASTLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

### 30 Pension scheme (continued)

<b>The return on plan assets was:</b>	<b>31/03/2016</b>	<b>31/03/2015</b>
	<b>£'000</b>	<b>£'000</b>
Interest income	145	181
Return on plan assets (excluding amount included in net interest expense)	(191)	225
<b>Total return on plan assets</b>	<b>(46)</b>	<b>406</b>

### The major categories of scheme assets are as follows:

	<b>31/03/2016</b>	<b>31/03/2015</b>
	<b>£'000</b>	<b>£'000</b>
UK Equities	152	191
Overseas Equities	644	727
Corporates	-	-
Gilts	983	942
Index Linked	2,296	2,206
Property	-	-
Alternative Assets	155	137
Cash	176	286
<b>Total market value of assets</b>	<b>4,406</b>	<b>4,489</b>

The Scheme has no investments in the Company or in property occupied by the Company.

### 31 Reconciliation of cash flows from operating activities

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net incoming/(outgoing) resources</b>	<b>274</b>	<b>(579)</b>
Depreciation charges on fixed assets	513	484
Dividends, interest and rents from investments	(146)	(187)
Actuarial gains/(losses) on defined benefit pension scheme	(81)	(334)
Movement in components of working capital:		
(Increase)/decrease in stocks	(71)	(2)
Decrease/(increase) in debtors	270	(241)
(Decrease)/increase in creditors	(281)	716
<b>Net cash inflow/(outflow) from operating activities</b>	<b>478</b>	<b>(143)</b>

## LEEDS CASTLE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 MARCH 2016

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**32 Limited by Guarantee**

The company is limited by guarantee and does not have a share capital. The liability of each member is limited to £1.

**33 Capital commitments and contingent liability**

At 24 March 2016 the Foundation and the group had no contractual commitments for development expenditure (2015: nil).

**34 Related party transactions**

At the year end the trading subsidiary, Leeds Castle Enterprises Limited had a net intercompany debtor balance, owing £228,000 to the Charity (2015: net creditor balance of £93,000). During the period the Charity received gift aid payments totalling £759,000 from Leeds Castle Enterprises Limited, with a further payment of £938,000 accrued at the year end.

**35 Net income for the financial year**

As permitted by Section 408 of the Companies Act 2006, the parent company's statement of financial activities has not been included in the financial statements. The parent company's total incoming resources for the period were £6.3m (2015: £5.3m). The net surplus/(deficit) for the period for the Foundation was £156,000 (2015: £337,000).

**36 Financial instruments**

At the balance sheet date the consolidated group held financial assets at amortised cost comprising cash and short term deposits, stock, trade debtors, other debtors and accrued income of £3,966,000 (2015: £4,614,000) and financial liabilities at amortised cost, comprising trade creditors, other creditors and accruals of £1,164,000 (2015: £1,246,000). Total interest income received in respect of financial assets held at amortised cost totalled £5,000 (2015: £4,000).

The charity held assets at fair value through income and expenditure of £5,765,000 (2015: £5,639,000). Movements in the year through the statement of financial activities comprised income of £60,000 (2015: £71,000) and losses of (£323,000) (2015: gains of £669,000).