CHATSWORTH HOUSE TRUST

Annual report and financial statements

for the year ended 31 December 2012

Registered Charity Number 511149
Registered Company Number 01541046

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CHATSWORTH

CHATSWORTH HOUSE TRUST

Annual report and financial statements

For the year ended 31 December 2012

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CHATSWORTH HOUSE TRUST

Legal and administration details for the year ended 31 December 2012

Charity number
511149

Trustees/Directors (Council of Management)
The Duke of Devonshire – Chairman
The Duchess of Devonshire
The Hon Mrs C Chetwode
Mr H M Wyndham
Mr J G E Monson
Mr E R H Perks
Mr J D S Booth

Management Team
Chief Executive Officer – Mr R H Reynolds
Chief Operating Officer – Mr E A D Cadogan
Chief Financial Officer – Mr M Terry

Registered office
21 Buckingham Gate
London
SW1E 6LS

Independent Auditors
Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

Solicitors
Currey & Co LLP
21 Buckingham Gate
London
SW1E 6LS

Bankers
Royal Bank of Scotland
The Square
Bakewell
Derbyshire
DE45 1BT

Investment advisors
Smith & Williamson Investment Management Limited
25 Moorgate
London
EC2R 6AY

Report of the Council of Management for the year ended 31 December 2012

The Members of the Council of Management, who are also directors and trustees for the purpose of the Companies and Charities Acts, have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2012

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

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

Charity Trustees, Directors and Members of Council of Management

The following served on the Council during the year and up to the date of signing the financial statements

* The 12th Duke of Devonshire - Chairman
* Duchess of Devonshire
  The Hon Mrs C Chetwode
  Mr H M Wyndham
  Mr J G E Monson
  Mr E R H Perks
  Mr J D S Booth

* These Members of the Council are also members of the company

Mr Monson, Mr Booth and Mr Perks are also members of the Finance, Audit and Conflicts Committee All members of the Council sit on the Investment Committee and the Duke and Duchess of Devonshire, The Hon Mrs C Chetwode and Mr Wyndham are members of the Conservation and Art Purchase Committee

Appointment of Members

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

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

Membership of the Council is decided to ensure responsible oversight of the purposes of the Chatsworth House Trust

Report of the Council of Management for the year ended 31 December 2012 (continued)

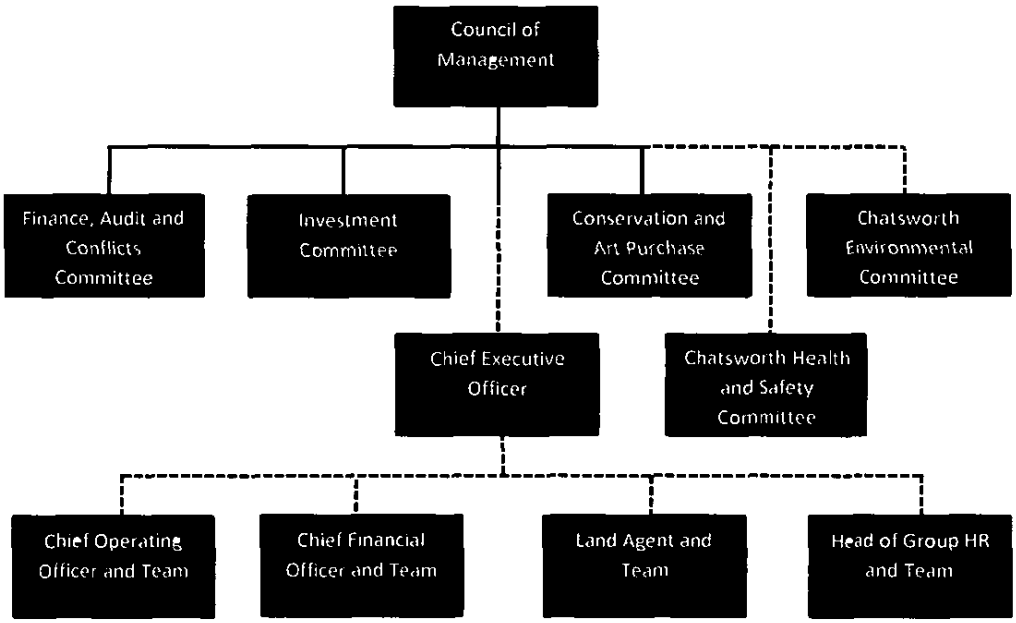
New Member Induction and Training

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

Organisational structure and decision making

The company has a Council of Management which consists of the directors and charity trustees The number of the Members of the Council shall not be less than 5 nor more than 8 Members of the Council serve for a period of up to 6 years They are then eligible for re-election

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



Although not formally constituted sub-committees, the Council receives regular reports from and reviews the work of the Chatsworth Environmental and Health and Safety Committees who monitor the company's activities and make such recommendations as they feel appropriate

Report of the Council of Management for the year ended 31 December 2012 (continued)

Risk Management

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

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

Financial Risk

The company is also exposed to price or liquidity risk through changes in interest rates and to the credit risk of the securities it holds Council have appointed qualified investment managers to manage this risk

OBJECTIVES AND ACTIVITIES

Objectives

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

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

Strategies and activities for achieving objectives

The company holds a lease of Chatsworth House and its essential contents, with approximately 1,822 acres of land including the garden, park and woodland surrounding the House

The Council have implemented the following activities to help achieve the objectives

- Opening the House and gardens at Chatsworth every day from mid March to Christmas, keeping much of the park open every day of the year
- Holding various events and exhibitions displaying collections of art, sculpture and other historic artefacts open to the general public
- Offering educational programmes for school visits and self-led activities at the Farmyard linked to key elements of the school curriculum
- Holding a popular annual Country Fair
- Keeping the Park and Stand Wood open all year round for free public use
- Holding international horse trials and other sporting events
- Allowing use of grounds and buildings for other charity activities

Report of the Council of Management for the year ended 31 December 2012 (continued)

Public Benefit

The Council have considered and have taken due regard to the Charity Commission's guidance on public benefit and fee charging when setting their objectives for the year

Chatsworth enjoys the reputation of being "contemporary in its time" and engages visitors by providing both access and engaging experiences Respecting this legacy, the Council aims to continue supporting Chatsworth's evolution and, in particular, programmes which refurbish, update and improve both the fabric of Chatsworth and the appeal it provides to a diversity of visitors

ACHIEVEMENTS AND PERFORMANCE

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

Factors relevant to achieving objectives

The key performance indicators which the Council of Management use to monitor whether the company is achieving these objectives are

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

Visitor Numbers

The number of visitors to Chatsworth for 2012 compared with 4 prior years was as follows

	2012	2011	2010	2009	2008
Number of Visitors	707,848	722,906	726,196	615,517	551,604

Special events and activities

The attendance and feedback from the various events that the company organised and hosted, such as the annual Country and Christmas Fairs, Sotheby's successful exhibition of sculpture in the grounds, the series of concerts and the bonfire night in the grounds was good The Council were disappointed that the annual International Horse Trial event had to be cancelled due to bad weather

The company purchased works of art during the year to the value of £105,689 (2011 £124,254) to enhance the collection held

Restoration and preservation work

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

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

Report of the Council of Management for the year ended 31 December 2012 (continued)

Restoration and preservation work (continued)

The programme of work commenced in January 2007 and is not scheduled to be completed until 2014 The current projected total cost of the project is £24 6m of which £17 7m had been spent at the balance sheet date A further £6 9m will be spent in the period 2013 to 2014

Donations from The Duke of Devonshire's Charitable Trust of £6 2m (2009 £0 1m, 2010 £5 1m, 2011 £nil, 2012 £1 0m) have been spent on the Master Plan Further funding has come from the realisation of investments of £2 1m (2012 £2 1m) with the balance of funding (£16 3m) being derived from the existing and future cash resources of the company

Under the heading "Capital Commitments" within the Accounting Policies section on page 17 of these accounts, future expenditure commitments for the Master Plan programme are disclosed

Financial review

The assets and activities of the company are split between two unrestricted funds the General Fund and the designated Art Purchases Fund Further details are set out in the notes to the accounts on pages 18 to 27

The Statement of Financial Activities is set out in detail on page 12 It shows that overall the company had net incoming resources of £342,423 for the year generated from its routine activities as compared with net resources expended of £1,816,527 in 2011 Of this, net incoming resources of £106,847 arose in the General Fund and £235,576 in the Art Purchases Fund

Incoming resources

The charitable company has three principal sources of income

The first, which represents the majority of income, is income generated from the operation of the House and major events This is predominantly income from admissions to the House and gardens during its open season from mid-March to December each year The admissions income accounted for 66% of the charity's total incoming resources in 2012

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

The second main revenue stream is dividends from its investments See the Investment objective and performance section below for more detail

The third revenue stream is one-off grants and donations which this year amounted to £1,000,000 (2011 £nil)

Resources expended

The company's income has been applied in pursuance of its charitable purposes The largest proportion of expenditure is on the costs of operating the House, admissions, general upkeep of the house and stables, and the maintenance of the garden park and woods, this accounted for 90% of total resources expended

The company also spent £3,339,826 (2011 £3,477,468) on the essential preservation and maintenance of the House and grounds under its Master Plan project, as outlined earlier in this report

Report of the Council of Management for the year ended 31 December 2012 (continued)

Financial review (continued)

Investment powers, policy and performance

Powers and policy

Under its Memorandum of Association the company has power to invest its funds in or upon such investments, securities or property (whether or not for the time being authorised for the investment of trust monies) as the company thinks fit

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

The Council have set an investment objective of generating £400,000 in cash to support the company's charitable objects and current activities while preserving the real capital value of the investments over the longer term to enable them to sustain the company's future activities and to fund its future obligations in accordance with its objects

Performance review

The General Fund received investment income of £436,102 (2011 £479,534) from its portfolio and from rental income from its property investments In addition, the fund generated £241,021 (2011 £45,136) in realised and unrealised gains during the year from its investment portfolio

The Art Purchases Fund received investment income of £251,067 (2011 £219,697) from its investment portfolio In addition, the fund generated £227,549 (2011 £525,201) in realised and unrealised gains during the year

The annual investment return on the managed investment portfolios for the year ended December 2012 held by the General Fund was +6 22%, and held by the Art Purchases Fund was +5 21%, compared to the APCIMS Balanced TR index return of +9 1% for the same period This relative underperformance occurred in the early part of 2012 Looking to 2013, Council noted that for the first quarter, the General Fund portfolio was +8 2%, Art Purchases Fund portfolio was +8 72%, compared to the APCIMS Balanced TR index return of +8 12% for the same period

The running yield on the investment portfolio before investment management fees was 2 65% (2011 2 73%)

Overall result

After accounting for realised and unrealised gains on investments and on the pension scheme obligations, the total increase in funds was £676,538 as compared to a decrease of £1,165,857 in 2011 Of this, £213,413 related to the General Fund and £463,125 related to the designated Art Purchases Fund

Reserves policy

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

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

Report of the Council of Management for the year ended 31 December 2012 (continued)

Financial review (continued)

The company had total reserves at the year end of £24,905,585 (2011 £24,229,047) Free reserves as at 31 December 2012 amounted to £18,443,879 (2011 £18,000,884) Free reserves comprise assets that are available for expenditure in furtherance of the overall objects of the charity and the figure therefore excludes unrestricted funds which are tied up in tangible fixed assets and heritage assets

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

Charitable donations

Charitable donations amounted to £25,000 during the year (£18,000 to the Red Socks Charitable Trust, £1,000 each to Injured Jockey Fund and British Softball Federation, £1,250 to Countryside Alliance, £750 each to Game & Wildlife Conservation, Fire Service Benevolent, Victim Support Derby, Buxton Mountain Rescue and Derbyshire Cave Rescue) (Donations for 2011 were £25,000)

Employees

As stated in note 20 to the accounts, staff are jointly employed by the company and the Trustees of the Chatsworth Settlement During the year the average number of staff involved was 138 (2011 133) There was one staff member earning more than £60,000 per year, falling into the £60,000-£70,000 band (2011 one member falling into the band £150,000-£160,000) Pension contributions for this staff member amounted to £nil (2011 £9,622)

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

Plans for the Future

The Council will continue to maintain and preserve Chatsworth for the benefit of the public This will include respecting Chatsworth's legacy as a place of evolution and for being contemporary in its time Enhancing and extending the visitor experience will remain central to protecting the financial health of the organisation and thus enable it to deal with the challenges and potential risks ahead Particular challenges the Council will be considering are, ambitious plans to extend Chatsworth's renovation programme and improving the capability of Chatsworth's lakes to cope with extreme rainfall

Report of the Council of Management for the year ended 31 December 2012 (continued)

Statement of Council Members' Responsibilities

The Council members (who are also directors of Chatsworth House Trust for the purposes of company law) are responsible for preparing the Report of the Council of Management and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the Council Members 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 of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period In preparing these financial statements, the Council Members 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 inappropriate to presume that the charity will continue in business

The Council Members 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the Council Members are aware

- there is no relevant audit information of which the charitable company's auditor is unaware, and
- the Council Members 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

The company's auditors are Saffery Champness, who are willing to continue in office and a resolution will be submitted to the forthcoming annual general meeting that they be re-appointed

By Order of the Council

Currey & Co

CURREY & CO LLP
SECRETARIES TO THE COUNCIL

Registered Company No 01541046

23/9/13

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHATSWORTH HOUSE TRUST

We have audited the financial statements on pages 12 to 27 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice

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

Respective responsibilities of Council Members and auditors
As explained more fully in the Report of the Council of Management, the Council Members (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

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 charity's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Council Members, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report of the Council Management to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the charity's state of affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Council of Management for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHATSWORTH HOUSE TRUST

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Tim Adams

Timothy Adams (Senior Statutory Auditor)
For and on behalf of
Saffery Champness
Chartered Accountants
Statutory Auditors
Lion House
Red Lion Street
London
WC1R 4GB

23/9/13

CHATSWORTH HOUSE TRUST

Statement of Financial Activities (including income and expenditure account) for the year ended 31 December 2012

	Note	General Fund (unrestricted)	Art Purchases Fund (unrestricted)	Total funds 2012	Total funds 2011 (restated)*
				£	£
Incoming resources					
Incoming resources from generated funds					
Investment income	3	436,102	251,067	687,169	699,231
Voluntary income Grants & Donations		1,000,000	-	1,000,000	-
Incoming resources from charitable activities					
Operation of the House	2	9,028,754	-	9,028,754	8,024,579
Total incoming resources		10,464,856	251,067	10,715,923	8,723,810
Resources expended					
Charitable activities					
Operation of the House	4	6,821,337	-	6,821,337	6,861,938
Preservation and Maintenance		3,339,826	-	3,339,826	3,477,468
Governance costs	6	180,313	-	180,313	183,217
Cost of Generating Funds					
Investment Management Fees		16,533	15,491	32,024	17,714
Total resources expended		10,358,009	15,491	10,373,500	10,540,337
Net income/(deficit) for the year		106,847	235,576	342,423	(1,816,527)
Other recognised gains and losses					
Realised gains on investment assets		76,447	90,131	166,578	1,312,142
Unrealised gains/(losses) on investment assets	12	164,574	137,418	301,992	(832,077)
Actuarial (losses)/gains on pension scheme		(134,455)	-	(134,455)	170,605
Net movement of funds		213,413	463,125	676,538	(1,165,857)
Total funds brought forward		10,236,023	13,993,024	24,229,047	25,394,904
Total funds carried forward		10,449,436	14,456,149	24,905,585	24,229,047

* See note 5

The statement of financial activities includes all gains and losses recognised in the period All incoming resources and resources expended derive from continuing activities The surplus for the period for Companies Act purposes comprises the net income for the year, plus realised investment gains (or less the realised investment losses) and equals £509,001 (2011. deficit £504,385).

CHATSWORTH HOUSE TRUST

Balance Sheet as at 31 December 2012

	Notes	2012		2011 (restated)*	
		£	£	£	£
Fixed assets					
Fixed assets	9		1,464,909		1,337,055
Heritage Assets	10		4,996,797		4,891,108
Investment properties	11		2,250,000		2,250,000
Investments	12		19,973,578		19,441,271
			28,685,284		27,919,434
Current assets					
Stocks	13	26,329		34,489	
Debtors	14	831,023		839,177	
Cash at bank and in hand		3,421,294		2,661,494	
		4,278,646		3,535,160	
Creditors (Amounts falling due within one year)	15	(3,024,345)		(2,474,547)	
Net current assets			1,254,301		1,060,613
Unfunded pension scheme liability	19		(5,034,000)		(4,751,000)
Net assets	16		**24,905,585**		24,229,047
Capital and Reserves					
Unrestricted income funds					
General Fund	17		6,409,045		6,408,225
Art Purchases Fund	18		12,435,769		12,422,724
Revaluation Reserve			6,060,771		5,398,098
			24,905,585		24,229,047

* See note 15

Both the General Fund and Art Purchases Funds are unrestricted

The financial statements on pages 12 to 27 were approved by the Council on 23/9 2013 and were signed on its behalf by

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

CHATSWORTH HOUSE TRUST

Cashflow Statement for the year ended 31 December 2012

	Notes	2012		2011	
		£	£	£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	21		663,843		(1,008,157)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Bank interest received		69,679		124,890	
Property income received		147,424		156,673	
Quoted investment income received		438,042		399,954	
NET CASH INFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			655,145		681,517
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire tangible fixed assets		(497,452)		(439,812)	
Receipts from sale of tangible fixed assets		2,001		-	
Payments to acquire investments		(4,304,714)		(6,294,291)	
Receipts from sale of investments		4,601,658		6,581,376	
(Increase)/Decrease in cash with broker		(360,681)		281,906	
NET CASH (OUTFLOW)/INFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(559,188)		129,179
INCREASE/(DECREASE) IN CASH AND NET FUNDS	22		759 800		(197,461)

Accounting Policies for the year ended 31 December 2012

Basis of Accounting
The financial statements are prepared on the going concern basis, under the historical cost convention, modified by the revaluation of investments The financial statements have been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable United Kingdom Accounting Standards and the Companies Act 2006 The principal accounting policies adopted in the preparation of the financial statements are set out below

The financial statements present information about the company as an individual undertaking and not about its group The company has claimed the exemption available under section 405(2) of the Companies Act 2006 and has not consolidated its sole subsidiary undertaking, The Chatsworth Estates Company, in these financial statements as the directors consider that the amounts involved are not material for the purposes of giving a true and fair view

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

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

Depreciation of equipment and vehicles is calculated on the straight line basis at annual rates estimated to write off assets over expected useful lives varying from three to ten years with the exception of turbines and boilers which are given an expected life of fifteen years The minimum level at which assets are capitalised is £250

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

Growing timber granted to the Council of Management is not valued in the accounts as the timber will revert to The Trustees of the Chatsworth Settlement at the end of the lease

Heritage Assets
In 2011, the company adopted FRS30 which requires separate identification and disclosure of Heritage Assets

In its own right the company owns a collection of paintings, ceramics and sculptures previously identified as Arts & Treasures These items are included in the accounts at their historical cost and are not depreciated as they are deemed to have indefinite lives To date, no impairments have occurred of capitalised items Revaluations are not performed as the Council of Management do not consider that reliable information can be obtained due to the diverse nature of the assets and the lack of comparable market values At the balance sheet date the book value of these items was £4,996,797 (2011 £4,891,108)

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

In addition to the above there are items not belonging to the company but displayed in areas open to the public within Chatsworth House and Gardens These items are included in the lease assigned to the company on 10 April 1981 (see note 20) and represent the essential contents of Chatsworth House The company does not therefore recognise these assets on its Balance Sheet Under the terms of the lease and subject to the agreement of the Council of Management, chattels can be removed from public display if they are replaced by an item or items that are deemed to be of equal value, public interest or heritage importance

Accounting Policies for the year ended 31 December 2012 (continued)

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

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

Investment Properties
Investment properties are stated at open market value A formal revaluation is carried out every five years by an independent valuer and property valuations are assessed annually by the Council of Management

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

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated In the opinion of the Council compliance with the standard is necessary for the financial statements to give a true and fair view Furthermore, the amount of any depreciation would be immaterial Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified

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

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

Provisions
A provision is recognised in the balance sheet when the company has a legal or constructive obligation as result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Donations and Gifts
Donations and gifts comprise the fair value of amounts receivable during the year

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

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

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

Accounting Policies for the year ended 31 December 2012 (continued)

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

- Charitable expenditure comprises the costs of maintaining and preserving the House and its associated land together with costs associated with opening it to the public Staff costs included represent an appropriate portion of operating overheads
- Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, eg allocating staff costs by the time spent and other costs by their usage

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

The Art Purchase Fund is an unrestricted fund that has been set aside by the Council for the purposes set out in note 18

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

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

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

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

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

Capital Commitments
At the 31st December 2012 phases one and two of the Master Plan were complete and phases three "a" and three "b" were in progress The members of the Council of Management were committed to the completion of phases three "a" and three "b" and further expenditure to complete these phases during 2013 and 2014 was expected to be £5 4m Beyond phase three "a" and three "b" the Council of Management do not anticipate further Master Plan commitments being entered into during 2013

Notes to the financial statements for the year ended 31 December 2012

1 Legal status of the Trust

The Trust is a charitable company limited by guarantee and has no share capital The liability of each member in the event of winding up is limited to £5,000

The company is limited by guarantee Each member has undertaken to contribute to the assets of the company, in the event of its being wound up while he is a member, or within one year after he ceases to be a member, an amount not exceeding £5,000 At 31 December 2012 there were seven (2011 seven) members

2 Analysis of incoming resources

	2012	2011
	£	£
Amounts receivable from admissions	7,046,541	5,881,277
Income from park events	1,205,678	1,360,238
Franchise income (see note 20)	639,281	584,377
Other income	137,254	198,687
	9,028,754	8,024,579

Franchise income is receivable from The Trustees of the Chatsworth Settlement and is based on the annual performance of businesses located in premises leased by the company

3 Investment income

	General Fund	Art Purchases Fund	2012	2011
	£	£	£	£
Income from quoted investments				
- UK fixed interest stocks	31,216	31,988	63,204	6,563
- UK equities	134,552	134,270	268,822	247,914
- Overseas stocks	67,789	70,252	138,041	163,191
Interest on cash with broker	45,202	14,557	59,759	113,965
Other UK bank interest	9,920	-	9,920	10,925
Income from UK properties	147,423	-	147,423	156,673
	436,102	251,067	687,169	699,231

4 Operation of the House

	2012	2011
	£	£
Admissions expenses	1,812,420	1,834,776
Expenses of park events	506,638	817,185
Maintenance of the art collection	283,706	279,958
Maintenance of the garden, park and woods	959,477	858,375
General upkeep of the house and stables	1,469,219	1,288,153
Special repair expenditure	31,055	30,099
General insurance	181,819	170,471
Charitable donations	25,000	25,000
Allocation of support costs (see note 5)	1,552,003	1,557,921
	6,821,337	6,861,938

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Support Costs

	2012	2011
	£	£
Management charge (see note 20)	**735,369**	652,367
Wages & salaries	**436,773**	505,632
Legal & professional	**50,105**	57,534
Depreciation	**61,725**	77,365
Other administrative	**168,531**	129,085
Service & interest cost on unfunded pension scheme	**277,000**	309,000
	1,729,503	1,730,983
Allocated		
Operation of the House	**1,552,003**	1,557,921
Preservation and maintenance	**29,000**	28,275
Governance costs	**148,500**	144,787
	1,729,503	1,730,983

For the year ended 31 December 2012, support costs have been allocated across the three categories as shown above Previously, support costs were shown separately on the face of the Statement of Financial Activities The 2011 comparatives have therefore been restated for consistency This adjustment has not affected the net deficit reported in 2011

6 Governance Costs

	£	£
Secretarial fees (see note 20)	**18,936**	26,191
Auditors' remuneration – audit fees	**12,635**	11,475
Trustee expenses (see note 20)	**242**	764
Allocation of support costs (see note 5)	**148,500**	144,787
	180,313	183,217

7 Taxation

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

8 Staff numbers

	2012	2011
The average number of full-time equivalent employees (including casual and part time staff) during the year was as follows	**Number**	**Number**
Administration and management	**17**	19
Domestic	**10**	9
Wardens	**37**	35
Maintenance	**33**	31
Gardens	**23**	21
Domain	**7**	7
Farm yard	**11**	11
	138	133

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Staff numbers (continued)

Analysis of Staff Costs

	2012 £	2011 £
Salaries and wages	**2,426,754**	2,412,923
Social security costs	**469,338**	461,992
Employer pension contributions to the money purchase scheme	**30,022**	27,662
Service cost on unfunded pension scheme	**47,000**	52,000
Interest cost on unfunded pension scheme	**230,000**	257,000
Total Staff Costs	**3,203,114**	3,211,577

9 Tangible assets

	Long Leasehold Buildings	Equipment and Vehicles	Total
Cost	£	£	£
At 1 January 2012	1,418,835	3,417,978	4,836,813
Additions	-	408,772	408,772
Disposals	-	(39,357)	(39,357)
At 31 December 2012	**1,418,835**	**3,787,393**	**5,206,228**
Accumulated Depreciation			
At 1 January 2012	1,080,905	2,418,853	3,499,758
Charge for the period	56,669	222,248	278,917
Disposals	-	(37,356)	(37,356)
At 31 December 2012	**1,137,574**	**2,603,745**	**3,741,319**
Net Book Amounts			
At 31 December 2012	**281,261**	**1,183,648**	**1,464,909**
At 31 December 2011	337,930	999,125	1,337,055

All the above tangible assets are applied for direct charitable purposes

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Heritage Assets

During the year additions of £105,689 were added to the collection

Five year financial summary of heritage asset transactions

	2012	2011	2010	2009	2008
	£	£	£	£	£
Opening balance b/fwd	4,891,108	4,766,854	4,691,243	4,460,615	4,356,472
Acquisitions	105,689	124,254	75,611	230,628	104,143
Closing balance c/fwd	4,996,797	4,891,108	4,766,854	4,691,243	4,460,615

Preservation and Management

The company employs its own Collections Department which is responsible for the ongoing restoration and maintenance of the collection at Chatsworth The collections team consists of fourteen full-time and five part-time staff and comprises a Head of Arts and Historic Collections who has overall responsibility as well as his team of curators, archivists, librarians and a textiles team

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

The company incurs as an expense all the costs associated with its own heritage assets as well as those assets which are the subject of the lease In 2012 £53,321 was expended on restoration and maintenance of the collection (2011 £47,019)

11 Investment properties

	2012	2011
	£	£
Investment properties held at market value	2,250,000	2,250,000

An independent open market valuation was carried out as at 31 December 2008 valuing the investment properties at £2,250,000 The valuation was carried out by a Mr Tom Richardson of the Royal Institute of Chartered Surveyors, a partner in Strutt and Parker LLP A review was undertaken by Mr Tom Richardson as at 31 December 2012 and he advises no change in the market value

Notes to the financial statements for the year ended 31 December 2012 (continued)

12 Investments

	General Fund £	Art Purchases Fund £	Total 2012 £	Total 2011 £
Market value at 1 January 2012	10,448,245	8,993,026	19,441,271	19,530,198
Acquired during the period, at cost	2,154,777	2,149,937	4,304,714	6,294,289
Disposal	(2,096,827)	(2,338,253)	(4,435,080)	(5,269,233)
Unrealised profit for the period	164,574	137,418	301,992	(832,077)
Investment Income	278,758	251,067	529,825	531,633
Cashdraw down	(214,206)	77,086	(137,120)	(795,825)
Management Fees	(16,533)	(15,491)	(32,024)	(17,714)
Market value at 31 December 2012	10,718,788	9,254,790	19,973,578	19,441,271

The investments, which are listed on recognised stock exchanges, and stated at market value, comprised

£ Fixed Interest	541,275	788,760	1,330,035	6 7%	1,738,685	8 9%
Other Fixed Interest	-	101,272	101,272	0.5%	104,524	0 5%
£ Index Linked	760,666	726,013	1,486,679	7 4%	1,738,554	8 9%
Other Index Linked	376,960	282,720	659,680	3 3%	1,337,520	6 9%
Alternative Investments	363,984	357,594	721,578	3 6%	1,155,047	5 9%
United Kingdom	3,566,091	3,618,841	7,184,932	36 0%	6,615,739	34 0%
North America	1,394,612	1,576,826	2,971,438	14 9%	2,568,006	13 2%
Europe	506,936	505,324	1,012,260	5 1%	451,310	2 3%
Far East	591,160	428,095	1,019,255	5 1%	676,008	3 5%
Rest of the World	351,897	339,358	691,255	3 5%	621,365	3 2%
Other Securities	-	100,000	100,000	0 5%	100,000	0 5%
Cash	2,265,207	429,987	2,695,194	13 5%	2,334,513	12 0%
Total market value	10,718,788	9,254,790	19,973,578	100 0%	19,441,271	100 0%
Cost	6,678,396	7,234,410	13,912,806	-	14,043,172	-

Also the company owns 100% of the shares of The Chatsworth Estates Company, an unlimited company, the shares were acquired for no consideration At 31 March 2013 the net assets of The Chatsworth Estates Company amounted to £12,292 (2012 £11,366) and the profit for the year was £926 (2012 £926), the company is an investment company and is responsible for certain property as special executor of the 9th Duke of Devonshire's will and holds the legal estate in certain other property as a bare trustee for the Trustees of the Chatsworth Settlement, who purchased it in 1950 No group accounts are prepared as the amounts involved are not material for the purposes of giving a true and fair view

13 Stocks

	2012 £	2011 £
Stores	6,943	12,974
Livestock	19,386	21,515
	26,329	34,489

Notes to the financial statements for year ended 31 December 2012 (continued)

14 Debtors

	2012 £	2011 £
Trade debtors	393,765	280,470
Bad debt provision	(6,231)	(2,300)
	387,534	278,170
Prepayments and accrued income	443,489	561,007
	831,023	839,177

15 Creditors – Amounts falling due within one year

	2012 £	2011 £
Amounts falling due within one year		
The Trustees of the Chatsworth Settlement	1,521,000	1,143,503
Other trade creditors	156,500	116,217
Deferred income	23,526	58,896
Accruals	1,323,319	1,155,931
	3,024,345	2,474,547

In prior years, amounts due from and to The Trustees of the Chatsworth Settlement were separately disclosed in Debtors and Creditors The trustees consider it appropriate to show these balances net, due to legal right of set off The 2011 comparatives have been adjusted accordingly The effect of this is on net current assets is £nil

16 Analysis of net assets between funds

	General Fund £	Art Purchases Fund £	Total £
Tangible fixed assets	2,592,009	3,869,697	6,461,706
Investment properties	2,250,000	-	2,250,000
Investments	10,718,788	9,254,790	19,973,578
Net current assets	(77,361)	1,331,662	1,254,301
Unfunded pension scheme liability	(5,034,000)	-	(5,034,000)
Net assets at 31 December 2012	**10,449,436**	**14,456,149**	**24,905,585**

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 General Fund

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

	Revaluation reserve	Revenue reserve	Total
	£	£	£
The reserves of the fund comprise			
At 1 January 2012	3,827,798	6,408,225	10,236,023
Unrealised gains on investments	164,574	-	164,574
Actuarial losses on unfunded pension scheme liability	-	(134,455)	(134,455)
Realised gains on investments	-	76,447	76,447
Net incoming resources	-	106,847	106,847
Transfer between reserves	48,019	(48,019)	-
At 31 December 2012	**4,040,391**	**6,409,045**	**10,449,436**

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

18 Art Purchases Fund

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

	Revaluation reserve	Revenue reserve	Total
	£	£	£
The reserves of the fund comprise			
At 1 January 2012	1,570,300	12,422,724	13,993,024
Unrealised gains on investments	137,418	-	137,418
Realised gains on investments	-	90,131	90,131
Net incoming resources	-	235,576	235,576
Transfer between reserves	312,662	(312,662)	-
At 31 December 2012	**2,020,380**	**12,435,769**	**14,456,149**

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

Notes to the financial statements for the year ended 31 December 2012 (continued)

19 Pensions

There is an obligation to provide pensions for the period since 12 April 1981 for the eligible employees of the Trustees of the Chatsworth Settlement on secondment to the company

The pension scheme of the Trustees of the Chatsworth Settlement provides benefits based on final pensionable salary The scheme was closed to new members in 1999 A defined contribution scheme was established in 2001.

Pension fund contributions during the year amounted to £Nil (2011 £Nil) Pensions paid to former employees in the year amounted to £128,455 (2011 £112,395)

During the year a formal valuation has been undertaken by Mr Alex Pearse, a partner with Harvey & Clamp LLP This valuation as required by Financial Reporting Standard 17 has been recognised in the accounts and the prior year has been restated

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

	2012	2011
Discount rate	4.4%	4 9%
Mortality rates	PA92 (c2020)	Minus 2 years

The amounts recognised in the balance sheet are as follows

	2012	2011
	£	£
Present value of scheme liabilities	**5,034,000**	4,751,000
Deficit in the scheme	**5,034,000**	4,751,000

Analysis of amount recognised within actuarial gains and losses

Changes in assumptions underlying the present value of the scheme liabilities

Changes in discount rate and mortality rates	**134,455**	(170,605)

	2012	2011
	£	£
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	**4,751,000**	4,725,000
Actuarial (gains)/losses	**134,455**	(170,605)
Interest cost	**230,000**	257,000
Service cost	**47,000**	52,000
Benefits paid	**(128,455)**	(112,395)
Closing defined benefit obligation	**5,034,000**	4,751,000

Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Related party transactions

Chatsworth Settlement Trust

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

The related party transactions in the year relate to the following

Recharges

Support costs include charges from Chatsworth Settlement Trustees for senior management time and central overheads including, Finance, Human Resources, IT Systems, Land Agency and Planning During the year £735,369 (2011 £652,367) was recharged to the company In addition, the company charges for work undertaken by its own internal departments for the benefit of the Chatsworth Settlement Trustees All charges are made on the basis of time spent or resources consumed

Staff are jointly employed by the company and the Chatsworth Settlement Trustees The total cost of staff invoiced to the company during the year was £2,926,114 (2011 £2,902,577)

Rent

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

Franchise income (note 2) is also receivable and is based on the annual performance of businesses located in premises leased by the company, during the year £639,281 (2011 £584,377) was received

Currey & Co LLP

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

Fees are charged for the legal services provided by Currey & Co LLP The fees for the year are £15,878 (2011 £26,191)

Sothebys

Although the company is independent of Sotheby's, the 12th Duke of Devonshire, a Member of the Council is on the Board of Directors of Sotheby's USA (Sotheby's parent company) and Mr H M Wyndham, also a Member of the Council is employed and remunerated by Sotheby's

During the year the company received £100,000 (2011 £75,000) from Sotheby's, for hosting Sotheby's annual selling exhibition of modern and contemporary sculpture The company also received £2,602 (2011 £9,152), being its share of revenues from the sale of works of art included in the exhibition and £10,624 facility fee for an evening event Set up costs of £27,296 (2011 £66,877) were recharged to Sotheby's

Transactions with Council Members

Members of the Council were reimbursed for travel expenses amounting to £242 (2011 £764)

Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Related party transactions (continued)

During the year the company received £30,000 (2011 £30,000) from the Duke of Devonshire for the rental of the private quarters pursuant to the lease set out above

	2012	2011
	£	£
Amounts due (from)/to Chatsworth House Trust at 31 December 2012 (to)/from		
Chatsworth Settlement Trustees	**(1,521,000)**	(1,143,503)
Duke of Devonshire	**1,212**	2,811
Sotheby's	**119,834**	91,365
Currey & Co LLP	**-**	(4,858)

21 Reconciliation of operating surplus to net cash inflow from operating activities

	2012	2011
	£	£
Net deficit for the year	**(948,162)**	(2,189,046)
Depreciation charges	**278,917**	280,459
Decrease in stocks	**8,160**	14,948
(Increase)/decrease in debtors	**(105,478)**	721,034
Increase in creditors	**558,861**	276,843
Charitable donations received	**1,000,000**	-
Unfunded pension scheme benefits paid	**(128,455)**	(112,395)
Net cash inflow/(outflow) from operating activities	**663,843**	(1,008,157)

22 Reconciliation of net cash flow to movement in net funds

	2012	2011
	£	£
Increase/(decrease) in cash in the period	**759,800**	(197,461)
Net funds at 1 January 2012	**2,661,494**	2,858,955
Net funds at 31 December 2012	**3,421,294**	2,661,494