

**The Leathersellers'
Company
Charitable
Fund**

Annual Report and Accounts

31 July 2018

Charity Registration Number
278072

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Legal and administrative information

Trustees:	<p>The Wardens and Society of the Mistery or Art of the Leathersellers of the City of London ('the Leathersellers' Company'). The management of the Leathersellers' Company and its function as Trustee is carried out through its Court of Assistants. Members of the Court of Assistants are listed on page 2.</p> <p>D M Santa-Olalla DSO MC (Clerk to the Leathersellers' Company)</p>
Address:	<p>7 St Helen's Place London EC3A 6AB</p>
Auditor:	<p>Buzzacott LLP 130 Wood Street London EC2V 6DL</p>
Principal Banker:	<p>HSBC Bank plc 100 Old Broad Street London EC2N 1BG</p>
Investment Manager:	<p>Rathbone Investment Management Limited 8 Finsbury Circus London EC2M 7AZ</p>
Solicitor:	<p>Farrer & Co LLP 66 Lincoln's Inn Fields London WC2A 3LH</p>

Members of the Court of Assistants

To 18 July 2018

A A Barrow	Master
M J Bradly Russell FCA *	Second Warden
J A M Muirhead	Third Warden^
T N B Lister FCA *	Fourth Warden^

M R Binyon OBE *
 C P Barrow
 N R Pullman
 M L B Emley
 M P E Pellereau BSc FRICS
 M W Pebody BA
 Dr A Watson CBE
 His Honour A C L Thornton QC
 I A Russell MBE
 S W Polito *
 C C Barrow
 P B Newton BSc
 A B Strong
 M D J Dove BA FCA AKC
 G G D Bacon *
 R N Tusting MA Cantab
 M G Williams
 P G Williams *
 D H Barrow
 Mrs C J Lennon *
 W J C Lang
 R J Chard *
 Dr T J C Fooks FRCGP - appointed 6 December 2017
 H G Williams – appointed 6 December 2017

From 18 July 2018

M J Bradly Russell FCA	Master
C C Barrow *	Second Warden
G A B Lister *	Third Warden^
C T G Williams	Fourth Warden^

M R Binyon OBE *
 C P Barrow
 N R Pullman
 M L B Emley
 M P E Pellereau BSc FRICS
 M W Pebody BA
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 M G Williams
 P G Williams
 D H Barrow
 Mrs C J Lennon *
 W J C Lang
 R J Chard *
 Dr T J C Fooks FRCGP
 H G Williams

^The Third and Fourth Wardens are Ex-Officio Members of the Court.

*Members of the Charities Grants Committee.

Trustees' report Year to 31 July 2018

The trustees present their annual report and accounts of The Leathersellers' Company Charitable Fund for the year ended 31 July 2018. The accounts have been prepared in accordance with the accounting policies set out on pages 15 to 18 of the attached accounts and comply with the charity's trust deed, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

Objectives and activities for the public benefit, including grant making policy

The charity's Declaration of Trust states that the "Trustees shall apply the Trust Fund and the income thereof for such purposes and objects being charitable at law as they in their absolute and uncontrolled discretion shall determine from time to time".

The charity endeavours to improve our communities, both locally and nationally, by encouraging social mobility through education and training; enriching life experiences through art and culture; preventing violence and social deprivation; and by empowering the disenfranchised through the support of those charities working at the margins of our society.

Grants are awarded by the trustees on the recommendation of its Charity Grants Committee, which includes a number of trustees.

The policy of the trustees is to provide support to a broad range of registered charities or educational establishments. At the same time support is provided to registered charities associated with the Leathersellers' Company, the leather and hide trades, education in leather technology and for the welfare of former workers in the industry and their dependants. Of grants awarded in 2018, 93% were to registered charities or educational establishments and 7% were to individuals.

Charitable grants are made to registered charities and individuals and are one of two types; a single grant or a multi-year grant. All multi-year grants are subject to annual review. In addition, the Charitable Fund provides management services free of charge to connected charities.

The trustees receive appeals from a wide range of registered charities and their policy is based upon the principle of making sure that the money goes to those areas most in genuine need and those decisions are based on thorough investigations, including visits to individual charities, coupled with common sense.

The charity relies on members of the Leathersellers' Company volunteering their time to sit on committees, review grant requests, visit applicants, beneficiaries and almshouses, and attend events involving beneficiaries.

The trustees set a budget for charitable giving at the start of the financial year and the objective is to distribute this in an efficient and effective manner within the agreed amount.

The trustees confirm that they have considered the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and believe the broad range and number of charities supported by the charity to be beneficial to the public at large.

Achievements during the year

Total grants made during the year amounted to £2,821,000 (2017: £2,455,000). Grants to charities connected to The Leathersellers' Company Charitable Fund totalled £300,000 (2017: £313,000). Grants to charities associated with the Leather Trades totalled £295,000 (2017: £186,000).

Trustees' report Year to 31 July 2018

Achievements during the year (continued)

Further details of individual grants can be found on the Leathersellers' Company's website at: <https://leathersellers.co.uk/publications/>

Grants, analysed by type, as defined above, were as follows:

	2018		2017	
	£'000	No.	£'000	No.
To charities:				
Single	498	148	542	149
Multi-year	2,125	165	1,735	141
Charity sub-total	2,623	313	2,277	290
To individuals	198	97	178	94
Total grants awarded in year	2,821	410	2,455	384

Grants analysed by charitable sector were as follows:

	2018		2017	
	£'000	%	£'000	%
Charitable Sector				
Advice & Support	374	13	250	10
Education	1,023	36	814	33
Recreational	173	6	160	6
Heritage & Environment	33	1	75	3
Creative Arts	128	5	92	4
Criminal Justice & Rehabilitation	125	5	123	5
Disability	286	10	370	15
Homeless	165	6	167	7
Services Support & Rehabilitation	45	2	78	3
Leather Associated	295	10	186	8
Medicine & Health	174	6	140	6
Total	2,821	100	2,455	100

As noted above, the charity relies on members of the Leathersellers' Company volunteering their time to sit on committees, review grant requests, visit applicants, beneficiaries and almshouses, and attend events involving beneficiaries. In keeping with recent practice, an estimate of the numbers of hours in the year has been undertaken resulting in approximately 3,850 hours of voluntary time.

Financial Review

Total income for the year was £1,938,000 (2017: £1,868,000). This includes donations of £46,000 (2017: £42,000) and £26,000 (2017: £25,000) restricted income from investments. Grants awarded in the year totalled £2,821,000 (2017: £2,455,000), support costs were £241,000 (2017: £192,000), including governance costs of £13,000 (2017: £12,000), and costs of raising funds were £187,000 (2017: £176,000). The net expenditure for the year, before realised and unrealised gains, was £1,311,000 (2017: £955,000).

Trustees' report Year to 31 July 2018

Financial Review (continued)

Any gains and losses incurred on the investment property and the investment portfolios are retained within the endowment funds. For the listed investment portfolios, net realised and unrealised gains were £4,082,000 (2017: £5,988,000). There was no change in the value of the investment property in the year (2017: £Nil).

The trustees confirm that the cash balances and investment funds were managed and invested in accordance with the trust deed, throughout the year.

Financing of Grants

Grants are financed from income derived from rents, dividends and interest, and withdrawals from the investment portfolio. The trustees consider the Charitable Fund has sufficient assets to fulfil its obligations.

Fundraising statement

The charity only fundraises with members of the Leathersellers' Company and therefore is not registered with the Fundraising Regulator and does not subscribe to any fundraising codes of practice. When donations from individuals are received, the charity aims to protect personal data and never sells data or swaps data with other organisations. The charity manages its own fundraising activities. The charity undertakes to react to and investigate any complaints regarding its fundraising activities and to learn from them and improve its service. During 2018, the charity received no complaints about fundraising activities.

Reserves Policy

The balance on the unrestricted general fund is £178,000 (2017: £369,000). The trustees consider this to be a sufficient level of reserves given that the charity offers multi-year grants (on a conditional basis) which are paid out of income arising during the course of the year.

Investment Policy and performance

The charity's commitment is to continuing long term charitable giving. In order to sustain this objective, the investment strategy is to maximise total return over the long term.

The leasehold land held as investment property is shown at market value as estimated by the trustees as at 31 July 2018 based on professional advice. It is the trustees' long held policy to retain an interest in property within the City of London. This provides a minimum rental income sufficient to provide approximately one quarter of the present commitment to charitable giving.

The equity investment portfolios are independently professionally managed to generate the maximum total return over the long term, consistent with prudent levels of risk. The trustees have agreed an asset allocation benchmark with the investment portfolio manager and investment performance is measured against market indices. The investment portfolio manager's target is to exceed benchmark performance by 1% per annum.

The total return on the equity portfolio, before fees, for the twelve months to 30 June 2018 was 11.5% against a benchmark of 9.2% (60% FTSE All Share, 40% FT World ex UK). Over the three year period to 30 June 2018 the portfolio returned 41.9% against a benchmark of 41.3%.

Trustees' report Year to 31 July 2018

Future plans

The charity regularly reviews its support to registered charities through its Charities Grants Committee. Annual reviews with recipients of multi-year grants confirm that the Charitable Fund is assisting organisations in an effective manner.

A budget has been set for Charitable giving of over £3,000,000 for the year to 31 July 2019.

Structure, governance and management

The Trust is an unincorporated trust, constituted under a trust deed dated 7 February 1979 and is a registered charity, number 278072.

The Leathersellers' Company fulfils its role as trustee by way of its Court of Assistants (see page 2) and various working committees drawn from members of the Company. The decisions of the trustees are put into effect by the staff of the Charitable Fund and the staff of the Leathersellers' Company. Day to day management is the responsibility of the Clerk to the Company.

The Leathersellers' Company keeps the skill requirements for the Trustee Body under review. In the event that a Court member retires, new members are elected from the Livery in accordance with the constitution of the Leathersellers' Company.

Following their election, newly-appointed Court Members are briefed by the Clerk on their role and responsibilities as trustees of the Leathersellers' Company Charitable Fund. In addition, trustees receive a welcome pack which includes a copy of the trust deed, last year's annual report and accounts, and a copy of the Charity Commission's guidance to being a trustee. Periodic briefings and courses are also provided for trustees.

Key management personnel

The key management personnel of the charity in charge of directing and controlling the charity and running and operating the charity on a day to day basis are the trustees, the Clerk of the Leathersellers' Company and the Head of Philanthropy. No trustee remuneration was paid in the year by the charity. The Clerk is remunerated by the Leathersellers' Company. The remuneration of the Head of Philanthropy is reviewed annually by the remuneration sub-committee of the Leathersellers' Company.

Risk management

The trustees have reviewed the major risks to which the charity is exposed relating to the operations of the charity, its investments and its finances. The trustees believe that by examining the specific and general business and operational risks faced by the charity, by ensuring controls exist over the financial systems and safe custody of the charity's assets and investments, and by monitoring the reserves of the charity, they have established effective means to mitigate those risks. The trustees are aware of the charity's continued reliance on services provided by the Leathersellers' Company and have sought and received assurance of their continuance.

The principal risk faced by the charity lies in the performance of investments. The trustees consider the variability of investment returns on the endowment funds to constitute the charity's major financial risk. This is mitigated by retaining expert investment managers and having a diversified investment portfolio.

Trustees' report Year to 31 July 2018

Structure, governance and management (continued)

Connected charities

The charity is connected to other registered charities by virtue of common control and/or shared management.

Details of connected charities and transactions between the charity and its trustees and connected charities are given in Note 14 to the accounts.

Statement of trustees' responsibilities

The trustees are responsible for preparing the trustees' report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity for that period. In preparing these accounts, the trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- ◆ prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the accounts comply with the Charities Act 2011, the applicable Charity (Accounts and Reports) Regulations and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the trustees on 7 November 2018 and signed on their behalf by:



M J Bradley Russell

Master

The Leathersellers' Company (Trustee)

Independent auditor's report 31 July 2018

Independent auditor's report to the Trustees of the Leathersellers' Company Charitable Fund

Opinion

We have audited the accounts of Leathersellers' Company Charitable Fund (the 'charity') for the year ended 31 July 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

- ◆ give a true and fair view of the state of the charity's affairs as at 31 July 2018 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Independent auditor's report 31 July 2018

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- ◆ the information given in the Trustees' annual report is inconsistent in any material respect with the financial statements; or
- ◆ sufficient accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

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

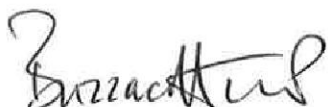
Independent auditor's report 31 July 2018

Auditor's responsibilities for the audit of the accounts (continued)

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

Use of our report

This report is made solely to the charity's Trustees, as a body, in accordance with section 144 of the Charities Act 2011 and with regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 26/11/18

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

Statement of financial activities Year to 31 July 2018

	Notes	General fund £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	Total funds 2018 £'000	Total funds 2017* £'000
Income:							
Donations		1	45	-	-	46	42
Investment income	1	1,866	26	-	-	1,892	1,826
Total income		1,867	71	-	-	1,938	1,868
Expenditure:							
<i>Cost of raising funds</i>							
Investment management costs		-	-	187	-	187	176
<i>Expenditure on charitable activities</i>							
Charitable grant making	2	2,989	73	-	-	3,062	2,647
Total expenditure		2,989	73	187	-	3,249	2,823
Net expenditure before transfers		(1,122)	(2)	(187)	-	(1,311)	(955)
Transfer between funds	9	931	-	(931)	-	-	-
Net expenditure before gains on investments		(191)	(2)	(1,118)	-	(1,311)	(955)
Net realised and unrealised gains on investment portfolios	6	-	-	4,076	6	4,082	5,988
Net (expenditure) income and net movement in funds		(191)	(2)	2,958	6	2,771	5,033
Reconciliation of funds:							
Total funds brought forward as at 1 August 2017		369	7	61,967	557	62,900	57,867
Total funds carried forward as at 31 July 2018		178	5	64,925	563	65,671	62,900

Continuing operations

None of the Fund's activities were permanently acquired or discontinued during the above two financial years.

Total recognised gains and losses

All recognised gains and losses are included within the Statement of Financial Activities.

*See following page for analysis by fund type.

Statement of financial activities Year to 31 July 2017

	Notes	General fund £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	Total funds 2017 £'000
Income:						
Donations		-	42	-	-	42
Investment income	1	1,801	25	-	-	1,826
Total income		1,801	67	-	-	1,868
Expenditure:						
<i>Cost of raising funds</i>						
Investment management costs		-	-	176	-	176
<i>Expenditure on charitable activities</i>						
Charitable grant making	2	2,579	68	-	-	2,647
Total expenditure		2,579	68	176	-	2,823
Net expenditure before transfers		(778)	(1)	(176)	-	(955)
Transfer between funds		672	-	(672)	-	-
Net expenditure before gains on investments		(106)	(1)	(848)	-	(955)
Net realised and unrealised gains on investment portfolios	6	-	-	5,947	41	5,988
Net (expenditure) income and net movement in funds		(106)	(1)	5,099	41	5,033
Reconciliation of funds:						
Total funds brought forward as at 1 August 2016		475	8	56,868	516	57,867
Total funds carried forward as at 31 July 2017		369	7	61,967	557	62,900

Balance sheet 31 July 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investment property at market value	5		14,480		14,480
Investment portfolios at market value	6		51,235		48,232
			<u>65,715</u>		<u>62,712</u>
Current assets					
Debtors		5		5	
Cash at bank and in hand		<u>309</u>		<u>534</u>	
		314		539	
Liabilities:					
Creditors: amounts falling due within one year	7	<u>(358)</u>		<u>(351)</u>	
Net current (liabilities)/assets			<u>(44)</u>		<u>188</u>
Total assets less current liabilities			<u>65,671</u>		<u>62,900</u>
The funds of the charity:					
Permanent endowment funds	8		563		557
Expendable endowment funds	9		64,925		61,967
Restricted funds	10		5		7
Unrestricted funds					
General fund			<u>178</u>		<u>369</u>
Total charity funds			<u>65,671</u>		<u>62,900</u>

Approved by the trustees on 7 November 2018 and signed on their behalf by:



M J Bradly Russell

Master

The Leathersellers' Company (Trustee)

Statement of cash flows 31 July 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities:			
Net cash used in operating activities	A	(3,196)	(2,686)
Cash flows from investing activities:			
Investment income		1,892	1,826
Proceeds from the disposal of investments		5,130	6,358
Purchase of investments		(4,171)	(5,827)
Net cash provided by investing activities		2,851	2,357
Change in cash and cash equivalents in the year		(345)	(329)
Cash and cash equivalents at 1 August 2017	B	710	1,039
Cash and cash equivalents at 31 July 2018	B	365	710

Notes to the statement of cash flows for the year to 31 July 2018.

A Reconciliation of net movement in funds to net cash used in operating activities

	2018 £'000	2017 £'000
Net movement in funds (as per the statement of financial activities)	2,771	5,033
Adjustments for:		
Gains on investments	(4,082)	(5,988)
Investment income	(1,892)	(1,826)
Decrease in debtors	-	66
Increase in creditors	7	29
Net cash used in operating activities	(3,196)	(2,686)

B Analysis of cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	309	534
Cash held by investment managers	56	176
Total cash and cash equivalents	365	710

Principal accounting policies 31 July 2018

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These accounts have been prepared for the year to 31 July 2018 with comparatives presented for the year ended 31 July 2017.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The accounts have been prepared in accordance with 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 (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest thousand pounds.

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the trustees and management to make significant judgements and estimates.

The only material item in the accounts where such judgements and estimates have been made is in respect to estimating the market value of the investment property.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The trustees have made this assessment in respect to a period of one year from the date of approval of these accounts.

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above. With regard to the next accounting period, the year ending 31 July 2019, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment and property markets (see the investment policy and the risk management sections of the trustees' report for more information).

Principal accounting policies 31 July 2018

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations and investment income, including rental income and income from listed investments.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Rental income is recognised on the accruals basis.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Interest on bonds and funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes investment management fees based on a percentage of funds under management.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include charitable grants and support costs, including governance costs.

All expenditure is stated inclusive of irrecoverable VAT.

Charitable grants are made to registered charities and individuals and are one of two types; a single grant or a multi-year grant. All multi-year grants are subject to annual review.

Grants are charged in the year that the trustees approve them and they are communicated to recipients except for the portion of any multi-year grants which are subject to annual review. Provision is made for those grants which are unpaid at the period end. Grants which are subject to review in the year in which they are to be paid are disclosed as financial commitments (see note 12).

Principal accounting policies 31 July 2018

Allocation of support and governance costs

Support costs represent the general management and governance costs which are attributable to the selection of grant recipients, continuing liaison with them on the use of funds, their further needs and, in some cases, maintenance of staged payments.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Support costs, including governance costs, are allocated in proportion to the grants payable.

Fixed asset investments

The charity's investment portfolios comprise basic accounts which are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date which for listed investments is the closing quoted market price.

As noted above the main form of financial risk faced by the charity is that of volatility in equity and other investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning investments and within particular sectors or sub sectors.

Properties held for investment purposes are included in these accounts at open market value. The valuation has been determined by the trustees, with professional assistance.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt.

Principal accounting policies 31 July 2018

Fund structure

Endowment funds

Endowment funds comprise monies which must be held as capital. Permanent endowment funds must be permanently retained by the trustees and cannot be spent as if they were income. Where the Trustees have a power of discretion to convert endowed capital into income, the fund is known as an expendable endowment. Income arising from endowment funds is credited to general funds and applied for general purposes, except where the terms of the endowment state that it must be used for specific purposes, when the income is credited to restricted funds.

Restricted funds

Restricted funds comprise monies which were raised for, or where their use is restricted to, a specific purpose, or contributions subject to donor imposed conditions.

General fund

The general fund comprises unrestricted accumulated surpluses and deficits on continuing activities. It is available for use at the discretion of the trustees in furtherance of the charity's objectives.

Pension costs

Contributions in respect of the defined contribution scheme are charged to the statement of financial activities in the year in which they are payable to the scheme.

Contributions in respect of the defined benefit scheme are charged to the statement of financial activities in the year in which they are payable to the scheme, as the scheme is a multi-employer scheme and it is not possible to identify, on a consistent and reasonable basis, the charity's share of the underlying assets and liabilities of the scheme.

Taxation

The Leathersellers' Company Charitable Fund is a registered charity and, therefore, is not liable to income tax or corporation tax on income or gains derived from its charitable and investing activities, as they fall within the various exemptions available to registered charities.

Notes to the accounts 31 July 2018

1 Investment income

	2018 £'000	2017 £'000
Rents from UK investment property	753	676
Income from investment portfolios	1,138	1,149
Bank deposit interest	1	1
	1,892	1,826

2 Expenditure on charitable activities / charitable grant making

	Grants payable £'000	Support costs £'000	Total 2018 £'000	Total 2017 £'000
Advice & Support	374	32	406	270
Education	1,023	87	1,110	878
Recreational	173	15	188	172
Heritage & Environment	33	3	36	80
Creative Arts	128	11	139	99
Criminal Justice & Rehabilitation	125	11	136	133
Disability	286	24	310	399
Homelessness	165	14	179	180
Services Support & Rehabilitation	45	4	49	84
Leather Associated	295	25	320	201
Medicine & Health	174	15	189	151
2018 Total funds	2,821	241	3,062	2,647
2017 Total funds	2,455	192	2,647	

Analysis of grants payable:

	Grants to institutions		Grants to individuals		Total 2018 £'000	Total 2017 £'000
	No.	£'000	No.	£'000		
Advice & Support	51	374	-	-	374	250
Education	56	825	97	198	1,023	814
Recreational	27	173	-	-	173	160
Heritage & Environment	14	33	-	-	33	75
Creative Arts	22	128	-	-	128	92
Criminal Justice & Rehabilitation	12	125	-	-	125	123
Disability	48	286	-	-	286	370
Homelessness	20	165	-	-	165	167
Services Support & Rehabilitation	6	45	-	-	45	78
Leather Associated	16	295	-	-	295	186
Medicine & Health	41	174	-	-	174	140
	313	2,623	97	198	2,821	2,455

Grants payable to individuals within Education includes restricted expenditure of £73,000 (2017: £68,000).

Notes to the accounts 31 July 2018

2 Expenditure on charitable activities / charitable grant making (continued)

Grants payable include the following grants of £15,000 or more

	Total £'000
Advice & Support	
Action for Stammering Children	15
Derby Women's Centre	15
Iranian & Kurdish Women's Rights	20
Maya Centre	15
Maytree	15
Missing People	15
National Ugly Mugs	15
Parents Against Child Sexual Exploitation	15
Safer London Foundation	15
Society of Mary and Martha	15
Shekinah Mission	15
The Prince's Trust	15
Creative Arts	
Artichoke Trust	15
Guildhall School Trust	25
Oily Cart	20
Criminal Justice & Rehabilitation	
Bounce Back Foundation	20
Fine Cell	20
Osmani Trust	15
Switchback	20
Education	
Baytree Centre	20
Colfe's School *	300
Elizabeth Foundation	15
Fitzwilliam College	32
Hackney Pirates	15
Leathersellers' Federation of Schools	150
St Catherine's College	157
Disability	
Ambitious about Autism	15
Calvert Trust Exmoor	15
C-Potential Trust	15
Disability Challengers	15
Headway East London	15
Markfield Project	15
RAW Workshop	15
Special Olympics Great Britain	15
Stable Family Home Trust	25

Notes to the accounts 31 July 2018

2 Expenditure on charitable activities / charitable grant making (continued)

	Total £'000
Homelessness	
Boaz Trust	15
Bridge (East Midlands)	15
House of St Barnabas	25
New Horizon	15
Providence Row	15
Leather Associated	
Cockpit Arts	21
London College of Fashion	17
National Leather Collection	20
University of Northampton	194
Medicine & Health	
Addiction NI	15
FoodCycle	15
Recreational	
Ebony Horse Club	20
Edmonton Eagles Amateur Boxing	20
Mudchute Association	15
Services Support & Rehabilitation	
Sir Oswald Stoll Foundation	15
Walking With The Wounded	15
Total of aggregate grants £15,000 and over	1,606
Other aggregate grants under £15,000	1,017
Grants to 97 individuals under the Leathersellers' University Exhibitions Scheme	198
	2,821

Charities marked * above are 'connected charities' as defined by the SORP 'Accounting and Reporting by Charities'.

Notes to the accounts 31 July 2018

3 Support costs

	2018 £'000	2017 £'000
Staff costs (note 4)	159	124
Leathersellers' Company Management charge	50	50
Governance costs – Auditor's remuneration	13	12
Other costs	19	6
	241	192

4 Staff costs and remuneration of key management personnel

	2018 £'000	2017 £'000
Staff costs were:		
Salaries	119	92
Social security costs	10	8
Pension contributions	25	20
Medical insurance	5	4
	159	124

The average number of employees during the year was 3 (2017: 2). One employee earned between £60,000 and £70,000 in the year (2017: one) including taxable benefits, but excluding employer's pension contributions and employer's national insurance contributions.

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the trustees, the Clerk to the Leathersellers' Company and the Head of Philanthropy.

No trustees received any remuneration or reimbursement of expenses from the charity for their services as a trustee. The Clerk is remunerated by the Leathersellers' Company. The employment costs of key management personnel, including taxable benefits, employer's pension contributions and employer's national insurance contributions were £83,814 (2017 - £81,582).

5 Investment property

	2018 £'000	2017 £'000
UK long leasehold land and buildings		
Market value at 1 August 2017 and at 31 July 2018	14,480	14,480
Historic cost of investment properties at 31 July 2018	4,977	4,977

The investment property was valued at its estimated market value by the trustees at 31 July 2018 based on professional advice.

Notes to the accounts 31 July 2018

6 Investment portfolios

	2018 £'000	2017 £'000
Investments		
Market value at 1 August 2017	48,056	42,599
Add: Purchases at cost	4,171	5,827
Less: Proceeds from sales	(5,130)	(6,358)
Net realised and unrealised gains	4,082	5,988
Market value of investments at 31 July 2018	51,179	48,056
Cash held by managers at 31 July 2018	56	176
Total market value at 31 July 2018	51,235	48,232
Total historic cost of investments at 31 July 2018	30,757	30,308

The investment portfolios at market value comprises:		
UK investments listed on a recognised stock exchange (Rathbones & M&G)	26,389	24,397
Overseas investments listed on a recognised stock exchange (Rathbones)	24,582	23,394
Unquoted investments (Goldman Sachs)	208	265
	51,179	48,056
Cash	56	176
	51,235	48,232

The quoted investments are held:		
Directly	25,826	23,839
Indirectly, through unit and investment trusts	25,145	23,952
	50,971	47,791

The following investment holdings were material in the context of the investment portfolios as at 31 July 2018:

	£'000	%
Findlay Park America Fund	3,737	7.3
iShares S&P 500 (US)	3,618	7.1
Rathbone Global Opportunities	4,074	8.0

7 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Rents received in advance	123	123
Social security and other taxes	43	37
Other creditors	192	191
	358	351

Notes to the accounts 31 July 2018

8 Permanent endowment funds

	Balance at 1 August 2017 £'000	Gains and losses £'000	Balance at 31 July 2018 £'000
Ann Elliott and Others Trust	557	6	563

The above permanent endowment fund represents 41% of the endowments of the Ann Elliott and Others Trust, transferred under a Charity Commission Scheme dated 6 November 2006. Income arising on the endowment fund is to be used for educational grants to individuals and is therefore credited to restricted funds.

9 Expendable endowment funds

	Balance at 1 August 2017 £'000	Gains and losses £'000	Transfers £'000	Balance at 31 July 2018 £'000
The Leathersellers' Company Funds	61,967	3,889	(931)	64,925

The above funds represent an original amount of £15,170,000, enhanced by an additional amount of £500,000, together with realised and unrealised gains. The trustees have the power to spend the capital; income arising on the funds is credited to unrestricted funds. The transfer of £931,000 (2017 - £672,000) from the expendable endowment fund to the general fund represents a withdrawal of £850,000 (2017 - £375,000) from the quoted investment portfolio and realisations of £81,000 (2017 - £297,000) from the unquoted portfolio.

10 Restricted funds

	Balance at 1 August 2017 £'000	Income £'000	Expenditure £'000	Balance at 31 July 2018 £'000
University Exhibitions fund	7	71	(73)	5

The above fund represents income from the Robert Rogers Educational Foundation and income arising from the endowments of the Ann Elliott and Others Trust, to be expended in the form of grants to individuals as specified in the original trust deeds.

11 Analysis of net assets between funds

	Permanent endowment funds £'000	Expendable endowment funds £'000	Restricted funds £'000	General fund £'000	Total 2018 £'000
Investment property	-	14,480	-	-	14,480
Investment portfolios	563	50,445	-	227	51,235
Debtors	-	-	-	5	5
Cash at bank and in hand	-	-	5	304	309
Creditors	-	-	-	(358)	(358)
	563	64,925	5	178	65,671

Notes to the accounts 31 July 2018

12 Financial commitments

As at 31 July 2018, grant commitments payable from future income are as follows:

	2018 £'000	2017 £'000
Payable in the year ending 31 July:		
2018	-	1,550
2019	2,119	1,136
2020	1,724	640
2021	966	-
	4,809	3,326

13 Pension scheme

The Leathersellers' Company operates a defined benefit scheme, "The Leathersellers' Company (1973) Pension Fund", for its employees and the employees of its associated charities, including the Charitable Fund, over the age of eighteen. The Scheme was closed to new members with effect from 31 December 2002. New employees are able to join a defined contribution scheme. The total number of persons in current employment in the pension scheme as at 31 July 2018 was 2 (2017: 4).

This scheme is a multi-employer scheme. It is not possible to identify the charity's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The scheme has therefore been accounted for as a defined contribution scheme. Of the 2 active members in the scheme, none were employees of the charity as at 31 July 2018 (2017 – none). Two former employees of the charity are pensioner members of the scheme.

The funds are invested with PSigma Investment Management with an asset allocation agreed with the Pension Fund Trustees. The contributions are determined on the basis of triennial valuations by a qualified actuary using the attained age method. The employers' contribution rate is 41.3% and the employees' contribution rate is 4% of pensionable pay. The total charge for the year in these accounts is £nil (2017: £ nil).

Some details concerning the scheme as a whole are set out below. The information is based upon the latest triennial actuarial valuation of the scheme updated to 31 July 2018 by a qualified independent actuary using FRS 102 guidelines.

	2018 £'000	2017 £'000
Market value of assets	4,190	3,988
Present value of scheme liabilities	(5,217)	(5,205)
Deficit in the scheme - net pension liability	(1,027)	(1,217)

The latest triennial valuation, as at 1 August 2016, was carried out by Mrs. C James, Fellow of the Institute of Actuaries, using the attained age method. The ongoing fund value at the date of valuation was £3,718,000 which represented an ongoing funding level of 68% and a deficit of £1,760,000.

The principal actuarial assumptions used in the valuation were an investment return of 3.25% per annum and salary increases of 3.8% per annum. All pensions accrued up to 31 July 2005 will increase at the rate of 4% per annum compound when in the course of payment or the RPI if higher, with a maximum of 5%. Pensions accruing from 1 August 2005 will increase at a maximum rate of 2.5% per annum compound or RPI if lower.

Notes to the accounts 31 July 2018

14 Related party transactions

There are two leases between the Leathersellers' Company and the Charitable Fund which have been in place throughout the year. The rent payable to the Company under these leases is a proportion of rents received by the Charitable Fund in the year. The rent receivable is shown net of the rent payable as both relate to the same property. During the year, the rent payable by the Charitable Fund to the Company was £123,000 (2017: £119,000) and the Charitable Fund was charged a management charge of £50,000 (2017: £50,000) by the Company. At the year end, rent prepaid to the Company totalled £14,000 (2017: £14,000).

There was one connected charity (2017: one) which received a grant during the year. £300,000 (2017: £313,000) was awarded to Colfe's School.

Income for the year of £45,000 (2017: £42,000) was received for the University Exhibitions fund from The Robert Rogers Educational Foundation (for which the Leathersellers' Company is the sole trustee).

Other than stated above, there are no outstanding balances due to or from connected charities as at 31 July 2018.