

Registered number: 02101229

Charity number: 296766

**BALCARRES HERITAGE TRUST LIMITED
(A COMPANY LIMITED BY GUARANTEE)
COUNCIL MEMBERS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2018**

BALCARRES HERITAGE TRUST LIMITED
(A company limited by guarantee)

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BALCARRES HERITAGE TRUST LIMITED

(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 5 APRIL 2018**

Council members

Lord Balniel
N J Barker
The Hon R J Elliott
S P Weil
The Earl of Woolton
Dr W Zachs (appointed 31 October 2017)

**Company registered
number**

02101229

**Charity registered
number**

296766

Registered office

50 Broadway
Westminster
London
SW1H 0BL

Company secretary

Broadway Secretaries Limited

Independent auditors

EQ Accountants LLP
Chartered Accountants
58 Bonnygate
Cupar
Fife
KY15 4LD

Bankers

The Royal Bank of Scotland
Kirkcaldy Branch
23/25 Rosslyn Street
Kirkcaldy
Fife
KY1 3HW

Solicitors

Bircham Dyson Bell LLP
50 Broadway
Westminster
London
SW1H 0BL

Investment managers

James Hambro & Partners LLP
45 Pall Mall
London
SW1Y 5JG

BALCARRES HERITAGE TRUST LIMITED

(A company limited by guarantee)

COUNCIL MEMBERS' REPORT FOR THE YEAR ENDED 5 APRIL 2018

The Council members present their annual report together with the audited financial statements of the charity for the 6 April 2017 to 5 April 2018. The Council members confirm that the Annual Report and financial statements of the company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) as amended by Update Bulletin 1 (effective 1 January 2015). Since the charity qualifies as small under section 383, the strategic report required of medium and large companies under The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 is not required.

Objectives and Activities

a. Policies and objectives

The principal objects and activities of the charity are the preservation for the public benefit of the collection of books, incunabula, manuscripts and other papers in the ownership of Lord Balmiel and situate at Balcarres House, together with pictures, statues, furniture, plate and other articles acquired by the charity for any interest and to promote the study and appreciation of these works of art or objects of historical interest, the preservation for the public benefit of Balcarres House, together with its ancillary buildings, gardens, parkland and adjacent land, to advance the education of the public in the arts and sciences and to provide the grounds and conserving the assets in its care, purchasing assets having a connection with Balcarres, lending works of art for exhibition, etc, and maintaining the house and gardens.

Achievements and performance

a. Review of activities

In order to promote the advancement of the arts, heritage and culture the Charity has had a long standing policy of, where possible, making their collection of works of art and collections of books and papers more accessible to the public either by long term loans or to temporary exhibitions organised by national institutions. The long standing loans of a considerable number of paintings to the National Gallery of Scotland have been continued and these remain available to be seen by the public free of charge.

The Charity has also made significant and important collections of books and written material available for public viewing at the National Library of Scotland (NLS). Over the years a program of digitalisation of some of these collections has taken place which enables greater access to the public, scholars and academics. For example low-resolution images, text transcriptions, and in some instances, sound recordings of the Crawford English Ballad Collection 1-1466 and other ballads held by NLS (1,754 ballads in all) now appear on the EBBA (English Broadside Ballad Archive) website.

The collection of later English Ballads has been accessible through the Digital Gallery on the NLS website since 2012. Statistics for the number of hits received indicate that there continues to be a steady interest in this material: the figures for April 2016 – March 2017 show a total of 19,622 'page views'. The digital versions of the printed catalogues of the Crawford collections had 4,123 'page views' during the year.

As reported in the previous year the Charity was very involved in a small exhibition curated by Dr Anette Hagen of the NLS to commemorate Martin Luther and 500 years of the Reformation in Europe. 'The Reformation: What was it all about?' ran from the 19th October 2017 to 14th January 2018. The exhibition was extended by an extra four weeks from the original plans. The Charity provided 18 items for the exhibition from their Indulgences and Reformation and Lutheran tracts Collection. Dr Hagen gave several talks related to the exhibition which was viewed by in excess of 15,000 people.

The Charity lent a painting by Tom Monnington, The Wine Press (c.1923) to an exhibition called True to Life: British Realist Painting in the 1920s & 1930s at the Scottish National Gallery of Modern Art in Edinburgh. The exhibition took place from 1st July – 29th October 2017. Again the exhibition was deemed to be a great success with over 25,000 visitors.

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COUNCIL MEMBERS' REPORT (continued) FOR THE YEAR ENDED 5 APRIL 2018

Additionally during the year there were a significant number of enquiries relating to the collections and family papers from academics, researchers, students and historians. Professor Greg Clingham, Professor of English at Bucknell University, USA sought information about the Charity's painting of Dr Johnson by John Opie for his essay to be included in the Harvard Library Bulletin in 2019.

Joaquin Perez-Pariente, Research Professor at the Institute of Catalysis and Petroleum Chemistry (IPC) in Madrid wrote a paper on Sir David Lindsay (1587-1641) and his interest in alchemy and early chemistry. Significant assistance in this project was provided by the Charity documents and books that the Charity made available. His article was published in the journal *Ambix*.

In addition to its activities in the sphere of education and academic work, the Charity has continued to maintain Balcarres House, its ancillary buildings and gardens.

Group visits to the house have included three separate parties from the American Society The Decorative Arts Group, The Patrons of St Andrews University, The Roxburghe Society, The Colonial Dames of America Society and the Richmond Civic Society.

The reputation of the gardens continues to grow and during the year the Charity hosted 2 groups from the Royal Botanic Gardens from Edinburgh, the Hardy Plant Society, the Rhododendron Species Conservation Group and the East Neuk of Fife Preservation Society amongst others.

b. Investment policy and performance

REVIEW OF INVESTMENT PORTFOLIO ACTIVITY & PERFORMANCE

Provided by James Hambro & Partners LLP

6th April 2017 to 5th April 2018

Over the last twelve months UK equity market rose 1.3%, this lagged slightly behind International markets which rose by 2.2% in sterling terms. The overall figures mask a period from September to January where markets rose c.10%, only to give back these gains during a turbulent start to 2018. Within this period a highly uncertain political environment dominated the backdrop. We saw elections in both France and the United Kingdom, as well as potential trade wars flare up due to Trump's domestic agenda. Alongside this, central bankers across the globe hinted at a reduction of their previously supportive policy programmes. While it was unlikely that the support would be halted abruptly, the authorities have been looking to equip themselves with the requisite tools to deal with future economic scenarios. The tide also turned against governments' austerity measures across the developed world, with voters now rejecting the belt-tightening ideologies which followed the debt-fuelled excesses of the last decade.

In the UK, the household savings rate is almost at a fifty year low, having risen sharply during 2008-2010, while average earnings growth has remained lacklustre. Of course, low interest rates are hardly conducive to higher savings, but buoyant retail sales, leisure expenditure and personal car registrations arguably demonstrate that many consumers are not easily weaned from poor borrowing and spending habits. Furthermore, while the UK's jobless rate is now just 4.6%, the economic recovery from 2009 onwards has been uneven. Together, these features suggest the potential for problems in the future.

Elsewhere one of the strongest sources of market returns recently has been the US technology sector. The combined market capitalisation of Apple, Alphabet (Google), Amazon, Microsoft and Facebook would now place them as the fifth largest nation in the world, as measured by economic activity. We recognise that technological change is increasing, that the internet touches many advancing industries, helps drive efficiencies and improves countless aspects of our lives, but there are arguments stirring that the highly profitable owners of data should not only pay higher taxes, but face increased regulation and government intervention. While technology valuations are nowhere near as extreme as during the late 1990's, share prices do not advance in straight lines and some profit-taking looks prudent in this sector. The Trust has owned Amazon and Microsoft throughout the last year, and it was in the former that we took some profits.

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COUNCIL MEMBERS' REPORT (continued)
FOR THE YEAR ENDED 5 APRIL 2018

Throughout the year market signals appeared to indicate that we are approaching the latter stages of the current economic cycle. In light of this we have been gradually lowering the overall risk profile of the portfolio by reducing exposure to equities and increasing the cash balance. The Lazard Global Listed Infrastructure Fund provided excellent returns but we felt there was limited additional upside from here and therefore the position was sold in February. Assets in the technology sector have contributed significantly to the performance of the fund but during the last quarter of the year we felt it would be prudent to crystallise some of these gains, trimming back the Polar Capital Global Technology Fund.

As we enter the second quarter of 2018, and with equity valuations at all time highs, holding an overweight cash position gives a more defensive tilt to the portfolio and also provides the flexibility to invest in new ideas where valuations are attractive and the investment case is compelling.

Overall the value of the portfolio rose 4.8% over the year to 5th April 2018. This is ahead of the composite benchmark index, which rose 2.2% and the ARC Steady Growth peer group which rose 1.3%.

James Hambro & Partners LLP
June 2018

Financial review

a. Going concern

After making appropriate enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

b. Reserves policy

There is no reserves policy as the Trustees believe it is not necessary to have free cash reserves available. This is due to the high levels of cash maintained in the endowment fund.

All incoming resources of the charity are included in the unrestricted general fund for the year. The principal sources of income arise from investment income in respect of dividends, rental income and from donations. Total incoming resources of £226,904 have been received in the year and include donations from Lord Balniel of £6,058.

Total resources expended in the year are £201,533. These are primarily included in unrestricted general funds, except for investment management fees, which form part of the expendable endowment fund. Costs of generating funds also include the direct costs associated with let property held for investment purposes in the year. Costs of charitable activities of £160,676 include the costs of running and preserving Balcarres House and certain other properties used in furtherance of the charity's objectives.

The charity's investment policy is to hold funds in a medium risk strategy and in order to achieve a balance of income and capital growth but free from the imposition of moral or ethical constraints. At the year end the investment portfolio reported unrealised losses of £229,372. This balance is included in the charity's expendable endowment fund. Overall the net movement in funds was an increase of £214,753, resulting in unrestricted funds of £758,727 and expendable endowment funds of £5,760,687 at the year end.

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COUNCIL MEMBERS' REPORT (continued)
FOR THE YEAR ENDED 5 APRIL 2018

Structure, governance and management

a. Constitution

The company, which is a recognised charity in Scotland and in England and Wales, is registered as a charitable company limited by guarantee and was set up by a Memorandum of Association on 18/02/1987. Each member guarantees the charity's liabilities to the extent of £100 in the event of the charity winding up.

The charity, which is a recognised charity in Scotland, is constituted under a Memorandum of Association dated 18/02/1987 and is a registered charity number 296766.

b. Method of appointment or election of Council members

The management and overall strategy of the charity is in the hands of the Council members. Council members are appointed by the existing Council such that the number of members of Council will not be less than 5 or more than 8. Council members hold office until the sixth Annual General Meeting following their election or re-election. Whilst there is no formal training or induction process in place, the Council works within the guidelines of the Memorandum and Articles of Association.

The day to day administration of the charity is undertaken by Lord Balniel, a current Council member.

c. Risk management

The Council members have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the charity, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks.

Plans for future periods

a. Future developments

Dr Luke Gartlan, Director of the History of Photography programme in the History of Art Faculty at St Andrews University will continue to research the professional relationship between Sir Coutts Lindsay and Julia Margaret Cameron with the view of writing a book on the subject of photography.

Alongside this the charity will begin to digitise the photographic collection.

The project involving the artist Rabiq Shaw to create his own version of the Charity's painting Melancholia by Lucas Cranach will progress with the BBC producing a programme 'A year in the Life of...' which will cover the filming of the whole project.

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**COUNCIL MEMBERS' REPORT (continued)
FOR THE YEAR ENDED 5 APRIL 2018**

Council members' responsibilities statement

The Council members (who are also directors of Balcarres Heritage Trust Limited for the purposes of company law) are responsible for preparing the Council members' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Council members to prepare financial statements for each financial year. Under company law the Council members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Council members are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 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.

This report was approved by the Council members, on 17 October 2018 and signed on their behalf by:



S P Weil
Council member

BALCARRES HERITAGE TRUST LIMITED

(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL MEMBERS AND MEMBERS OF BALCARRES HERITAGE TRUST LIMITED

Opinion

We have audited the financial statements of Balcarres Heritage Trust Limited (the 'charity') for the year ended 5 April 2018 set out on pages 10 to 23. 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 financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 5 April 2018 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 requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Council members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company'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.

BALCARRES HERITAGE TRUST LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE COUNCIL MEMBERS AND MEMBERS OF BALCARRES HERITAGE TRUST LIMITED

Other information

The Council members are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' 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 where the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Council members' report is inconsistent in any material respect with the financial statements; or
- proper 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 Council members' responsibilities statement, the Council members (who are also the directors of the charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members 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 Council members are responsible for assessing the charitable company'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 Council members either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

BALCARRES HERITAGE TRUST LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE COUNCIL MEMBERS AND MEMBERS OF BALCARRES HERITAGE TRUST LIMITED

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

Use of our report

This report is made solely to the charitable company's trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's trustees and the charity's Council 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 charitable company and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

EQ Accountants LLP

EQ Accountants LLP
Chartered Accountants
Statutory Auditors
58 Bonnygate
Cupar
Fife
KY15 4LD
17 October 2018

EQ Accountants LLP are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

BALCARRES HERITAGE TRUST LIMITED
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STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 5 APRIL 2018

	Note	Unrestricted funds 2018 £	Endowment funds 2018 £	Total funds 2018 £	Total funds 2017 £
Income and endowments from:					
Donations and legacies	2	24,058	-	24,058	7,823
Charitable activities	4	14,142	-	14,142	8,013
Investments	3	177,880	-	177,880	159,855
Other income	5	10,824	-	10,824	18,240
Total income and endowments		226,904	-	226,904	193,931
Expenditure on:					
Raising funds	6	4,118	36,739	40,857	36,735
Charitable activities	7,8	160,676	-	160,676	187,571
Total expenditure		164,794	36,739	201,533	224,306
Net income /(expenditure) before investment gains/(losses)		62,110	(36,739)	25,371	(30,375)
Net gains/(losses) on investments	12,13	(16,480)	205,862	189,382	685,382
Net income before other recognised gains and losses		45,630	169,123	214,753	655,007
Net movement in funds		45,630	169,123	214,753	655,007
Reconciliation of funds:					
Total funds brought forward		713,097	5,591,564	6,304,661	5,649,654
Total funds carried forward		758,727	5,760,687	6,519,414	6,304,661

The notes on pages 12 to 23 form part of these financial statements.

BALCARRES HERITAGE TRUST LIMITED

(A company limited by guarantee)

REGISTERED NUMBER: 02101229

**BALANCE SHEET
AS AT 5 APRIL 2018**

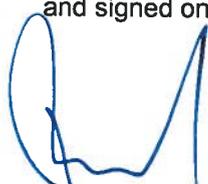
	Note	2018		2017	
		£	£	£	£
Fixed assets					
Tangible assets	11	244,174		255,591	
Investment property	12	294,649		311,129	
Total tangible assets			538,823		566,720
Investments	13		5,921,720		5,696,356
			<u>6,460,543</u>		<u>6,263,076</u>
Current assets					
Debtors	14	56,346		45,694	
Cash at bank and in hand		25,424		19,052	
		<u>81,770</u>		<u>64,746</u>	
Creditors: amounts falling due within one year	15	(22,899)		(23,161)	
Net current assets			58,871		41,585
Net assets			<u>6,519,414</u>		<u>6,304,661</u>
Charity Funds					
Endowment funds	16		5,760,687		5,591,564
Unrestricted funds	16		758,727		713,097
Total funds			<u>6,519,414</u>		<u>6,304,661</u>

The charity's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The Council members consider that the charity is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the charity to obtain an audit for the year in question in accordance with section 476 of the Act. However, an audit is required in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

The Council members acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the Council members on 17 October 2018 and signed on their behalf, by:



Lord Balniel



S P Weil

The notes on pages 12 to 23 form part of these financial statements.

BALCARRES HERITAGE TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements 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 (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Balcarres Heritage Trust Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

1.2 Company status

The charity is a company limited by guarantee. The members of the company are the Council members named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £100 per member of the charity.

The company registered number is 02101229, the charity commission registered number is 296766 and the Scottish charity registered number is SC03980. The registered office is 50 Broadway, Westminster, London, SW1H 0BL.

1.3 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Council members in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.4 Income

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

BALCARRES HERITAGE TRUST LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2018

1. Accounting policies (continued)

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit 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. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Governance costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities and Governance costs are costs incurred on the charity's operations, including support costs and costs relating to the governance of the charity apportioned to charitable activities.

1.6 Going concern

As the charity has significant unrestricted funds and will continue to generate income from existing assets, the accounts have been prepared on a going concern basis.

1.7 Tangible fixed assets and depreciation

Heritage assets are the tangible assets of the charity that are historical importance and are held to advance the preservation, conservation and educational objectives of the charity. Due to the historic and unique nature of the assets concerned, conventional valuation approaches lack sufficient reliability and as a consequence the heritage assets are stated in the balance sheet at their original cost. As heritage assets have long expected useful lives, together with residual values, and most of them are loaned to the charity, they are not subject to depreciation.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Land & buildings leasehold	-	straight line basis over the term of the lease (expires 2037)
Tools & equipment	-	20% straight line
Tractors & motor vehicles	-	25% reducing balance
Heritage assets	-	nil

Investment properties are recognised at fair value and changes are recognised through the statement of financial activities.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2018

1. Accounting policies (continued)

1.8 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of financial activities incorporating income and expenditure account.

1.9 Interest receivable

Interest on 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.

1.10 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.11 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.12 Liabilities and provisions

Liabilities 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. Liabilities are recognised at the amount that the charity anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.13 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

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2. INCOME FROM DONATIONS AND LEGACIES

	Unrestricted funds 2018 £	Endowment funds 2018 £	Total funds 2018 £	Total funds 2017 £
Lord Balniel	6,058	-	6,058	5,323
Donations	18,000	-	18,000	2,500
	<u>24,058</u>	<u>-</u>	<u>24,058</u>	<u>7,823</u>
Total donations and legacies	<u>24,058</u>	<u>-</u>	<u>24,058</u>	<u>7,823</u>
<i>Total 2017</i>	<u>7,823</u>	<u>-</u>	<u>7,823</u>	

3. Investment income

	Unrestricted funds 2018 £	Endowment funds 2018 £	Total funds 2018 £	Total funds 2017 £
Rent and service charge income	64,774	-	64,774	62,972
UK listed investments	81,709	-	81,709	71,913
Foreign listed investments	31,397	-	31,397	24,970
	<u>177,880</u>	<u>-</u>	<u>177,880</u>	<u>159,855</u>
<i>Total 2017</i>	<u>159,855</u>	<u>-</u>	<u>159,855</u>	

4. Income from charitable activities

	Unrestricted funds 2018 £	Endowment funds 2018 £	Total funds 2018 £	Total funds 2017 £
Visiting groups	14,142	-	14,142	8,013
	<u>14,142</u>	<u>-</u>	<u>14,142</u>	<u>8,013</u>
<i>Total 2017</i>	<u>8,013</u>	<u>-</u>	<u>8,013</u>	

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5. Other incoming resources

	Unrestricted funds 2018 £	Endowment funds 2018 £	Total funds 2018 £	Total funds 2017 £
Other income	10,824	-	10,824	18,240
<i>Total 2017</i>	<u>18,240</u>	<u>-</u>	<u>18,240</u>	

6. Investment management costs

	Unrestricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £	Total funds 2016 £
Investment management fees	-	36,739	36,739	32,165
Investment property insurance	2,785	-	2,785	2,339
Investment property repairs	1,333	-	1,333	2,230
Total	<u>4,118</u>	<u>36,739</u>	<u>40,857</u>	<u>36,734</u>

7. Direct costs

	Basis of Allocation	Activities £	Total 2018 £	Total 2017 £
Property rent	Actual	1,935	1,935	1,830
Property heat & light	Actual	14,391	14,391	17,901
Property insurance	Actual	16,504	16,504	17,176
Property repairs & maintenance	Actual	15,170	15,170	43,629
Sundry expenses	Actual	2,779	2,779	2,418
Garden petrol and oil	Actual	1,100	1,100	764
Garden vehicle & machinery repairs	Actual	2,307	2,307	2,536
Garden sundry costs	Actual	6,583	6,583	3,151
Garden subscriptions	Actual	-	-	225
Staff costs - council tax	Actual	2,051	2,051	1,990
Conservation & restoration	Actual	6,659	6,659	1,788
Wages and salaries	Actual	53,990	53,990	53,284
National insurance	Actual	874	874	1,887
Pension cost	Actual	1,629	1,629	1,132
Depreciation	Actual	11,417	11,417	11,918
		<u>137,389</u>	<u>137,389</u>	<u>161,629</u>
<i>Total 2017</i>		<u>161,629</u>	<u>161,629</u>	

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8. Governance costs

	Unrestricted funds 2018 £	Endowment funds 2018 £	Total funds 2018 £	Total funds 2017 £
Auditors' remuneration	6,600	-	6,600	5,500
Auditors' non audit costs	8,740	-	8,740	9,116
Telephone	228	-	228	228
Legal fees	7,279	-	7,279	10,420
Sundry expenses	440	-	440	678
	<u>23,287</u>	<u>-</u>	<u>23,287</u>	<u>25,942</u>

9. Net income/(expenditure)

This is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets:		
- owned by the charity	11,417	11,918
Auditors' remuneration - audit	<u>6,600</u>	<u>5,500</u>

During the year, no Council members received any remuneration (2017 - £NIL).

During the year, no Council members received any benefits in kind (2017 - £NIL).

During the year, no Council members received any reimbursement of expenses (2017 - £NIL).

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10. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	53,990	53,284
Social security costs	874	1,887
Other pension costs	1,629	1,132
	<u>56,493</u>	<u>56,303</u>

The average number of persons employed by the charity during the year was as follows:

	2018 No.	2017 No.
Gardens	2	2
Housekeeping	1	1
	<u>3</u>	<u>3</u>

No employee received remuneration amounting to more than £60,000 in either year.

During the year no Trustee was remunerated for their services, received expenses or benefits.

11. Tangible fixed assets

	Land & buildings leasehold £	Tools & equipment £	Tractors & motor vehicles £	Heritage assets £	Total £
Cost					
At 6 April 2017 and 5 April 2018	<u>229,730</u>	<u>30,351</u>	<u>34,005</u>	<u>103,362</u>	<u>397,448</u>
Depreciation					
At 6 April 2017	91,527	22,286	28,044	-	141,857
Charge for the year	7,170	2,756	1,491	-	11,417
At 5 April 2018	<u>98,697</u>	<u>25,042</u>	<u>29,535</u>	-	<u>153,274</u>
Net book value					
At 5 April 2018	<u>131,033</u>	<u>5,309</u>	<u>4,470</u>	<u>103,362</u>	<u>244,174</u>
At 5 April 2017	<u>138,203</u>	<u>8,065</u>	<u>5,961</u>	<u>103,362</u>	<u>255,591</u>

Heritage assets comprise works of art, books and papers having an association with Balcarres, which the charity has acquired for the appreciation of Balcarres as a place of historic interest and the education of the public in the arts. These assets are on public display and are managed by the Council and personnel at Balcarres House. A register is maintained of these assets and it is the intention of the Council that they will be held for the long term.

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12. Investment property

	Freehold investment property £
Cost or valuation	
At 6 April 2017	311,129
Impairment charge	(16,480)
At 5 April 2018	<u>294,649</u>

The 2018 valuations were made by the Council members, on an open market value for existing use basis.

13. Fixed asset investments

	Listed securities £
Market value	
At 6 April 2017	5,696,356
Additions	2,187,374
Disposals	(1,903,244)
Revaluations	(229,372)
Gain on disposals	435,234
Movements in cash held within the investment portfolio	(264,628)
At 5 April 2018	<u>5,921,720</u>

Investments at market value comprise:

	UK £	Overseas £	2018 £	2017 £
Listed investments	<u>3,502,548</u>	<u>2,419,172</u>	<u>5,921,720</u>	<u>5,696,356</u>

14. Debtors

	2018 £	2017 £
Other debtors	37,473	27,967
Prepayments and accrued income	18,873	17,727
	<u>56,346</u>	<u>45,694</u>

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15. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	-	2,735
Other taxation and social security	-	901
Other creditors	400	279
Accruals and deferred income	22,499	19,246
	<u>22,899</u>	<u>23,161</u>

16. Statement of funds

Statement of funds - current year

	Balance at 6 April 2017 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 5 April 2018 £
Unrestricted funds					
General Funds - all funds	713,097	226,904	(164,794)	(16,480)	758,727
Endowment funds					
Endowment fund	5,591,564	-	(36,739)	205,862	5,760,687
Total of funds	<u>6,304,661</u>	<u>226,904</u>	<u>(201,533)</u>	<u>189,382</u>	<u>6,519,414</u>

Statement of funds - prior year

	Balance at 6 April 2016 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 5 April 2017 £
General funds					
General funds - all funds	727,787	193,931	(192,141)	(16,480)	713,097
Endowment funds					
Endowment fund	4,921,867	-	(32,165)	701,862	5,591,564
Total of funds	<u>5,649,654</u>	<u>193,931</u>	<u>(224,306)</u>	<u>685,382</u>	<u>6,304,661</u>

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Summary of funds - current year

	Balance at 6 April 2017 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 5 April 2018 £
General funds	713,097	226,904	(164,794)	(16,480)	758,727
Endowment funds	5,591,564	-	(36,739)	205,862	5,760,687
	<u>6,304,661</u>	<u>226,904</u>	<u>(201,533)</u>	<u>189,382</u>	<u>6,519,414</u>

Summary of funds - prior year

	<i>Balance at 6 April 2016 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 5 April 2017 £</i>
General funds	727,787	193,931	(192,141)	(16,480)	713,097
Endowment funds	4,921,867	-	(32,165)	701,862	5,591,564
	<u>5,649,654</u>	<u>193,931</u>	<u>(224,306)</u>	<u>685,382</u>	<u>6,304,661</u>

17. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2018 £	Endowment funds 2018 £	Total funds 2018 £
Tangible fixed assets	230,275	13,899	244,174
Fixed asset investments	174,932	5,746,788	5,921,720
Investment property	294,649	-	294,649
Current assets	81,770	-	81,770
Creditors due within one year	(22,899)	-	(22,899)
	<u>758,727</u>	<u>5,760,687</u>	<u>6,519,414</u>

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NOTES TO THE FINANCIAL STATEMENTS
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17. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

	<i>Unrestricted funds 2017 £</i>	<i>Endowment funds 2017 £</i>	<i>Total funds 2017 £</i>
Tangible fixed assets	241,692	13,899	255,591
Fixed asset investments	118,691	5,577,665	5,696,356
Investment property	311,129	-	311,129
Current assets	64,746	-	64,746
Creditors due within one year	(23,161)	-	(23,161)
	<u>713,097</u>	<u>5,591,564</u>	<u>6,304,661</u>

18. Contingent liabilities

The charity has sub-let the property known as The Bothies on the basis that the tenant will spend a minimum of £250,000 on developing and improving the property. Once the tenant has incurred expenditure of £250,000 the charity will be required to pay compensation if the lease is terminated at any time prior to 31 December 2030. Until December 2020 the level of compensation is fixed at £100,000, thereafter it reduces by £10,000 for each year or part of a year which lapses. The tenant had incurred expenditure of £250,000 by 5 April 2010.

19. Pension commitments

The charity operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and amounted to £1,629 (2017 - £1,132). Contributions totalling £nil (2017 - £nil) were payable to the fund at the balance sheet date and are included in creditors.

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20. Related party transactions

Parts of the property leased by the charity are sub-let to the Earl of Crawford and Balcarres and Lord Balniel at rents independently set each year by Strutt and Parker, Chartered Surveyors. The rent due by the Earl of Crawford and Balcarres in respect of this sub-lease in the year under review was £6,150 (2017 - £6,000) and £16,910 (2017 - £16,440) by Lord Balniel.

The charity paid insurance for part of the contents of Balcarres House owned by Lord Balniel, being ones that fall within the charitable objects of the charity and subject to a loan agreement between the charity and Lord Balniel. In the current year this amounted to £12,070 (2017 - £11,583).

In addition, during the year Lord Balniel paid expenses on behalf of the charity amounting to £6,058 (2017 - £5,323). The Earl of Crawford and Balcarres, a trustee during the year, made a donation of £18,000, including gift aid, to the charity (2017 - £2,500).

Lord Balniel is a partner in James Hambro & Partners LLP who provide investment management services to the charity. The value of these services in the year under review was £36,739 (2017 - £32,165). The charity owed the firm £9,298 (2017 - £8,245) at the year end.

Mr Simon Weil is a partner in the legal practice of Bircham Dyson Bell LLP which provides legal services to the charity. The value of these services in the year under review was £5,959 (2017 - £9,639). There were no amounts outstanding by the charity at the year end.