

THE EDEN COTTAGES TRUST

TRUSTEES' REPORT AND FINANCIAL STATEMENTS 2018

The Eden Cottages Trust
(Registered Charity No. 202576)
(Founded in 1927)

Trustees Report and Financial Statements 2018

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Ivybridge, South Devon
21 March 2019

The Eden Cottages Trust
(Registered Charity No. 202576)
(Founded in 1927)

Trustees Report for the year ended 31 December 2018

The charity is not known by any other name and its principal address is:

Ludbrook Mill

Ludbrook

Ivybridge

Devon

PL21 0LL

1. Trustees

The names of the trustees, all of whom are involved in the management of the trust are:

Trustee name	Office (if any)	Dates acted if not for whole year
Richard Coombs		
Jane E Gent	Vice Chair	
Lorna P Howell		
Walker S F Lapthorne	Chair	
William Peter Povey		
Stephen R Woodcock	Hon Treasurer	

The trustees are appointed by invitation from the existing trustees; all within the rules as laid down in the trust deed (as amended), which governs the trust. Further details of the trustees are as follows:

Mr. Richard Coombs became a trustee in 2016. For many years he was a corporate law partner with regional law firm Foot Anstey LLP where he advised companies and charities on strategy, governance and major projects. He remains a part time consultant with them but now spends most of his time as a director or trustee of other companies and charities. Richard has lived in Ivybridge for over 30 years.

Mrs. Jane Gent became a trustee in 2010. She has lived with her family in Ivybridge since 1982. She worked in the National Health Service as a Community Occupational Therapist in the Ivybridge and Yealmpton district until her retirement in 2009. As a trustee she continues to build on her professional experience in the local area and to contribute her knowledge and skills to the Trust.

Mrs. Lorna Howell read French and German at St Anne's College, Oxford, after which she took a TEFLA Diploma and taught in Paris, Nepal and various colleges in UK. She now manages the Lukesland estate on the edge of Ivybridge, including 2 holiday lets and Spring and Autumn garden openings. She continues to teach English to asylum seekers in Plymouth. She is secretary of Harford Church PCC. Lorna became a Trustee in 2010.

Mr. Walker Lapthorne FRICS became a trustee in 2016. A semi-retired chartered building surveyor, he retains a consultancy with Waycotts (Devon) Ltd., chartered surveyors of Torquay. He is the Chair of Exeter Diocesan Advisory Committee. He was formerly managing director of J D C Builders; a South Hams based specialist building contractor, working locally on many significant historic and listed properties including many local churches. He is a former director of Stratton Creber and was a partner of Taylor Lane and Creber in Plymouth. He is a liveryman of the Worshipful Company of Chartered Surveyors.

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Since 2004, he has lived locally with wife Debra in a converted watermill at Ludbrook, having previously moved to Ugborough in 1988.

The Reverend Dr. William Peter Povey JP became a trustee in 2010. A priest and retired doctor he has been Director of Public Health and Planning for several Health Authorities, where he had a special interest in the provision of health care for the disadvantaged. A Past Master of the Worshipful Company of Carpenters, the City of London's lead construction livery company, he was involved with the Richard Wyatt's Almshouses in Godalming, Surrey until their closure in 2015. He chairs the Management Committee of the Rustington Convalescent Home in West Sussex. He has lived in Ugborough since 2004 and has served as a community governor of Ugborough Primary School.

Mr Stephen Woodcock became a trustee in 2012, and has assumed the role of Honorary Treasurer. A business studies graduate and retired professional accountant with extensive experience in the private and public sectors he was Deputy Director of Finance at a world-class university, responsible, inter alia, for that university's charitable investments. He has lived in Ivybridge since 2011. He is married with three grown up children, is a member of a local golf club and also enjoys walking and DIY.

All trustees complete a Declarations of Interests form.

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2. Advisers to the Trustees

The advisers to the trustees are:

Bankers:

Lloyds Bank PLC
Fore Street
Ivybridge
South Devon PL21 9AD

Independent Examiners:

Alan Forrester & Co. Ltd.
Chartered Accountants
75 Mutley Plain
Plymouth
South Devon PL4 6JJ

Solicitors:

Tozers
Broadwalk House
Southernhay West
Exeter EX1 1UA

Investment Managers:

Brooks Macdonald
4 Heron Gate
Hankridge Way
Taunton
TA1 2LR

3. Structure, Governance and Management

3.1 Structure

The Eden Cottages Trust was formally set up on 31st August 1927 when Mrs Minnie Pitts Eden bequeathed cash and investments to build and run an almshouse in the town of Ivybridge in South Devon. The organisation operates as an unincorporated charity and is run by trustees. Full details of the trustees are given above. Each appointment is influenced by the applicant's qualifications and knowledge of the local area. Together, the trustees have wide experience of finance, investments, building maintenance, charity work and the law. The trustees meet formally not less than three times a year to discuss the running of the almshouse. Ad hoc meetings are arranged as and when required.

3.2. Governance

The trustees are bound by the Charity Commissioners Scheme dated 27th November 1972, as amended on 19th April 2000, 4 November 2016 and 24 March 2017. These schemes lay out the broad rules within which the trustees must operate. The day to day decisions within that framework are left to the trustees' discretion.

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3.3 Management

Running the almshouse falls into five categories:

3.3.1 the maintenance of the property is managed by one of the trustees who is a semi-retired chartered building surveyor.

3.3.2, the trustees call upon professionals, when required, to inspect the property and produce written reports on their findings.

3.3.3 the investments and cash balances, which make up virtually all of the charity's assets (excluding the land and building), are managed for the trustees, within an agreed investment policy, by professional advisors.

3.3.4 the trustees find new beneficiaries as and when a house or flat becomes available.

3.3.5 finally, the day to day business affairs of the trust are handled by the charity's Visitor and Clerk (a part-time employee) and its Honorary Treasurer one of the trustees.

4. Related Parties

The charity has no relationship with any related party.

5. Risk Management

The trustees perceive the charity to be exposed to five major risks and endeavour to manage those risks as follows:-

5.1 Fire. This is undoubtedly the greatest risk that the charity faces and the trustees use their best endeavours to try and eliminate the possibility of fire. Current regulations are strictly adhered to and are implemented by the trustees. It is particularly relevant here as the beneficiaries average nearly eighty years of age.

5.2 Water. Each house or flat is now fitted with its own stop cock in addition to the communal one situated outside the main house. Insurance cover for both fire and water risks are reviewed annually.

5.3 Investments. The charity is largely dependent on its investments to generate sufficient income to run the almshouse, both on a daily basis and to cover longer term commitments. No income is forthcoming from central or local government or from any other source. (Beneficiaries make small monthly maintenance contributions). As a high percentage of the charity's assets are invested in equities (albeit through collective investments) they are therefore exposed to economic and political events which can impact directly on the performance of the Stock Exchange. With this in mind, the charity's resources are invested in low to moderate risk investments and are currently managed by professional advisors on behalf of the trustees.

5.4 Cash. Approximately 16% of total assets are currently held in cash either deposited with Lloyds Bank or held within the portfolio. This is a cautionary position in the current economic and political climate. The holding will be reviewed later in 2019 and post Brexit.

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5.5 Internal controls. The charity ensures that the generally accepted levels of internal controls are always in place and are strictly adhered to by its trustees and the visitor and clerk.

6. Objectives and activities

6.1 The Scheme, as noted above at 3.1 and 3.2, sets out in detail the rationale for the charity's existence and the rules within which it must operate. Broadly they are to:

- 6.1.1 provide for the beneficiaries a quiet and comfortable place to live;
- 6.1.2 manage the property professionally and within all the statutes currently in force;
- 6.1.3 manage all the cash and investments thereby producing sufficient income to run the almshouse each year plus accumulating further funds to cover major repairs;
- 6.1.4 apply such income prudently and within the guidelines;
- 6.1.5 ensure the beneficiaries meet the qualifications as stipulated; and
- 6.1.6 ensure there is always a quorum of trustees at any meeting.

6.2 The trustees' main activities during the year have been to undertake property maintenance in accordance with the quinquennial review in 2016. Fuller information on the activities is included in the Annual Review in Section 7 below. The trustees confirm that they have had regard to the guidance issued by the Charity Commission on public benefit.

7. Annual Review for 2018

The trustees are happy to report that the Eden Cottages Trust continues to provide high quality housing for residents eligible under the terms of its trust deed.

Following the significant programme of refurbishment, repair and upgrading commissioned in 2016, the building fabric is in good order and we have been able to focus on targeted upgrading. Part of the main drainage system has been relined, access improvements to the car park by installing a new hand rail and the redecoration of Flat 3a during a void period.

We have worked within our budgetary framework.

The trustees held three regular meetings during the year. The first meeting dealt with the budget for the year, the second with the death of one resident, Pat Shepherd and the work required to refurbish Flat 3a and find a new Licensee. At the third regular meeting, the Brooks Macdonald fund manager responsible for the Trust's investment portfolio gave a presentation, which was followed by discussion on the portfolio performance. There had been an inevitable period of disruption whilst the transfer from our old fund managers took place. The portfolio is now largely positioned to reflect our new risk profile.

Business outside these meetings was conducted principally by e-mail. A full interview process was conducted to find a suitable new Licensee for Flat 3A. Trustees are kept well-informed of the welfare of residents and maintenance activity at the property by the Visitor and Clerk, Mrs Gill Hucker, who visits and reports regularly by e-mail between meetings. The trustees are very grateful to Mrs Hucker for her continued careful concern for the residents' welfare and her excellent communication during the year.

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Chair's Statement

This has been a year of careful stewardship and consolidation for the Trust. Having changed our Fund Managers, we are more comfortable with the performance of our investments in what has been a difficult market. Bad weather in March challenged the building fabric but apart from one burst pipe we survived well. The introduction of a new resident has transitioned smoothly. I would like to thank my fellow trustees for their continued support and their ongoing commitment to the activities of the Trust.

Walker Lapthorne

8. Policy on Reserves

The charity maintains two reserves.

8.1. An Extraordinary Repair Fund, which may be applied for the extraordinary repair, improvement or rebuilding of the almshouse. The Trust's policy is to transfer 20% of any annual surplus into this reserve until a maximum of £50,000 is reached; and

8.2. An Accumulated Income Account into which annual surpluses and deficits accumulate, which is used to fund years in which an exceptional level of general maintenance may be required or other exceptional costs arise.

9. Details of any funds in deficit

9.1 No funds are in deficit.

10. Financial Review 2018

10.1 Sources of funding

The Charity's principal source of funding is its investment income, which accounts for c. 75% of total income with c.22% coming from maintenance contributions from residents and the balance from other sundry income.

10.2. Expenditure

Expenditure in the year has principally been on maintaining the property and garden in good condition. Additional costs were incurred on the garden to improve the condition of the lawns. Extra hours were worked by the Trust's clerical assistant and visitor due mainly to recruitment of a new tenant and managing the appointment of new gardeners. Professional costs have been incurred on investment management and accountancy fees.

10.3. Investment Policy

Following a review and appointment of new investment managers at the end of 2017 the charity's financial resources are now invested in a broad range of collective investments; including UK and international fixed interest holdings, investment trusts, unit trusts, property, structured return products, hedge funds & alternatives and cash. They are all managed under the discretionary management of the trust's investment manager, who is instructed to maintain a low to medium risk profile. The Scheme governing the Trust allows the trustees to use their discretion with no specific restrictions imposed.

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Although there are substantial current holdings invested in UK markets, there is direct and indirect exposure to overseas markets, particularly through some of the investment and unit trusts. All securities held are freely realisable and there are no investments in future contracts, options or forward currency transactions. The trustees have discussed but not adopted an ethical investment policy.

Cash balances vary but are currently about 16% of total assets. The balance between the different kinds of investment and cash is established by reference to funding requirements and the trustees' judgement, in conjunction with their professional advisers, of future returns and risks in each sector. The investments are required to generate c. £25,000 of income per annum as the principal source of income to fund the Trust's activities.

10.4 Income and Expenditure

Total incoming resources for the year were £37,675, an increase of £2,705 on 2017. This was due to increased investment income as the investment manager delivered in excess of the target investment income of £25,000 per annum and c.£2,000 more than 2017. Income from maintenance contributions also increased mainly due to very nearly 100% occupancy for the year.

Total resources expended during the year increased by £1,734 to £28,422 when compared to 2017. This increase was due to increased expenditure on the garden, repairs and maintenance (drainage repair costs and a new external handrail), increased investment manager's fees and clerical/visitor costs. However, these increases were offset to some extent by reduced water and sewerage costs (following repairs to the incoming water supply pipes in 2017) and no legal fees in 2018. For further details see the trustees' annual review in section 7. Other resources expended were carefully managed and were in line with the budget and 2017. The outcome for the year was a surplus of income to expenditure of £9,253.

The surplus for 2018 has been transferred to the accumulated income account. The account benefitted from a transfer from the General Investment Fund of £5,276 to reflect the portfolio management fees being paid from the capital account of the investment manager. Within the Unrestricted Funds the trustees maintain a designated fund for Extraordinary Repairs, which stood at £29,292 at 1 January 2018. The trustees' policy is to transfer 20% of any surplus each year into the Extraordinary Repair Fund. A transfer of £1,850 was therefore transferred to the Extraordinary Repair Fund, which stood at £31,142 at 31 December 2018 and the balance on the Accumulated Income Account, at that date, was £51,236.

Key Performance Indicators (KPI's)

	2018	2017	2016
Occupancy	96.6%	100.0%	82.8%
Return on investments			
Capital only	(8.9)%	4.2%	10.1%
Total Return*	(5.3)%	9.0%	14.6%
FTSE '100' Index			
Total Return Index	5,955.5	6,519.6	5,823.9
Change	(8.6)%	11.9%	19.1%
Consumer Price Index (December)			
Index (Re-referenced February 2016)	107.1	104.9	101.9
Change	2.1%	3.0%	1.6%

*Calculated before management fees but after trading expenses

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10.5 Investment Performance 2018

Towards the end of 2017 the trustees reviewed the appointment of the investment manager and decided in October to replace the holder since 2011, Brewin Dolphin, with another manager, Brooks Macdonald, following a series of presentations by a number of potential managers. The transfer of all investment assets to the new manager was completed during December 2017 and early January 2018.

The current manager's brief is to manage the portfolio with a low to medium risk strategy to produce at least £25,000 of investment income. They are authorised to operate on a discretionary basis which allows them to buy and sell stocks and shares without prior authorisation. Their actions are nevertheless accountable to the trustees via detailed quarterly valuation statements and regular reports, which are considered at trustees' meetings.

2018 was a poor year for stocks and shares. The FTSE 100 Total Return Index started the year at 6,519.6 and finished at 5,955.5; a decrease of 8.6%. By comparison, the total return on the Trust's portfolio was a decrease of 5.35%. After distribution of income to the Trust the portfolio closed at £666,984 having started the year at £732,260, a decrease of 8.9%. Over the same period the linked benchmark to the portfolio, the MSCI WMA Income Total Return Index, decreased by 4.64%. The investment managers therefore obtained a return that was 0.71% points worse than the benchmark.

11. Declaration

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

Signature:



Full Name: Walker Sykes Farrant Lapthorne

Position: Chair

Date: 21 March 2019

The Eden Cottages Trust
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Independent Examiner's Report to the Trustees of The Eden Cottages Trust on the accounts for the year ended 31st December 2018 Charity No. 202576 as set out on pages 10 to 14 of this report

I report to the trustees on my examination of the accounts of the above charity ("the Trust") for the year ended 31st December 2018.

Responsibilities and basis of report

As the charity trustees, you are responsible for the preparation of the accounts in accordance with the Charities Act 2011 ("the Act").

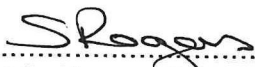
I report in respect of my examination of the Trust's accounts carried out under section 145 of the 2011 Act and in carrying out my examination, I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

Independent Examiners' Statement

I have completed by examination. I confirm that no material matters have come to my attention in connection with the examination which gives me cause to believe that in, any material respect;

- the accounting records were not kept in accordance with section 130 of the Charities Act; or
- the accounts did not accord with the accounting records; or
- the accounts did not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a "true and fair" view which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.


.....
Sadie Rogers, CA
Alan Forrester & Co Ltd
75 Mutley Plain
Plymouth PL4 6JJ

 22nd March 2019

The Eden Cottages Trust
(Registered Charity No. 202576)
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Statement of Financial Activities for the year ended 31 December 2018

		Unrestricted Funds			
	Notes	31 December 2018		31 December 2017	
Incoming Resources		£	£	£	£
Investment income	7.3		28,510		26,599
Monthly maintenance contributions			8,416		7,787
Rent			500		417
Bank interest			233		151
Way-leaves			16		16
Total Incoming Resources			37,675		34,970
Resources Expended					
Expenses related to freehold property					
Water rates & council tax		2,188		3,327	
Repairs and decoration		9,669		8,837	
Upkeep of garden		4,582		3,328	
Insurance		1,119		1,068	
Electricity		539		674	
			18,097		17,234
Administration expenses					
Clerical and visitor support		1,937		1,354	
Telephone		87		174	
Subscriptions		166		162	
Other administrative costs		251		43	
			2,441		1,733
Legal & professional charges					
Accountancy fees	4	893		870	
Investment manager's fees		6,991		6,065	
Legal fees		-		786	
			7,884		7,721
Total Resources Expended			28,422		26,688
Net Incoming/(Outgoing) Resources Before Transfers			9,253		8,282
Gross Transfers Between Funds			0		0
Net Incoming/(Outgoing) Resources Before Other Recognised Gains / (Losses)			9,253		8,282
Other Recognised (Losses)/Gains					
(Losses)/Gains on investment assets			(60,000)		36,832
Net Movement in Funds			(50,747)		45,114
Total Funds brought forward			800,109		754,995
Total Funds carried forward			749,362		800,109

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Balance Sheet as at 31 December 2018

		31 December 2018		31 December 2017	
	Notes	£	£	£	£
Fixed Assets					
Freehold Property					
Cottages and land at Ivybridge	6		0		0
Investments	7		666,984		732,260
Total fixed assets			666,984		732,260
Current Assets					
Debtors and prepayments		570		549	
Cash at bank and in hand		84,706		69,367	
Total current assets		85,276		69,916	
Creditors: amounts falling due within one year					
Income prepaid		250		244	
Accruals		2,648		1,823	
		2,898		2,067	
Net current assets			82,378		67,849
Net Assets			749,362		800,109
Funds of the Charity					
Unrestricted Funds					
General Investment Fund					
Balance brought forward		732,260		703,081	
(Decrease)/Increase in the value of investments retained		(44,353)		36,551	
(Loss)/Profit on shares disposed of during the year		(15,647)		281	
Net transfer (to) the Accumulated Income Account		(5,276)		(7,653)	
Balance Carried Forward			666,984		732,260
Accumulated Income Account					
Balance brought forward		38,557		24,272	
Surplus for the year		9,253		8,282	
		47,810		32,554	
(Deduct) transfer (to) Extraordinary Repair Fund		(1,850)		(1,650)	
Add transfer from the General Investment Fund		5,276		7,653	
Balance carried forward			51,236		38,557
Extraordinary Repair Fund					
Balance brought forward		29,292		27,642	
Add transferred from Accumulated Income Fund		1,850		1,650	
Balance carried forward			31,142		29,292
Total Funds			749,362		800,109

Chair of Trustees *WS Flapthorne*

Trustee *SR Woodward*

Date: 21 March 2019

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Notes to the 2018 Accounts

1. Basis of preparation

1.1. Basis of accounting

These accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless stated in the relevant note(s) to these accounts.

These accounts have been prepared in accordance with:

- the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014
- and with the Charities Act 2011.

1.2 Change in basis of accounting

There has been no change to the accounting policies (valuation rules and methods of accounting) since last year.

1.3 Changes to previous accounts

No changes have been made to accounts for previous years.

2. Accounting policies

2.1 Incoming Resources

2.1.1 Recognition of incoming resources

These are included in the Statement of Financial Activities (SoFA) when:

- the charity becomes entitled to the resources;
- the trustees are virtually certain they will receive the resources; and
- the monetary value can be measured with sufficient reliability.

2.1.2 Investment income

This is included in the accounts when receivable.

2.1.3 Investment gains and losses

This includes any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to market value at the end of the year.

2.2 Expenditure and Liabilities

2.2.1 Liability recognition

Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to pay out resources.

2.3 Assets

2.3.1 Tangible fixed assets for use by the charity

These are capitalised if they can be used for more than one year, and cost at least £500. They are valued at cost or a reasonable value on receipt. At 31 December 2018 the charity had no tangible fixed assets.

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Notes to the 2018 Accountscontinued

2.3.2 Investments

Investments quoted on a recognised stock exchange are valued at market value at the year end. Other investment assets are included at the Trustees' best estimate of market value.

3. Trustees Remuneration & Benefits

3.1 No emoluments or benefits were paid directly to any of the Trustees during the year.

3.2 One Trustee was reimbursed for minor maintenance work and administrative expenses incurred by the Trust and paid on its behalf during the year. Mr W F Laphorne received £120.

4. Accountancy Fees

	<u>2018</u>	<u>2017</u>
Independent examiner's fees for reporting on the accounts	£ 720	£ 790
Other fees paid to the independent examiner	173	80

5. Employees

	<u>2018</u>	<u>2017</u>
Average number of persons employed by the charity	1	1

6. Freehold Property

The charity owns the freehold title to the property known as Eden Cottages in Ivybridge, South Devon. Since the building was completed in June 1927, it has been the charity's policy not to ascribe a value to the property in the Balance Sheet. It nevertheless forms part of the charity's assets and comprises the Permanent Endowment Fund. For that reason, the Trustees cannot sell the property on the open market.

The building and any contents that are deemed to be the responsibility of the Trustees are insured for £1.3 million. It is also free from any liens and encumbrances and is not a listed building.

7. Investment Assets

7.1 Fixed Asset Investment Assets

	£
Carrying (market) value at beginning of year	732,260
Add: additions to investments at cost	580,578
Less: disposals at carrying value	(601,601)
Add: net (loss) on revaluation	(44,253)
Carrying (market) value at end of year	<u>666,984</u>

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Notes to the 2018 Accountscontinued

7.2 Analysis of the market value of investments

All investments are listed on a recognised stock exchange.

	£
UK Fixed Interest	119,867
International Fixed Interest	40,661
UK Equities	111,808
North American Equities	54,525
European Equities	21,659
Japan, Far East and Emerging Markets Equities	19,401
International and Thematic Equities	76,856
Hedge Funds and Alternatives	85,595
Property	25,353
Structured Return	<u>69,282</u>
	625,007
Cash on Capital Account	<u>41,977</u>
	<u>666,984</u>

7.3 Analysis of income from investments

	£
Fixed Interest	6,132
Equities	12,304
Hedge funds and alternatives	8,078
Structured return	<u>1,996</u>
	<u>28,510</u>

7.4 Material investment holdings

	Market value at year end £	% of total market value at year end %
Henderson Investment Funds GBL Inv Preference & Bond I Gross Income	32,406	5.2
Invesco Fund Managers Corporate Bond UK Y GBP Distribution	34,773	5.6
BNY Mellon Global Funds US Equity Income E GBP Distribution	40,749	6.5
Artemis Fund Managers - Strategic Bond MI Income Distribution	40,661	6.5

The individual value of all other holdings at 31 December 2018 represented less than 5.0% of the total value of quoted investments.

8. Committed Expenditure

At 31st December 2018 the Trustees had not committed to any material expenditure.

9. Contingent Liabilities

At 31st December 2018 the Trustees were not aware of any material contingent liability that may affect the Trust.