

BALCARRES HERITAGE TRUST LIMITED

YEAR ENDED 5th APRIL, 1997



LEGAL and ADMINISTRATIVE INFORMATION

<u>Name of Charity</u>	Balcarres Heritage Trust Limited
<u>Constitution and Governance</u>	Balcarres Heritage Trust Limited is a Company limited by guarantee and not having a share capital incorporated under the Companies Act 1985. The Charity's governing document is its Memorandum and Articles of Association.
<u>Council Members</u>	The Earl of Crawford and Balcarres The Earl of Woolton Nicolas Barker Dr. Robert Donaldson Lord Balniel
<u>Secretary</u>	Simon Weil
<u>Registered Office</u>	1, Dean Farrar Street, Westminster, London. SW1H ODY
<u>Auditors</u>	James Murray and Company, Chartered Accountants Cupar, Fife.
<u>Company Registration No.</u>	2101229
<u>Charities Registration No.</u>	296766
<u>Solicitors</u>	Bircham and Company, 1, Dean Farrar Street, Westminster, London. SW1H ODY
<u>Bankers</u>	The Royal Bank of Scotland plc., Durie Street, Leven, Fife.
<u>Investment Managers</u>	J.O. Hambro Investment Management, 10, Park Place, London. SW1A 1LP

BALCARRES HERITAGE TRUST LIMITED

REPORT of the COUNCIL

The Council have pleasure in presenting their Report and the Financial Statements for the year ended 5th April, 1997.

Results and Dividends

The results of the Company for the Year ended 5th April, 1997 are contained in the attached Financial Statements. The Company is prohibited by its Memorandum from paying a dividend. The surplus of £169,784 on Income and Expenditure Account is to be transferred to reserves.

Objects

The principal objects of the Company are the preservation for the public benefit of the collection of books, incunabula, manuscripts and other papers in the ownership of Lord Balniel and situate at Balcarres House, together with pictures, statues, furniture, plate and other articles acquired by the Company for any interest and to promote the study and appreciation of these as 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 of Balcarres House for physical recreation.

Review of the Charity

The works of art lent to the Trust by Lord Balniel have continued to be available to visitors to Balcarres and there have also been a number of requests, which have been agreed, to exhibit items in public galleries. A full length portrait of Amalia von Solms, Princess of Orange, is to be exhibited in the National Portrait Gallery of Scotland. The picture is being cleaned for the exhibition and the date of painting (1627) has been discovered. Dr. Tiethoff-Spleithoff of Amsterdam has identified the artist as Michiel Miereveld. The National Gallery of London is borrowing two paintings by Luca Signorelli. The City of Southampton is to exhibit Hackaert's Avenue at Scheveningen alongside its own companion picture of the same subject.

A discovery in the library is of considerable interest. The National Library of Scotland has identified a Jacobite map (printed in Rome in 1750), dedicated to King James III and showing the campaign and fugitive routes in Scotland of Prince Charles Edward (The Young Pretender) as being unique. The Map Library has photographed it for the benefit of scholars.

Work on the property has been mainly of a routine nature. The expenditure on the water mains during the current year has been designed to connect most of the external fire hydrants to the mains instead of replying on the increasingly erratic private water supply to the house.

Financial Review

The year to 5th April, 1997, saw the surplus on activities before tax increase from £30,227 in 1996 to £170,861. The increase was wholly attributable to the gain on the disposal of the Trust's investments which increased from £18,443 in 1996 to £183,342 in the year under review. Excluding the gain on disposal of investments would mean that expenditure in the year to 5th April, 1997, exceeded income by £12,481.

BALCARRES HERITAGE TRUST LIMITED

REPORT of the COUNCIL

The rental income of the Trust fell in the current year since the previous year included a rent for the house in connection with the 1995 Open Golf Championship. On the expenditure side, property repairs were at a similar level to last year at £22,569, the principal expenditure being on pointing and repairs to courtyard outbuildings (£2,882) and further work re. the water main (£11,700). Conservation expenditure was reduced at £8,023, the main expenditure in the year being £4,131 on "The Wine Press" by Thomas Monnington. Legal fees increased as a result of the renunciation of the lease of the "Bothies" by Miss Russell. The renunciation payment made to Miss Russell of £12,200 is the addition to leasehold property at Note 2 to the Accounts and has been fully written off in this year.

In his July 1997 Budget, the Chancellor proposed restrictions on the ability of charities to recover the tax credit on dividends received from U.K. Companies. Currently the Trust reclaims tax equal to 25% of the dividend received from such Companies and, in the year to 5th April, 1997, this amounted to £8,047. The proposal is that for 1999-2000 this will reduce to 21% of the amount received, further reducing for succeeding years to 4% for the year 2003-2004 and ceasing thereafter. The Trust will follow the development of these proposals and may alter the investment policy in order to minimise any loss of income.

Acquisitions Policy

The Council have resolved that they should confine purchases of chattels for Balcarres House to items having some connection with the House itself or with chattels already forming part of the House's existing collections.

Reserves Policy

Having regard to the size, age and high maintenance cost of the Trust's principal asset and the incidence of both foreseeable and unforeseeable expenditure from one year to the next, the Council takes the view that a level of reserves equivalent to approximately 10% of the value of its endowment is appropriate. By way of example, expenditure in 1994/95 gave rise to an income surplus of £19,905 as compared with the income surplus of 1995/96 of £10,404 which fell to an income loss of £13,558 in 1996/97. The Council aims to maintain reserves by transferring income surpluses, not used for Trust purposes, when they arise to reserves to the extent necessary to maintain the required level.

Directors

As the Company is limited by guarantee the Council Members have no financial interest in its affairs.

The Earl of Crawford and Balcarres
The Earl of Woolton
Nicolas Barker
Dr. Robert Donaldson
Lord Balniel

Limited Liability

Balcarres Heritage Trust is a Company limited by guarantee. Each Member has guaranteed the Company's liabilities to the extent of £100.

BALCARRES HERITAGE TRUST LIMITED

REPORT of the COUNCIL

Council Members Responsibilities

Company Law requires the Council Members to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Trust and of the surplus or deficit of the Trust for that period. In preparing those Financial Statements, the Council Members are required to :


- . select suitable accounting policies and then apply them consistently;
- . make judgements and estimates that are reasonable and prudent;
- . prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Council Members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint James Murray and Company, Chartered Accountants, Cupar as Auditors will be put to the Members at the Annual General Meeting.

Signed on behalf of the Council on: 19th November, 1997


Secretary

1, Dean Farrar Street,
Westminster, London.

REPORT of the AUDITORS to the MEMBERS of

BALCARRES HERITAGE TRUST LIMITED

We have audited the Financial Statements on pages 6 to 16 which have been prepared under the historical cost convention as modified for the inclusion of fixed asset investments at market value and the accounting policies set out on page 10.

Respective responsibilities of Council Members and Auditors

As described on page 4, the Council Members are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those statements, and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the Trust's affairs at 5th April, 1997 and of its surplus for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



JAMES MURRAY and COMPANY,
Chartered Accountants and
Registered Auditors

58, Bonnygate, Cupar, Fife

Date: 19th November, 1997

BALCARRES HERITAGE TRUST LIMITED

INCOME and EXPENDITURE ACCOUNT for the Year ended 5th April, 1997

<u>1996</u>			
<u>£</u>		<u>Note</u>	<u>£</u>
<u>118,354</u>	Income	6	<u>96,751</u>
91,127	Direct Expenditure on Charitable Purposes	9	89,430
<u>15,443</u>	Management and Administration Expenditure	10	<u>19,802</u>
<u>106,570</u>			<u>109,232</u>
11,784	Operating Surplus/(Loss)		(12,481)
<u>18,443</u>	Gain on Disposal of Fixed Asset Investments		<u>183,342</u>
30,227	Surplus on Ordinary Activities before Tax		170,861
<u>1,380</u>	Tax on Surplus of Ordinary Activities	12	<u>1,077</u>
<u>28,847</u>	Surplus in Ordinary Activities for the Year		<u>169,784</u>

The Trust has neither commenced any new activities during the year, neither has it discontinued any operations.

The Notes on Pages [10] to [15] form part of these Financial Statements

BALCARRES HERITAGE TRUST LIMITED

STATEMENT of TOTAL RECOGNISED GAINS and LOSSES

<u>1996</u>		<u>1997</u>
<u>£</u>		<u>£</u>
28,847	Surplus for the Year	169,784
<u>135,325</u>	Unrealised Surplus on Revaluation of Investments	<u>8,135</u>
164,172	Total Recognised Gain and Losses relating to the Year	177,919
<u>96,381</u>	Prior Year Adjustment	<u>-</u>
<u>260,553</u>	Total Gains and Losses recognised since last Annual Report	<u>177,919</u>

NOTE of HISTORICAL COST SURPLUSES and DEFICITS

<u>1996</u>		<u>1997</u>
<u>£</u>		<u>£</u>
30,227	Reported Surpluses on Ordinary Activities before Taxation	170,861
<u>18,244</u>	Realisation of Investment Revaluation Gains/(Losses) of Previous Years	<u>(21,311)</u>
48,471	Historical Cost Surplus on Ordinary Activities before Taxation	149,550
<u>1,380</u>	Tax on Historical Cost Surplus on Ordinary Activities	<u>1,077</u>
<u>47,091</u>	Historical Cost Surplus for the Year Retained	<u>148,473</u>

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BALCARRES HERITAGE TRUST LIMITED

STATEMENT of FINANCIAL ACTIVITIES for the Year ended 5th April, 1997

<u>1996</u> <u>£</u>		<u>Note</u>	<u>1997</u> <u>£</u>
	<u>Incoming Resources</u>	6	
8,335	Donations	7	14,595
2,560	Admissions		2,590
37,617	Net Rental Income	8	17,193
4,385	Sundry Income		1,018
<u>64,077</u>	Income from Investments (Net of Foreign Tax)		<u>60,278</u>
<u>116,974</u>	<u>Total Incoming Resources</u>		<u>95,674</u>
	<u>Resources Expended</u>		
	Direct Expenditure on Charitable Purposes :	9	
43,908	Maintenance and Upkeep of Property		49,969
35,918	Gardens		31,438
<u>11,301</u>	Conservation		<u>8,023</u>
<u>91,127</u>			<u>89,430</u>
	Other Expenditure :		
<u>15,443</u>	Management and Administration Expenditure	10	<u>19,802</u>
<u>106,570</u>	<u>Total Resources Expended</u>		<u>109,232</u>
10,404	<u>Net Incoming/(Outgoing) Resources</u>		(13,558)
	<u>Other Recognised Gains and Losses</u>		
	Gains/(Losses) on Investments :		
18,443	Realised - On Investments Sold in Year		183,342
<u>135,325</u>	Unrealised - On Revaluation at Year end		<u>8,135</u>
164,172	<u>Net Movement in Funds</u>		177,919
<u>1,487,326</u>	Fund Balances brought forward at 6th April, 1996		<u>1,651,498</u>
<u>1,651,498</u>	<u>Fund Balances carried forward at 5th April, 1997</u>		<u>1,829,417</u>

The Notes on Pages [10] to [15] form part of these Financial Statements

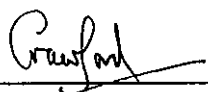

BALCARRES HERITAGE TRUST LIMITED

BALANCE SHEET as at 5th April, 1997

1996

<u>£</u>	<u>Note</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>				
	2			
	<u>Tangible Assets</u>			
16,144				10,424
<u>13,644</u>				<u>13,899</u>
29,788				24,323
<u>1,574,524</u>	<u>Investments</u>	3		<u>1,575,324</u>
<u>1,604,312</u>				1,599,647
<u>CURRENT ASSETS</u>				
9,951			8,240	
<u>55,923</u>			<u>240,460</u>	
<u>65,874</u>			248,700	
<u>CREDITORS: Amounts falling due within one year</u>				
9,640			12,570	
3,500			-	
5,023			5,859	
<u>525</u>			<u>501</u>	
<u>18,688</u>			<u>18,930</u>	
<u>47,186</u>	<u>NET CURRENT ASSETS</u>			
<u>1,651,498</u>	<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			
				<u>1,829,417</u>
<u>CAPITAL and RESERVES</u>				
	13			
1,438,036				1,586,509
<u>213,462</u>				<u>242,908</u>
<u>1,651,498</u>				<u>1,829,417</u>

Approved by the Council on: 19th November, 1997

Member of Council

Member of Council

The Notes on Pages [10] to [15] form part of these Financial Statements

BALCARRES HERITAGE TRUST LIMITED

NOTES to the FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies which have been applied is set out below :

(a) Basis of Accounting

The Financial Statements have been prepared under the historical cost convention, modified to include fixed asset investments at market value, in accordance with applicable accounting standards and the statement of recommended practice applicable to charities.

(b) Tangible Fixed Assets

Tangible Fixed Assets are shown at their original cost. Depreciation is provided at rates calculated to write off the cost less estimated residual value over the estimated useful life of the assets. The following rates of depreciation have been used :

Fixtures, Fittings, Tools and Equipment : 20% Straight Line
Motor Vehicles : 25% Net Book Value

No depreciation has been written off books, works of art, etc., as the Council believes that these are not depreciating Assets.

(c) Leasehold Property

The Trust has expended sums in improving properties which are the subject of a lease expiring on 7th April, 2037. These improvements have been fully depreciated in the year in which the expenditure was incurred as opposed to over the period of the lease remaining.

(d) Investments

Fixed asset investments are shown in the Balance Sheet at market value at the end of the accounting period. Gains or losses on the actual disposal of investments are shown in the Income and Expenditure Account in relation to their market value at the beginning of the accounting period or their cost in the case of investments purchased and sold in the same accounting period.

(e) Assets Purchased under Hire Purchase

Assets acquired under hire purchase contracts are included in the Balance Sheet at their cost and are depreciated over their useful lives. The interest element of the instalments is charged against income over the period of the contract.

(f) Cash Flow Statement

The Company has taken advantage of the provisions of Financial Reporting Standard No. 1 and has not prepared a Cash Flow Statement.

BALCARRES HERITAGE TRUST LIMITED

NOTES to the FINANCIAL STATEMENTS

2. FIXED ASSETS

	<u>Total</u>	<u>Tools and</u>	<u>Tractors and</u>	<u>Works of</u>	<u>Leasehold</u>
	<u>£</u>	<u>Equipment</u>	<u>Motor</u>	<u>Art, Books</u>	<u>Property</u>
		<u>£</u>	<u>Vehicles</u>	<u>etc.</u>	<u>£</u>
			<u>£</u>	<u>£</u>	
Cost					
As at 6th April, 1996	125,803	14,498	25,633	13,644	72,028
Additions during Year	12,455	-	-	255	12,200
Sales during Year	(12,327)	(1,499)	(10,828)	-	-
	<u>125,931</u>	<u>12,999</u>	<u>14,805</u>	<u>13,899</u>	<u>84,228</u>
Depreciation					
As at 6th April, 1996	96,015	8,121	15,866	-	72,028
Charge for Year	16,476	2,193	2,083	-	12,200
Depreciation on Sales	(10,883)	(1,499)	(9,384)	-	-
	<u>101,608</u>	<u>8,815</u>	<u>8,565</u>	<u>-</u>	<u>84,228</u>
Net Book Value					
at 5th April, 1997	<u>24,323</u>	<u>4,184</u>	<u>6,240</u>	<u>13,899</u>	<u>-</u>
Net Book Value					
at 5th April, 1996	<u>29,788</u>	<u>6,377</u>	<u>9,767</u>	<u>13,644</u>	<u>-</u>

BALCARRES HERITAGE TRUST LIMITED

NOTES to the FINANCIAL STATEMENTS

3. INVESTMENTS

Movements in investments during the Year were as follows:

	<u>£</u>
Market Value of Shares held at 5th April, 1996	1,574,524
Additions	698,413
Disposals	(705,748)
Surplus on Revaluation of Shares held at end of Year	<u>8,135</u>
Market Value of Shares held at 5th April, 1997	<u>1,575,324</u>
Amount of Listed Investments included in Net Book Value at 5th April, 1997	<u>1,562,974</u>
Historical Cost of the Listed Investments at 5th April, 1997	<u>1,322,065</u>

The Trust held unlisted investments at 5th April, 1997 with a market value at that date of £12,350 against an historical cost of £10,351. These investments were valued by the London Stock Exchange Brokerage Company Williams de Broe on the basis of the latest matched bargains.

4. DEBTORS

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Income Tax repayable on Investment Income and Gift Aid	1,951	3,093
Other Debtors	<u>6,289</u>	<u>6,858</u>
	<u>8,240</u>	<u>9,951</u>

5. CASH at BANK and in HAND

The figure of £240,460 (1996 - £55,923) represents cash held on deposit by J.O. Hambro Investment Management of £234,836 (1996 - £49,685) and cash at the Royal Bank of Scotland of £5,624 (1996 - £6,238).

6. INCOME

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Donations (Note 7)	14,595	8,335
Admissions	2,590	2,560
Net Rental Income (Note 8)	17,193	37,617
Sale of Wood	1,018	4,385
Income from Investments	<u>61,355</u>	<u>65,457</u>
Per Income and Expenditure Account	96,751	118,354
Foreign Tax paid on Investment Income	<u>1,077</u>	<u>1,380</u>
Per Statement of Financial Activities	<u>95,674</u>	<u>116,974</u>

BALCARRES HERITAGE TRUST LIMITED

NOTES to the FINANCIAL STATEMENTS

7. DONATIONS

The donations are made up as follows :

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Lord Balniel	-	2,666
The Lindsay Trust	5,000	-
College Services Limited	7,425	5,569
Lord Crawford	<u>2,170</u>	<u>100</u>
	<u>14,595</u>	<u>8,335</u>

8. RENTAL INCOME

The full position with regard to this property is as follows :

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Rent and Rates Received	18,234	40,352
Less: Insurances	(318)	(455)
Repairs	(723)	(1,916)
Other Expenditure	(-)	(364)
	<u>17,193</u>	<u>37,617</u>

9. DIRECT EXPENDITURE ON CHARITABLE PURPOSES

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
<u>Maintenance and Upkeep of Property</u>		
Maintenance of Trust Properties not Subject to Leases	22,569	22,981
Insurance	6,072	6,035
Heat and Light	7,207	6,141
Wages (See Note 11)	1,040	1,332
Sundries	881	1,146
Depreciation	<u>12,200</u>	<u>6,273</u>
	<u>49,969</u>	<u>43,908</u>
<u>Gardens</u>		
Wages and Council Tax (See Note 11)	21,451	23,458
Seeds and Plants	417	1,059
Chemicals	892	941
Greenhouse Fuel	818	-
Petrol and Oil	283	779
Vehicle and Machinery Repairs	743	2,966
Sundries	731	729
Hire Purchase Interest	500	535
Depreciation on Vehicles and Equipment	4,276	5,451
Loss on Sale of Fixed Assets	<u>1,327</u>	<u>-</u>
	<u>31,438</u>	<u>35,918</u>
<u>Conservation</u>	<u>8,023</u>	<u>11,301</u>
	<u>89,430</u>	<u>91,127</u>

BALCARRES HERITAGE TRUST LIMITED

NOTES to the FINANCIAL STATEMENTS

10. MANAGEMENT and ADMINISTRATION EXPENDITURE

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Telephone	266	225
Legal Fees	4,598	1,399
Investment Management Fees	9,601	9,003
Auditors Remuneration	4,935	4,677
Rent	1	1
Sundries	401	138
	<u>19,802</u>	<u>15,443</u>

11. STAFF COSTS

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Wages and Salaries	20,276	21,916
Social Security Costs	1,560	1,792
Council Tax	655	1,082
	<u>22,491</u>	<u>24,790</u>

The average weekly number of employees during the year was 3 made up as follows:

	<u>1997</u>	<u>1996</u>
Production	3	3

No amounts were paid to Members of the Council in the year under review.

12. TAX

The Company is not subject to U.K. tax on its income because of its charitable status. The tax of £1,077 (1996 - £1,380) represents foreign tax deducted from overseas investment income and irrecoverable tax credits on foreign income dividends paid by U.K. companies.

BALCARRES HERITAGE TRUST LIMITED

NOTES to the FINANCIAL STATEMENTS

13. CAPITAL and RESERVES

	<u>Income and Expenditure Account</u> <u>£</u>	<u>Revaluation Reserve</u> <u>£</u>
As at 6th April, 1996	1,438,036	213,462
Transferred from Income and Expenditure Account	169,784	-
Transferred in Respect of Realised Profits (21,311)	21,311
Surplus on Revaluation at 5th April, 1997	-	8,135
	<u>1,586,509</u>	<u>242,908</u>

The Trust reserves are held for general Trust purposes to be determined by the Council Members and no part of the funds are held for specific Trust purposes. The Trust is to re-designate, as capital, the whole of the reserves at 5th April, 1997. See the Report of the Council for the Trust's Reserves Policy.