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Report and Financial Statements for the Year Ended 31 March 1997



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CONTENTS

Report of the Members of the Council of Management	1
Responsibilities of Members of the Council of Management	24
Report of the Auditors	25
Statement of Financial Activities	26
Balance Sheet	27
Cash Flow Statement	28
Notes Forming Part of the Financial Statements	29

Report of the Members of the Council of Management for the Year 1996 - 1997

The Members of the Council of Management of The Architectural Heritage Fund (AHF) present their Report together with the audited Financial Statements for the year ended 31 March 1997.

The Architectural Heritage Fund

The Architectural Heritage Fund promotes the permanent preservation of historic buildings in the United Kingdom by providing financial assistance, advice and information to buildings preservation trusts and other relevant charities and by disseminating information about the work of buildings preservation trusts to statutory and non-statutory bodies, non-government organisations and the public at large.

HISTORY

In 1969, the Civic Trust carried out a survey of the work of buildings preservation trusts (BPTs) in England and Scotland. One of the principal recommendations of its report, presented to the government in 1971, was the establishment of a national buildings conservation fund to give preservation trusts access to working capital for historic buildings repair projects. The Department of the Environment accepted this recommendation and made a commitment, as a specific aim of the UK Campaign for European Architectural Heritage Year 1975, to provide up to £500,000 in matching finance. The AHF commenced operation on 26 May 1976.

LEGAL AND ADMINISTRATIVE DETAILS

STATUS

The AHF was incorporated as a company limited by guarantee (company registration number 1150304) on 10 December 1973 and was granted charitable status shortly afterwards (charity registration number 266780). Its registered office is Clareville House, 26/27 Oxendon Street, London SW1Y 4EL.

THE COUNCIL OF MANAGEMENT

The governing body of the AHF is known as the Council of Management. Members of the Council of Management have legal responsibility as directors of the AHF as a company and trustees of the AHF as a charity. Half of the members of the Council of Management are appointed by the Crown (since July 1997, by the Secretary of State for Culture, Media and Sport, formerly by the Secretary of State for National Heritage) and half by the AHF itself.

Every member of Council of Management is also a member of the AHF as a company. The AHF has no other members.

The members of the Council of Management during the year ended 31 March 1997 were:

- *Mr Nicholas Baring#
- *Mr Martin Bradshaw (retired 5 April 1996)
- +Mr Robert Clow
- *Mr Malcolm Crowder (appointed 6 April 1996)
- +Professor Sir James Dunbar-Nasmith (retired 31 March 1997)
- +Mr Chris Green (resigned 26 July 1996)
- +Sir John James *Deputy Chairman*
- +Sir Brian Jenkins#
- +Dame Jennifer Jenkins *Chairman*
- *Mr Peter Rumble# *Vice Chairman*
- *Mr Maurice Stonefrost#
- *Dr Roger Wools
- *Mr Roy Worskett

+Appointed by the Secretary of State for Culture, Media and Sport.

*Appointed by the AHF.

#Member of the Audit Committee.

Interests of Members of the Council of Management

Some members of the Council of Management are also directors or trustees of, or consultants to, organisations which apply for and receive financial assistance from the AHF. In this event the member or members disclose their interest at the meeting at which the application is considered or the project is discussed and take no part in the Council of Management's decision.

SECRETARIAT

The AHF's employees on 31 March 1997 were:

Lady Weir	<i>Secretary</i>
Mrs Janet Brinnand	<i>Loans Administrator</i>
Mrs Barbara Wright	<i>Finance Officer</i>
Miss Maria Perks	<i>Development Officer</i>
Miss Diane Kendal	<i>Administrative Assistant</i>

In addition, the AHF contributed to the employment costs of Mr Victor Rose (Civic Trust), who designed and oversaw the production of AHF publications and exhibition material.

ADVISERS TO THE ARCHITECTURAL HERITAGE FUND

The AHF's professional advisers in the year ended 31 March 1997 were:

<i>Solicitors:</i>	Messrs Paisner & Company, Bouverie House, 154 Fleet Street, London EC4A 2DQ
	Messrs W & J Burness WS, 242 West George Street, Glasgow G2 4QY
<i>Auditors:</i>	Messrs BDO Stoy Hayward, 8 Baker Street, London W1M 1DA
<i>Bankers:</i>	National Westminster Bank plc, Westminster Branch, PO Box 3038, 57 Victoria Street, London SW1H 0HN
<i>Investment Managers:</i>	Cantrade Investment Management Ltd, No 4 Chiswell Street, Finsbury Square, London EC1Y 4UP

OBJECTS

The Memorandum of Association defines the AHF's charitable objects as:

- to promote the permanent preservation for the benefit of the public generally of buildings, monuments or other edifices or structures of particular beauty or historical, architectural or constructional interest anywhere in the United Kingdom;
 - to protect and conserve or promote the protection and conservation of the character and heritage of the places in which such buildings are situated;
- and
- to educate the public in the need for heritage conservation and to encourage high standards in the contemporary environment.

POLICIES ADOPTED TO MEET OBJECTS

The principal way in which the AHF seeks to achieve its objects continues to be making short-term loans at a fixed and concessionary rate to enable buildings preservation trusts (BPTs) and other charities to acquire and repair buildings which merit preservation. The AHF also makes grants to BPTs towards the cost of feasibility studies on potential projects and towards the cost of employing a part-time administrator. As well as providing financial assistance, the AHF is a principal source of advice and information to and about BPTs.

MANAGEMENT

The Council of Management is responsible for every aspect of the AHF's business and for overseeing its day to day management. Decisions on loan and grant applications are taken at quarterly meetings, at which existing loans and the AHF's overall financial position are also reviewed. Since 1995 an Audit Committee, composed of up to four Council members, meets twice a year in order to consider and report on aspects of financial control and performance.

IMPLEMENTATION OF POLICY

Throughout its existence, The Architectural Heritage Fund has sought to carry out its responsibilities with marked financial prudence. Experience has shown that it has been able to modify some of its original practices so as to respond to the needs of buildings preservation trusts (BPTs) and provide them with greater financial help and advice, as well as to stimulate their creation.

FINANCIAL ASSISTANCE

Loans

For the first seventeen years, the AHF restricted the amount it would lend to 50% of the cost of a project. Since April 1993, the AHF has been willing to lend up to 75% of the estimated gross cost of a project undertaken by a BPT and, since January 1997, up to £500,000 per project.

Although BPTs are its principal focus, the AHF is also willing to support eligible projects undertaken by charities whose objects do not include historic buildings preservation. Loans to such organisations are restricted to a maximum of 50% of the estimated gross cost of the project and, since June 1995, to a ceiling of £250,000.

The AHF treats every offer as a binding commitment and considers itself obliged to disburse each loan as soon as the recipient has satisfied the conditions attached to the offer.

Eligible projects

In order to encourage the revolving fund principle, an eligible project is one which involves either a change in the ownership of an historic property (usually through its acquisition by the borrower), or a change in its use, or both. For this reason the AHF does not make loans for repairs and maintenance to buildings for which no change of ownership or use is required. In addition, the property should be on the statutory list of historic buildings or in a conservation area.

Security

The AHF requires security for every loan. This may take the form of a first charge over any property, including the property which is the subject of the loan, whose value is sufficient to support the loan and to which the borrower has a free and marketable title. The AHF is willing to lend up to but not more than 70% of a written estimate by a member of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers of the open market sale value of the property over which the charge is to be taken. The AHF will also accept as security a formal guarantee of repayment from a bank, local authority or comparable corporate body.

Loan period

The normal loan period is two years or until the building is sold, whichever is the shorter, or if the borrower ceases to use the money for the purpose for which it was advanced. Since April 1993 the AHF has been willing to offer loans for a period of three years for exceptionally large scale or complex projects. In certain circumstances, the AHF may agree to lend for up to five years. The Council of Management will always consider requests for extra time if a borrower makes a case before the loan falls due for repayment.

The AHF has first call on the proceeds of any sale which may occur in the course of a project. If the loan is not repaid when it falls due, the AHF may require the borrower to make an interim interest payment.

When a loan secured by a repayment guarantee is not repaid by the due date, it is necessary for the guarantor to provide a written extension of the guarantee for a specified term. In the absence of an extension, the AHF secures its position by serving a demand for repayment. If the AHF has agreed to allow the borrower a further period within which to repay, this is accompanied by an explanation that the AHF does not propose to activate the demand for the time being.

There is no formal procedure to deal with loans secured by a first charge which are not repaid in accordance with the terms of the loan agreement. The AHF almost always decides to leave such loans, and the first charge, in place until the borrower manages either to sell the property which was the subject of the loan, or to let it and arrange a long-term mortgage.

Interest Rate

The AHF charges interest at 5% simple, payable at the end of the loan period. It has the right to increase interest to 3% above base rate from the date a loan falls due until it is repaid. A decision whether or not to exercise this right is taken by the Council of Management in the light of detailed information about the project and the reasons why the borrower would find it difficult to repay on time.

Feasibility Study Grants

The AHF introduced a programme of grants for feasibility studies in April 1990. The aim of this programme is to enable new BPTs to embark with confidence on their first project and experienced BPTs to tackle projects of more than usual complexity. For the first three years, only organisations on the AHF's Register of revolving fund BPTs were eligible to apply for

feasibility study grants. The maximum grant was £5,000, and the applicant trust had to find 50% of the cost of the study from sources other than the AHF.

In June 1993 the Council of Management extended the programme to single project BPTs (charities established to save a particular historic building or site) and increased the amount the AHF was prepared to contribute from 50% to 75% of the estimated cost of a feasibility study, subject to an upper limit - for exceptionally complex or large scale studies - of £7,500.

What is expected of a feasibility study is kept under constant review. Essentially, the AHF considers that a feasibility study should not be a developed scheme for the repair and rehabilitation of an historic building, but a tool for assessing the risks inherent in a particular project, especially the financial risks, to enable the BPT to decide whether it can proceed.

Project Administration Grants

In April 1993, the AHF introduced a scheme of one-off project administration grants. BPTs are eligible to apply for grants of £3,000 in conjunction with their first loan application, or first for at least two years, provided they have no paid administrative support and a capital reserve not exceeding £5,000.

Project administration grants are disbursed in four equal instalments over a period of twelve months. The first instalment is disbursed as soon as the BPT can demonstrate that it has appointed a project administrator.

PROGRAMME SUPPORT ACTIVITIES

AHF Register of Revolving Fund BPTs

The AHF maintains a register of revolving fund BPTs (charities constituted to acquire, repair and dispose of properties deemed worthy of preservation and to apply the proceeds of one project to the working capital required for the next). The register, which is included as an appendix to the published Annual Report, enables the AHF, local authorities and others to identify the number and location of charities established with the aim of undertaking a programme of preservation projects. In 1976, when the AHF commenced business, there were 29 revolving fund BPTs; by 1997, there were 165. Revolving fund BPTs which were on the register by 1 April 1995 are exempt from the provisions of Part V of the Local Government and Housing Act 1989.

Publications

The AHF publishes a fully illustrated Annual Report and a *Standard Governing Document* (Memorandum and Articles of Association) for a BPT. Also available are *How to Rescue a Ruin - by setting up a local Buildings Preservation Trust* (revised edition 1997) and *The Architectural Heritage Fund - The First Twenty Years* (1996).

The Development Programme and the UK Association of Building Preservation Trusts

In November 1989 the AHF appointed a Development Officer to reinforce and expand its efforts to encourage the formation of BPTs and to assist them in the field. In parallel with this, the AHF helped to found the United Kingdom Association of Building Preservation Trusts (APT), of which it is an active member and to which it provides financial and practical support. Both on its own and together with APT, the AHF organises periodic seminars and conferences for BPTs. In addition, the AHF has editorial responsibility for APT's publication, *Guidance Notes for Building Preservation Trusts*.

FINANCE

The extent to which The Architectural Heritage Fund is able to implement its policies is largely determined by the size of its revolving capital fund and annual income.

The revolving capital fund is composed of government grants and private sector donations to enable the AHF to make loans for preservation projects and of part of the AHF's accumulated surplus of income over expenditure.

In 1996, in the context of SORP, the AHF decided to rename as the "endowment fund" that part of its resources derived from grants and donations for lending, which was previously referred to as the "working capital" or the "revolving fund". "Endowment fund" will be used throughout the rest of this Report.

SOURCES OF LOAN FUNDS

In July 1974 the Secretary of State for the Environment made a commitment to match, up to a maximum of £500,000, whatever could be raised from the private sector for the establishment of a national buildings conservation fund. By May 1976, a sufficient sum had been donated or pledged to enable the AHF to commence business with a potential endowment fund of £1 million.

The endowment fund has grown since 1976 as a result of further grants and donations. The principal source has been government grants.

Until 1985, the AHF received grants only from the Secretary of State for the Environment. In 1985 it received its first endowment fund grant from English Heritage. The AHF received its first endowment fund grant from the Secretary of State for Scotland in 1987 and from the Secretary of State for Wales in 1992. The AHF has not yet received an endowment fund grant from the Secretary of State for Northern Ireland.

That part of the endowment fund which is composed of private sector donations has to date been sufficient to finance loans for projects in parts of the UK for which geographically restricted grants from the government are not available.

In addition to the endowment fund, resources available for lending have always included part of the AHF's recurrent annual surpluses of income over expenditure.

FINANCIAL POLICY

From the outset, the AHF used endowment fund grants and donations solely to expand its capacity to make low-interest loans. All the AHF's other charitable activities and overheads were financed from other sources of income, which in recent years has included government contributions to the cost of the development and feasibility study grants programmes.

Most money not actually out on loan for preservation projects is kept on deposit, on the best terms consistent with financial prudence and ready accessibility. In 1987 the Council of Management decided that up to 10% of the AHF's accumulated resources should be held in an investment portfolio, to enhance the real value of capital over time while generating a reasonable level of income. The Council of Management regularly reviews both the AHF's investment policy and the performance of the portfolio (which is managed by professional investment managers) and makes whatever adjustments are judged necessary to meet the AHF's requirements.

The AHF aims to restrict annual non charitable expenditure to not more than the equivalent of 5% of the endowment fund at the beginning of the financial year.

Investment Powers

The Memorandum of Association, Clause 3(c)(xv) and (xvii), empowers the AHF to invest money not immediately required for its purposes, to appoint an Investment Manager or Managers and to delegate to him or them power to buy and sell investments for the AHF.

Reserves Policy

In recent years the demand made on the AHF for loans, grants and non-financial assistance for preservation projects has grown. The Council of Management believes this will continue.

The AHF has received funds from government and others, by way of donations, to help it meet this demand.

The Council of Management considers that it is appropriate for the AHF to maintain reserves to protect the future of the charity in the event of any reduction in this funding and to enable the AHF to expand its charitable activities.

The funds allocated to these reserves in the current year are explained on pages 21-22.

The Council of Management intends annually to review the level of the reserves in the light of the activities of the charity to ensure, so far as possible, they are neither inadequate nor excessive.

REVIEW OF THE YEAR

MEMBERSHIP OF THE COUNCIL OF MANAGEMENT

Retirements and Resignations

Mr Martin Bradshaw retired from membership of the Council of Management on 5 April 1996. Mr Chris Green resigned on 26 July 1996 and Professor Sir James Dunbar-Nasmith retired on 31 March 1997.

Appointments

Mr Malcolm Crowder was appointed to membership of the Council of Management on 6 April 1996.

Term of Membership

In December 1996 the members of The Architectural Heritage Fund decided to extend the term of Council membership from three to five years, renewable.

ACTIVITIES, ACHIEVEMENTS AND DEVELOPMENTS

Loans

The AHF's ability to assist preservation projects is affected by a number of factors. Foremost amongst these is its own financial position, in particular the size of the endowment fund. In the year ended 31 March 1997, the AHF was fortunate to receive further endowment fund grants from the government. This helped ensure that the merits of each project, rather than the adequacy of AHF resources, could determine the amount offered to each loan applicant.

The volume of loan business is also affected by external factors. In 1996-97 there was continued uncertainty about the availability of funds for preservation projects from other sources, particularly the Heritage Lottery Fund. For this and other reasons, the year did not bring the surge of growth in contracted loans for which the AHF had hoped.

Terms and Conditions

In January 1997, the Council of Management decided to increase the maximum loan for a BPT project from £325,000 to £500,000.

New Loans Contracted

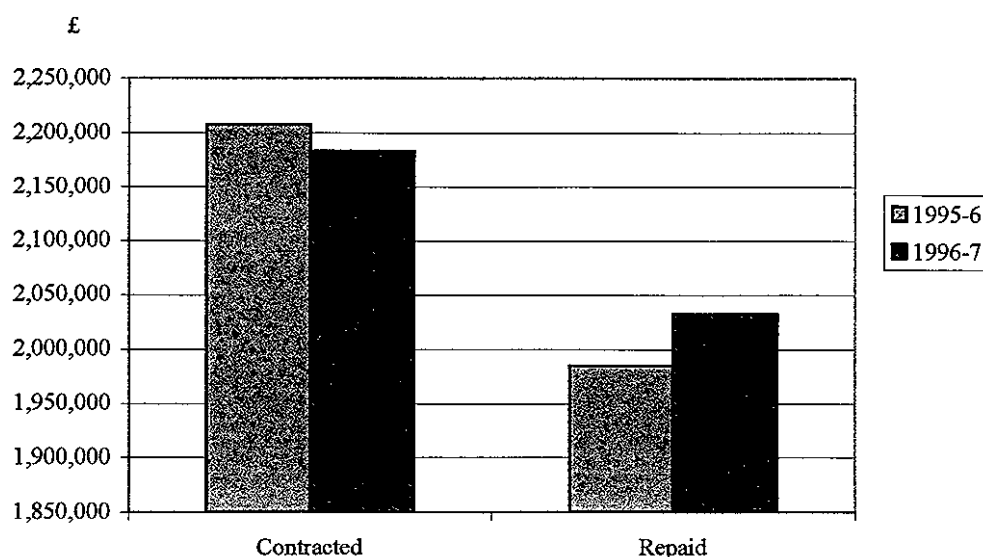
In 1996-97 the AHF contracted 17 new loans and four supplementary loans worth £2,183,020. This was six fewer loans and £25,000 in contract value less than the previous year.

Loans Repaid

Twenty loans were repaid during the financial year. The contracted value of repayments was £2,032,000, marginally higher than the previous record (set in 1992-93).

Six of the 20 repayments were made early and nine were made after the end of the loan period. The remaining five were made on the due date. The AHF sustained no loss of loan principal, but found it necessary to make provision for a possible loss in 1997-98.

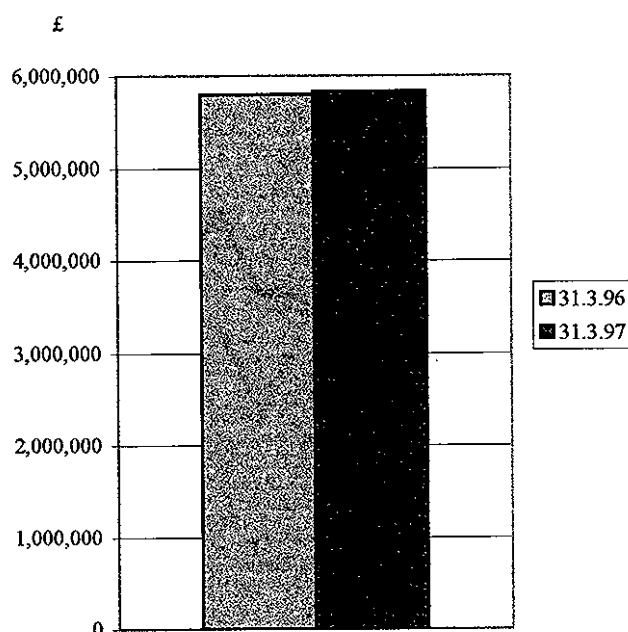
Figure 1: New Loans Contracted and Loans Repaid
(values shown are for the sum contracted and include supplementary loans)



Loans Current at the End of the Year

At the beginning of the year under review, the AHF had 53 current loans. New loans contracted and loans repaid during the year meant that on 31 March 1997, it had 50 current loans with a total contract value of £5,891,670. This was £151,020 higher than that of current loans at the end of 1996. All 17 new loans contracted during 1996-97 continued into 1997-98, together with 33 loans contracted before 1 April 1996.

Figure 2: Loans Current at the End of the Year (contracted value)



Pattern of Repayments

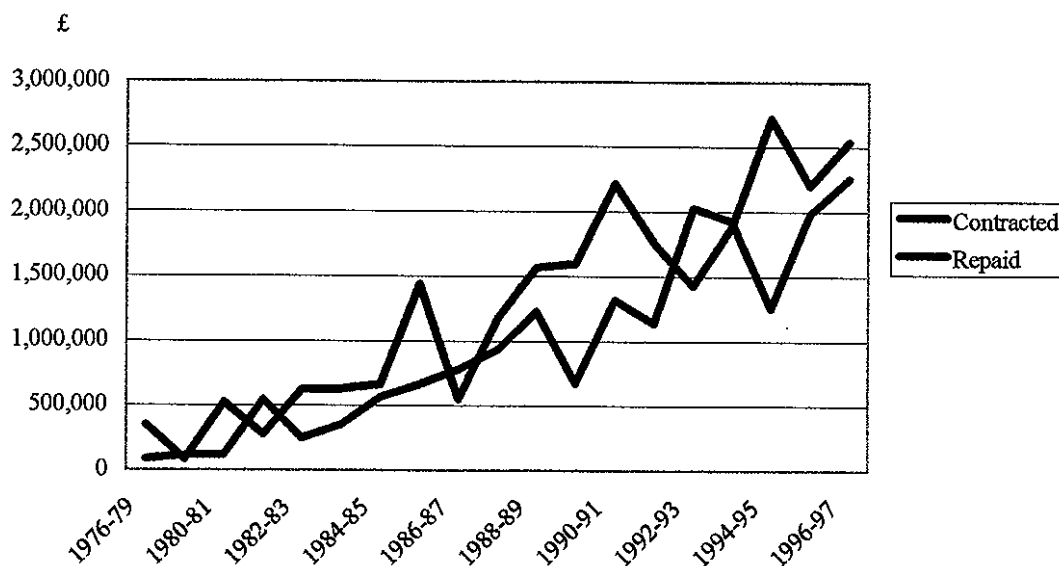
The AHF entered the year under review with 13 loans worth £1,285,264 which had exceeded the original loan period. Six of these were repaid during the year and the Council of Management approved a further period for the remaining seven. Eight loans became overdue during the financial year. On 31 March 1997, 15 current loans amounting to £1,101,051 had exceeded the original period.

Detailed information about every new loan contracted in 1996-97 will be found in the published Annual Report. Information about loans contracted before 1 April 1996 will be found in the published Report for the relevant year. A table of loans contracted, repaid and current from 1976 to 1997 is published as Appendix A of the AHF's *Annual Report 1996-97*.

Amount Loaned and Repaid, 1976-1997

The 17 new loans and four supplementary loans contracted between 1 April 1996 and 31 March 1997 increased the cumulative value of loans contracted by the AHF since it commenced business in 1976 to £23,883,370 in respect of 341 projects. In the same period, 291 loans with a contract value of £17,973,200 were repaid.

Figure 3: Loans Contracted and Repaid Between 26 May 1976 and 31 March 1997



Cash Movements

The contracted value of current AHF loans does not equate to the sum actually disbursed:

- Some AHF loans, particularly those secured by repayment guarantee, are advanced in a single instalment on the day they are contracted. Others, particularly those secured by a first charge on the property being preserved, are advanced in a series of instalments as work proceeds. During the year under review, the AHF advanced £2,543,384 in respect of new and supplementary loans contracted and of five loans which had been contracted but not fully advanced in 1995-96.
- Some loans are repaid in a single tranche while others, principally those for projects involving a multi-unit property, are repaid in instalments each time a unit is sold. During 1996-97, the AHF received repayments amounting to £2,262,651.

Loans Disbursed

The gross amount disbursed at the beginning and end of the period under review was as follows:

Date	Number of loans	Amount disbursed
31.3.96	53	£4,722,702
31.3.97	50	£5,003,435

A further £330,793 was contracted but not disbursed at the end of the year.

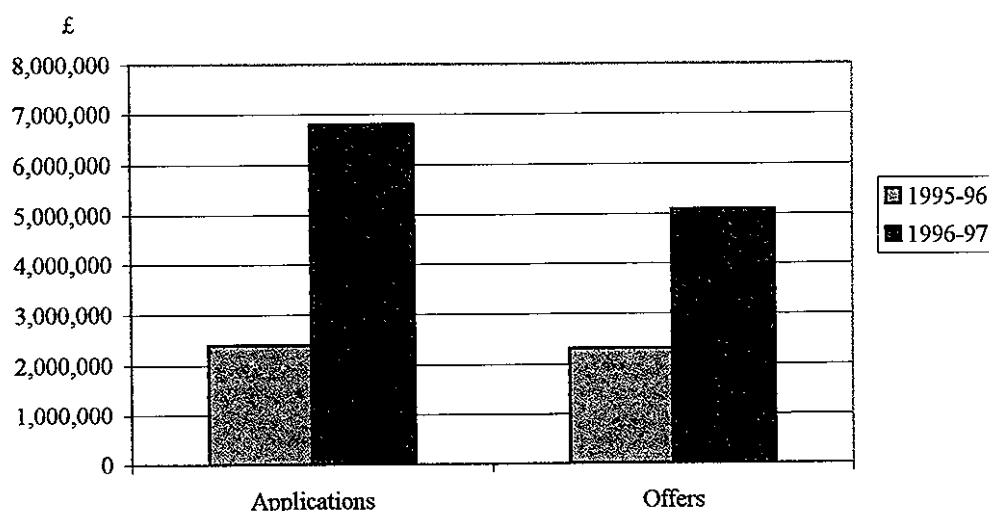
Loans Applied For and Offered

In 1996-97 the AHF received 41 loan applications amounting to £6,792,900 and made 37 offers amounting to £5,088,900. This was more than double the amounts applied for and offered in 1995-96, when the AHF received 23 applications amounting to £2.4 million and made 23 offers amounting to £2.3 million.

Five of the loans offered during the year were contracted by 31 March 1997. In the same period, ten offers made before 1 April 1996 were withdrawn because the trusts were not in a position to indicate when they would be able to open negotiations for the loan. The AHF agreed to extend the normal six months period within which an offer should be taken up in respect of a further four loans offered before 1 April 1996 but not contracted in 1996-97.

On 31 March 1997, the AHF's forward commitments included 29 loan offers amounting to £4,192,500. Ten of these were for projects whose viability had been investigated with the aid of an AHF feasibility study grant.

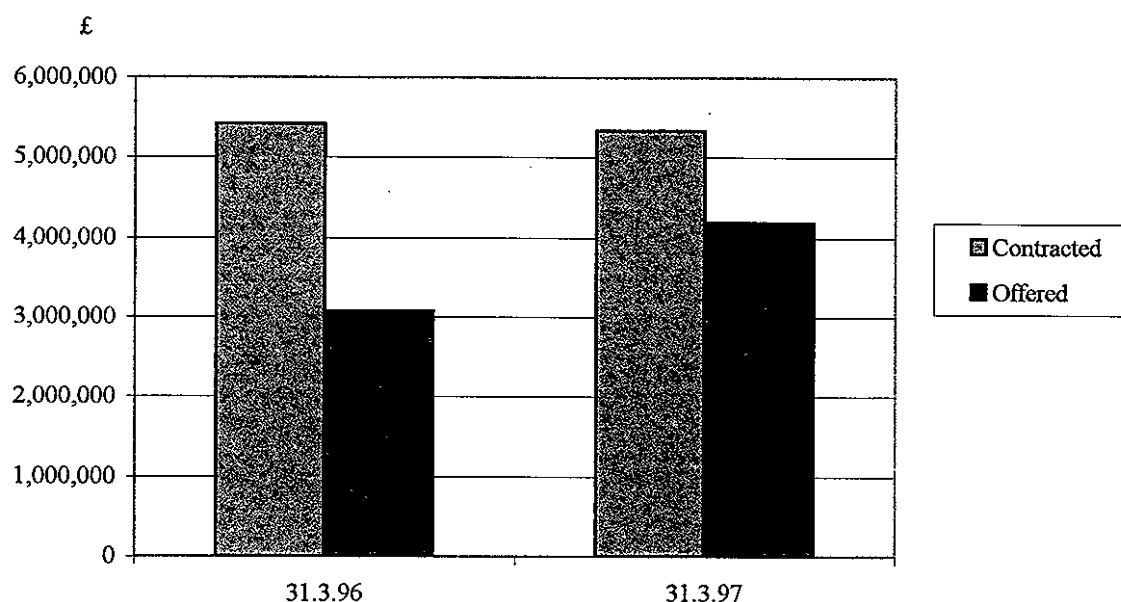
Figure 4: Loans Applied For and Offered



Overall Loan Commitments

At the end of the year, the AHF had outstanding 50 contracted loans and 29 loan offers, which together amounted to £9,526,728 in respect of 79 projects. This was £1 million more than on 31 March 1996.

Figure 5: Loan Commitments
(including amounts waiting to be advanced but not including part repayments)



Grants for Feasibility Studies

In 1996-97 the AHF received 38 feasibility study grant applications and made 35 offers, as follows:

Grants Applied For and Offered

Year	Applications	Offers
1995-96	£153,796 (40)	£120,647 (39)
1996-97	£137,977 (38)	£114,611 (35)

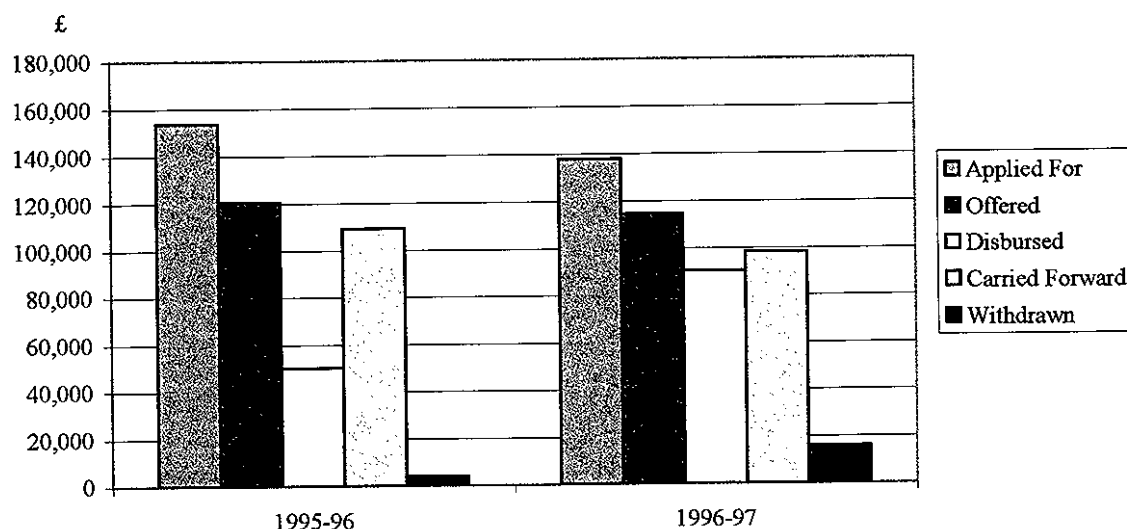
Grants are disbursed when the AHF receives the study. Of the 27 grants disbursed in 1996-97, seventeen had been offered before 1 April 1996. The total amount disbursed in 1996-97 was £90,292, a new record for the AHF.

Grants Disbursed

Year	Grants Disbursed	Offers Carried Forward	Offers Withdrawn
1995-96	£50,134 (25)	£108,966 (31)	£4,295 (2)
1996-97	£90,292 (27)	£98,075 (25)	£15,815 (5)

Every study for which a grant was disbursed between 1 April 1996 and 31 March 1997 is described in the *Annual Report 1996-97*.

Figure 6: Feasibility Study Grants Applied For, Offered, Disbursed, Carried Forward and Withdrawn



Government Grants Towards the Cost of the Programme

The Secretary of State for National Heritage (through the Heritage Grant Fund), Secretary of State for Scotland and Secretary of State for Wales contributed to the cost of the AHF's feasibility study grants programme during the year. See Financial Statements, Note 3.

Project Administration Grants

Between 1 April 1996 and 31 March 1997, the AHF offered ten project administration grants and disbursed instalments amounting to £6,750. Eight offers were carried forward in full to 1997-98. Together with instalments of four grants offered before 1 April 1996, the amount carried forward was £31,500.

Buildings Preservation Trusts and the AHF's Register

Twelve new BPTs constituted and intending to operate as revolving funds obtained charitable status in 1996-97. At the end of the year, there were 165 BPTs on the AHF's register. Almost all had consulted the AHF and used its standard Memorandum and Articles of Association as the basis of their governing instruments.

Events

The AHF organised three events during the year: a workshop on feasibility studies in April 1996 (jointly with the UK Association of Building Preservation Trusts and the Society for the Protection of Ancient Buildings); a national conference in November 1996, to celebrate its 20th

anniversary; and a meeting of BPTs in Wales and senior officials from Cadw: Welsh Historic Monuments in February 1997. AHF staff also spoke at events organised by others.

The UK Association of Building Preservation Trusts (APT)

The AHF provided financial and other support to APT throughout the year under review. APT's membership grew substantially, from 133 organisations at the beginning of the financial year to 167 at the end. It further increased its financial autonomy, successfully applying for grants from the Secretary of State for National Heritage (through the Heritage Grant Fund), the Secretary of State for Wales, the Secretary of State for Northern Ireland and - although it did not learn the result until after 31 March 1997 - the Secretary of State for Scotland. The AHF keeps in close touch with APT to ensure that the work of each organisation is complementary and to avoid duplication.

The National Scene

The AHF endeavours to follow changes in legislation and other developments relevant to the activities of BPTs. In the year under review, the principal area of interest was the terms on which the Heritage Lottery Fund might be able to support BPT projects. The AHF was consulted about this.

REVIEW OF THE FINANCIAL POSITION

Changes in accounting policies

Applying SORP

In October 1995, the Charity Commission published a revised Statement of Recommended Practice "Accounting by Charities" (SORP), at the same time as the Government published the Charities (Accounts and Reports) Regulations 1995 (Statutory Instrument 1995 No 2724). The Regulations brought into force Part VI of the Charities Act 1993 and became mandatory for accounting periods beginning on or after 1 March 1996.

The Architectural Heritage Fund anticipated the entry into force of Part VI of the Charities Act 1993 by following as far as possible the recommendations of the consultation version of SORP in its Report and Financial Statements for the period ended 31 March 1994 and for the years ended 31 March 1995 and 1996. It did not however analyse "incoming resources" by reference to the type of fund to which they relate or formally subdivide revenue and capital in accordance with the Regulations and as recommended by SORP.

After consulting its professional advisers, the Council of Management concluded that funds provided to the AHF for lending constituted the permanent capital of the charity and that income generated by these funds was "unrestricted income" as defined by SORP. The AHF's principal funders were informed of this and asked to confirm that income generated by the endowment fund was available for general expenditure.

The Council of Management is of the opinion that the Financial Statements 1996-97 comply with current statutory requirements and with the AHF's governing document.

To reflect the above, the Council of Management took the following decisions about the treatment of the AHF's resources with effect from 1 April 1996:

Endowment fund

To rename as the **endowment fund** what was formerly termed the "working capital" or the "revolving fund", to indicate that grants and donations sought and received for lending constitute a capital fund which cannot be spent. Because the AHF always publicised the fact that the revolving fund was wholly reserved for loans, this change is one of name only and has no practical effect.

Restricted fund

To hold grants received by the AHF for specific charitable programmes in a **restricted fund**.

Designated funds

To emphasise the AHF's commitment to providing financial and other support for preservation projects by transferring the greater part of the accumulated surplus on 31 March 1996, virtually all of which was "unrestricted" as defined by SORP, to a **designated lending fund** and a **designated projects fund**.

The purpose of the **designated lending fund** is to expand resources for lending and to provide a reserve for bad debts and other expenditure arising from loans.

The purpose of the **designated projects fund** is to supplement annual income available for expenditure on grants and non-financial programmes of assistance to BPTs and on other items at the discretion of the Council of Management and to provide a reserve for forward commitments arising from grants not disbursed during the year within which they are offered.

As necessary and to the extent that resources permit, to transfer to the designated funds at the end of each subsequent financial year a proportion of any annual surplus of income over expenditure. The sum transferred to the designated projects fund should not exceed 25% of the accumulated surplus on 31 March 1996 or of any annual surplus.

General fund

To retain in a **general fund** a sum equivalent to not more than 5% of the endowment fund on 31 March 1996 and thereafter to keep this fund at a level sufficient to meet at least one quarter of the AHF's budgeted annual expenditure. To decide at the end of each financial year, in the light of resources available and anticipated income and expenditure, what sum to retain in the general fund from any annual surplus of income over expenditure.

Revolving capital fund

To refer to the sum represented by the endowment fund and the designated lending fund as the **revolving capital fund**, in order to define total resources for lending and available to supplement loan-related expenditure.

Accruing interest on loans

Until 31 March 1996, the AHF made no allowance in its financial statements for interest on loans, which was brought into the accounts when received, not when due. In the course of discussions about SORP and AHF funds, the Council of Management reviewed this practice and decided that with effect from 1 April 1996, interest on loans should be included in the financial statements when due. This means that if a borrower does not pay all or part of the interest accrued on a loan at the end of the agreed loan period, the accounts will show the sum foregone as a loss. Provision will be made as necessary from the designated lending fund.

This change in accounting policy required retrospective application.

Transfers Between Funds

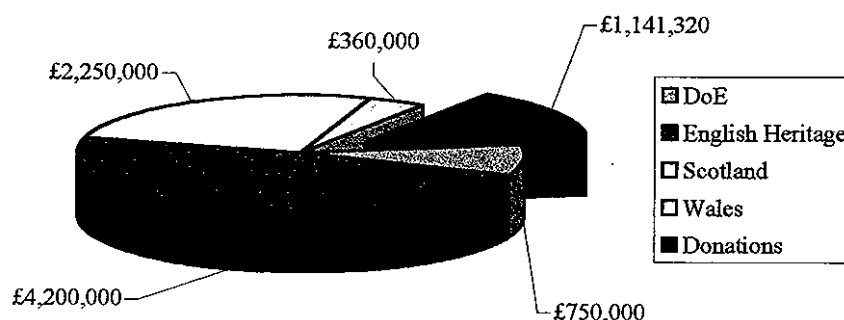
When determining the sums to be transferred to the two designated funds and retained in the general fund at the beginning and end of the year, the Council of Management took into account:

- The AHF's wish to maximise resources available for lending in order to support all eligible BPT projects and, if possible, eligible projects by some other organisations. The Council of Management believes that demand for loans will grow and that the AHF should demonstrate to BPTs, through the sum held in the designated lending fund, the very high priority it attaches to meeting this demand.
- The AHF's wish to provide increased support to BPTs, particularly in the form of grants towards the cost of work required before a project can proceed. The majority of grant offers made in one financial year are carried forward to the next. It is therefore essential to provide for forward commitments as well as for an expanded programme of assistance.
- The anticipated reduction in unrestricted income in 1997-98 following the decision to bring loan interest into the accounts when accrued.

Position at the Beginning of the Year

On 31 March 1996 the composition of the endowment fund was as follows:

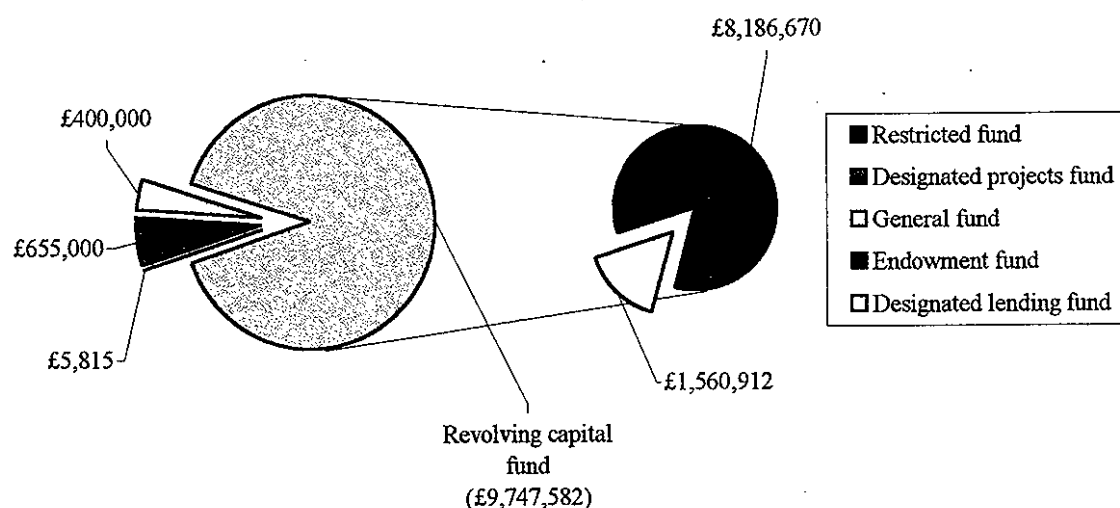
Figure 7: Sources of the Endowment Fund on 31 March 1996 (£8,186,670)



The change in accounting policy to bring in loan interest on an accrued basis increased the old "accumulated surplus" by £333,468. This meant that the AHF began the financial year with an accumulated surplus £2,621,727.

As a result of the transfers between funds made on 1 April 1996, the AHF had a revolving capital fund (endowment fund plus designated lending fund) of £9,747,582 and accumulated resources of £10,808,397.

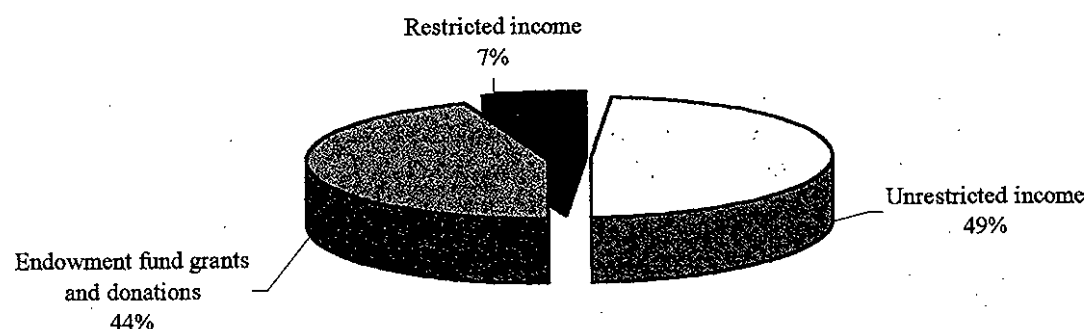
Figure 8: Accumulated Resources on 1 April 1996 (£10,808,397)



Incoming Resources and Resources Used

The Statement of Financial Activities (SOFA) shows that in the year ended 31 March 1997, the AHF received endowment fund grants and donations amounting to £514,650, restricted income of £81,551 and unrestricted income of £565,166. Interest on loans was £65,000 more than would have been the case if the AHF had continued to deal with loan interest on a cash received basis.

Figure 9: Incoming Resources in the Year Ended 31 March 1997 (£1,161,367)

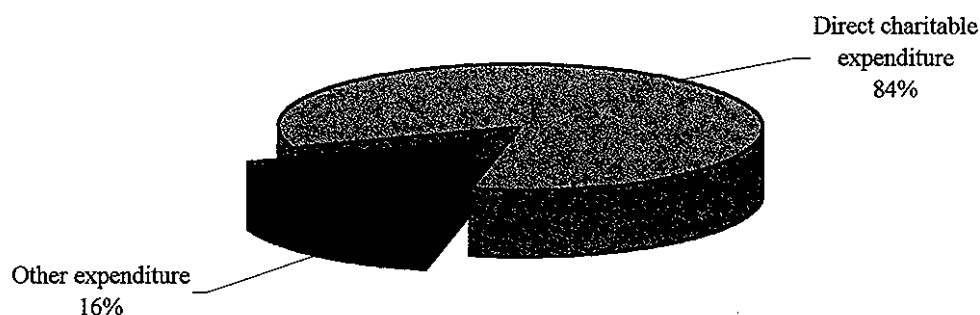


Resources Used

The AHF spent £520,306 during the year. Of this, "direct charitable" expenditure - on loan-related activities, grants, programme support (which includes non-financial assistance to BPTs, conferences and publications), the overheads which attach to these and the AHF's financial contribution to APT - constituted 84% of total expenditure. "Other", ie non charitable, expenditure - fundraising and publicity, the cost of managing and administering the AHF as a charity and a company and related overheads - constituted 16% of total expenditure and was equivalent to 1% of the endowment fund at the beginning of the year, easily within the AHF's self-imposed limit of 5% of the endowment fund for "other" expenditure.

Total expenditure in 1996-97 was £175,854 higher than in 1995-96. The principal increases were in programme support costs, feasibility study grants and bad debt provision (actual loss of interest and possible loss of loan principal and interest).

Figure 10: Resources Used in the Year Ended 31 March 1997 (£520,306)



Net Incoming Resources

The surplus of unrestricted income over expenditure during the year was £159,544. The sum of £3,830 in restricted income, received towards the cost of feasibility study grants which had been offered but not disbursed by 31 March 1997, was carried forward, together with the balance of some restricted income brought forward from the previous year.

The Investment Portfolio

No new funds were made available to the investment managers during the year. In September 1996 the Council of Management revised the AHF's investment objective to emphasise that priority should be given to optimising total return rather than to generating income.

The portfolio produced a total return of 4.4% in 1996-97. This was somewhat less than might have been expected, partly because of constraints imposed by the income requirement during the first six months. On 31 March 1997, the market value of the portfolio constituted just under 7.7% of the AHF's accumulated resources.

Resources reserved for lending (the revolving capital fund)

Endowment fund growth together with the transfer of more than £90,000 from the annual surplus to the designated lending fund on 31 March 1997 increased the revolving capital fund by just over £600,000 to £10.4 million, more than sufficient to meet all the AHF's year-end loan commitments.

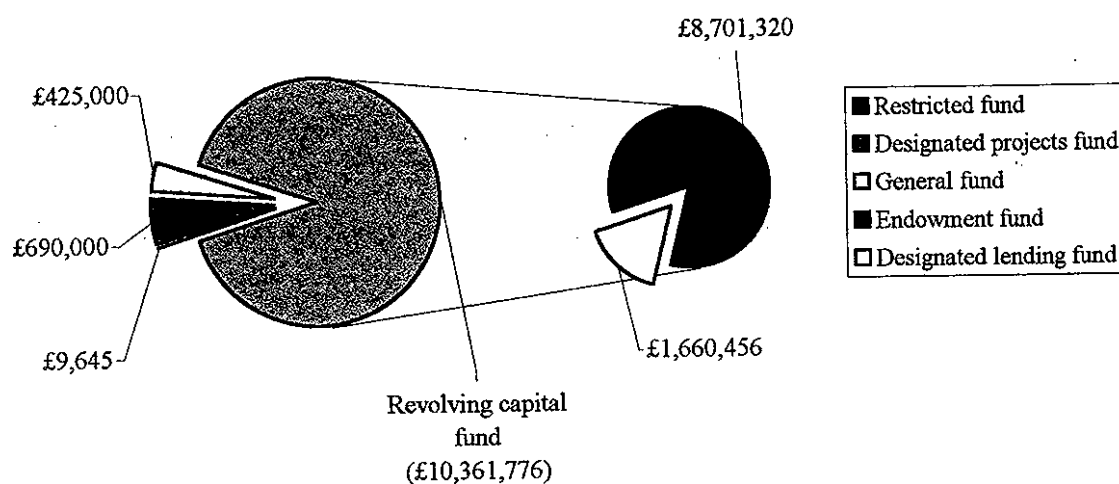
Other reserves

In view of forecast 1997-98 expenditure on grants and other programmes, exceptional items of non-charitable expenditure and the anticipated reduction in loan interest consequent upon the change in accounting policy referred to above, the Council of Management decided to transfer just over 20% of the annual surplus on 31 March 1997 to the designated projects fund as a reserve for direct charitable expenditure and to retain 15% of the annual surplus in the general fund as a reserve for other expenditure. The rest of the annual surplus was transferred to the designated lending fund, in order to increase resources ring fenced for lending.

Accumulated resources on 31 March 1997

At the end of the year, the AHF's accumulated resources stood at £11,486,421, an overall increase of £678,024 (just over 6%), divided between funds as follows:

Figure 11: Accumulated Resources on 31 March 1997 (£11,484,921)



The financial position on 31 March 1997

The Council of Management decided to make a transfer from the 1996-97 surplus to the designated projects fund on 31 March 1997 and to maintain the general fund at a level sufficient to cover at least one quarter of budgeted annual expenditure. In addition, the Department for

Culture, Media and Sport had confirmed special grants amounting to £55,000 towards the cost of the feasibility study and development programmes. The AHF therefore ended the year well placed to fulfil existing loan and grant commitments and to meet anticipated 1997-98 expenditure in the region of £700,000.

EVENTS SINCE THE BALANCE SHEET DATE

MEMBERSHIP OF THE COUNCIL OF MANAGEMENT

Dame Jennifer Jenkins retired from the Council of Management on 25 May 1997.

PROJECT PREPARATION GRANTS

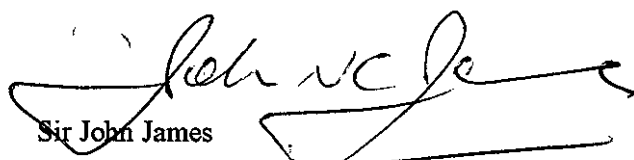
In June 1997, the Council of Management endorsed a proposal to which it had given approval in principle just before the end of the financial year, that the AHF should provide further assistance to BPTs in the form of refundable project preparation grants. Grants will be offered when it is clear from a loan application that a project is essentially viable but that further professional investigations are required before it can meet the AHF's terms and conditions. If the AHF is subsequently able to contract a loan for the project, the grant will become part of the loan principal and will be covered by the security taken for the loan. The Council of Management decided that the AHF should launch the programme with immediate effect for a trial period of three years, and that it should make an appropriate provision in its budget for this purpose.

OFFICE ACCOMMODATION

On 28 May 1997 the AHF moved to new offices in Clareville House, 26/27 Oxendon Street, London SW1Y 4EL, its lease at 27 John Adam Street having expired.

There have been no other events since the end of the year which materially affect the AHF's position.

Signed on behalf of the Members of the Council of Management by


Sir John James
Chairman

23 September 1997

The Architectural Heritage Fund

Financial Statements for the Year Ended 31 March 1997

THE ARCHITECTURAL HERITAGE FUND

Responsibilities of Members of the Council of Management

Company law requires the Council of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the AHF and of its income and expenditure for that period. In preparing those financial statements, the Council of Management is required to:

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

The Council of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the AHF, and for ensuring that the financial statements comply with the Companies Act 1985. It is also responsible for safeguarding the assets of AHF and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE ARCHITECTURAL HERITAGE FUND**Report of the auditors**

To the members of The Architectural Heritage Fund

We have audited the financial statements on pages 26 to 39 which have been prepared in accordance with the accounting policies set out on pages 29 and 30.

Respective responsibilities of the Council Members and auditors

As described on page 24 the Council members, who are also the directors of The Architectural Heritage Fund for the purposes of company law, are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial 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 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to The Architectural Heritage Fund'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 affairs at 31 March 1997 of The Architectural Heritage Fund and of its incoming resources and application of resources, including its income and expenditure in the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

23 September 1997

THE ARCHITECTURAL HERITAGE FUND

Statement of Financial Activities for the year ended 31 March 1997

Income and expenditure	Note	Endowment fund £	Restricted fund £	Unrestricted funds £	1997 Total £	1996 Total (restated) £
Incoming resources						
Government grants:						
- endowment fund	2	500,000	-	-	500,000	900,000
- special grants	3	-	81,551	-	81,551	74,752
Donations		14,650	-	-	14,650	9,579
Investment income		-	-	39,372	39,372	30,081
Interest receivable	4	-	-	514,995	514,995	463,460
Other income	5	-	-	10,799	10,799	12,980
Total incoming resources		514,650	81,551	565,166	1,161,367	1,490,852
Resources used						
Direct charitable expenditure:						
Loan related activities:						
- staff, legal and other costs		-	-	75,172	75,172	76,824
- bad debt provision/(write back)	6	-	-	45,215	45,215	(13,204)
Programme support activities	7	-	35,118	135,779	170,897	106,613
Feasibility study grants		-	42,603	69,445	112,048	66,164
Project administration grants		-	-	7,417	7,417	3,606
AHF contribution to Association of Preservation Trusts		-	-	24,950	24,950	21,931
Total direct charitable expenditure	8	-	77,721	357,978	435,699	261,934
Other expenditure:						
Fund raising and publicity		-	-	21,782	21,782	14,205
Management and administration		-	-	62,825	62,825	68,313
Total other expenditure	8	-	-	84,607	84,607	82,518
Total resources used	8	-	77,721	442,585	520,306	344,452
Net incoming resources		514,650	3,830	122,581	641,061	1,146,400
Other recognised gains and losses						
Realised gains on disposal of investments		-	-	2,217	2,217	18,568
Unrealised net investment gains		-	-	34,746	34,746	102,968
Net movement in funds	9	514,650	3,830	159,544	678,024	1,267,936
Balances brought forward at beginning of year	18	8,186,670	5,815	2,615,912	10,808,397	9,540,461
Balances carried forward at end of year	19	8,701,320	9,645	2,775,456	11,486,421	10,808,397

All amounts relate to continuing activities. No activities have either been discontinued or acquired.

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

The net income for the year on the historical cost basis is £643,278 (1996 - £1,164,968).

The notes on pages 29 to 39 form part of these financial statements.

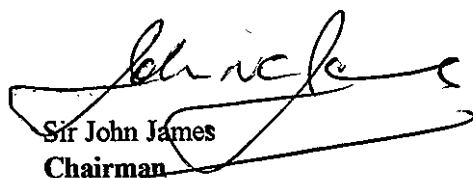
THE ARCHITECTURAL HERITAGE FUND


Balance Sheet as at 31 March 1997

	Note	1997	1996 (restated)
		£	£
Fixed assets			
Tangible assets	13	11,342	13,252
Investments	14	883,224	873,294
		<u>894,566</u>	<u>886,546</u>
Current assets			
Debtors			
- Loans disbursed for preservation projects	15	4,973,435	4,722,702
- Other debtors	16	380,046	446,546
Cash at bank and in hand		<u>5,245,068</u>	<u>4,762,651</u>
		10,598,549	9,931,899
Creditors: amounts falling due within one year	17	<u>6,694</u>	<u>10,048</u>
Net current assets		10,591,855	9,921,851
Net assets		<u>11,486,421</u>	<u>10,808,397</u>
Funds			
Endowment fund	19	8,701,320	8,186,670
Designated lending fund	19	1,660,456	1,560,912
Revolving capital fund	19	10,361,776	9,747,582
Restricted fund	19	9,645	5,815
Designated projects fund	19	690,000	655,000
General fund	19	425,000	400,000
Accumulated resources		<u>11,486,421</u>	<u>10,808,397</u>

The designated lending fund, designated projects fund and general fund are unrestricted funds.
Debtors include loans disbursed which are receivable after more than one year of £1,903,520 (1996 - £1,758,994).

The financial statements were approved by the Members of the Council on 23 September 1997.


Sir John James
Chairman


Mr Peter Rumble
Deputy Chairman

The notes on pages 29 to 39 form part of these financial statements

THE ARCHITECTURAL HERITAGE FUND

Cash flow statement for the year ended 31 March 1997

	Note	1997	1996 (restated)
		£	£
Net cash inflow from operating activities	(see below)	460,894	1,322,221
Capital expenditure and financial investment			
Purchase of fixed assets		(5,510)	(7,110)
Purchase of investments		(29,818)	(170,395)
Sale of investments		56,851	176,666
		<u>21,523</u>	<u>(839)</u>
Increase in cash		482,417	1,321,382
Cash at beginning of year		4,762,651	3,441,269
Cash at end of year		<u>5,245,068</u>	<u>4,762,651</u>

Note to the cash flow statement

Reconciliation of net incoming resources to net cash inflow from operating activities

Net incoming resources	641,061	1,146,400
Loans advanced during the year	(2,543,384)	(1,900,569)
Loans repaid during the year	2,262,651	2,111,642
Adjustment for bad debt provision	30,000	11,028
Adjustment for depreciation	7,420	6,318
Decrease/(increase) in debtors	66,500	(25,697)
Decrease in creditors	(3,354)	(26,901)
	<u>460,894</u>	<u>1,322,221</u>

The notes on pages 29 to 39 form part of these financial statements

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997

1 Accounting policies

The financial statements have been prepared, under the historical cost convention as modified by the revaluation of fixed asset investments, and unless otherwise stated, are in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting by Charities" (SORP). The following accounting policies have been applied:

Grants and donations

These are included in the Statement of Financial Activities when receivable.

Interest on loans

The Architectural Heritage Fund makes loans in furtherance of its objects. The terms of repayment and the rate of interest are laid down by the Council and embodied in a legal agreement. The financial statements include interest accrued on the outstanding loans during the year. Previously the financial statements only included interest received on these loans during the year. The result of this change in accounting policy which has been applied retrospectively has been to increase the accumulated resources at 31 March 1995 by £269,375 and to increase the net movement in funds for the year to 31 March 1996 by £64,093 (see note 18).

Depreciation

Depreciation is calculated to write off the cost, less estimated residual value, of all fixed assets over their estimated useful lives at the following annual rate:

Computer and office equipment	-	20% on cost
-------------------------------	---	-------------

Investments

Investments are included at market value. Gains or losses on investments whether realised or not, are disclosed in the Statement of Financial Activities in the year in which they arise.

Pensions

Pension costs are charged to the Statement of Financial Activities in the year in which they become payable (see note 21 for details).

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

1 Accounting policies (*Continued*)

Definitions

Endowment fund

Grants and donations sought and received for lending to preservation projects constituting a capital fund which cannot be expended.

Designated lending fund

Resources allocated by the Council of Management from the AHF's unrestricted funds to be available for lending and to constitute a reserve for bad debts on loans and for any expenditure on loans which cannot be met from annual income.

Revolving capital fund

Total resources for lending and for loan-related expenditure, namely the sum represented by the endowment fund and the designated lending fund.

Restricted fund

Grants towards the cost of specific charitable programmes are restricted income held in the restricted fund.

Designated projects fund

Resources allocated by the Council of Management from the AHF's unrestricted funds to be used as necessary to supplement annual income required for feasibility study grants, project administration grants and any other grants made by the AHF, non-financial programmes of assistance to buildings preservation trusts and other items of direct charitable expenditure at the discretion of the Council of Management.

General fund

Income generated by the endowment fund, designated lending fund, and designated projects fund goes into the general fund and is treated as general income available without restriction to meet annual expenditure.

2 Grants to enlarge endowment fund

	1997 £	1996 £
English Heritage	400,000	400,000
Secretary of State for Scotland, on the advice of the Historic Buildings Council for Scotland	100,000	500,000
	<hr/>	<hr/>
	500,000	900,000
	<hr/>	<hr/>

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

3 Special grants

	1997 £	1996 £
Department of National Heritage grants towards:		
Development programme	30,000	27,139
Feasibility study grants programme	25,000	25,000
	<hr/>	<hr/>
	55,000	52,139
Secretary of State for Scotland grants towards:		
Feasibility study grants programme	6,000	1,905
Secretary of State for Wales grants towards:		
Development programme	5,118	3,853
Feasibility study grants programme	15,433	16,855
	<hr/>	<hr/>
	81,551	74,752
	<hr/>	<hr/>

These grants are geographically restricted and are also restricted to the specific programme for which each was offered. They were all disbursed during the year apart from £7,375 (1996 - £5,815) of the Department of National Heritage's grant for the feasibility study grants programme. The Department agreed with the AHF that this amount, together with £2,270 of the amount brought forward from year ended 31 March 1996 and not disbursed during the year should be held for disbursement after the year end.

4 Interest receivable

	1997 £	1996 £
On loans disbursed for preservation projects	222,282	232,491
On bank deposits	292,713	230,969
	<hr/>	<hr/>
	514,995	463,460
	<hr/>	<hr/>

5 Other income

Conference receipts	830	2,035
Sundry income	2,404	4,852
Refund from the Association of Preservation Trusts	7,565	6,093
	<hr/>	<hr/>
	10,799	12,980
	<hr/>	<hr/>

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

6 Bad debt provision/(write back)

This year provision has been made for potential bad debts and for loss of interest on loans disbursed for preservation projects. Last year a loan was recovered at a greater amount than anticipated and the surplus provision was therefore written back to the Statement of Financial Activities.

7 Programme support activities

	1997 £	1996 £
Programme support activities:		
Staff costs (apportioned - see note 8)	47,317	43,614
Premises and overheads (apportioned - see note 8)	22,137	12,231
Publications (printing and distribution)	34,254	14,979
Photography and design	8,526	14,450
Professional fees	9,292	5,261
Travel and subsistence	1,503	1,688
	<hr/>	<hr/>
	123,029	92,223
Development programme	12,718	12,563
AHF conferences	35,150	1,827
	<hr/>	<hr/>
	170,897	106,613
	<hr/>	<hr/>

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

8 Analysis of total resources used

	Direct costs £	Premises and overheads £	Staff costs £	1997 Total £	1996 Total £
Direct charitable expenditure					
Loan related activities:					
- staff, legal and other costs	17,418	11,942	45,812	75,172	76,824
- bad debts	45,215	-	-	45,215	(13,204)
Programme support activities	101,443	22,137	47,317	170,897	106,613
Feasibility study grants	90,292	4,728	17,028	112,048	66,164
Project administration grants	6,750	-	667	7,417	3,606
AHF contribution to Association of Preservation Trusts	-	4,415	20,535	24,950	21,931
	<u>261,118</u>	<u>43,222</u>	<u>131,359</u>	<u>435,699</u>	<u>261,934</u>
Other expenditure					
Fund raising and publicity	7,204	1,681	12,897	21,782	14,205
Management and administration	17,023	15,550	30,252	62,825	68,313
	<u>24,227</u>	<u>17,231</u>	<u>43,149</u>	<u>84,607</u>	<u>82,518</u>
Total resources used	<u>285,345</u>	<u>60,453</u>	<u>174,508</u>	<u>520,306</u>	<u>344,452</u>

Lists of feasibility study grants and project administration grants disbursed will be found in the published Annual Report 1996/97.

Premises and overheads and staff costs have been apportioned over the activities shown under direct charitable expenditure and also between other expenditure. The apportionment is made by reference to the time spent by the staff.

The principal fund raising and publicity activity is the production and distribution of the annual report. Part of the costs of the annual report also falls under programme support activities and part under management and administration.

Expenditure on management and administration comprises those costs inherent in running the organisation as a charity and as a company such as Council meetings, accounting and legal costs and related employment, premises and administrative costs.

The AHF is a founder member of the United Kingdom Association of Building Preservation Trusts (APT) and provides it with financial and other support. The amount shown above represents money spent by the AHF on APT's behalf.

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

9 Net movement in funds

	1997 £	1996 £
This is arrived at after charging:		
Depreciation	7,420	6,318
Auditors' remuneration - audit	4,994	4,700
- accountancy and financial advice	3,735	3,643
- IT consultancy	3,297	-
- payroll services	740	729
	<u> </u>	<u> </u>

10 Employees

The average monthly number of employees during the year was as follows:

Number	Number
5	6
<u> </u>	<u> </u>

Staff emoluments (salaries and benefits) fell within the following ranges:

£ 0 - £ 10,000	-	1
£ 10,001 - £ 20,000	1	1
£ 20,001 - £ 30,000	2	2
£ 30,001 - £ 40,000	1	2
£ 40,001 - £ 50,000	1	-
	<u> </u>	<u> </u>
	5	6
	<u> </u>	<u> </u>

Staff costs consist of:

	£	£
Salaries	127,743	117,173
Social security costs	13,030	12,077
Pension contributions	9,553	8,597
	<u> </u>	<u> </u>
	150,326	137,847
	<u> </u>	<u> </u>

Staff costs includes full-time employees only. The amount of £174,508 shown in note 8 includes APT staff costs and temporary staff.

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

11 Members of the Council

No Member of the Council received any remuneration from the AHF in this or the previous year. There were no loans between Members of the Council and the AHF in this or the previous year.

Some of the Members of the Council are also directors or trustees of, or consultants to, organisations that receive financial assistance from the AHF. In those circumstances, the Member concerned discloses his or her interest at the meeting at which the application is considered and takes no part in the Council of Management's decision on the application. Any financial assistance is made in the ordinary course of the AHF's activities.

During the year six Members of the Council were reimbursed expenses for travel and subsistence amounting to £2,153 (1996 - five members were reimbursed £2,204).

12 Taxation

No charge to taxation arises on the net income for the financial year.

13 Tangible assets

	Computer and office equipment £
<i>Cost</i>	
At 1 April 1996	31,592
Additions	5,510
	<hr/>
At 31 March 1997	37,102
	<hr/>
<i>Depreciation</i>	
At 1 April 1996	18,340
Charge for the year	7,420
	<hr/>
At 31 March 1997	25,760
	<hr/>
<i>Net book value</i>	
At 31 March 1997	11,342
	<hr/>
At 31 March 1996	13,252
	<hr/>

The fixed assets are used mainly for direct charitable activities.

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

14 Investments

	£	
Market value at 1 April 1996		873,294
Purchases at cost		29,818
Sales proceeds from disposals		(56,851)
Unrealised gain on investments during the year		34,746
Realised gain on disposals during the year		2,217
		<hr/>
Market value at 31 March 1997		883,224
		<hr/>
	Cost	Market
	£	value
		£
Analysis of investments (all listed) at the balance sheet date:		
UK equities	405,553	560,673
European equities	17,276	45,797
Other overseas equities	82,636	67,175
	<hr/>	<hr/>
	505,465	673,645
UK fixed interest securities	199,593	209,579
	<hr/>	<hr/>
At 31 March 1997	705,058	883,224
	<hr/>	<hr/>
At 31 March 1996	718,106	873,294
	<hr/>	<hr/>

Investments at the balance sheet date include the following, which represent more than 5% by value of the total investments:

	£
10% Treasury Stock 2001	50,647
10% Treasury Stock 2003	50,964
6.75% Treasury Stock 2004	66,056
Mercury Keystone Investment Trust Plc	47,135
T R Smaller Companies Investment Trust Plc	70,800
Edinburgh Unit Trust Manager UK smaller companies	45,722
M & G Securities Equity Income Fund	64,199
Mercury Fund Managers Income Fund	57,131
Morgan Grenfell Investment Fund UK Equity	46,185
PDFM Unit Managers UK Exempt Fund	85,966
Perpetual Unit Trust Management UK Growth	47,259
Schroder Unit Trust UK Enterprise Fund	96,277
Henderson Investors European Trust	45,797

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (Continued)

15 Loans disbursed for preservation projects	£
At 1 April 1996	4,722,702
Loans advanced during the year	2,543,384
Loans repaid during the year	(2,262,651)
	<hr/>
	5,003,435
Provision for bad debts on loans disbursed	(30,000)
	<hr/>
At 31 March 1997	4,973,435
	<hr/>

£1,903,520 of loans disbursed fall due for repayment after more than one year (1996 - £1,758,994).

16 Other debtors	1997 £	1996 £
Accrued interest receivable	359,367	405,375
Prepayments	5,880	9,220
Other debtors	14,799	31,951
	<hr/>	<hr/>
	380,046	446,546
	<hr/>	<hr/>

17 Creditors: amounts falling due within one year		
Accruals	6,694	10,048
	<hr/>	<hr/>

18 Prior year adjustment		
Accumulated resources at 31 March 1996	10,474,929	9,271,086
Prior year adjustment on change of accounting policy for interest receivable on loans disbursed for preservation projects	333,468	269,375
	<hr/>	<hr/>
Restated accumulated resources at 31 March 1996	10,808,397	9,540,461
	<hr/>	<hr/>

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

19 Accumulated resources										
	Endowment fund £	Designated lending fund £	Revolving capital fund £	Restricted fund £	Designated projects fund £	General fund £	Total £			
Balance at 31 March 1996 (restated see note 18)	8,186,670	-	8,186,670	-	-	2,621,727	10,808,397			
Transfers between funds on 1 April 1996	-	1,560,912	1,560,912	5,815	655,000	(2,221,727)	-			
Balance at 1 April 1996	8,186,670	1,560,912	9,747,582	5,815	655,000	400,000	10,808,397			
Net movement of funds for year before transfers	514,650	-	514,650	3,830	-	159,544	678,024			
Transfers between funds	-	99,544	99,544	-	35,000	(134,544)	-			
Balance at 31 March 1997	8,701,320	1,660,456	10,361,776	9,645	690,000	425,000	11,486,421			

The transfers between funds on 31 March 1996 and 31 March 1997 were made within the policy framework described in the Report of the Members of the Council of Management (pp.8 and 17-19) and reflect the Council of Management's opinion of the reserves required by the AHF in the short term (pp.21-22 of that Report.)

Endowment fund

The balance at 31 March 1997 of £8,701,320 includes the following amounts which were received from English Heritage, the Secretary of State for Scotland and the Secretary of State for Wales which have been reserved for lending in England, Scotland and Wales respectively: £4,200,000, £2,250,000 and £360,000.

THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1997 (*Continued*)

20 Commitments

	1997 £	1996 £
The AHF had the following commitments at the year end:		
Loans		
Contracted but not yet fully disbursed	330,793	691,156
Offered	4,192,500	3,069,770
	<hr/>	<hr/>
	4,523,293	3,760,926
Feasibility study grants		
Offered but not yet disbursed	98,075	108,966
Project administration grants		
Offered but not yet disbursed	31,500	8,250
	<hr/>	<hr/>
	4,652,868	3,878,142
	<hr/>	<hr/>

21 Pensions

The AHF operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the AHF in an independently administered fund.