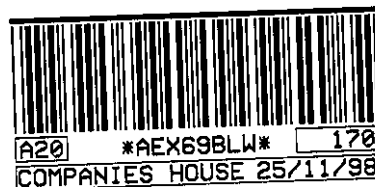




## **Report and Financial Statements for the Year Ended 31 March 1998**



# **Report and Financial Statements for the Year Ended 31 March 1998**

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## **Report of the Members of the Council of Management for the Year 1997 - 1998**

The Architectural Heritage Fund (AHF) promotes the permanent preservation of historic buildings in the United Kingdom by providing financial assistance, advice and information to buildings preservation trusts (BPTs) and by disseminating information about the work of BPTs to statutory and non-statutory bodies, non-government organisations and the public at large. BPTs - charities established to preserve historic buildings for the benefit of the nation - operate within defined geographical areas, usually a specific town or county.

### **HISTORY**

In 1969, the Civic Trust carried out a survey of the work of 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 BPTs 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**

#### **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.

## STATUS

The AHF is incorporated as a company limited by guarantee (company number 1150304) and is registered as a charity (number 266780). Its registered office is Clareville House, 26-27 Oxendon Street, London SW1Y 4EL.

## MANAGEMENT

The governing body of the AHF is the Council of Management, whose members have legal responsibility as directors of the AHF as a company and as trustees of the AHF as a charity. 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. 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.

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), and half by the AHF itself. Council members serve for terms of five years, renewable.

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 1998 were:

- \*Mr Nicholas Baring#
- +Mr William Cadell (*appointed 9 October 1997*)
- +Mr Robert Clow
- \*Mr Malcolm Crowder
- +Sir John James (*Chairman from 25 May 1997*)
- +Sir Brian Jenkins#
- +Dame Jennifer Jenkins (*Chairman until 25 May 1997; retired 25 May 1997*)
- \*Mr Peter Rumble# (*Deputy Chairman from 25 May 1997; retired 31 March 1998*)
- +Mrs Jane Sharman (*appointed 10 October 1997*)
- \*Mr Maurice Stonefrost# (*Vice Chairman from 25 May 1997; retired 31 March 1998*)
- \*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 the 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 1998 were:

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

## ADVISERS

The AHF's professional advisers in the year ended 31 March 1998 were:

<i>Solicitors:</i>	Paisner & Company, Bouverie House, 154 Fleet Street, London EC4A 2DQ
	Burness Solicitors, 242 West George Street, Glasgow G2 4QY
<i>Auditors:</i>	BDO Stoy Hayward, 8 Baker Street, London W1M 1DA
<i>Investment Managers:</i>	Cantrade Investment Management Ltd, No 4 Chiswell Street, Finsbury Square, London EC1Y 4UP

## BANKERS

The AHF's bankers were: National Westminster Bank plc,  
Westminster Branch, PO Box 3038, 57 Victoria Street,  
London SW1H 0HN

## 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 the Manager(s) power to buy and sell investments for the AHF.

## OPERATION AND POLICY

The principal way in which the AHF seeks to achieve its objects is by making short-term loans at a fixed and concessionary rate to enable BPTs and other charities to acquire and repair buildings which merit preservation. The AHF also makes grants to BPTs for initial feasibility studies, for specific further professional work 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.

## **IMPLEMENTATION OF POLICY**

Throughout its existence, the AHF has sought to carry out its responsibilities with marked financial prudence. With experience, it has been able to modify some of its original practices so as to respond to the needs of BPTs and provide them with greater financial assistance and advice, as well as to stimulate their creation. As the lender of last resort, the AHF is prepared to take reasonable financial risks if the historic and/or architectural merit of a particular scheme is considered sufficient to warrant this.

The extent to which the AHF is able to implement its policies is largely determined by the size of its endowment fund and annual income. The endowment fund, a capital fund that cannot be spent and is devoted to the provision of loans, is composed of government grants and private sector donations made over the years. Annual income is derived from interest on loans and bank deposits, investment income, government grants for particular programmes and sundry other sources.

Most money not on loan is kept on deposit, on the best terms consistent with financial prudence and ready accessibility. A proportion (not exceeding 10% of the AHF's accumulated resources) is held in an investment portfolio.

## **RESERVES POLICY**

The Council of Management considers it appropriate for the AHF to maintain reserves to safeguard the future of the charity in the event of any reduction in government grants and private sector donations and to enable the AHF to meet the demand for loans and grants, which is likely to continue to grow. It has reviewed its reserves policy, taking into account operating requirements and lending strategy, and concluded that the level of free reserves at the year end was appropriate to the needs of the AHF.

## **FINANCIAL ASSISTANCE**

### **Eligible Recipients**

Only organisations with charitable status are eligible for financial assistance from the AHF. Any charity with a qualifying project is eligible for an AHF loan. Only BPTs are eligible for AHF grants.

### **Eligible Projects**

Financial assistance from the AHF is available only for the acquisition, repair and conservation of properties that are on the statutory list of historic buildings, the schedule of ancient monuments or in a designated conservation area.

The project must involve either a change in the ownership of the property (usually through its acquisition by the applicant), or a change in its use, or both.

## **Loans**

### **Amount**

The AHF is willing to lend BPTs up to 75% of the estimated gross cost of an eligible project, subject to a limit of £500,000 per project.

Although the primary aim of the AHF is to help BPTs, it is willing to assist eligible projects undertaken by charities whose objects do not include the preservation of historic buildings. Loans to such organisations are restricted to a maximum of 50% of the estimated gross cost of the project and 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. See Financial Statements, Note 18.

### **Security**

The AHF requires security for every loan. This may take the form of a formal guarantee of repayment from a bank, local authority or comparable corporate body or of a first charge over any property (including the property for which the loan is required) to which the borrower has a free and marketable title. The AHF will lend up to 70% of a written estimate by an appropriately qualified professional of the open market sale value after repair of the property over which a charge is to be taken.

### **Duration**

The normal loan period is two years or until the building is sold (whichever is the shorter). The AHF may be willing to agree to a loan period of three years for an exceptionally large scale or complex project. The Council of Management will consider a request for extra time if a borrower makes a case for this before the loan repayment is due and the loan is still required for the purpose for which it was advanced. An interim payment to clear accrued interest up to the due date will normally be required before any extension can be agreed.

The AHF has first call on the proceeds of any sale that may occur in the course of a project.

### **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 the base rate of National Westminster Bank Plc from the date a loan falls due until it is repaid.

### **Overdue Loans**

When a loan secured by a repayment guarantee is not repaid by the due date the AHF can exercise its rights under the guarantee to enforce repayment. If the AHF decides to allow the borrower a further period within which to repay, the guarantor must provide a written extension of the guarantee for a specified term. Pending an extension, the AHF secures its position by serving a demand for repayment accompanied by an explanation that it does not propose to activate the demand for the time being.

There is no comparable procedure for loans secured by a first charge that are not repaid in accordance with the terms of the loan agreement. The AHF usually leaves such loans, and the first charge, in place until the borrower manages either to sell the property for which the loan was required, or to arrange a long-term commercial mortgage. If necessary, the AHF would exercise its rights under the charge in order to force a sale.

## Activity During the Year

### *Loans Contracted and Disbursed*

In 1997-98 the AHF contracted 14 new loans with a value of £2,693,000, an increase of £509,980 on the previous year. Each project for which a new loan was contracted is described in the *Annual Report 1997-98*.

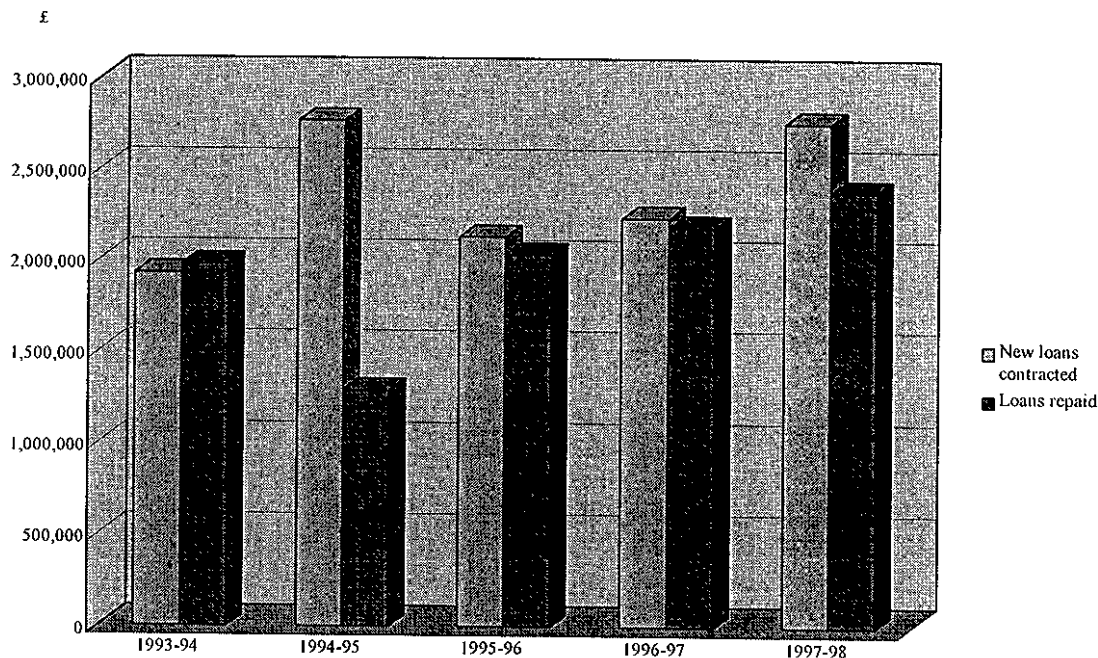
Loans secured by a repayment guarantee are normally advanced in a single instalment; those secured by a first charge in a series of instalments as work proceeds. During the year, the AHF advanced £1,776,451 in respect of the 14 new loans and of four loans contracted prior to 1 April 1997.

### *Loans Repaid*

Twenty-one loans with a contract value of £2,326,050 were fully repaid during the year, compared with 20 worth £2,032,000 in 1996-97. Ten of the 21 repayments were made before and six after the end of the agreed loan period.

Some loans are repaid in a single tranche; others in instalments which may spread across a year end. The amount repaid in 1997-98 was £2,142,454.

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

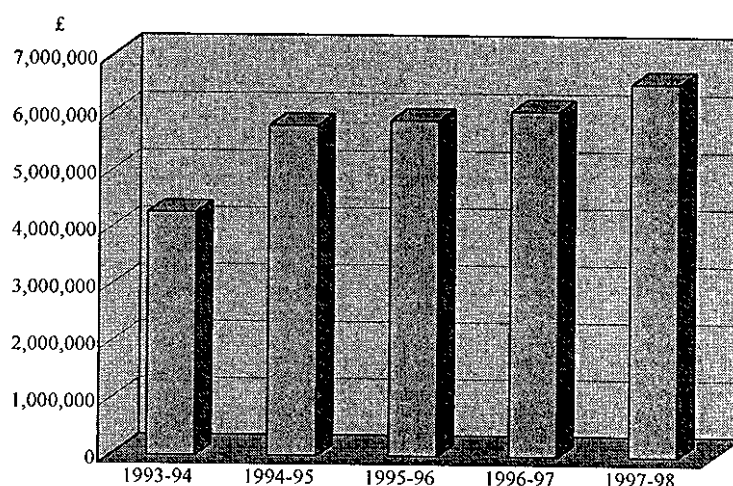




### *Loans Current at the End of the Year*

At the beginning of the year under review, the AHF had 50 current loans. New loans contracted and loans repaid during the year meant that on 31 March 1998 it had 45 current loans with a total contract value of £6,131,043. This was £366,950 more than the contract value of 50 current loans at the end of 1997. All 14 new loans contracted in 1997-98 continued into 1998-99, together with 31 loans contracted before 1 April 1997.

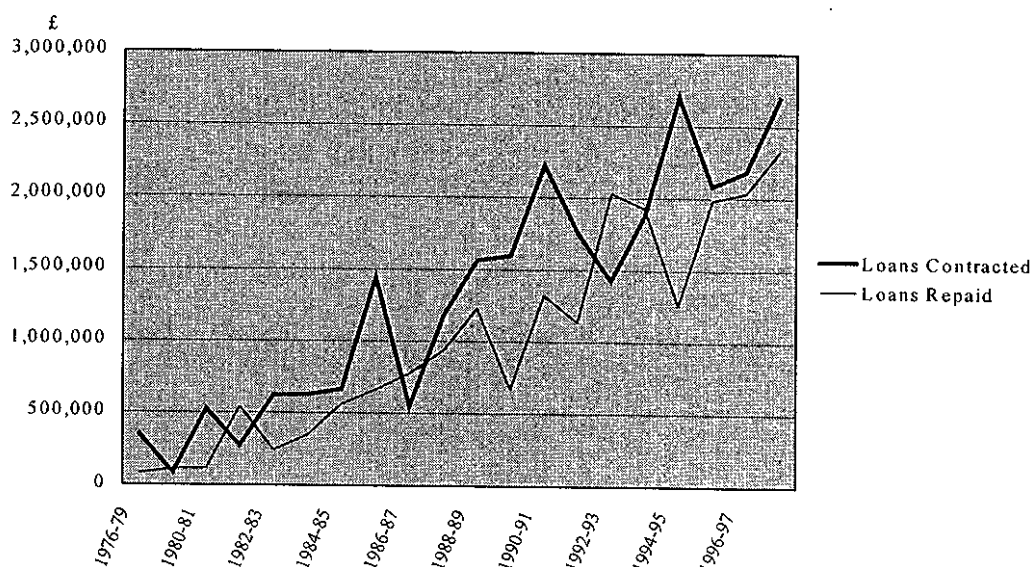
**Figure 2: Loans Current at the End of the Year (contracted value)**



### *Cumulative Value of Loans Contracted and Repaid*

The 14 new loans contracted in 1997-98 increased the cumulative value of AHF loans to £26,430,293 in respect of 355 projects. In the same period, 312 loans with a contract value of £20,299,250 were repaid.

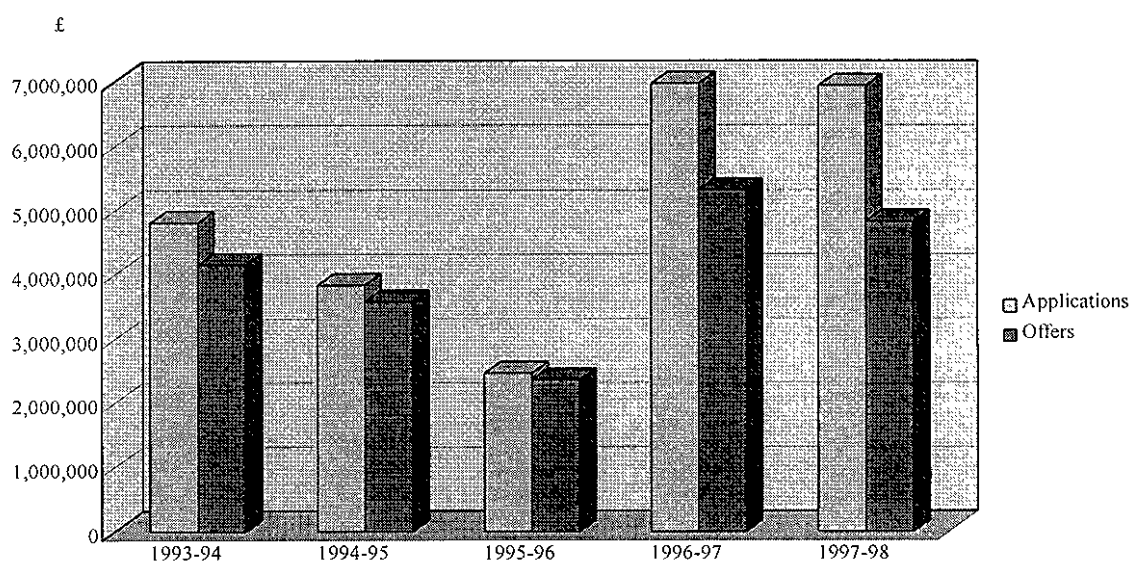
**Figure 3: Loans Contracted and Repaid, 1976-1998**



### *Loan Applications and Offers*

The AHF received 38 loan applications amounting to £6,558,681 and made 32 offers amounting to £4,603,600 during the year. This did not quite match the previous year's record (41 applications amounting to £6,792,900 and 37 offers worth £5,088,900), but both applications and offers were more than twice the value of those in 1995-96. Eleven loan offers made before 1997-98 and four made during the year were withdrawn.

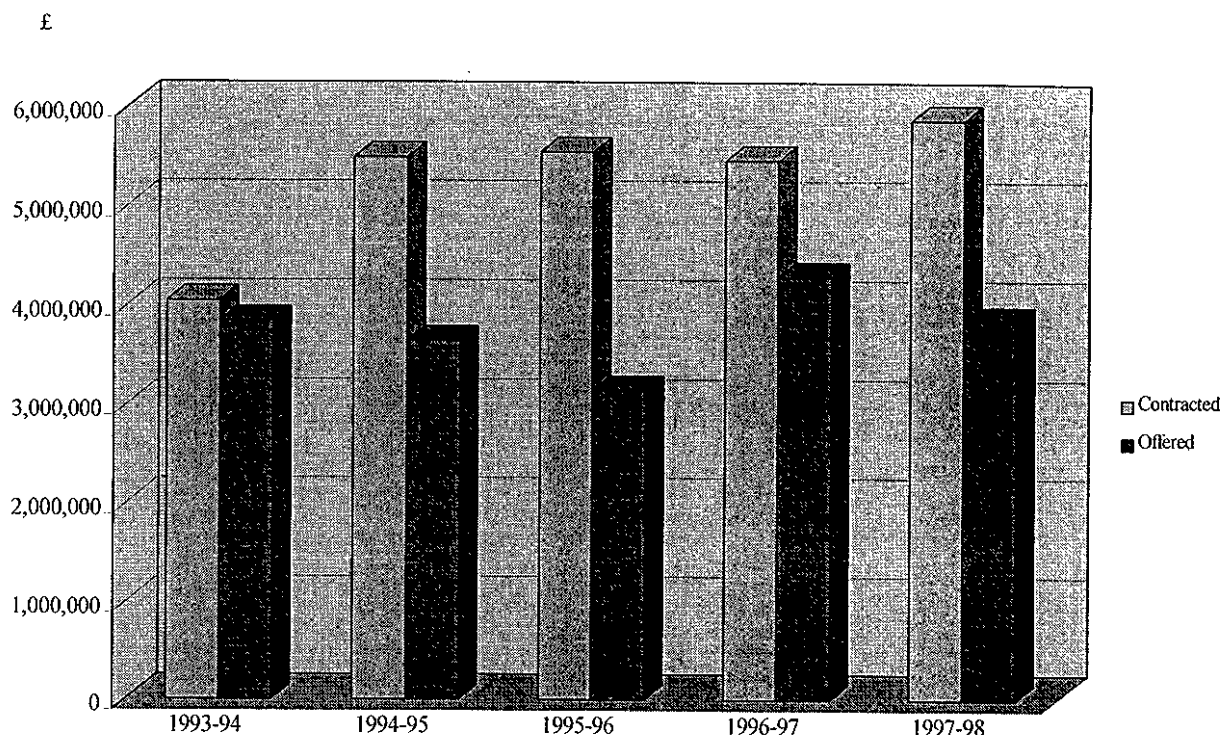
**Figure 4: Loans Applied for and Offered**



### *Loan Commitments*

On 31 March 1998 the AHF's overall loan commitments amounted to £9,487,797 for 75 projects. This sum comprised £4,625,432 for 45 loans contracted and fully disbursed, £1,101,265 contracted but not fully disbursed and 30 loan offers amounting to £3,761,100 (including £183,000 advanced to solicitors in respect of loans on the point of contract). At the end of the previous year overall loan commitments amounted to £9,526,728 in respect of 50 contracted loans and 29 loan offers.

**Figure 5: Loan Commitments at the End of the Year**  
*(including amounts waiting to be advanced but not including part repayments)*



The *Annual Report 1997-98* contains lists of loans contracted, repaid and offered during the year and of loans and loan offers current on 31 March 1998.

### Feasibility Study Grants

The AHF's programme of grants for feasibility studies is aimed at helping BPTs carry out initial appraisals of projects likely to involve the acquisition, repair, conservation and re-use of historic buildings. The maximum grant is normally £5,000, although the AHF may be prepared to offer up to £7,500 for a study on an exceptionally complex or large-scale potential project. The applicant BPT has to find 25% of the cost of the study from other sources.

A study eligible for an AHF grant will take a first look at the key conservation issues affecting the building, identify the most beneficial option and consider in outline the viability of that option. The results should be brought together in a report that indicates the likely success or failure of the project in conservation and financial terms and the further work that needs to be carried out to develop the preferred option to the point where funding applications can be submitted.

## Activity During the Year

### *Feasibility Study Grants Applied for and Offered*

During the year the AHF received 40 feasibility study grant applications amounting to £145,572 and made 35 offers amounting to £116,600.

#### Grants Applied For and Offered

<u>Year</u>	<u>Applications</u>	<u>Offers</u>
1996-97	£137,977 (38)	£114,611 (35)
1997-98	£145,572 (40)	£116,600 (35)

### *Feasibility Study Grants Disbursed and Offers Carried Forward*

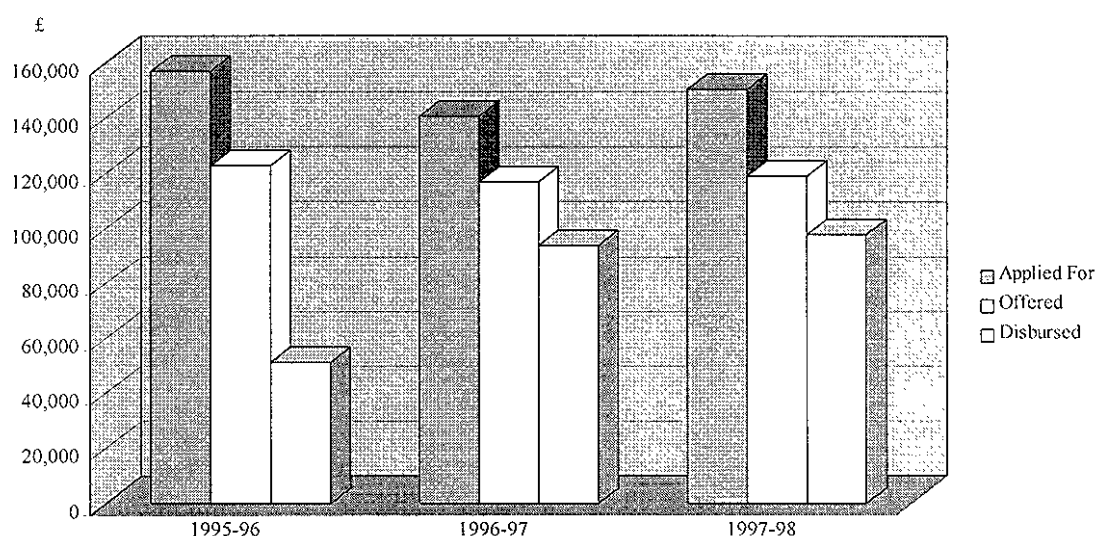
The AHF disbursed £95,899 for 33 feasibility studies in 1997-98. This exceeded the previous year's total of £90,292 for 27 studies. Every study for which a grant was disbursed is described in the *Annual Report 1997-98*.

#### Grants Disbursed

<u>Year</u>	<u>Grants Disbursed</u>	<u>Offers Carried Forward</u>	<u>Offers Withdrawn</u>
1996-97	£90,292 (27)	£ 98,075 (25)	£15,815 (5)
1997-98	£95,899 (33)	£111,200 (32)	£18,410 (7)

The *Annual Report 1997-98* lists all feasibility study grants disbursed and offered in 1997-98 and offers current on 31 March 1998.

**Figure 6: Feasibility Study Grants Applied For, Offered and Disbursed**



## **Refundable Loan Preparation Grants**

In June 1997 the AHF decided to introduce a new scheme of refundable grants of up to £15,000 to cover the cost of specific design and development work once this has been identified in a feasibility study and it is clear that the BPT will wish to take up an AHF loan for a project. The programme is intended to help BPTs develop projects to the point where the AHF can make a loan offer. The AHF hopes that by assisting BPTs that could not otherwise meet such costs, more projects will come to fruition.

When offered a loan preparation grant, a BPT must provide a written assurance that it intends to apply for an AHF loan if the project proceeds. It must also acknowledge that the sum disbursed as a grant will become repayable, together with interest at 5% from the date it was disbursed, on the repayment date of any loan the AHF may contract for the project.

### **Activity During the Year**

By the year-end the AHF had offered five loan preparation grants amounting to £60,400 and three grants totalling £4,481 had been disbursed. One of the three projects will not proceed because the trust was unable to acquire the building. Offers amounting to £41,706 were carried forward to 1998-99.

Projects in receipt of loan preparation grants and offers in 1997-98 are listed in the *Annual Report 1997-98*.

## **Project Administration Grants**

Since 1993 a BPT has been eligible to apply for a grant of £3,000 in conjunction with a loan application for its first project or first project for at least two years, provided it has no paid administrative support and its capital reserve does not exceed £5,000. The aim is to help inexperienced BPTs bring these projects to fruition and enhance their ability to undertake further projects.

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. A BPT is only eligible for one such grant.

### **Activity During the Year**

The AHF offered two project administration grants during the year and disbursed instalments of these and previous grants amounting to £17,250 (1996-97: £6,750 in grants disbursed). Offers amounting to £11,250 were carried forward to 1998-99.

The *Annual Report 1997-98* lists all project administration grants disbursed and offered in 1997-98.

## 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 published in each 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 1998, there were 171. BPTs on the register at 1 April 1995 are exempt from the provisions of Part V of the Local Government and Housing Act 1989.

### Advice and Information

The AHF has always sought to encourage the formation of BPTs and to give advice to BPTs on matters relevant to their charitable activities. In 1989 the AHF appointed a Development Officer to reinforce and expand this aspect of its work. During 1997-98 the AHF decided to integrate its financial and non-financial programmes of assistance in order to enhance its ability to identify and respond to BPTs' requirements. Job descriptions were modified so that staff could form a projects team with effect from 1 April 1998.

### Publications

The AHF's principal publication is its fully illustrated *Annual Report*. In 1997-98 the AHF produced a revised version of earlier guidance accompanying the standard Memorandum and Articles of Association for a BPT and published a revised and updated edition of its 1989 hand book, *How to Rescue a Ruin - by setting up a local Buildings Preservation Trust*. Also available is *The Architectural Heritage Fund - The First Twenty Years* (1996). In the course of the year the AHF researched and prepared *Funds for Historic Buildings in England and Wales - A Directory of Sources*, which was published in May 1998. The AHF has, since the date of the balance sheet, received grants towards the cost of the *Directory* from English Heritage and Cadw.

### The UK Association of Building Preservation Trusts

In 1989 the AHF helped 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.

## YEAR 2000 COMPLIANCE

The Council of Management is currently reviewing operating systems to assess the risks to the AHF's activities in relation to Year 2000 compliance. An action plan is being implemented in the light of this review. The cost of the exercise, which is not expected to be significant, will be met from unrestricted income.

## REVIEW OF THE FINANCIAL POSITION

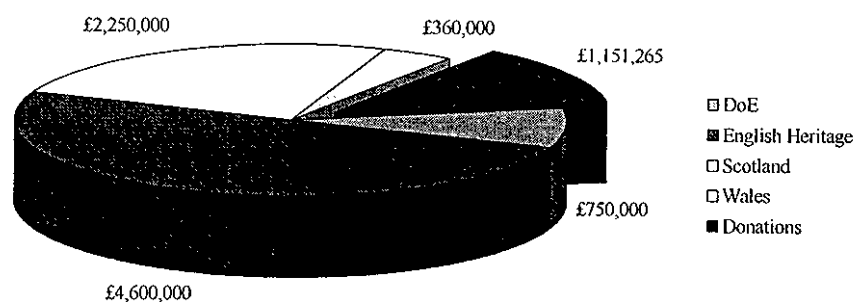
### Funds

#### Endowment Fund

At the beginning of the year the endowment fund, which is wholly reserved for making loans, stood at £8,701,320. As a result of further grants and donations, on 31 March 1998 it amounted to £9,111,265.

The endowment fund is composed of grants and donations received over the years from the following sources:

Figure 7: Sources of the Endowment Fund on 31 March 1998



That part of the endowment fund which derives from donations has to date been sufficient to finance loans for projects in parts of the UK for which geographically restricted grants were or are not available.

#### Restricted Fund

The restricted fund represents the balance of special programme grants from the government and private sector donations received for specific purposes and remaining unspent at the end of the year. At 31 March 1998, the restricted fund amounted to £2,516.

#### Other Funds For Charitable Purposes

The AHF has always augmented funds available for loans and provided resources for other charitable activities from the annual surplus of income over expenditure. In 1996, in the context of the Statement of Recommended Practice "Accounting by Charities" (SORP), the Council of Management decided to transfer most of the accumulated surplus into two designated funds, in order to build up and protect these resources. Designated funds are unrestricted funds set aside by the Council of Management for specific purposes.

The sums allocated to each designated fund are described below:

#### ***Designated lending fund***

The purpose of the designated lending fund is to increase the total amount available for loans and for expenditure arising in connection with loans. The balance of any net incoming resources remaining after the designated projects fund and general fund have been maintained within the policies described below is transferred each year to the designated lending fund.

It was not necessary for the AHF to draw on the designated lending fund to meet loan-related expenditure in 1997-98. At the end of the year the Council of Management decided to transfer £134,855 to this fund, which stood at £1,795,311 on 31 March 1998.

#### ***Revolving capital fund***

The total amount available for lending is shown in the balance sheet as the revolving capital fund and comprises the endowment fund and the designated lending fund. At 31 March 1998, as a result of 1997-98 endowment fund grants and donations and the transfer to the designated lending fund, the revolving capital fund stood at £10,906,576, an increase of £544,800.

#### ***Designated projects fund***

The purpose of the designated projects fund is to supplement annual income available for expenditure on grants and other forms of assistance to charities established to undertake preservation projects; to provide a reserve for future commitments arising from grants not disbursed during the year within which they are offered (see Financial Statements, note 18); and to provide for other expenditure at the discretion of the Council of Management. The Council of Management considers the designated projects fund at the end of each year with a view to transferring from the general fund a proportion of any net incoming resources, provided the total amount held in the designated projects fund does not exceed 25% of the unrestricted funds at the end of that year. At the end of the year, the Council of Management decided to transfer £60,000 to the designated projects fund, which stood at £750,000 on 31 March 1998.

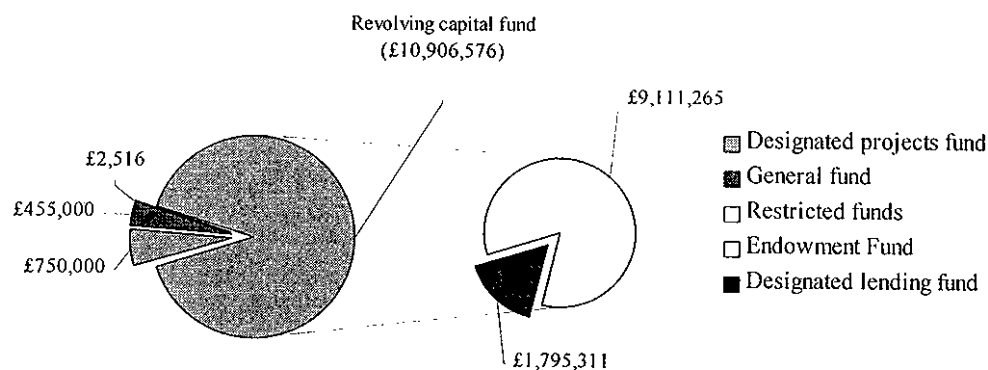
#### **General Fund**

The general fund comprises the funds that do not fall into one of the other classifications. The Council of Management set up this fund on 31 March 1996 with a balance equivalent to approximately 5% of the endowment fund. It makes transfers from net incoming resources each year so as to retain a comparable amount in the general fund, subject to a minimum equivalent to one quarter of AHF's budgeted annual expenditure. At 31 March 1998, the general fund amounted to £455,000.

#### **Total Funds**

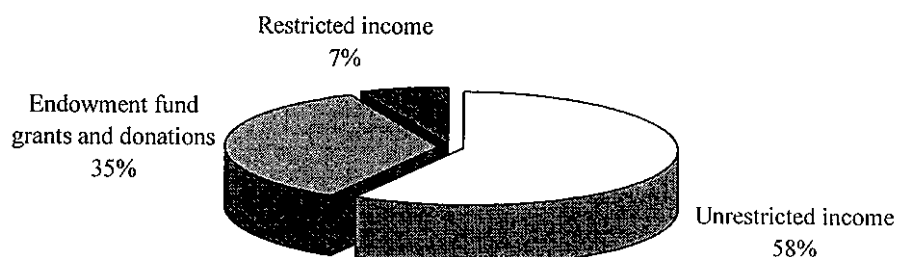
The AHF's total funds at 31 March 1998 amounted to £12,114,092.



**Figure 8: Accumulated Resources on 31 March 1998**

### Incoming Resources

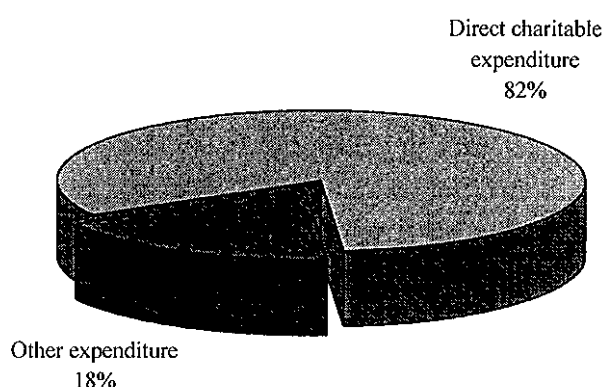
The statement of financial activities shows that in the year ended 31 March 1998, the AHF received endowment fund grants and donations amounting to £409,945, restricted income of £79,088 and unrestricted income of £685,353. Endowment fund income was £104,705 less than in the previous year, when the AHF received a grant of £100,000 from the Secretary of State for Scotland that was not repeated in 1997-98. Unrestricted income was £120,187 higher than in the previous year due largely to the increase in interest receivable on bank deposits following the sale of equity investments in December 1997.

**Figure 9: Incoming Resources (£1,174,386)**

### Resources Used

Resources used during the year amounted to £582,399, an increase of £62,093 on 1996-97. Of this, direct charitable expenditure – on loan-related activities, grants, programme support (which includes non-financial assistance to BPTs and publications), the overheads which attach to these and the AHF's contribution to APT – constituted 82% of the total. Other expenditure – ie expenditure on fundraising and publicity and on management and administration – constituted 18% of the total 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%.

Figure 10: Resources Used (£582,399)



The principal increase in expenditure was grants disbursed, which amounted to £117,630 in 1997-98 compared with £97,042 the previous year. This was due to the introduction of the loan preparation grant scheme (see above, p.11) and to increases in feasibility study and project administration grants disbursed during the year.

The cost of premises and overheads increased in 1997-98 as a result of the AHF's relocation to new offices upon the expiry of its previous lease in May 1997 and of a fundamental review of the IT system.

### Net Movement in Funds

The net movement in funds reflects £409,945 in grants and donations to the endowment fund during the year, net expenditure of restricted funds of £7,129, and a net excess of incoming resources over resources used of £224,855 on unrestricted funds during the year.

### Fixed Assets

The net value of tangible fixed assets increased from £11,342 to £57,503 as a result of capital expenditure on fixtures and fittings in the new premises and the upgrading of computer equipment and systems during the year.

### Investments

In December 1997, the Council of Management decided, in the light of market and economic conditions, to sell that proportion of its resources held in equities. The sale realised £704,854, a gain of £26,505 on the market value of the equities at the end of the previous financial year. On 31 March 1998 the market value of the investment portfolio comprised 1.8% of the AHF's net assets.

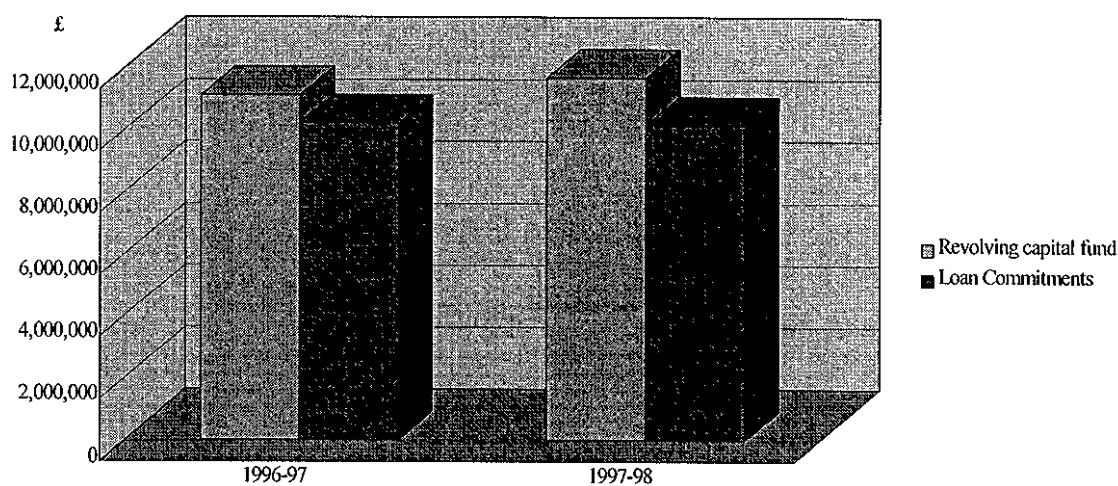
### Loans

Loans advanced during the year amounted to £1,776,451 and loans repaid to £2,142,454. At the end of the year, the value of 45 current loans advanced was £4,625,432.

In addition, commitments had been made but loans had not been advanced for a further £4,862,365 (for a breakdown, see "Loan commitments", p.8 above).

The value of overall loan commitments on 31 March 1998 was therefore £9,487,797 (see p.8), or 91% of the revolving capital fund at the beginning of the year. During the year, a further £409,945 was added to the endowment fund and £134,855 to the designated lending fund, so total loan commitments were equivalent to 86% of the revolving capital fund at the end of the year. The Council of Management's target for loan commitments is 120% of the revolving capital fund.

**Figure 11: Year-end Loan Commitments and the Revolving Capital Fund**



**Cash at Bank and in Hand**

Cash at bank and in hand increased from £5,245,068 to £6,620,892 during the year.

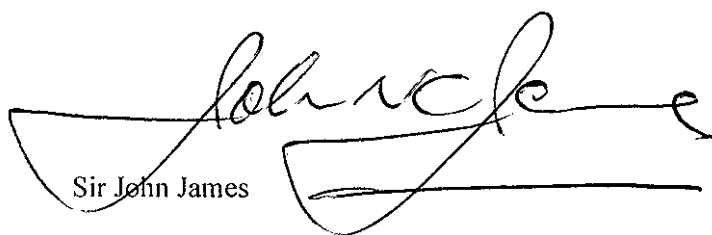
**The Financial Position on 31 March 1998**

Having reviewed the current financial position and forward commitments, the Council of Management decided to make transfers from the general fund to the designated lending fund and designated projects fund on 31 March 1998 as described above. The Department for Culture, Media and Sport confirmed special grants amounting to £55,000 towards feasibility study grants and other programmes and an endowment fund grant of £350,000 for 1998-99. The Council of Management is confident that the AHF's resources will be sufficient to meet existing loan and grant commitments and to meet anticipated 1998-99 expenditure in the region of £700,000.

**EVENTS SINCE THE BALANCE SHEET DATE**

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

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

A handwritten signature in dark ink, appearing to read 'John James', is written over a horizontal line. The signature is fluid and cursive.

*Chairman*

22 September 1998

# **The Architectural Heritage Fund**

## **Financial Statements**

**For the Year Ended 31 March 1998**

## **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 Architectural Heritage Fund ("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**

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**To the members of The Architectural Heritage Fund**

We have audited the financial statements on pages 22 to 33 which have been prepared in accordance with the accounting policies set out on page 25.

*Respective responsibilities of the Council Members and auditors*

As described on page 20 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 1998 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

BDO Stoy Hayward.

22 September 1998

# THE ARCHITECTURAL HERITAGE FUND

## Statement of Financial Activities for the year ended 31 March 1998

Income and expenditure	Note	Endowment fund £	Restricted fund £	Unrestricted funds £	1998 Total £	1997 Total £
<b>Incoming resources</b>						
Government grants:						
- Endowment fund	2	400,000	-	-	400,000	500,000
- Special grants	3	-	79,088	-	79,088	81,551
Donations		9,945	-	-	9,945	14,650
Investment income		-	-	35,338	35,338	39,372
Interest receivable	4	-	-	631,631	631,631	514,995
Refund from Association of Preservation Trusts		-	-	10,572	10,572	7,565
Other income	5	-	-	7,812	7,812	3,234
<b>Total incoming resources</b>		<b>409,945</b>	<b>79,088</b>	<b>685,353</b>	<b>1,174,386</b>	<b>1,161,367</b>
<b>Resources used</b>						
Direct charitable expenditure:						
Loan-related activities:						
- Staff, legal and other costs		-	-	121,474	121,474	75,172
- Bad debt (write back)/provision		-	-	(215 )	(215 )	45,215
Programme support activities	7	-	36,369	125,728	162,097	170,897
Loan preparation grants		-	-	12,229	12,229	-
Feasibility study grants		-	49,848	89,440	139,288	112,048
Project administration grants		-	-	18,800	18,800	7,417
Contribution to Association of Preservation Trusts		-	-	25,572	25,572	24,950
<b>Total direct charitable expenditure</b>	<b>6</b>	<b>-</b>	<b>86,217</b>	<b>393,028</b>	<b>479,245</b>	<b>435,699</b>
<b>Other expenditure</b>						
Fund raising and publicity		-	-	30,905	30,905	21,782
Management and administration		-	-	72,249	72,249	62,825
<b>Total other expenditure</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>103,154</b>	<b>103,154</b>	<b>84,607</b>
<b>Total resources used</b>	<b>6</b>	<b>-</b>	<b>86,217</b>	<b>496,182</b>	<b>582,399</b>	<b>520,306</b>
<b>Net incoming/(outgoing) resources</b>		<b>409,945</b>	<b>(7,129 )</b>	<b>189,171</b>	<b>591,987</b>	<b>641,061</b>
<b>Other recognised gains and losses</b>						
Realised gains on disposal of investments		-	-	26,505	26,505	2,217
Unrealised net investment gains		-	-	9,179	9,179	34,746
<b>Net movement in funds</b>	<b>8</b>	<b>409,945</b>	<b>(7,129 )</b>	<b>224,855</b>	<b>627,671</b>	<b>678,024</b>
Balances at 1 April 1997	21	8,701,320	9,645	2,775,456	11,486,421	10,808,397
<b>Balances at 31 March 1998</b>	<b>21</b>	<b>9,111,265</b>	<b>2,516</b>	<b>3,000,311</b>	<b>12,114,092</b>	<b>11,486,421</b>

All amounts relate to continuing activities. No activities have been discontinued; the grants programme was extended during the year to include loan preparation grants. 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 £618,492 (1997 - £643,278).

The notes on pages 25 to 33 form part of these financial statements.



# THE ARCHITECTURAL HERITAGE FUND

## Balance Sheet as at 31 March 1998

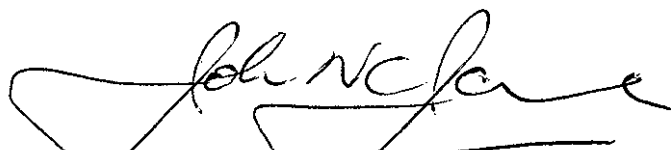
	Note	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	13	57,503	11,342
Investments	14	218,758	883,224
		<u>276,261</u>	<u>894,566</u>
<b>Current assets</b>			
Debtors			
- Loans disbursed for preservation projects	15	4,625,432	4,973,435
- Other debtors	16	601,314	380,046
Cash at bank and in hand		6,620,892	5,245,068
		<u>11,847,638</u>	<u>10,598,549</u>
<b>Creditors: amounts falling due within one year</b>	17	9,807	6,694
<b>Net current assets</b>		<u>11,837,831</u>	<u>10,591,855</u>
<b>Net assets</b>		<u>12,114,092</u>	<u>11,486,421</u>
<b>Funds</b>			
Endowment fund	21	9,111,265	8,701,320
Designated lending fund	21	1,795,311	1,660,456
<b>Revolving capital fund</b>	21	10,906,576	10,361,776
Restricted funds	21	2,516	9,645
Designated projects fund	21	750,000	690,000
General Fund	21	455,000	425,000
<b>Accumulated resources</b>		<u>12,114,092</u>	<u>11,486,421</u>

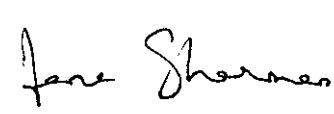
The AHF had commitments of £4,843,521 in respect of loan and grant offers at the year end (1997 - £4,652,868): see Note 18.

The designated lending fund, designated projects fund and general fund are unrestricted funds.

Debtors include £1,781,735 in loans disbursed which are receivable after more than one year (1997 - £1,903,520).

The financial statements were approved by the Members of the Council on 22 September 1998.

  
Sir John James  
Chairman

  
Mrs Jane Sharman  
Deputy Chairman

The notes on pages 25 to 33 form part of these financial statements.

# THE ARCHITECTURAL HERITAGE FUND

## Cash Flow Statement for the year ended 31 March 1998

	1998	1997
	£	£
Net cash inflow from operating activities (see Note 19)	745,830	460,894
Capital expenditure and financial investment		
Purchase of fixed assets	(70,156)	(5,510)
Purchase of investments	(4,804)	(29,818)
Sale of investments	704,954	56,851
	629,994	21,523
Management of liquid resources	1,375,824	482,417
Movement in short term deposits	1,306,926	(390,307)
Increase in cash (see note below)	2,682,750	92,110

### Note

Reconciliation of net cashflow to movement in net funds	£
Increase in cash in the period	2,682,750
Cash realised from decrease in liquid resources	(1,306,926)
Change in net funds	1,375,824
Net funds at 1 April 1997	5,245,068
Net funds at 31 March 1998 (see Note 20)	6,620,892

The notes on pages 25 to 33 form part of these financial statements.

## THE ARCHITECTURAL HERITAGE FUND

### Notes forming part of the financial statements for the year ended 31 March 1998

#### 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 of Management and embodied in a legal agreement. The financial statements include interest accrued on the outstanding loans during the year.

##### Grants payable

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

##### Depreciation

Depreciation is calculated to write off the cost, less estimated residual value, of all fixed assets over their estimated useful lives as follows:

Fixtures and fittings	-	7 years
Office equipment	-	5 years
Computer equipment	-	3 years

##### 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 10).

##### 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 loan-related expenditure 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.

##### *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 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.

## THE ARCHITECTURAL HERITAGE FUND

### Notes forming part of the financial statements for the year ended 31 March 1998 (cont.)

<b>2 Grants to enlarge endowment fund</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
English Heritage	400,000	400,000
Secretary of State for Scotland, on the advice of the Historic Buildings Council for Scotland	-	100,000
	<hr/> 400,000	<hr/> 500,000
	<hr/>	<hr/>
<b>3 Special grants</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Department for Culture, Media and Sport grants towards:		
Development programme	30,000	30,000
Feasibility study grants programme	25,000	25,000
	<hr/> 55,000	<hr/> 55,000
Secretary of State for Scotland grant towards:		
Feasibility study grants programme	6,000	6,000
Secretary of State for Wales grants towards:		
Development programme	6,369	5,118
Feasibility study grants programme	11,719	15,433
	<hr/> 79,088	<hr/> 81,551
	<hr/>	<hr/>
<p>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 £2,516 (1997 - £7,375) of the Department for Culture, Media and Sport's grant for the feasibility study grants programme. The Department has agreed with the AHF that amounts not disbursed during the year should be held for disbursement after the year end.</p>		
<b>4 Interest receivable</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
On loans disbursed for preservation projects	222,736	222,282
On bank deposits	408,895	292,713
	<hr/> 631,631	<hr/> 514,995
	<hr/>	<hr/>
<b>5 Other income</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Conference and seminar receipts	2,364	830
Sundry income	5,448	2,404
	<hr/> 7,812	<hr/> 3,234
	<hr/>	<hr/>

# THE ARCHITECTURAL HERITAGE FUND

## Notes forming part of the financial statements for the year ended 31 March 1998 (cont.)

6 Analysis of total resources used	Direct costs	Premises and overheads	Staff costs	1998 Total	1997 Total
	£	£	£	£	£
<b>Direct charitable expenditure</b>					
Loan related activities					
- staff, legal and other costs	28,496	45,341	47,637	121,474	75,172
- bad debts	(215 )	-	-	(215 )	45,215
Programme support activities (see note 7)	67,246	47,214	47,637	162,097	170,897
Feasibility study grants	95,899	21,159	22,230	139,288	112,048
Project administration grants	17,250	756	794	18,800	7,417
Loan preparation grants	4,481	3,778	3,970	12,229	-
Contribution to Association of Preservation Trusts	-	4,591	20,981	25,572	24,950
	<u>213,157</u>	<u>122,839</u>	<u>143,249</u>	<u>479,245</u>	<u>435,699</u>
<b>Other expenditure</b>					
Fund raising and publicity	-	18,202	12,703	30,905	21,782
Management and administration	-	48,430	23,819	72,249	62,825
	<u>-</u>	<u>66,632</u>	<u>36,522</u>	<u>103,154</u>	<u>84,607</u>
<b>Total resources used</b>	<u>213,157</u>	<u>189,471</u>	<u>179,771</u>	<u>582,399</u>	<u>520,306</u>

Lists of grants disbursed will be found in the published Annual Report 1997-98.

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

The principal fund raising and publicity activity is the production and distribution of the annual report. Part of the cost 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. APT reimbursed the AHF £10,572 in respect of this expenditure in 1997-98 (1996-97: £7,565).

# THE ARCHITECTURAL HERITAGE FUND

## Notes forming part of the financial statements for the year ended 31 March 1998 (cont.)

<b>7 Programme support activities</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Printing and distribution of publications	18,894	34,254
Photography and design	17,174	8,526
Professional fees	31,178	9,292
	<u>67,246</u>	<u>52,072</u>
Premises and overheads (apportioned - see note 6)	38,702	22,137
Travel and subsistence	5,219	1,503
Development programme	3,293	12,718
AHF conferences	-	35,150
	<u>114,460</u>	<u>123,580</u>
Staff costs (apportioned - see note 6)	47,637	47,317
	<u>162,097</u>	<u>170,897</u>
	<u><u>162,097</u></u>	<u><u>170,897</u></u>
<b>8 Net movement in funds</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
This is arrived at after charging:		
Depreciation	23,995	7,420
Auditors' remuneration		
- audit	4,700	4,994
- accountancy and financial advice	2,350	3,735
- IT consultancy	-	3,297
- payroll services	1,120	740
	<u>1,120</u>	<u>740</u>
	<u><u>1,120</u></u>	<u><u>740</u></u>
<b>9 Employees</b>	<b>1998</b>	<b>1997</b>
	<b>number</b>	<b>number</b>
Average monthly number of permanent employees during the year:	5	5
	<u>5</u>	<u>5</u>
Staff emoluments (salaries and benefits) fell within the following ranges:		
£ 10,001 - £20,000	1	1
£ 20,001 - £30,000	2	2
£ 30,001 - £40,000	1	1
£ 40,001 - £50,000	1	1
	<u>5</u>	<u>5</u>
	<u><u>5</u></u>	<u><u>5</u></u>

## THE ARCHITECTURAL HERITAGE FUND

### Notes forming part of the financial statements for the year ended 31 March 1998 (cont.)

#### Note 9 (continued)

Staff costs consist of:	1998 £	1997 £
Salaries	135,825	127,743
Social security costs	14,025	13,030
Pension contributions	8,940	9,553
	<u>158,790</u>	<u>150,326</u>

#### 10 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.

#### 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 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, seven Members of the Council were reimbursed expenses for travel and subsistence amounting to £1,602 (1997 – six Members were reimbursed £2,153).

#### 12 Taxation

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

# THE ARCHITECTURAL HERITAGE FUND

## Notes forming part of the financial statements for the year ended 31 March 1998 (cont.)

13 Tangible assets	Fixtures & fittings £	Computer equipment £	Office equipment £	Total £
<b>Cost</b>				
At 1 April 1997	-	16,505	20,597	37,102
Additions	27,026	30,662	12,468	70,156
Disposals	-	(10,995)	(4,495)	(15,490)
At 31 March 1998	27,026	36,172	28,570	91,768
<b>Depreciation</b>				
At 1 April 1997	-	12,097	13,663	25,760
Charge for the year	3,861	11,323	8,811	23,995
On disposals	-	(10,995)	(4,495)	(15,490)
At 31 March 1998	3,861	12,425	17,979	34,265
<b>Net book value</b>				
At 31 March 1998	23,165	23,747	10,591	57,503
At 1 April 1997	-	4,408	6,934	11,342

The fixed assets are used mainly for direct charitable activities.

14 Investments	£	
Market value at 1 April 1997	883,224	
Purchases at cost	4,804	
Sales proceeds from disposals	(704,954)	
Unrealised gain on investments during the year	9,179	
Realised gain on disposals during the year	26,505	
Market value at 31 March 1998	218,758	
	<b>Cost</b>	<b>Market value</b>
	£	£
Analysis of investments (all listed) at the balance sheet date:		
UK fixed interest securities		
- 10% Treasury Stock 2001	49,034	50,764
- 9.75% Treasury Stock 2002	39,321	43,119
- 10% Treasury Stock 2003	48,610	53,220
- 6.75% Treasury Stock 2004	62,628	71,655
At 31 March 1998	199,593	218,758
At 31 March 1997	705,058	883,224



# THE ARCHITECTURAL HERITAGE FUND

## Notes forming part of the financial statements for the year ended 31 March 1998 (cont.)

### 15 Loans disbursed for preservation projects

	Total £	Bad debt provision £	Net £
1 April 1997	5,003,435	(30,000 )	4,973,435
Loans advanced during the year	1,776,451	-	1,776,451
Loans repaid during the year	(2,142,454 )	-	(2,142,454 )
Reduction in bad debt provision during the year	-	18,000	18,000
	<hr/>	<hr/>	<hr/>
31 March 1998	4,637,432	(12,000 )	4,625,432
	<hr/>	<hr/>	<hr/>

£1,781,735 in loans disbursed falls due for repayment after more than one year (1997 - £1,903,520).

### 16 Other debtors

	1998 £	1997 £
Accrued interest receivable	400,145	359,367
Prepayments	3,789	5,880
Other debtors	14,380	14,799
Advances to solicitors for loans not yet contracted	183,000	-
	<hr/>	<hr/>
	601,314	380,046
	<hr/>	<hr/>

### 17 Creditors: amounts falling due within one year

	1998 £	1997 £
Accruals	9,807	6,694
	<hr/>	<hr/>

### 18 Commitments

The AHF had the following commitments at the year end:	1998 £	1997 £
Loans:		
- Contracted but not yet fully disbursed	1,101,265	330,793
- Offered	3,578,100	4,192,500
	<hr/>	<hr/>
	4,679,365	4,523,293
	<hr/>	<hr/>
Total loans offered but not yet contracted on 31 March 1998 amounted to £3,761,100. This includes £183,000 advanced to solicitors for loans not yet contracted – see Note 16.		
Feasibility study grants offered	111,200	98,075
Project administration grants offered	11,250	31,500
Loan preparation grants offered	41,706	-
	<hr/>	<hr/>
	4,843,521	4,652,868
	<hr/>	<hr/>

# THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1998 (cont.)

	1998 £	1997 £
<b>19 Reconciliation of net incoming resources to net cash inflow from operating activities</b>		
Net incoming resources	591,987	641,061
Adjustment for bad debt provision	(18,000 )	30,000
Adjustment for depreciation	23,995	7,420
	<u>597,982</u>	<u>678,481</u>
Loans advanced during the year	(1,776,451 )	(2,543,384 )
Loans repaid during the year	2,142,454	2,262,651
(Increase)/decrease in debtors	(221,268 )	66,500
Increase/(decrease) in creditors	3,113	(3,354 )
	<u>745,830</u>	<u>460,894</u>
Net cash inflow from operating activities		

## 20 Analysis of changes in net funds

	At 1 April 1997 £	Cash Flow £	At 31 March 1998 £
Cash at bank	2,273,488	2,682,750	4,956,238
Short-term deposits	2,971,580	(1,306,926)	1,664,654
	<u>5,245,068</u>	<u>1,375,824</u>	<u>6,620,892</u>
Net funds			

# THE ARCHITECTURAL HERITAGE FUND

Notes forming part of the financial statements for the year ended 31 March 1998 (cont.)

## 21 Accumulated resources

	Endowment fund £	Designated lending fund £	Revolving capital fund £	Restricted fund £	Designated projects fund £	General fund £	Total £
Balance at 1 April 1997	8,701,320	1,660,456	10,361,776	9,645	690,000	425,000	11,486,421
Net movement of funds for the year before transfers	409,945	-	409,945	(7,129)	-	224,855	627,671
Transfers between funds	-	134,855	134,855	-	60,000	(194,855)	-
Balance at 31 March 1998	9,111,265	1,795,311	10,906,576	2,516	750,000	455,000	12,114,092

The transfers between funds during the year were made within the policy framework described in the Report of the Members of the Council of Management (pages 13 and 14) and reflect the Council of Management's opinion of the reserves required by the AHF in the short-term (page 4 of the Report).

## Endowment fund

The balance at 31 March 1998 of £9,111,265 includes the following funds which have been reserved for lending within the geographical restrictions shown:

	geographical restriction	1998 £	1997 £
English Heritage			
Secretary of State for Scotland	England	4,600,000	4,200,000
Secretary of State for Wales	Scotland	2,250,000	2,250,000
	Wales	360,000	360,000
		7,210,000	6,810,000