

The Roger  
& Douglas  
Turner  
Charitable  
Trust

December 31  
2017

---

Annual Report

Charity 1154467

**The Roger & Douglas Turner Charitable Trust is a Charitable Incorporated Organisation  
It owns the entire share capital of its trading subsidiary Arley Estate Enterprises Limited**

**CONTENTS**

	<b>Page</b>
<b>What we do</b>	<b>2</b>
<b>Achievements and performance</b>	<b>2</b>
<b>Our trading subsidiary</b>	<b>2</b>
<b>Financial review</b>	<b>3-4</b>
<b>Managing risk</b>	<b>5-6</b>
<b>Our people</b>	<b>7</b>
<b>Governance</b>	<b>7</b>
<b>Legal structure and history</b>	<b>7</b>
<b>Public benefit</b>	<b>7</b>
<b>Key financial policies</b>	<b>8</b>
<b>Plans for the future</b>	<b>8</b>
<b>Trustees' responsibilities and disclosure of information to the auditors</b>	<b>9</b>
<b>Reference and administrative information</b>	<b>10</b>
<b>Independent auditor's report</b>	<b>11-12</b>
<b>Consolidated statement of financial activities</b>	<b>13</b>
<b>Balance sheets</b>	<b>14</b>
<b>Consolidated and company cash flow statements</b>	<b>15</b>
<b>Notes to the accounts</b>	<b>16-26</b>

**WHAT WE DO**

Our primary aim is to provide grant aid to local registered charities with particular emphasis on social support, disability and impaired health, hospices, work in the community and help for children and young people. Our secondary aim is to provide affordable access and education at Arley Estate in north Worcestershire, including enhancing an understanding of trees and gardens at Arley Arboretum.

**ACHIEVEMENTS AND PERFORMANCE IN 2017****How we performed - grant aid to charities**

In 2017 we visited some 54% of so called 'Regular' grant-aided charities (those which have been supported for at least four years) to ensure that these charities are deserving of support and to review their governance, finance, management and operations. The visits provided invaluable insight into the charitable outcomes and value for money achieved by them.

Aggregate grants awarded in the year amounted to £629,500 compared with £674,500 in 2016. We helped 192 (2016: 196) charities with an average grant of £3,279 (2016: £3,441). The reduction was not planned, but there were fewer requests for large project-based grants than in 2016. Three-quarters of our grants were given in aid of the following sectors:

- 29% Impaired health and disabled
- 19% Work in the community
- 14% Youth and children
- 13% Hospices

A grant of £50,000 pledged in 2014 to refurbish Arley Memorial Hall was conditional upon the project proceeding; significant progress has been achieved by its trustees with an award in 2017 from the Heritage Lottery Fund so we may be called upon to remit the cash in 2018.

**How we performed - access and education at Arley Estate**

Visitor numbers to Arley Arboretum reached a record 34,380, over 9% higher than in 2016; several improvements in the past year have contributed to this success:

- The new outdoor seated patio area next to the tea room has been a great success; visitors have been happy to consume meals in their outdoor clothes in this pleasant environment.
- The refurbishment and reconfiguration of the tea room has enabled more efficient operation thereby reducing queues and providing a better solution from an environmental health perspective. The catering function is rated 5\* by the Food Standards Agency.
- The on-line booking system has reduced visitor frustration by reducing queuing particularly at busy times.

December brought some high snowfall and high winds with Storm Caroline which caused the closure of the Arboretum in the critical period just prior to Christmas. Sadly the weight of snow, particularly on the cedar trees, has caused some permanent damage which is currently being assessed. Unfortunately we have lost some trees, with this being the worst damage for forty years.

**OUR TRADING SUBSIDIARY**

Arley Estate Enterprises Limited ("AEEL") is a separate wholly-owned trading subsidiary with an independent Board of Directors; it arranges weddings and events and runs various commercial activities. Its profits are distributed annually to the Charity under a Deed of Covenant.

## FINANCIAL REVIEW

We recorded an overall operating surplus of £32,000 for the year with a £3,000 deficit in the General Fund and a £35,000 surplus in the Arley Fund. After another year with investment gains the overall net increase in all funds for the year was £2,697,000 compared with £3,742,000 the previous year.

## General Fund

Investment income was particularly high at £815,000 in 2017, £48,000 higher than the previous year partly reflecting the receipt of some special dividends. After fees the net income was £681,000 (2016 £ 651,000). This additional income was sufficient to cover costs and fund the £629,500 grants, giving rise to the £3,000 deficit compared with £89,000 deficit in 2016. The lower amount of grants paid in 2017 was neither planned nor intended but reflects fewer applications particularly for project funding in the year. Investment gains of £2,408,000 exceeded our benchmark expectations for both years.

General Fund	2017 £'000	2016 £'000	
Investment income	681	651	Net of Investment Managers' fees
Charitable grants	(629)	(674)	
Charitable costs	(55)	(66)	Governance, administrative and professional costs
<b>(Deficit)</b>	<b>(3)</b>	<b>(89)</b>	
Investment gains	2,408	2,739	Strong global equity market returns
Transfers between funds	(518)	-	Cash required for Arley House capital expenditure
<b>Movement in funds</b>	<b>1,887</b>	<b>2,650</b>	

## Arley Fund

The Arley Fund includes the income from Arley Estate properties and the costs of charitable work at Arley Arboretum. Demand for tenanted residential accommodation has continued as the standard of accommodation has improved in recent years.

Trading profits from AEEL supplemented the operational surplus but the full potential of this trading activity has yet to be realised pending the availability of the Arley House as a permanent wedding and conference centre, completion of which is now imminent; at the year end its value was discounted pending completion.

Arley Fund	2017 £'000	2016 £'000	
Estate property surplus	211	173	Property rents less repairs
Trading profit	9	27	AEEL: catering, weddings, events and forestry
Charitable (deficit)	(185)	(140)	Arboretum educational activities
<b>Operating surplus</b>	<b>35</b>	<b>60</b>	
Investment gains	431	838	Estate tenanted property revaluation
Tangible asset revaluation	(174)	194	Arley House discounted pending completion
Transfers between funds	518	-	Arley House capital expenditure funding
<b>Movement in funds</b>	<b>810</b>	<b>1,092</b>	

With global stock markets at historically high values, we decided to fund the investment in Arley House of almost £1 million with transfers from the General Fund rather than borrow the funds from the Trust's bankers. The overall impact has been to reduce net cash by £894,000 during 2017.

### Quoted investment values

Our investment portfolio is split between two managers, Sarasin and Investec, both of which aim to generate a total return over the long term of 3.5% per annum above the UK Retail Price Index, net of fees, from a broadly diversified portfolio of equities, bonds, property, alternatives and cash, at moderate levels of risk. Performance of each portfolio is monitored against a single composite benchmark, comprised of a basket of securities representing a model of our diversified portfolio.

All asset classes made progress with equities in particular producing above average returns. Volatility in the FTSE 100 was at a historically low level in 2017, despite the anticipation of a difficult year with several European elections poised to deliver contentious results and fears of weak global growth. In the event, the elections passed without serious divergence from the status quo and growth picked up in those regions (Europe, Asia and emerging markets) that had become economic laggards.

**Investec:** this portfolio had a good year showing a total return of 12.6% compared with the benchmark return of 10.6%. Overseas equities did very well with Asia Pacific and Emerging Markets doing particularly well and producing returns of over 30%. The portfolio remained fairly fully invested all year with emphasis put on keeping a higher than benchmark exposure to ex-UK equities and a below benchmark weighting to bonds.

**Sarasin:** 2017 was also another year of healthy returns for this portfolio, which produced a total return of 10.9%. Equities contributed to the majority of the return, with outperformance against the world index from global equities, but the other asset classes (corporate bonds, commercial property, infrastructure and other alternative assets) also produced positive returns for the financial year.

**2018:** given the strength of equity markets and some heady valuations, Sarasin positioned the portfolio more cautiously from late May onwards, reducing the equity allocation slightly in anticipation of a potential market setback. As 2018 commenced there appeared to be strong signs of global growth which, in the absence of expectations of serious rises in interest rates or an outside shock, Investec believes should see equity markets remain fairly buoyant despite this bull market being nine years old.

### Freehold property values

Our 1,600 acre Estate includes tenanted properties in Upper Arley, including 52 residential houses, 3 farms, a public house, a Post Office and other property including Eymore Wood (held for commercial forestry income) and Arley Arboretum which is open to the public as an educational resource. It also includes Arley House which is being converted to a wedding and conference centre.

**Halls valuation:** Both farmland and residential housing have seen good market growth recently but the impact on the tenanted sector has been more muted. At 31 December our rural property professional advisers, Halls, undertook an independent quinquennial valuation of the component property parts of Arley Estate, subject to the current occupation and tenancies in place. They valued it at £25,929,000, which compares with an internal Trustee valuation in 2016 of £24,697,000 and with the previous formal professional valuation by Halls in 2012 of £21,866,000. During the five year period two properties, valued in aggregate at £790,000, were sold but an even greater amount has been reinvested in the Estate.

**Arley House:** as disclosed previously the structural condition of this property was much worse than we expected with evidence of poor original workmanship, including dangerous structural weaknesses in load-bearing walls, exacerbated by water ingress from internal guttering. Also, as the conversion was still in progress at the year-end, Halls discounted the value of Arley House by £200,000 and the impact on the revaluation reserve was to reduce it from £194,000 to £20,000 at 31 December 2017.

**Accounting treatment:** the properties which we hold for our own use, principally Arley House and Arboretum, are held as tangible fixed assets rather than investments. Of the £25,929,000 total value, tangible fixed assets were included at £2,156,000 with the remaining £23,773,000 held as investments.

## MANAGING RISK

We manage risk in various ways as follows:

- We review strategic risks at least annually in conjunction with the Chief Executive;
- Project risks are managed by the Chief Executive having due regard for professional advice;
- Estate (operational and hazard) risks are handled on a day-by-day basis by the management team;
- We manage conflict of interest risks, principally associated with grant-giving, at every meeting.

### Strategic risks

During the year we reviewed our strategy for the next five years including those risks which are of such magnitude that they could have a significant impact on our strategy as summarised below:

Category	Strategic risk	How risk is managed
<b>Market risks</b>	High equity market values, high global debt levels with threats of interest rate increases	Discretion given to Managers to vary asset classes from benchmark
<b>Farming risks</b>	Brexit uncertainty and possible tax changes on change of Government	Advice from farming consultants
<b>Climate change</b>	River bank erosion or flooding of properties Higher rainfall threat to visitor attractions	Monitoring of ground structures Development of indoor activities
<b>Reputation</b>	Adverse social media feedback going viral inadequate visitor view of facilities	Daily complaints monitoring Improvement of facilities
<b>Management over-stretch</b>	Over dependence on the Chief Executive for Estate projects and general management	Recruitment of experienced Deputy
<b>Fraud</b>	Cyber-terrorism threatens internal systems New computing nullifies anti-virus software	Regular review of internal financial controls, daily back up
<b>Regulation</b>	Health & safety expectations increasing General Data Protection Regulations	Strict safety training requirements Review of GDPR compliance

The Trustees reviewed benchmarks for investment performance based on a medium risk appetite with the Managers. Although the approach to high prices in current market conditions differs between the two houses, no significant changes either to benchmarks or to asset classes were deemed appropriate. The Managers continue to believe that the portfolio should provide the target total return over the long term despite the possible increases in global interest rates and continued Brexit uncertainty.

### Project risks

We consider the likely risks on large projects within Arley Estate at the planning stage and seek appropriate professional expertise to assist in the prudent management of those risks. The current large conversion project at Arley House is being overseen on a consultancy basis by a Quantity Surveyor with many years' experience of managing construction projects at historic buildings.

### Trading risks

Although the Directors of Arley Estate Enterprises Limited are responsible for the Company's risks, the Audit Committee monitors the profile of trading risks and reports to the Board as appropriate.

**Estate risks**

Day-to-day responsibility for operational and hazard risk management within Arley Estate (including Health & Safety) rests with the Chief Executive who, as Safety Officer, is responsible via the Audit Committee to Trustees. There is a quarterly process in place for reviewing the major operational risks to which the Trust is exposed, and we have established systems and procedures to manage them. Particular attention is given to hazard risks affecting our stakeholders and users of our facilities.

**Visitors and safeguarding:** Our procedures take into account the risks to which visitors are potentially exposed, striking a reasonable compromise between safety, conservation and access. Visitors to the Arboretum are required to take personal responsibility for their own health and safety; in particular a condition for visits by children and vulnerable adults is that they are safeguarded and supervised by a responsible adult visitor at all times.

**Health & safety:** A comprehensive system of risk assessments is in operation prior to any work being undertaken on the Estate. Employees are encouraged to identify emerging Health & Safety risks; appropriate training needs are regularly reviewed and staff members are required to enhance their specific skills or knowledge. In addition both the Chairman and Chief Executive attended a health and safety course for Directors and Senior Managers in 2016 to ensure that the Trust’s culture and behaviours receive the appropriate leadership.

	Hazard risk	Mitigations and controls
Public visitors	Food safety, Child safeguarding Emergencies	Daily monitoring against standards Responsibility rests with adult visitors Access for emergency vehicles enhanced
Tenants	Exposure: gas, electricity, asbestos, legionella,	Inspections, minimum work standards carried out, with tenants encouraged to report any concerns to the Estate Office
Employees	Health & Safety at work, particularly: <ul style="list-style-type: none"> <li>• Working at height</li> <li>• Mechanical handling</li> <li>• Use of chain saws</li> </ul>	Safety-first culture, review of skills and ban on use of machinery or working in hazardous conditions unless appropriate training and competence levels achieved

These and other operational, hazard and financial control risks are included in a risk register which is regularly reviewed by the audit committee to monitor actions to be taken by management.

**Legal compliance:** The risks associated with the Arley Estate are managed in accordance with applicable laws and obligations to tenants, visitors and employees. Periodic audits of health and safety are undertaken by external professional consultants, most recently in 2016. Action is being taken in respect of all significant recommendations.

**Cyber security risks:** firewalls, user access controls, malware protection and patch management have all been reviewed during the year and enhancements made as appropriate. Internet banking is used for payments to employees, suppliers and grant-aided charities; the system requires multiple layers of access codes; all transactions also require segregation of duties between a loader and two approvers.

**Managing potential conflicts of interest and loyalty**

A register of interests is reviewed at Trustee meetings, prior to considering grants, and if any conflict could arise the conflicted Trustee leaves the room.

The Trustees consider that the Directors of Arley Estate Enterprises Limited are independent of the Charity and that potential conflicts of interest and loyalty with the Charity are appropriately managed.

**OUR PEOPLE**

We have welcomed several new employees during the year. We are very grateful for the huge effort made during the year under enormous pressure caused by the refurbishment of Arley House during a very busy visitor season at the Arboretum; the enthusiasm and commitment of the Chief Executive and his team during the year has been exemplary. Our employees have also continued to support our flexible working arrangements enabling management to provide appropriate levels of staff at critical times.

We also wish to thank our 20 active volunteers who bring significant additional skills and experience and continue to support the work of the Arboretum with great enthusiasm.

**GOVERNANCE**

Board meetings take place quarterly to review the charity's activities and to consider grant appeals. At least one further meeting is held annually to review and monitor our strategy and strategic risk. To facilitate the decision-making process, we delegate governance as follows:

- The **Audit Committee** liaises with external auditors, promotes and safeguards high standards of financial reporting, internal control, risk management and legal compliance;
- The **Investment Committee** monitors the performance of the Investment Managers against agreed benchmarks and receives advice on Estate matters from our Property Consultants;
- The **Nominations Committee** ensures that Trustees of appropriate calibre and mix of skills are put forward for selection to the Board of Trustees.
- The **Grants Committee** previews all grant applications in detail and makes recommendations to the Board. We rotate membership at each meeting to reduce the risk of bias.

The management of the Estate and administration of grant applications are delegated to the Chief Executive and the Administrator respectively.

Our governance is currently under review in the context of the new Charity Governance Code.

**Trustee appointments**

New Trustees are appointed having regard to appropriate diversity of skills, experience, gender and age profile. The Trust keeps the skill requirements of the Trustees under review, and they are encouraged to undertake appropriate training. There is no restriction on length of service or any specific term of office for the original Trustees at the date of incorporation of the Trust. However, all new Trustees are appointed for renewable three year terms of office.

During the year Mr David Pearson OBE retired from the Board after 28 years loyal and valuable service to both this Trust and the legacy unincorporated trusts. David provided huge support to management and demonstrated sound judgement; we miss his great contribution but wish him a long and happy retirement.

**LEGAL STRUCTURE AND HISTORY**

The Trust was registered as a Charitable Incorporated Organisation on 5<sup>th</sup> November 2013 and later merged with two unincorporated charitable trusts which had been established independently, with assets in market securities, to award grants to charitable organisations by both the late Mr Douglas Turner and his son the late Mr Roger Turner. The Trust also now owns Arley Estate in north Worcestershire which was transferred to one of the legacy trusts in 1999 under the terms of Mr Roger Turner's Will.

**PUBLIC BENEFIT**

The Trustees have considered the Charities Act 2011 on public benefit, noting that the Act states that there is no presumption of benefit. In addition, they have had due regard for Charity Commission Guidance on the subject.

**KEY FINANCIAL POLICIES****Investment policy for quoted securities**

The investment portfolio is split, for historical reasons relating to the pre-merger legacy charities, between two managers. There are no restrictions on the charity's power to invest and the Trustees do not currently prohibit any investments on social, environmental or ethical grounds. The Charity's investments are managed to maximise value whilst providing a balanced total return, from income and capital growth, at a moderate level of risk in order to meet the Trustees' planned charitable distributions over the long term.

**Investment policy for freehold property**

Arley Estate properties continue to be held to maximise investment returns in the long term. Many of the Estate properties are subject to long-term tenancy arrangements but, where practicable, rental negotiations are undertaken having regard to market conditions and professional advice. Management have developed Minimum Standards for tenancies, and are actively ensuring that tenanted properties are well managed and maintained. It is intended to maintain and improve the other Arley properties and so far as possible refurbish them having regard to the constraints and wishes of sitting tenants.

**Reserves Policy**

Reserves are that part of the Trust's funds that is freely available to spend on any of the charity's purposes. Although the whole of the Trust's accumulated fund is legally expendable, our policy is to maintain the capital base in real terms, primarily within the investment portfolio which is excluded from reserves as are tangible fixed assets. Reserves are held in cash or other readily realisable assets.

Designated reserves of the Arley Fund are provided for the seasonal and working capital fluctuations in Arley Estate generally in the target range of £100,000 to £200,000. Reserves in Arley Estate Enterprises Limited are managed by delaying dividend payments until after the winter period of lower activity levels and cash-flows. Free Reserves, held in the General Fund to provide flexibility in grant giving capacity and other operational requirements, are generally in the target range of £250,000 to £500,000. At 31 December 2017, Designated Reserves were £179,000 and Free Reserves were £294,000.

**Remuneration policy**

Our approach to remuneration ensures that we can attract and retain talented and motivated people who can achieve our mission and deliver our strategic goals. Our aim is to pay competitively in the not-for-profit sector within the context of affordability. In addition to linking pay to performance, and providing salary progression for those who deliver exceptional performance, we review internal relativity through a pay moderation process. In determining the Chief Executive's remuneration we also reviewed external survey data from the Association of Chief Executives of Voluntary Organisations (ACEVO).

**PLANS FOR THE FUTURE**

Our future aim is increase charitable grant-giving in the medium term. Although there is little scope to increase rental income at Arley Estate, we have developed a strategy to increase the total return by:

- Enhancing the attraction of Arley House as an events venue by providing accommodation nearby;
- Realising contingent value from mothballed properties;
- Protecting neglected properties from physical deterioration.

**In 2018 we will:**

- Commence a project to convert an Estate building, currently used as residential flats, but no longer fit for purpose, to accommodate wedding and conference guests, funded from existing resources;
- Convert the mothballed former jail building into accommodation, re-named 'The Boathouse';
- Extend the Arboretum using additional land annexed by agreement with the adjacent tenant farmer.

**FUNDRAISING ACTIVITIES**

The Charity has no fundraising activities requiring disclosure under Section 162a Charities Act 2011.

**TRUSTEES' RESPONSIBILITIES AND DISCLOSURE OF INFORMATION TO AUDITORS**

The Charities Act 2011 requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Trust and of the surplus or deficit of the Trust for that period. In preparing those financial statements the Trustees are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards and the Charities SORP, disclosing and explaining any departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Trust will continue in operation.

The Trustees are responsible for keeping accounting records which disclose, with reasonable accuracy, the financial position of the Trust at any time, and for ensuring that the financial statements comply with charity law. The Trustees are also responsible for safeguarding the Trust's assets, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**Peter J Millward,**

**Chairman**

**9 March 2018**

**REFERENCE AND ADMINISTRATIVE INFORMATION** Charity No.1154467

<b>Trustees</b>	Peter Millward (Chairman) Dawn Long Amanda McGeever Ron Middleton Stephen Preedy Geoff Thomas	David Pearson OBE served as a Trustee until retiring on 8 March 2017
<b>Trust Administrator</b>	Tim Patrickson	<a href="mailto:tim@turnercharitabletrust.co.uk">tim@turnercharitabletrust.co.uk</a>
<b>Chief Executive, Arley Estate</b>	David Causer	<a href="mailto:david@arleyestate.co.uk">david@arleyestate.co.uk</a>
<b>Principal Office</b>	Arley House Lion Lane Upper Arley DY12 1SQ	Phone 01299 861368
<b>Audit and accounting</b>	<b>Auditors:</b> Crowe Clark Whitehill LLP Black Country House Rounds Green Road Oldbury B69 2DG	<b>Consultant Accountants:</b> Mazars LLP 45 Church Street Birmingham B3 2RT
<b>Investment Managers</b>	Sarasin & Partners LLP Juxon House 100 St Paul's Churchyard London EC4M 8BU	Investec WIN 30 Gresham Street London EC2V 7QN
<b>Property Consultants</b>	Halls Gavel House 137 Franche Road Kidderminster DY11 5AP	
<b>Bankers</b>	Handelsbanken 63 Market Street Stourbridge DY8 1AQ	
<b>Solicitors</b>	Lodders Solicitors LLP  10 Elm Court, Arden St Stratford-upon-Avon CV37 6PA	

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE ROGER & DOUGLAS TURNER CHARITABLE TRUST****Opinion**

We have audited the financial statements of The Roger & Douglas Turner Charitable Trust for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2017 and of the group's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT (continued)****Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

**Helen Drew****Senior Statutory Auditor**For and on behalf of **Crowe Clark Whitehill LLP**

Statutory Auditor, Black Country House, Rounds Green Road, Oldbury, West Midlands B69 2DG

9 March 2018

Crowe Clark Whitehill LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

Unrestricted Funds	Note	2017			2016		
		Arley Fund £'000	General Fund £'000	Total £'000	Arley Fund £'000	General Fund £'000	Total £'000
<b><u>Income from:</u></b>							
Investments	3	523	815	1,338	487	767	1,254
Trading Activities	4	264	-	264	197	-	197
Charitable Activities	5	103	-	103	103	-	103
Donations and Legacies		1	-	1	11	-	11
<b>Total Income</b>		<b>891</b>	<b>815</b>	<b>1,706</b>	<b>798</b>	<b>767</b>	<b>1,565</b>
<b><u>Expenditure from:</u></b>							
Raising Funds	6	366	134	500	314	116	430
Trading Activities	7	255	-	255	170	-	170
Charitable Activities	8	235	684	919	254	740	994
<b>Total Expenditure</b>		<b>856</b>	<b>818</b>	<b>1,674</b>	<b>738</b>	<b>856</b>	<b>1,594</b>
Operating Surplus / (Deficit)		35	(3)	32	60	(89)	(29)
Net gains on investments	12	431	2,408	2,839	838	2,739	3,577
<b>Net Income</b>		<b>466</b>	<b>2,405</b>	<b>2,871</b>	<b>898</b>	<b>2,650</b>	<b>3,548</b>
Revaluation of fixed assets	11	(174)	-	(174)	194	-	194
Transfers between funds	19	518	(518)	-			
<b>Net Movement in Funds</b>		<b>810</b>	<b>1,887</b>	<b>2,697</b>	<b>1,092</b>	<b>2,650</b>	<b>3,742</b>
<b>Total Funds at 1 January</b>		<b>25,466</b>	<b>27,686</b>	<b>53,152</b>	<b>24,374</b>	<b>25,036</b>	<b>49,410</b>
<b>Total Funds at 31 December</b>		<b>26,276</b>	<b>29,573</b>	<b>55,849</b>	<b>25,466</b>	<b>27,686</b>	<b>53,152</b>

The charity had no recognised gains or losses other than the net movements in funds for the year.

The Arley Fund is a designated fund which includes the net assets and operations of Arley Estate, Arboretum and the trading subsidiary, Arley Estate Enterprises Limited.

The notes on pages 14 to 24 form part of these financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2017

	Note	GROUP		CHARITY	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Fixed assets</b>					
Tangible Fixed Assets	11	2,324	1,476	2,324	1,476
Investments	12	53,052	50,335	53,052	50,335
<b>Total</b>		<b>55,376</b>	51,811	<b>55,376</b>	51,811
<b>Current assets</b>					
Stock	13	6	6	2	3
Debtors	14	163	18	187	35
Cash at bank and in hand	15	693	1,587	641	1,520
		<b>862</b>	1,611	<b>830</b>	1,558
<b>Creditors</b>					
Amounts due within one year	16	(389)	(270)	(357)	(217)
<b>Net Current Assets</b>		<b>473</b>	1,341	<b>473</b>	1,341
<b>Net Assets</b>		<b>55,849</b>	53,152	<b>55,849</b>	53,152
Arley Fund	18	26,276	25,466	26,276	25,466
General Fund	18	29,573	27,686	29,573	27,686
<b>Total Funds</b>		<b>55,849</b>	53,152	<b>55,849</b>	53,152

The gain for the financial year dealt with in the financial statements of the charity was £2,697,000 (2016 £3,742,000)

The notes on pages 14 to 24 form part of these financial statements.

Approved by the Board on 9 March 2018 and signed on its behalf by:

**Peter J Millward**  
Chairman

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENT**  
**For the year ended 31 December 2017**

	Note	GROUP		CHARITY	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Cash generated from / (used in) operating activities</b>	20	<b>(771)</b>	<b>(698)</b>	<b>(764)</b>	<b>(747)</b>
<b>Cash flows from investing activities</b>					
Dividend and Interest income		<b>815</b>	767	<b>815</b>	767
Distribution received under deed of covenant		-	-	<b>8</b>	27
Purchase of tangible fixed assets		<b>(1,060)</b>	(65)	<b>(1,060)</b>	(65)
Proceeds from sale of investment properties		-	212	-	212
Purchase of investments		<b>(10,834)</b>	(17,397)	<b>(10,834)</b>	(17,397)
Capital expenditure on investment properties		<b>(18)</b>	(178)	<b>(18)</b>	(178)
Proceeds from sale of investments		<b>10,974</b>	17,527	<b>10,974</b>	17,527
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash provided by investing activities</b>		<b>(894)</b>	168	<b>(879)</b>	146
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(Decrease)/increase in cash and cash equivalents in the year		<b>(894)</b>	168	<b>(879)</b>	146
Cash and cash equivalents at the beginning of the year		<b>1,587</b>	1,419	<b>1,520</b>	1,374
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total cash and cash equivalents at the end of the year</b>		<b>693</b>	1,587	<b>641</b>	1,520
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The notes on pages 14 to 24 form part of these financial statements.

## NOTES TO THE ACCOUNTS

## 1 GENERAL INFORMATION

This Charitable Trust (hereinafter ‘the Trust’ or ‘the Charity’) is a Charitable Incorporated Organisation (CIO), registered with the Charities Commission in England and Wales, registration number 1154467. The charity is a public benefit entity; its principal office is at Arley House, Lion Lane, Upper Arley, Worcestershire, DY12 1SQ.

## 2 PRINCIPAL ACCOUNTING POLICIES

**Basis of preparation:** The accounts of have been prepared on an accruals basis under the historical cost convention, with items recognised at cost or transaction value unless otherwise stated in the relevant notes below, as amended for the revaluation of investments. They have been prepared in accordance with the current Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The accounts have been prepared to give a ‘true and fair’ view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a ‘true and fair view’. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

**Assessment of going concern:** The Trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern and the Financial Statements are drawn up on the Going Concern basis which assumes that the Trust will continue in operational existence for the foreseeable future. With respect to the next reporting year, the most significant areas of uncertainty that affect the income of the Trust and the carrying value of its assets are the level of investment return and the performance of investment markets. The willingness of the public both to purchase admission tickets to the Arboretum and to make bookings through the trading company for weddings and events are areas of financial uncertainty which the Trustees have mitigated with attractive market-based pricing policies at the Arboretum and in the trading company.

**Basis of consolidation:** The Trust has one wholly owned subsidiary, Arley Estate Enterprises Limited, which is registered in England. Consolidated financial statements of the Group have been prepared on a line-by-line basis, with the results of the subsidiary included in the designated Arley Fund. As permitted, a separate income and expenditure account, dealing with the results of the Trust only, has not been presented.

**Fund Accounting:** The trust’s constitution permits funds to be expended without restriction. The Trustees have included the operations of the Arley Estate, including the trading company, in a separate designated fund.

**Income recognition:** all income is recognised once the charity has entitlement, it is probable that the income will be received and the amount can be measured reliably.

**Donations and legacies** are recognised when the group has been notified the amount and the settlement date.

**Investment Income** is accounted for when receivable and the amount can be measured reliably by the Trust; dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment managers.

**Rental Income from Arley Estate properties** is recognised when it is receivable and it is probable that the Group will receive the amount due under the lease.

**Revenue** is recognised to the extent that it is probable that the economic benefits will flow to the group. Revenue is measured as the fair value of the consideration received, excluding discounts, rebates, value-added tax and other sales taxes; the following criteria must also be met before revenue is recognised:

## NOTES TO THE ACCOUNTS (CONTINUED)

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

**Revenue from sales of goods** is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;
- the respective costs incurred or to be incurred can be measured reliably.

**Revenue from a contract to provide services** is recognised in the period in which the services are provided in accordance with the stage of completion of the contract but all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion the contract can be measured reliably;
- the cost incurred and the cost to complete the contract can be measured reliably;

**Expenditure** is recognised as soon as there is a legal or constructive obligation committing the Group to that expenditure, it is probable that settlement will be required and the amount can be measured reliably. Expenditure is accounted for on an accruals basis. Expenses including support costs are allocated or apportioned to the applicable expenditure headings.

**Grant awards** are accounted for as expenditure as soon as a valid expectation has been communicated to the recipient charity, unless the offer is conditional upon events outside the Trust's control and it is possible but not probable that an outflow of economic benefits will arise, in which case such amounts are recognised as contingent liabilities until the grant conditions are fulfilled.

**Irrecoverable VAT:** the Group is partially exempt for VAT purposes and holds a group registration certificate. VAT is charged against the expenditure heading for which it was incurred.

**Operating lease rentals** are charged on a straight-line basis over the period of the lease.

**Pension Costs:** The Trust contributes to a defined contribution 'money purchase' scheme on behalf of certain employees. Costs are charged to the Statement of Financial Activities.

**Holiday pay:** The holiday year is also the financial year and employees are required to take their holiday entitlement during the year; accordingly there is normally no holiday pay accrual.

**Tangible fixed assets:** Freehold land and buildings are recognised at valuation on an open market existing use basis. All other assets costing more than £100 are stated at historical cost less depreciation, which is charged on a straight-line basis down to expected residual value over the following estimated useful economic lives of 5 years for motor vehicles and equipment and 3-10 years for fixtures and fittings.

**Financial investments in market securities** are basic financial instruments, initially recognised at transaction value and subsequently measured at fair value as at the year-end using the closing quoted market price. The statement of financial activities includes all the net gains and losses arising on revaluation and disposals.

**Financial investments in freehold land and buildings** are valued quinquennially on an open market existing use basis subject to current occupation and tenancies in place at that time by independent Chartered Surveyors. In intervening years the Trustees value them by reference to market reports and government indices having discussed the circumstances of Arley Estate with the independent chartered surveyors. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

**Realised gains and losses on investments** are taken to the Statement of Financial Activities as they arise. They are calculated as the difference between sales proceeds and their opening carrying value or their purchase value acquired subsequent to the first day of the financial year. Realised gains and losses are calculated as the difference between the fair value at the year-end and the carrying value.

## NOTES TO THE ACCOUNTS (CONTINUED)

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

**Financial instruments:** Other than financial investments, the Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

**Stocks** are stated at the lower of cost (based on the cost of purchase on a first in first-out basis) and net realisable value. At each reporting stocks are assessed for impairment; any losses are recognised immediately.

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

**Cash** with financial institutions is repayable without penalty on notice of not more than 24 hours.

**Creditors and provisions** are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be reliably estimated. They are normally recognised at their settlement amount after allowing for any discounts.

## 3 INCOME FROM INVESTMENTS:

	2017 £'000	2016 £'000
Dividends - UK and Overseas Equities	736	687
Interest - UK Fixed Interest Securities	79	80
<b>Sub-total General Fund</b>	<b>815</b>	<b>767</b>
Income – rental	468	467
- other	55	20
<b>Sub-total Arley Fund</b>	<b>523</b>	<b>487</b>
<b>Total Investment Income</b>	<b>1,338</b>	<b>1,254</b>

## 4 INCOME FROM TRADING

	2017 £'000	2016 £'000
Tea room	125	108
Forestry	25	32
Weddings and events	90	30
Other income	24	27
<b>Total income</b>	<b>264</b>	<b>197</b>

## 5 INCOME FROM CHARITABLE ACTIVITIES

This income arises from admissions and charges at Arley Arboretum.

## NOTES TO THE ACCOUNTS (CONTINUED)

## 6 RAISING FUNDS EXPENDITURE

	2017			2016		
	Arley Fund £'000	General Fund £'000	Total 2017 £'000	Arley Fund £'000	General Fund £'000	Total 2016 £'000
Investment management charges	-	134	134	-	116	116
Repairs & property maintenance	40	-	40	63	-	63
Depreciation	38	-	38	23	-	23
Overheads	118	-	118	82	-	82
Staff Costs	170	-	170	146	-	146
	<u>366</u>	<u>134</u>	<u>500</u>	<u>314</u>	<u>116</u>	<u>430</u>
Total Raising Funds	<u>366</u>	<u>134</u>	<u>500</u>	<u>314</u>	<u>116</u>	<u>430</u>

## 7 TRADING EXPENDITURE

Cost of sales	71	-	71	70	-	70
Direct expenses	64	-	64	12	-	12
Overheads	27	-	27	17	-	17
Staff costs	93	-	93	71	-	71
	<u>255</u>	<u>-</u>	<u>255</u>	<u>170</u>	<u>-</u>	<u>170</u>
Total trading expenditure	<u>255</u>	<u>-</u>	<u>255</u>	<u>170</u>	<u>-</u>	<u>170</u>

## 8 CHARITABLE EXPENDITURE

Purchases - Arboretum	29	-	29	54	-	54
Staff Costs	155	36	191	174	36	210
Overheads	51	5	56	13	6	19
Arley Village expenditure	-	-	-	13	-	13
Professional charges	-	3	3	-	7	7
Governance	-	11	11	-	17	17
Charitable grants	-	629	629	-	674	674
	<u>235</u>	<u>684</u>	<u>919</u>	<u>254</u>	<u>740</u>	<u>994</u>
Total charitable expenditure	<u>235</u>	<u>684</u>	<u>919</u>	<u>254</u>	<u>740</u>	<u>994</u>

**Staff Costs** includes £39,211 (2016: £78,634) in respect of management salaries for charitable activities.

**Governance** includes audit fees of £11,442 (2016: £9,500) and accountancy costs of £nil (2016: £7,160).

## 9 CHARITABLE GRANTS ANALYSIS

	2017			2016		
	Number	% value	£'000	Number	% value	£'000
Medical Research	-		-	1	0%	1
Children & Young People	29	14%	87	34	15%	99
Environment & Heritage	8	4%	24	9	7%	49
The Arts	20	11%	70	16	7%	47
Work in the Community	44	19%	118	48	19%	127
Social Support	17	8%	51	19	6%	44
Impaired Health & Disabled	62	29%	180	56	27%	181
International Aid	4	2%	15	4	4%	28
Hospices	8	13%	84	9	15%	98
	<u>192</u>	<u>100%</u>	<u>629</u>	<u>196</u>	<u>100%</u>	<u>674</u>
Total	<u>192</u>	<u>100%</u>	<u>629</u>	<u>196</u>	<u>100%</u>	<u>674</u>

NOTES TO THE ACCOUNTS (CONTINUED)

9 CHARITABLE GRANTS ANALYSIS (Continued)

Charitable grants of £5,000 or more:

Grant-aided charity name	Category		2017 £'000
Birmingham Boys & Girls Union	Children and Youth	*	6
Birmingham PHAB Camps	Children and Youth	*	10
Stonehouse Gang	Children and Youth	*	15
Dorothy Parkes Centre	Community	*	6
Birmingham Settlement	Community	*	5
R.E.A.C.T.	Community	*	5
Cotteridge Church Day Centre	Community	*	7
Edward's Trust	Impaired Health & Disabled	*	6
Foundation for Conductive Education (NICE)	Impaired Health & Disabled	*	6
Cerebral Palsy Midlands	Impaired Health & Disabled	*	12
Headway Birmingham & Solihull	Impaired Health & Disabled		5
A.R.C.O.S.	Impaired Health & Disabled	*	5
Breast Cancer Haven West Midlands	Impaired Health & Disabled		5
A.S.P.I.E. Worcester	Impaired Health & Disabled	*	5
Three Roses Homes, Clent	Impaired Health & Disabled		5
National Churches Trust	Environment & Heritage	*	10
St Richard's Hospice Worcester	Hospices	*	15
St Giles Walsall Hospice	Hospices	*	10
Acorn's Children's Hospice Trust	Hospices	*	20
Primrose Hospice Bromsgrove	Hospices	*	8
Birmingham St Mary's Hospice	Hospices	*	20
KEMP Hospice Kidderminster	Hospices	*	5
Birmingham City Mission	Social Support	*	6
St Basils	Social Support	*	6
Fareshare	Social Support		5
YMCA Birmingham	Social Support		5
Worcester Three Choirs Festival	The Arts	*	8
City of Birmingham Symphony Orchestra	The Arts	*	10
Worcester Live	The Arts	*	10
ESO (2006) Ltd (English Symphony Orchestra)	The Arts	*	5
Performances Birmingham (THSH)	The Arts	*	5
<b>Total £5,000 or more (31 grants)</b>	Regular grant-aided charities	*	<b>251</b>

10 STAFF COSTS COMPRISE:

	2017 £'000	2016 £'000
Wages and salaries	399	374
Social security costs	32	35
Pension costs	23	22
	<b>454</b>	<b>431</b>

## NOTES TO THE ACCOUNTS (CONTINUED)

## 10 STAFF COSTS (Continued)

The average number of employees calculated on an average head count basis was:

	2017 Number	2016 Number
Estate and property	3	5
Arboretum	18	12
Management and administration	7	5
	28	22
	28	22

The key management personnel of the charity comprise the trustees, the Chief Executive and the Estate and Arboretum manager. The total employee benefits of the key management personnel of the charity were £175,883 (2016: £159,861). There was 1 (2016: 1) employee whose earnings fell between £130,000 and £140,000 (2016: £120,000 and £130,000).

In addition there were 20 active volunteers (2016: 20) who provided ad-hoc support principally in respect of projects in the Arboretum. In accordance with the Charities SORP (FRS 102) the economic contribution of general volunteers is not recognised in the accounts.

## 11 TANGIBLE FIXED ASSETS: GROUP AND CHARITY

	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 January 2017	1,373	196	113	1,682
Additions	957	13	90	1,060
Revaluation	(174)	-	-	(174)
	2,156	209	203	2,568
At 31 December 2017	2,156	209	203	2,568
<b>Depreciation</b>				
At 1 January 2017	-	146	60	206
Charge for the year	-	14	24	38
	-	160	84	244
At 31 December 2017	-	160	84	244
<b>Net book amount</b>				
At 31 December 2017	2,156	49	119	2,324
	2,156	49	119	2,324
At 31 December 2016	1,373	50	53	1,476
	1,373	50	53	1,476

The negative revaluation of freehold land and buildings relates to a £200,000 discount applied to the value of Arley House by Halls, as part of their professional valuation at 31 December, pending completion of the work.

The carrying amount of land and buildings at historical cost is £2,325,000 (2016 £1,370,000).

NOTES TO THE ACCOUNTS (CONTINUED)

12 FIXED ASSET INVESTMENTS - GROUP

	2017	2016
Freehold land and buildings £'000	Quoted securities £'000	Total £'000
At 1 January 2017	23,324	27,011
Additions at cost	18	10,834
Disposal proceeds	-	(10,974)
Net investment gains	431	2,408
Transfer to fixed assets	-	-
	-	(1,048)
At 31 December 2017	23,773	29,279
	23,773	29,279
	53,052	50,335

**Freehold land and buildings** An independent quinquennial valuation of freehold land and buildings was carried out by Halls, Chartered Surveyors, on 31 December 2017. The valuation of £25,929,358 was based on the freehold value of all component parts of the Arley Estate, on an open market existing use basis subject to current occupation and tenancies in place. For accounting purposes own-use properties are included in tangible fixed assets with tenanted properties included in Fixed Asset Investments:

	£'000
Tangible fixed assets (own-use)	2,156
Fixed Assets Investments	23,773
	25,929
	25,929

The historical cost of the Estate, represented by the probate value on the death of the late Mr R D Turner on 30 April 1999, was £8,841,000.

**Quoted securities portfolio**

	2017 £'000	2016 £'000
Fixed interest	3,268	2,772
UK listed investments	10,250	9,926
Overseas investments	10,046	9,170
Commercial property	2,969	2,703
Alternative investments	1,950	1,880
Cash	796	560
	29,279	27,011
	23,257	22,755

**Material investments:**

The Investment Policy states that no investments should exceed 5.0% of the value of the portfolio. At 31 December 2017 there were no such investments (2016: none).

**Fixed asset investments – Charity**

In addition to the above investments the charity has a £100 investment in the entire share capital of Arley Estate Enterprises Ltd.

## NOTES TO THE ACCOUNTS (CONTINUED)

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
<b>13 STOCK</b>				
Goods for resale	6	6	2	3
	=====	=====	=====	=====
<b>14 DEBTORS</b>				
Trade debtors	37	10	54	8
Prepayments	86	8	84	5
Other debtors	40	-	49	-
Amounts due from group undertaking	-	-	-	22
	-----	-----	-----	-----
	<b>163</b>	18	<b>187</b>	35
	=====	=====	=====	=====
<b>15 CASH AT BANK AND IN HAND</b>				
Cash at bank	372	356	320	289
CCLA COIF Charities Income account	185	917	185	917
Investment Manager Income Account	136	314	136	314
	-----	-----	-----	-----
	<b>693</b>	1,587	<b>641</b>	1,520
	=====	=====	=====	=====
<b>16 CREDITORS DUE WITHIN ONE YEAR</b>				
Trade creditors	174	46	165	31
Conditional grants	50	92	50	92
Investment Manager charges	29	29	29	29
Rents received in advance	28	30	27	30
Other taxes and social security	19	21	20	(4)
Amounts due to group undertaking	-	-	15	-
Other creditors	60	36	22	26
Accruals	29	16	29	13
	-----	-----	-----	-----
	<b>389</b>	270	<b>357</b>	217
	=====	=====	=====	=====

**17 RELATED PARTY TRANSACTIONS****(i) Transactions involving Trustees and connected parties**

During both years the Trust awarded a small number of grants to charities that have a common or related trustee or director with one or more Trustees. In accordance with the Trust's policy on conflicts of interest, the conflicted Trustees did not take part in the discussion or decision on such grants. No Trustees are remunerated.

**(ii) Trustee expenses**

The sum of £1,085 (2016: £1,034) was reimbursed to two (2016: three) Trustees in respect of travel and other expenses and £840 (2016: £1,298) was incurred on behalf of Trustees.

**(iii) Transactions with trading subsidiary**

Costs (principally staff costs) recharged to the trading subsidiary amounted to £93,487 (2016: £71,346). Income in respect of the Tea Room rent was received from the trading subsidiary amounting to £4,000 (2016: £4,000).

NOTES TO THE ACCOUNTS (CONTINUED)

18 ANALYSIS OF GROUP ASSETS AND LIABILITIES WITHIN FUNDS

	Arley Fund £'000	2017 General Fund £'000	Total Funds £'000	Arley Fund £'000	2016 General Fund £'000	Total Funds £'000
Tangible Assets	2,324	-	2,324	1,476	-	1,476
Investments	23,773	29,279	53,052	23,324	27,011	50,335
<b>Fixed Assets</b>	<b>26,097</b>	<b>29,279</b>	<b>55,376</b>	<b>24,800</b>	<b>27,011</b>	<b>51,811</b>
Stock	6	-	6	6	-	6
Debtors	62	64	126	18	-	18
Cash	377	316	693	801	786	1,587
Creditors	(266)	(86)	(352)	(159)	(111)	(270)
<b>Net Current Assets</b>	<b>179</b>	<b>294</b>	<b>473</b>	<b>666</b>	<b>675</b>	<b>1,341</b>
<b>Total Funds</b>	<b>26,276</b>	<b>29,573</b>	<b>55,849</b>	<b>25,466</b>	<b>27,686</b>	<b>53,152</b>

19 FUNDS ANALYSIS – GROUP

	1 January 2017 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains / (Losses) £'000	31 December 2017 £'000
Operational funds	24,605	891	(856)	1,185	431	26,256
Arley House fund	667	-	-	(667)	-	-
Revaluation reserve	194	-	-	-	(174)	20
<b>Total Arley Fund</b>	<b>25,466</b>	<b>891</b>	<b>(856)</b>	<b>518</b>	<b>257</b>	<b>26,276</b>
<b>General Fund</b>	<b>27,686</b>	<b>815</b>	<b>(818)</b>	<b>(518)</b>	<b>2,408</b>	<b>29,573</b>
<b>Total Funds</b>	<b>53,152</b>	<b>1,706</b>	<b>(1,674)</b>	<b>-</b>	<b>2,665</b>	<b>55,849</b>

  

	1 January 2016 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains / (Losses) £'000	31 December 2016 £'000
Operational funds	23,774	798	(605)	(200)	838	24,605
Arley House fund	600	-	(133)	200	-	667
Revaluation reserve	-	-	-	-	194	194
<b>Total Arley Fund</b>	<b>24,374</b>	<b>798</b>	<b>(738)</b>	<b>-</b>	<b>1,032</b>	<b>25,466</b>
<b>General Fund</b>	<b>25,036</b>	<b>767</b>	<b>(856)</b>	<b>-</b>	<b>2,739</b>	<b>27,686</b>
<b>Total Funds</b>	<b>49,410</b>	<b>1,565</b>	<b>(1,594)</b>	<b>-</b>	<b>3,771</b>	<b>53,152</b>

The net transfer from the General Fund to the Arley Fund was required to fund capital expenditure.  
The Arley Fund is ring-fenced within a designated fund, because it is managed separately from the General Fund.

## NOTES TO THE ACCOUNTS (CONTINUED)

## 20 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET OPERATING CASH FLOW

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Net movement in funds	2,697	3,742	2,697	3,742
Add back depreciation charge	38	23	38	23
Movement on revaluation reserve	174	(194)	174	(194)
Deduct income shown in quoted investing activities	(815)	(767)	(823)	(794)
Gain on revaluation of investments	(2,839)	(3,577)	(2,839)	(3,577)
Decrease / (increase) in stock	-	(5)	1	(3)
Decrease / (increase) in debtors	(145)	4	(152)	(10)
Increase / (decrease) in creditors	119	76	140	66
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash used in operating activities</b>	<b>(771)</b>	<b>(698)</b>	<b>(764)</b>	<b>(747)</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 21 INCOME EARNED FROM TRADING ACTIVITIES

The wholly-owned trading subsidiary, Arley Estate Enterprises Limited was incorporated in the United Kingdom (company number 09448082) and details of the trading results for the subsidiary alone are given below:

	2017 £'000	2016 £'000
Turnover	264	197
Cost of sales	(71)	(72)
Direct costs	(121)	(12)
Overheads	(63)	(86)
	<u>          </u>	<u>          </u>
Net Profit	9	27
Amount distributed to the charity	(9)	(27)
	<u>          </u>	<u>          </u>
Retained in subsidiary	-	-
	<u>          </u>	<u>          </u>
The assets and liabilities of the subsidiary were:		
Current assets	87	76
Current liabilities	(87)	(76)
	<u>          </u>	<u>          </u>
Total net assets	-	-
	<u>          </u>	<u>          </u>
Aggregate share capital and reserves	-	-
	<u>          </u>	<u>          </u>

## NOTES TO THE ACCOUNTS (CONTINUED)

## 22 FINANCIAL INSTRUMENTS

	<b>Group 2017 £'000</b>	<b>Group 2016 £'000</b>	<b>Charity 2017 £'000</b>	<b>Charity 2016 £'000</b>
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	<b>29,279</b>	27,011	<b>29,279</b>	27,011
Financial assets that are debt instruments measured at amortised cost	<b>733</b>	1,579	<b>698</b>	1,570
	<u><b>30,012</b></u>	<u>28,608</u>	<u><b>29,977</b></u>	<u>28,581</u>
	<u><u><b>30,012</b></u></u>	<u><u>28,608</u></u>	<u><u><b>29,977</b></u></u>	<u><u>28,581</u></u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<b>342</b>	190	<b>310</b>	162
	<u><b>342</b></u>	<u>190</u>	<u><b>310</b></u>	<u>162</u>
	<u><u><b>342</b></u></u>	<u><u>190</u></u>	<u><u><b>310</b></u></u>	<u><u>162</u></u>

Financial assets comprise quoted investments, cash, trade debtors and amounts owed by group undertakings and other debtors.

Financial liabilities cost comprise trade creditors, accruals, conditional grants and other creditors.