

Annual Report 2018

CIO 1154467

HISTORICAL BACKGROUND

The Roger & Douglas Turner Charitable Trust (“the Trust”), a Charitable Incorporated Organisation, was incorporated on 5 November 2013 and merged with two unincorporated charitable trusts established separately by the late Mr Douglas William Turner and his son the late Mr Roger Douglas Turner as follows:

- The R D Turner Charitable Trust (charity 263556) merged with the Trust on 31 December 2013;
- The Douglas Turner Trust (charity 227892) merged with the Trust on 31 December 2015.

Both trusts were established to provide grants for general charitable purposes and for public benefit.

Arley Estate, Upper Arley, Worcestershire

Mr Roger Turner had also owned Arley Estate from 1959 until his death in 1999 when it passed to the Trust; in his Will he expressed the hope that the Trustees “will use their best endeavours to ensure that:

1. The Arley Estate should continue so far as practicable in its current form;
2. They continue to employ where practicable as many as possible of the persons employed by me at my death in connection with the Arley Estate and allow them to continue occupying any accommodation on the same basis as that upon which they are occupying the same at my death;
3. They continue where practicable to allow as many as possible of the persons who at the date of my death have been previously employed by me in connection with the Arley Estate and who at that date are occupying accommodation either rent free or on favourable terms to continue occupying such accommodation on the same basis;
4. They continue to give such assistance as at present to St Peter’s Church, Arley Memorial Hall and Arley Sports and Social Club”

Previous owners of Arley Estate included the Lyttleton family from the mid-15th Century, a descendant of whom, Viscount Valentia 2nd Earl of Mountnorris (1770-1884), carried out many changes. The Estate was owned by the Woodward family, who were keen botanists with links to Kew Gardens, from 1852 to 1959.

Arley Arboretum, having been formally established around 1820, was catalogued in “Hortus Arleyensis” in 1907 which was fully revised in 1999; it identified a number of rare species (including the unusually shaped Crimean Pine) many of which are found in the UK both at Arley and Kew Gardens. In 2002 the Trustees opened the Arboretum to provide education for public benefit as a charitable resource.

Arley Estate today

As well as the Arboretum the 1,600-acre Arley Estate is comprised of various tenanted properties in Upper Arley, including 52 residential houses, three farms, a public house, a Post Office and Eymore Wood, held for commercial forestry income.

Arley House

In the early 1960s Roger Turner arranged the deconstruction of the old Arley Castle and built a large architect-designed home for his own use. This was let until 2015 after which the Trustees, having sought professional advice, converted it into a bespoke wedding and conference centre.

Arley House & Gardens Limited

To handle the expected growth of trading activities including weddings and conferences, the Trustees established a wholly-owned trading subsidiary, Arley House & Gardens Limited (“AHAG”), formerly Arley Estate Enterprises Limited, in 2015. The company runs all the commercial operations on the Estate including weddings, events, catering and forestry. It has an independent Board of Directors and its profits are distributed by Gift Aid to the Trust under a Deed of Covenant.

CONTENTS

| | Page |
|---|--------------|
| Our Charitable Aims | 3 |
| Achievements and performance in 2018 | 4 |
| Financial review | 5 |
| Quoted investment values | 6 |
| Freehold property values at Arley | 6 |
| Managing risk | 7-8 |
| Governance | 9 |
| Key financial policies | 10 |
| People | 10 |
| Public benefit | 11 |
| Fundraising activities | 11 |
| Post balance sheet events | 11 |
| Plans for the future | 11 |
| Trustees' responsibilities and disclosure of information to the auditors | 12 |
| Reference and administrative information | 13 |
| Five year overview of key numerical data | 14 |
| Independent auditor's report | 15-16 |
| Consolidated statement of financial activities | 17 |
| Balance sheets | 18 |
| Consolidated and company cash flow statements | 19 |
| Notes to the accounts | 20-30 |

OUR CHARITABLE AIMS

Our primary aim is to provide grants to local UK registered charities in the beneficial area of Birmingham, the Black Country and Worcestershire.

Roughly half of our beneficiaries have been regularly supported for four years or more with annual grants for unrestricted funding which can be used for salaries and other core costs. Due diligence is undertaken for these so-called 'Regulars' most of which are visited roughly every two years for a discussion with management about charitable outcomes and plans for the future.

Charities seeking grants need to be of sufficient size and long enough established with adequate management, governance and financial controls and a clear financial need in the context of the charity's reserves and strategic plans.

We focus on charities which support impaired health and the disabled, independent hospices, work in the community, social support and children and young people. We also have limited funds for the arts and for heritage work. Following the global financial crisis a decade ago, priority has also been given to charities which have struggled to provide services as a consequence of cut-backs in local authority funding.

New-applicant charities, for which initial funding is often for capital appeals or specific projects, are also welcome. The expected impact of any grant needs to be clear and there needs to be evidence that any project could not be funded from a charity's own reserves; large national and international charities are generally not supported even if a project is being undertaken in the beneficial area.

Although predominantly a response-funding Trust, there is a limited amount of targeted funding in support of charities in the village of Upper Arley.

Our secondary aim is to enhance Arley Estate by supporting the development of the village and providing access for public recreation and education at Arley Arboretum and gardens.



Arley Estate, located in Worcestershire's Severn Valley, is a significant tourist attraction in the County and can be accessed via Arley Station on the Severn Valley Railway. We aim to keep admission prices for the Arboretum at affordable levels with season tickets to encourage repeat visits as the foliage and colours change.

The 200-year old Arboretum, which has some of the most magnificent exotic species in England, adjoins a beautiful formal Italian Garden; together they provide a wonderful setting in every season. Children are welcomed with many activities

including an adventure play trail, a living maze together with quests, scavenger hunts and seasonal events with encouragement to learn about the natural environment.

There are many walks around the Estate and The Severn Way passes the village and crosses the footbridge to join the North Worcestershire Path.

The strategic plan for the Estate is focussed on making it more accessible whilst preserving the heart of village life. The plan includes redeveloping neglected buildings; Arley House was converted to a wedding and conference centre in 2018 and planning consent has been received to convert 'The Grange', a listed building converted to flats many years ago to accommodation to support activities at Arley House. Consent has also been obtained to convert the old Arley Gaol, which has been used for storage in recent years to self-catering accommodation.

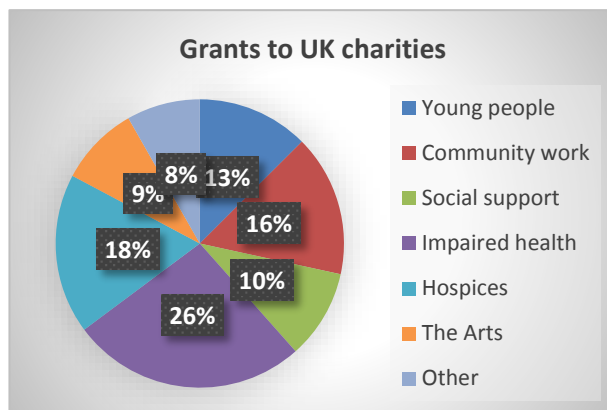
Weddings are licenced to be held in the Italian Garden or Arley House lawn; also the demand for church ceremonies in neighbouring St Peter's helps to keep the building in regular use beyond formal services.

ACHIEVEMENTS AND PERFORMANCE IN 2018

How we performed - grant aid to charities

In 2018 we visited some 37% of so called ‘Regular’ grant-aided charities (those which have been supported for at least four years) to review their governance, operations and public benefit.

Several Regulars have given us feedback that they appreciate the flexibility of our unrestricted grants in order to pay salaries - usually their largest cost. Accordingly, our impact is often not separately identifiable or measurable as it is inextricably linked to recipients’ overall charitable outcomes.



All of the very largest grants exceeding £10,000 were awarded to support the core costs of Regulars, six for local hospices, two for Arts charities and one in support of the Impaired Health charity Cerebral Palsy Midlands. Our largest grant of £35,000 to St Richard’s Hospice in Worcester included £20,000 for their ‘Build 2020’ project to extend the hospice and increase the number of in-patient beds from 17 to 20.

Overall, we awarded 195 grants amounting to £679,000 compared with 192 and £629,500 respectively in 2017, with an average grant of £3,482 (2017: £3,276). These included 30 grants of £5,000 or more mainly to Regulars. Payment of a long-outstanding £50,000 grant to refurbish Arley Memorial Hall has now been requested as the construction work is in progress and will be made imminently.

How we performed - Arley Arboretum

The 2017/18 winter was the most severe in the Arboretum for forty years. Storm Caroline in December brought high winds and heavy snowfall, the weight of which broke several large branches on the cedar trees. Then in March the so-called ‘Beast from the East’ caused the loss of some trees before the poor weather returned at the end of that month and over the Easter holiday period. These circumstances adversely affected our footfall for several months although a glorious autumn enabled us to catch up and overall visitor numbers were 31,940 compared with 34,380 in 2017.

Attractions for children were enhanced in 2018 with the introduction of the ‘Magical Quest’, a fun and interactive trail and scavenger hunt supported by a beautifully illustrated story book and an attractive map of the Arboretum with clues to find the ingredients for a magic spell.

The Arboretum and Severn Valley were prominently featured in a BBC television series of river walks.

Developments at the Estate

A project to reconfigure Arley House as a wedding and conference centre was completed in July. The management team coped with many unexpected difficulties, arising from the poor original construction and the collapse of the main drainage system. Although these problems delayed completion, the high standard of finish has contributed to a very attractive building. A ten-year lease of the Ground floor to Arley House & Gardens Limited from 1 July 2018 was completed following an Order from the Charity Commission. The upper floor of the building now provides office accommodation for the Trust.

Demand for our tenanted residential accommodation has continued as the standard of accommodation has improved in recent years. As properties become available at the end of a lease our policy is to bring them up to appropriate standards of accommodation.

As the year ended we launched new websites for the Estate, Arboretum and Arley House & Gardens which have been well received

FINANCIAL REVIEW

The overall financial result was dominated by large stock market falls in the last quarter causing £1,708,000 losses on our portfolio, partially offset by £572,000 aggregate revaluations on Arley Estate properties. The net decrease in funds was £1,275,000 compared with £2,697,000 net increase in 2017.

General Fund

Investment income was £782,000 in 2018, £33,000 lower than the previous year (which benefited from special dividends) but similar to 2016. After fees the net income was £651,000 (2017 £ 681,000). Grants increased by £50,000 to reach a record level in 2018. Charitable costs increased because of the handover to a new Grants Manager and legal costs on various governance matters. However, these were dwarfed by the investment losses and the transfers to finance the Arley House project, repayment of which is expected via Gift Aid from future trading and possible sale proceeds of any vacant peripheral properties.

| General Fund | 2018 £'000 | 2017 £'000 | |
|----------------------------|----------------|---------------|---|
| Investment income | 651 | 681 | Net of Investment Managers' fees |
| Charitable grants | (679) | (629) | Record level of grant awards in 2018 |
| Charitable costs | (105) | (55) | Exceptional handover costs arising in 2018 |
| Operating (deficit) | (133) | (3) | |
| Investment (losses)/gains | (1,708) | 2,408 | Market falls in 2018, partially recovered in 2019 |
| Transfers to Arley Fund | (450) | (518) | Cash for Arley House capital expenditure |
| Movement in funds | (2,291) | 1,887 | |

Arley Fund

The Arley Fund includes the income from Arley Estate properties, the costs of charitable work mainly at Arley Arboretum and trading activities. The net cost of charitable activities on the Estate includes mainly fixed costs related to Arley Arboretum; visitor numbers fell slightly because poor weather coincided with school holidays early in the season with a consequential increase in the charitable deficit.

| Arley Fund | 2018 £'000 | 2017 £'000 | |
|------------------------------------|---------------|---------------|---|
| Estate property surplus | 136 | 157 | Increased property repairs |
| Trading profit | 28 | 9 | Increased activity on weddings and events |
| Charitable (deficit) | (170) | (131) | Fewer visitors and higher costs |
| Operating (deficit) surplus | (6) | 35 | |
| Investment gains | 459 | 431 | Revaluation of investment properties |
| Tangible asset revaluation | 113 | (174) | Arley House valued professionally on completion |
| Transfers from General Fund | 450 | 518 | Capital expenditure financing for Arley House |
| Movement in funds | 1,016 | 810 | |

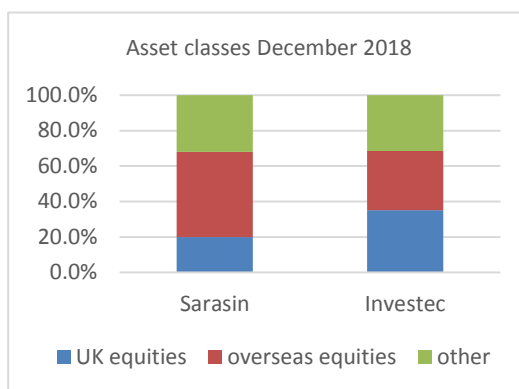
Trading at Arley House & Gardens Limited ("AHAG")

Turnover for AHAG was £396,000 compared with £264,000 in 2017; despite the £158,000 increase for weddings and events, the use of both marquees and outside caterers, prior to Arley House becoming available, suppressed margins. Furthermore the trading profit included in the Consolidated Statement of Financial Activities is disclosed after eliminating the cost of the charity's service charge to AHAG of £18,000; its own accounts (summarised in note 22) therefore show a profit for the year of £10,000. Had the charity's own separate accounts been required to be published, the above Estate Property surplus would have been increased from £136,000 to £154,000.

QUOTED INVESTMENT VALUES

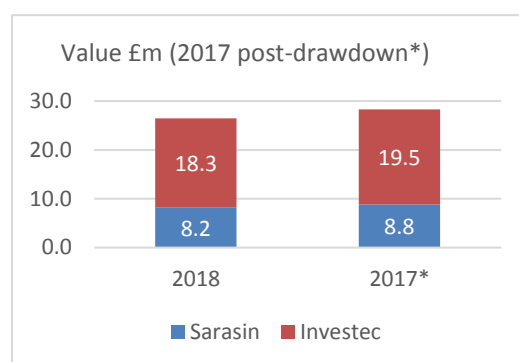
Our investment strategy is to generate a total return over the long term of 3.5% above the UK Retail Price Index, net of fees, at moderate risk.

A composite benchmark used to monitor performance includes 70% equities, split between the UK FTSE All Share index (40%) and the MSCI global ex-UK index (30%) with bonds, property, alternatives and cash (30%) measured against other appropriate indices.



The portfolio is divided between two houses. Investec’s portfolio includes many FTSE UK companies with global operations, thereby spreading currency risk, whereas Sarasin’s investment strategy is thematic and globally focussed so they achieve our UK equity benchmark by partially hedging the overseas currency exposure, mainly US \$, on a quarterly basis (26% by value at 31 December 2018).

Market performance was affected by uncertainty about Brexit in the UK whilst US markets were hit in the last quarter by concerns that both trade wars with China and higher domestic interest rates would weaken growth; US-based technology stocks had experienced huge growth recently but fell away in December.



Our portfolio in 2018 initially performed well, but the final quarter reversed this trend and we lost value over the whole year having made a well-timed drawdown of £1m at the height of the market for investment at Arley. 2019 has brought better news and markets have since recovered although both managers are expecting that higher volatility will continue in the foreseeable future, whilst Brexit and US uncertainties remain.

FREEHOLD PROPERTY VALUES AT ARLEY

Arley Estate is comprised of a tenanted portfolio of investment properties and various own-use assets, including Arley House and Arley Arboretum, two of which, the neglected Arley Gaol and ‘The Grange’, (a listed building previously poorly converted to three flats) are now ready for reconstruction to provide accommodation in support of the wedding and conference facilities at Arley House and for holiday lets. These two properties were transferred from investments to tangible assets in 2018 at a value of £482,000.

Arley House: As previously reported our rural property advisers (Halls) discounted the value of Arley House by £200,000 to £1,600,000 in 2017 pending completion of the construction work. Despite many unexpected problems, including the collapse of the main drains which required a new link to the village sewerage system after major external excavations followed by the re-laying of the main lawn, the increased book value, including construction costs, broadly matched Halls’ valuation of £2,100,000 on completion.

Trustee valuation: At 31 December 2017 Halls undertook an independent quinquennial valuation of the component property parts of Arley Estate, subject to the current occupation and tenancies in place and valued them at £25,929,000. Having had regard to ONS data and Halls’ advice we increased the value of residential tenanted properties by 3%, adjusted for specific properties. The outlook for bare land prices is uncertain until the impact of Brexit for the agricultural sector is known, so land values on the Estate were unchanged. The trustees’ valuation of £26,973,000 at 31 December 2018 was split as follows:

| Allocation in financial statements | 2018 | 2017 |
|---|--------------------|--------------------|
| Investment properties | 23,982,000 | 23,773,000 |
| Own-use properties within tangible fixed assets | 2,991,000 | 2,156,000 |
| Total | £26,973,000 | £25,929,000 |

MANAGING RISK

In order to manage risk effectively we:

- Monitor strategic risks annually;
- Review investment risks bi-annually in conjunction with our investment managers;
- Empower the Chief Executive to manage project risks with independent professional support;
- Delegate day-to-day operational and hazard risks to the management team;
- Manage conflict risks, principally associated with grant-giving, at every meeting.

Strategic risks and opportunities: Arley Estate

An increased risk appetite underpins our five-year strategy with greater depth and breadth to our activities and opportunities to diversify the income streams and financial returns of Arley Estate, albeit with greater downside risk, particularly within Arley House & Gardens Limited, the trading subsidiary. Currently UK economic uncertainties have been dominated by the political risk of failing to agree a withdrawal deal from the European Union with the impact on the Trust largely outside our control. We have reviewed the risks which could adversely affect our five-year strategy and how we are managing them as follows:

| Category | Strategic risk | How risk is managed |
|---------------------------------------|---|---|
| Brexit | Uncertainty over withdrawal from the CAP and phasing-out of farming subsidies; short term post-Brexit farming outlook unclear | Dialogue with rural property advisers on impact locally on tenant farmers for both short and long term planning |
| Post-Brexit uncertainties for trading | Potential reduced spending for weddings; corporate budget cuts for conferences and events could damage trading opportunities | Bespoke packages for all hospitality; high quality catering and value-for-money to attract up-market demand |
| Climate change | River bank erosion or flooding of properties Higher rainfall threat to visitor attractions | Monitoring of ground structures Development of indoor facilities |
| Reputation damage | Adverse social media feedback going viral inadequate Arboretum visitor offering | Renewal of attractions eg ‘Magical Quest’; visitor feedback monitored |
| Cyber-fraud | Cyber-terrorism threatens internal systems New computers nullify anti-virus software | Review of IT support contract to enhance future capability and quality |

Market securities Our Investment Managers continue to believe that the portfolios should provide the target long-term total return of RPI + 3½ %. Nevertheless, as we approach the five-year anniversary of their appointments, we will review their performance during 2019 to determine whether any change in our risk appetite or their benchmarks might be appropriate, having considered the following risks:

| Category | Investment risk | How risk is managed |
|--------------|--|---|
| Capital | Loss of capital in Administration Excessive market volatility | High quality stock selections based on strong in-house research teams |
| Liquidity | Lockdown of derivative-based hedge funds or low liquidity property funds | Complex derivatives and low liquidity property funds are generally avoided |
| Market | Exchange rate volatility Interest-rate impact on debt values | Overseas equity partially hedged to Sterling Long-dated debt instruments avoided |
| Counterparty | Cash custodian failure Nominee client account exposure | Custodian arrangements reviewed Beaufort Securities scenario considered |

Project risks on large construction projects incorporate professional expertise to assist in the prudent management of those risks and are led by established professional firms of contract designers and architects with a pre-agreed specification based on a planned turn-key outcome.

Operational and hazard risks within Arley Estate including health & safety issues are managed by 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.

Health and safety at work A comprehensive system of risk assessments is in operation prior to any work being undertaken on the Estate. Employees are encouraged to identify emerging risks and appropriate training needs are regularly reviewed with staff members required to enhance their specific skills or knowledge. Trustees and the Chief Executive keep abreast of Health & Safety law to ensure that the Trust’s culture and behaviours receive the appropriate leadership. Periodic external audits of health and safety are undertaken, with appropriate action taken on recommendations.

Visitors and safeguarding: Particular attention is given to hazard risks affecting our stakeholders. Our procedures consider 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; children and vulnerable adult visitors must be safeguarded and supervised by a responsible adult visitor at all times.

| | 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, including: <ul style="list-style-type: none"> • Working at height • Mechanical handling • Use of chain saws | 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. Legal advice was taken in respect of the General Data Protection Regulation and appropriate action taken so far as reasonably possible.

Cyber security: 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 or 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 and does not take part in the specific decision.

The Trustees consider that the Directors of Arley House & Gardens Limited are independent of the Trust and that potential conflicts of interest or loyalty with the Charity are appropriately managed.

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 associated risks. 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 of charitable grant applications are delegated to the Chief Executive and the Grants Manager respectively. Arley House & Gardens Limited has its own independent Board but trustees maintain oversight by means of formal reports and informal dialogue with both its Chairman and a former trustee who is now a Director.

The Charity Governance Code

During the year we conducted a detailed review of our compliance with the new Code including our organisational purpose, leadership, integrity, decision making, risk and control, board effectiveness diversity and openness and accountability. We discussed the findings and agreed to make changes to improve compliance; in particular we:

- appointed a Vice Chairman;
- held 1:1 appraisal sessions for each trustee with the Chairman;
- conducted a skills audit and factored the results into the recruitment of an additional trustee;
- agreed a term of office for the Chairman (5 years with a possible additional 3 years);
- reviewed the relationship with the trading subsidiary and agreed rotational trustee attendance;
- sought advice from professional advisers on the effectiveness of grant-giving;
- agreed to prepare a Governance Manual in 2019 to aggregate various matters in a single document including the terms of reference for committees, the delegation framework for management, the relationship with the trading subsidiary and role definitions for trustees and chairman.

New Trustees are appointed having regard to diversity of skills, experience, gender and age. We do not advertise trustee vacancies because of the need for high level of knowledge and experience of charities in the context of a relatively small Board and we believe the current informal approach is appropriate.

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. Trustees are encouraged to undertake appropriate training.

Trustees

During the year Stephen Preedy retired from the Board after 13 years loyal service. He provided much valuable support to management in respect of various property refurbishments over many years and demonstrated sound judgement in assessing the needs of grant applicants; we miss his great contribution but wish him a long and happy retirement following his recovery from a recent illness.

We are very sorry to record the sad news of the death of Michael Fea who had served as a Trustee for ten years until 2015. Michael was a highly respected solicitor with extensive knowledge of local charities, several of which had benefitted from his personal involvement. We shall miss him.

In October we welcomed Mrs Sharon Stotts, an experienced self-employed management consultant with prior knowledge of charity governance, to the Board and we look forward to working with her.

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

The investment portfolio is split between two managers. There are no restrictions on the Trust's power to invest and we do not currently prohibit any investments on social, environmental or ethical grounds. The 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 charitable distributions over the long term.

Investment policy for freehold property

Arley Estate properties continue to be held to maximise total investment returns. 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; they are unencumbered amounts represented by cash or other readily realisable assets within the General Fund to provide flexibility in grant-giving capacity and operational requirements, generally in the target range of £250,000 to £500,000. At 31 December 2018, free reserves of £841,000 (2017: 294,000) included £500,000 remaining from an investment drawdown to finance capital projects within Arley Estate.

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. Designated cash balances required for the seasonal and working capital fluctuations in Arley Estate are separately ring-fenced and are also therefore excluded from free reserves.

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 periodically review external survey data from the Association of Chief Executives of Voluntary Organisations (ACEVO).

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 challenges at 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.

Tim Patrickson retired after ten years loyal service as Trust Administrator. He has successfully handled many changes with the merging of the legacy trusts, the incorporation of the trading company, greater use of Information Technology, and the retendering of many professional and banking services. He also developed strong trusted working relationships with our grant recipients. We wish him a long and happy retirement. We are delighted to welcome Mrs Amy Smith as his successor and wish her every success.

The Directors of Arley House & Gardens Limited are all non-executive, unremunerated and independent. We are grateful to them for their continued diligent stewardship of the company's activities, enabling Trustees to focus on the charitable activities of the Trust. We also wish to thank our 14 active volunteers who bring significant additional skills and experience and continue to support the work of the Arboretum with great enthusiasm.

PUBLIC BENEFIT

We have considered the Charities Act 2011 on public benefit, noting that the Act states that there is no presumption of benefit. We have also had due regard for Charity Commission Guidance on the subject, in the context of both our charitable activities at Arley Estate and our charitable grant giving.

FUNDRAISING ACTIVITIES

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

POST BALANCE SHEET EVENTS

Stock markets have partially recovered in 2019 and the Trust’s portfolio had increased by 4.4% from £26,441,000 to £27,606,000 at 28 February 2019.

PLANS FOR THE FUTURE

Brexit uncertainties

An over-riding concern for our future plans is the risk of the UK Government failing to reach agreement on the withdrawal of the UK from the European Union, which could have a significant impact on the Trust in the foreseeable future:

- job losses and deprivation in our beneficial area could trigger significant additional grant applications;
- uncertainty over the future of the UK economy could materially affect our UK market security values;
- loss of business and personal confidence could materially impact the demand for weddings and events;
- uncertainty over the future of UK farming subsidies and food tariffs could materially affect the industry.

Having diversified both our income streams and our long-term asset portfolios, we believe we have taken all reasonable steps to mitigate potential adverse consequences, unless a major UK economic crisis unfolds.

General fund

We will review the performance of our two investment houses over the 5 year period since appointment in 2014 to determine whether any changes are appropriate to the benchmarks, risk appetite or tolerance in the forthcoming post-Brexit era.

Arley Estate

Although there is limited scope to increase rental income, we plan 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.

Set out below is our plans for 2018 a year ago with progress to date and updated plans for 2019

| What we planned a year ago | Progress to date | Plans for 2019 |
|--|---|--|
| Commence a project to convert an Estate building to accommodate wedding and conference guests. | Planning consent and Charity Commission Order received; contract manager appointed. | Construction contract to be awarded |
| Convert the mothballed former gaol building into accommodation | Planning permission obtained | Construction contract to be awarded |
| Extend the Arboretum using additional land annexed by agreement with the adjacent tenant farmer. | Arboretum extension agreed | Develop the additional land at Arley Arboretum |

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

8 March 2019

REFERENCE AND ADMINISTRATIVE INFORMATION

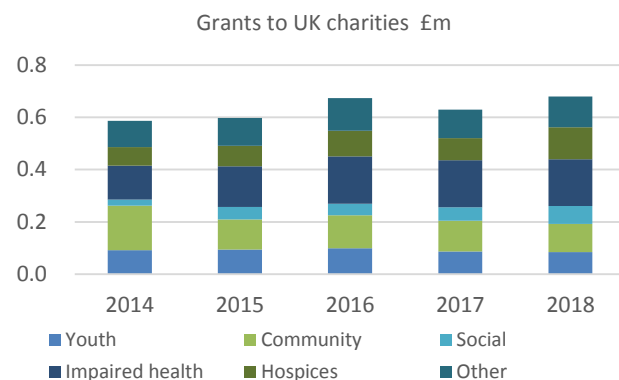
Charity No.1154467

| | | |
|--------------------------------------|---|--|
| Trustees | Peter Millward (Chairman) Dawn Long Amanda McGeever Ron Middleton (Vice Chairman) Sharon Stotts (from 12 October) Geoff Thomas | Stephen Preedy served as a Trustee until retiring on 8 May 2018 |
| Trust Administrator | Amy Smith | amy@turnertrust.co.uk |
| Chief Executive, Arley Estate | David Causer | david@arleyestate.co.uk |
| Principal Office | Arley House Lion Lane Upper Arley DY12 1SQ | Phone 01299 861368 |
| Websites | Grants Arboretum Weddings, events and trading | www.turnertrust.co.uk www.arleyarboretum.co.uk www.arleyhouseandgardens.co.uk |
| Audit and accounting | Auditors: Crowe U.K. LLP Black Country House Rounds Green Road Oldbury B69 2DG | Consultant Accountants: Mazars LLP 45 Church Street Birmingham B3 2RT |
| Investment Managers | Sarasin & Partners LLP Juxon House 100 St Paul's Churchyard London EC4M 8BU | Investec WIN 30 Gresham Street London EC2V 7QN |
| Property Consultants | Halls Gavel House 137 Franche Road Kidderminster DY11 5AP | |
| Bankers | Handelsbanken 63 Market Street Stourbridge DY8 1AQ | |
| Solicitors | Lodders Solicitors LLP 10 Elm Court, Arden St Stratford-upon-Avon CV37 6PA | |

FIVE YEAR OVERVIEW OF KEY NUMERICAL DATA

Grants to UK charities increased following the merger of the legacy trusts in 2015 which gave increased access to liquid funds and greater flexibility in grant-giving capacity.

Support for hospices, impaired health and disabled and people in need of social support have been the greatest beneficiaries of the additional funding. Average grants have increased from £3,276 to £3,482 over the period.

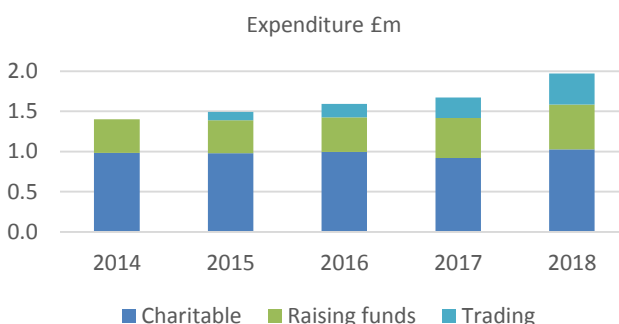


Arley Arboretum visitor numbers continue to exceed 30,000 annually. Admission prices have been held at affordable levels and many seasonal attractions are available for families throughout the year. Improvements in the website and greater use of social media have enabled more effective communications.



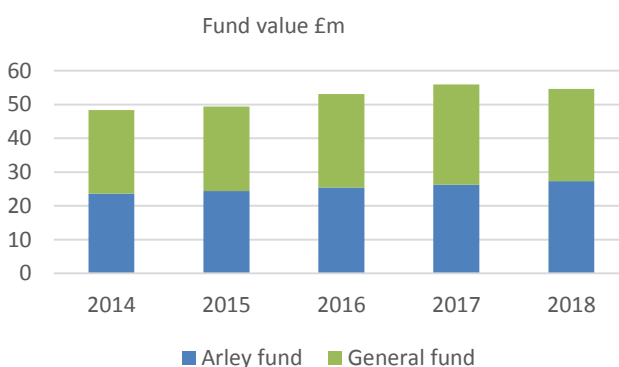
Income and expenditure have both increased over the period reflecting the **trading income and costs** with the growth of wedding conference and other activities.

Charitable costs aggregate Arley Estate and Arboretum costs and grants to other UK charities. The **costs of raising funds** include both the investment managers' fees and the expenditure on collecting rents and maintaining properties at Arley Estate.



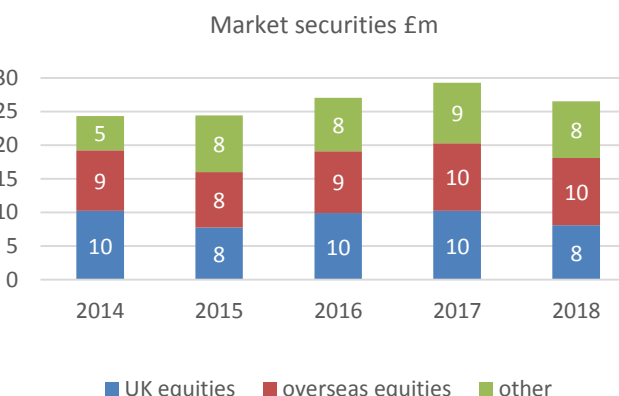
The Trust's funds are split between the **Arley fund and the General fund**, the principal assets of which are the Arley Estate and the market securities portfolios respectively.

Whilst Arley Estate values have increased slowly over the period, market securities, which are inherently more volatile, have suffered occasional market corrections.



Market securities experienced strong growth in 2016 and 2017 but worries about a 'no deal' Brexit in the UK market, combined with interest rate rises and threats that trade wars with China would choke off US growth, caused technology and other stock prices to fall in the last quarter of 2018.

As a consequence, the value of the portfolio, which had been exceeding 3½% above the UK Retail Price Index until September 2018, ended the five year period closer to target.



**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 2018 which comprise the Statement of Charitable 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).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure 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 charity 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 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.

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; 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 set out on page 12, 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 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 144 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. This description forms part of our auditor's report.

Use of our report

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.

Helen Drew
Crowe U.K. LLP
Statutory Auditor
Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

Date: 8 March 2019

Crowe U.K. 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 | 2018 | | | 2017 | | |
|-----------------------------------|------|---------------------|-----------------------|----------------|---------------------|-----------------------|----------------|
| | | Arley Fund £'000 | General Fund £'000 | Total £'000 | Arley Fund £'000 | General Fund £'000 | Total £'000 |
| <u>Income from:</u> | | | | | | | |
| Investments | 3 | 522 | 782 | 1,304 | 523 | 815 | 1,338 |
| Trading Activities | 4 | 396 | - | 396 | 264 | - | 264 |
| Charitable Activities | 5 | 114 | - | 114 | 103 | - | 103 |
| Donations and Legacies | | 1 | - | 1 | 1 | - | 1 |
| Total Income | | 1,033 | 782 | 1,815 | 891 | 815 | 1,706 |
| <u>Expenditure from:</u> | | | | | | | |
| Raising Funds | 6 | 386 | 131 | 517 | 366 | 134 | 500 |
| Trading Activities | 7 | 368 | - | 368 | 255 | - | 255 |
| Charitable Activities | 8 | 285 | 784 | 1,069 | 235 | 684 | 919 |
| Total Expenditure | | 1,039 | 915 | 1,954 | 856 | 818 | 1,674 |
| Operating (Deficit)/Surplus | | (6) | (133) | (139) | 35 | (3) | 32 |
| Net investments (loss)/gain | 13 | 459 | (1,708) | (1,249) | 431 | 2,408 | 2,839 |
| Net Income/(deficit) | | 453 | (1,841) | (1,388) | 466 | 2,405 | 2,871 |
| Revaluation of fixed assets | 12 | 113 | - | 113 | (174) | - | (174) |
| Transfers between funds | 20 | 450 | (450) | - | 518 | (518) | - |
| Net Movement in Funds | | 1,016 | (2,291) | (1,275) | 810 | 1,887 | 2,697 |
| Total Funds at 1 January | | 26,276 | 29,573 | 55,849 | 25,466 | 27,686 | 53,152 |
| Total Funds at 31 December | | 27,292 | 27,282 | 54,574 | 26,276 | 29,573 | 55,849 |

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 House & Gardens Limited.

The notes on pages 20 to 30 form part of these financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2018

| | Note | GROUP | | CHARITY | |
|-----------------------------|------|---------------|---------------|---------------|---------------|
| | | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Fixed assets | | | | | |
| Intangible assets | 12 | 12 | - | 12 | - |
| Tangible assets | 12 | 3,272 | 2,324 | 3,272 | 2,324 |
| Investments | 13 | 50,423 | 53,052 | 50,423 | 53,052 |
| Total | | 53,707 | 55,376 | 53,707 | 55,376 |
| Current assets | | | | | |
| Stock | 14 | 8 | 6 | 1 | 2 |
| Debtors | 15 | 156 | 163 | 125 | 187 |
| Cash | 16 | 1,018 | 693 | 994 | 641 |
| | | 1,182 | 862 | 1,120 | 830 |
| Creditors | | | | | |
| Amounts due within one year | 17 | (315) | (389) | (253) | (357) |
| Net Current Assets | | 867 | 473 | 867 | 473 |
| Net Assets | | 54,574 | 55,849 | 54,574 | 55,849 |
| Arley Fund | 19 | 27,292 | 26,276 | 27,292 | 26,276 |
| General Fund | 19 | 27,282 | 29,573 | 27,282 | 29,573 |
| Total Funds | | 54,574 | 55,849 | 54,574 | 55,849 |

The loss for the financial year dealt with in the financial statements of the charity was £1,275,000 (2017 £2,697,000).

The notes on pages 20 to 30 form part of these financial statements.

Approved by the Board on 8 March 2019 and signed on its behalf by:

Peter J Millward
Chairman

CONSOLIDATED AND CHARITY CASH FLOW STATEMENT
For the year ended 31 December 2018

| | Note | GROUP | | CHARITY | |
|---|------|---------------------|-------------------|-------------------|-------------------|
| | | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Cash (used in) operating activities | 21 | (927) | (771) | (908) | (764) |
| Cash flows from investing activities | | | | | |
| Dividend and Interest income | | 782 | 815 | 782 | 815 |
| Distribution received under deed of covenant | | - | - | 9 | 8 |
| Purchase of tangible fixed assets | | (598) | (1,060) | (598) | (1,060) |
| Capital expenditure developing website | | (12) | - | (12) | - |
| Purchase of investments | | (4,612) | (10,834) | (4,612) | (10,834) |
| Capital expenditure on investment properties | | (50) | (18) | (50) | (18) |
| Proceeds from sale of investments | | 5,742 | 10,974 | 5,742 | 10,974 |
| | | <u>1,252</u> | <u>(123)</u> | <u>1,261</u> | <u>(115)</u> |
| Cash provided by/ (absorbed by) investing activities | | | | | |
| Increase/(decrease) in cash and cash equivalents in the year | | 325 | (894) | 353 | (879) |
| Cash and cash equivalents at the beginning of the year | | 693 | 1,587 | 641 | 1,520 |
| Total cash and cash equivalents at the end of the year | | <u>1,018</u> | <u>693</u> | <u>994</u> | <u>641</u> |

The notes on pages 20 to 30 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.

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 and 3-5 years for intangible assets.

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:

| | 2018 £'000 | 2017 £'000 |
|---|-----------------------------|-----------------------------|
| Dividends - UK and Overseas Equities | 726 | 736 |
| Interest - UK Fixed Interest Securities | 56 | 79 |
| Sub-total General Fund | 782 | 815 |
| Income – rental | 467 | 468 |
| - other | 55 | 55 |
| Sub-total Arley Fund | 522 | 523 |
| Total Investment Income | 1,304 | 1,338 |

4 INCOME FROM TRADING

| | 2018 £'000 | 2017 £'000 |
|---------------------|-----------------------------|-----------------------------|
| Tea room | 110 | 125 |
| Forestry | 21 | 25 |
| Weddings and events | 248 | 90 |
| Other income | 17 | 24 |
| Total income | 396 | 264 |

5 CHARITABLE INCOME

This income arises from admissions and charges at Arley Arboretum.

NOTES TO THE ACCOUNTS (CONTINUED)

6 RAISING FUNDS EXPENDITURE

| | 2018 | | | 2017 | | |
|--------------------------------|------------------------|--------------------------|------------------------|------------------------|--------------------------|------------------------|
| | Arley Fund £'000 | General Fund £'000 | Total 2018 £'000 | Arley Fund £'000 | General Fund £'000 | Total 2017 £'000 |
| Investment management charges | - | 131 | 131 | - | 134 | 134 |
| Repairs & property maintenance | 69 | - | 69 | 40 | - | 40 |
| Depreciation | 64 | - | 64 | 38 | - | 38 |
| Direct staff costs | 62 | - | 62 | 44 | - | 44 |
| Shared staff costs | 72 | - | 72 | 126 | - | 126 |
| Shared overheads | 119 | - | 119 | 118 | - | 118 |
| Total Raising Funds | 386 | 131 | 517 | 366 | 134 | 500 |

7 TRADING EXPENDITURE

| | | | | | | |
|----------------------------------|------------|----------|------------|------------|----------|------------|
| Cost of sales | 95 | - | 95 | 71 | - | 71 |
| Direct expenses | 96 | - | 96 | 64 | - | 64 |
| Direct staff costs | 104 | - | 104 | 76 | - | 76 |
| Shared staff costs | 42 | - | 42 | 17 | - | 17 |
| Shared overheads | 31 | - | 31 | 27 | - | 27 |
| Total trading expenditure | 368 | - | 368 | 255 | - | 255 |

8 CHARITABLE EXPENDITURE

| | | | | | | |
|-------------------------------------|------------|------------|--------------|------------|------------|------------|
| Purchases – Arboretum | 30 | - | 30 | 29 | - | 29 |
| Direct staff Costs | 97 | 69 | 166 | 93 | 36 | 129 |
| Shared staff costs | 83 | - | 83 | 62 | - | 62 |
| Shared overheads | 75 | 16 | 91 | 51 | 5 | 56 |
| Professional charges | - | 7 | 7 | - | 3 | 3 |
| Governance | - | 13 | 13 | - | 11 | 11 |
| Charitable grants | - | 679 | 679 | - | 629 | 629 |
| Total charitable expenditure | 285 | 784 | 1,069 | 235 | 684 | 919 |

Shared costs of staff and overheads are analysed in note 11.

Governance includes audit fees of £9,945 (2017: £11,442) and accountancy costs of £3,200 (2017: £nil).

9 CHARITABLE GRANTS ANALYSIS

| | 2018 | | | 2017 | | |
|------------------------|------------|-------------|------------|------------|-------------|------------|
| | Number | % value | £'000 | Number | % value | £'000 |
| Young people | 34 | 13% | 85 | 29 | 14% | 87 |
| Community work | 42 | 16% | 108 | 44 | 19% | 118 |
| Social support | 22 | 10% | 68 | 17 | 8% | 51 |
| Impaired health | 60 | 26% | 179 | 62 | 29% | 180 |
| Hospices | 8 | 18% | 122 | 8 | 13% | 84 |
| The Arts | 16 | 9% | 61 | 20 | 11% | 70 |
| Other: | | | | | | |
| Environment & heritage | 8 | 6% | 41 | 8 | 4% | 24 |
| International aid | 4 | 2% | 13 | 4 | 2% | 15 |
| Medical research | 1 | | 2 | - | | - |
| Total | 195 | 100% | 679 | 192 | 100% | 629 |

NOTES TO THE ACCOUNTS (CONTINUED)

9 CHARITABLE GRANTS ANALYSIS (Continued)

Charitable grants of £5,000 or more:

| Grant-aided charity name | Category | | 2018 £'000 |
|---|-------------------------------|---|---------------|
| The Birmingham Boys & Girls Union | Young people | * | 6 |
| E R Mason Youth Centre | Young people | * | 6 |
| Cotteridge Church Day Centre | Community work | * | 7 |
| REACT | Community work | * | 5 |
| St Basils | Social support | * | 10 |
| Birmingham City Mission | Social support | * | 6 |
| St Anne's Hostel | Social support | * | 5 |
| Cerebral Palsy Midlands | Impaired health | * | 12 |
| Birmingham PHAB Camps | Impaired health | * | 7 |
| Edward's Trust | Impaired health | * | 6 |
| Foundation for Conductive Education | Impaired health | * | 6 |
| ARCOS | Impaired health | * | 5 |
| ASPIE | Impaired health | * | 5 |
| Multiple Births Foundation | Impaired health | * | 5 |
| Birmingham Centre for Arts Therapies | Impaired health | * | 5 |
| Breast Cancer Haven West Midlands | Impaired health | | 5 |
| St Richard's Hospice | Hospices | * | 35 |
| Birmingham St Mary's Hospice | Hospices | * | 20 |
| Acorns Children's Hospice Trust | Hospices | * | 21 |
| Primrose Hospice | Hospices | * | 15 |
| St Giles Walsall Hospice | Hospices | * | 13 |
| Compton Care | Hospices | * | 10 |
| KEMP House Trust Ltd | Hospices | * | 5 |
| Worcester Live Charitable Trust | The Arts | * | 17 |
| City of Birmingham Symphony Orchestra | The Arts | * | 13 |
| English Symphony Orchestra | The Arts | * | 5 |
| National Churches Trust | Environment & heritage | * | 10 |
| Worcester Cathedral | Environment & heritage | | 10 |
| Black Country Living Museum | Environment & heritage | | 10 |
| Churches Conservation Trust | Environment & heritage | | 5 |
| Total £5,000 or more (30 grants) | Regular grant-aided charities | * | 290 |

10 STAFF COSTS

| | 2018 £'000 | 2017 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 469 | 399 |
| Social security costs | 41 | 32 |
| Pension costs | 19 | 23 |
| | 529 | 454 |

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 £184,891 (2017: £175,883). There was 1 (2017: 1) employee whose earnings fell between £120,000 and £130,000 (2017: £120,000 and £130,000).

There were 14 active volunteers (2017: 20) who provided ad-hoc support to projects in the Arboretum. The economic contribution of general volunteers is not recognised in the accounts.

NOTES TO THE ACCOUNTS (CONTINUED)

10 STAFF COSTS (Continued)

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

| | 2018 | 2017 |
|-------------------------------|-----------|-----------|
| Estate and property | 3 | 3 |
| Arboretum | 16 | 18 |
| Management and administration | 8 | 7 |
| | <u>27</u> | <u>28</u> |

11 SHARED COSTS (Arley Fund)

| | | 2018 | | | 2017 | | |
|--|--------|-------------|-------------|------------|-------------|-------------|------------|
| Cost sharing within Arley Estate is based on time spent: | | Staff costs | Other costs | Total | Staff costs | Other costs | Total |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Raising funds | Note 6 | 72 | 119 | 191 | 126 | 118 | 244 |
| Trading | Note 7 | 42 | 31 | 73 | 17 | 27 | 44 |
| Charitable | Note 8 | 83 | 75 | 158 | 62 | 51 | 113 |
| | | <u>197</u> | <u>225</u> | <u>422</u> | <u>205</u> | <u>196</u> | <u>401</u> |

12 FIXED ASSETS: GROUP AND CHARITY

Intangible fixed assets: During the year there were £12,000 additions to website development costs (2017 nil); no depreciation was charged. The net book amount at 31 December 2018 was £12,000 (2017 nil).

| Tangible fixed assets | Freehold land and buildings | Plant and equipment | Fixtures and fittings | Total |
|----------------------------|-----------------------------|---------------------|-----------------------|--------------|
| Cost or valuation | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2018 | 2,156 | 209 | 203 | 2,568 |
| Additions | 432 | 141 | 25 | 598 |
| Revaluation | 113 | - | - | 113 |
| Transfers from investments | 300 | - | - | 300 |
| | <u>3,001</u> | <u>350</u> | <u>228</u> | <u>3,579</u> |
| Depreciation | | | | |
| At 1 January 2018 | - | 160 | 84 | 244 |
| Charge for the year | 10 | 23 | 30 | 63 |
| | <u>10</u> | <u>183</u> | <u>114</u> | <u>307</u> |
| Net book amount | | | | |
| At 31 December 2018 | <u>2,991</u> | <u>167</u> | <u>114</u> | <u>3,272</u> |
| At 31 December 2017 | <u>2,156</u> | <u>49</u> | <u>119</u> | <u>2,324</u> |

Freehold land and buildings which had an historical cost of £3,019,000 (2017 £2,325,000) include assets in course of construction of £480,000 (2017 £1,620,000).

13 FIXED ASSET INVESTMENTS - GROUP

| | | | 2018 | 2017 |
|-------------------------------------|---|----------------------------|----------------|----------------|
| | Freehold land and buildings £'000 | Quoted securities £'000 | Total £'000 | Total £'000 |
| At 1 January 2018 | 23,773 | 29,279 | 53,052 | 50,335 |
| Additions at cost | 50 | 4,612 | 4,662 | 10,852 |
| Disposal proceeds | - | (4,742) | (4,742) | (10,974) |
| Net investment gains / (losses) | 459 | (1,708) | (1,249) | 2,839 |
| Cash drawdown | - | (1,000) | (1,000) | |
| Transfer (to) tangible fixed assets | (300) | - | (300) | - |
| At 31 December 2018 | <u>23,982</u> | <u>26,441</u> | <u>50,423</u> | <u>53,052</u> |

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 £25,929,000 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. At 31 December 2018, having taken informal advice from Halls, the trustees valued the Estate on a similar basis at £26,973,000. For accounting purposes, the assets have been disclosed as follows:

| | | 2018 £'000 | 2017 £'000 |
|-------------------------------|---------|---------------|---------------|
| Own use tangible fixed assets | Note 12 | 2,991 | 2,156 |
| Investments | Above | 23,982 | 23,773 |
| At 31 December 2018 | | <u>26,973</u> | <u>25,929</u> |

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

| | 2018 £'000 | 2017 £'000 |
|-------------------------|---------------|---------------|
| Fixed interest | 3,635 | 3,268 |
| UK listed investments | 8,077 | 10,250 |
| Overseas investments | 10,018 | 10,046 |
| Commercial property | 2,706 | 2,969 |
| Alternative investments | 1,426 | 1,950 |
| Cash | 579 | 796 |
| | <u>26,441</u> | <u>29,279</u> |
| Historical cost | <u>22,685</u> | <u>23,257</u> |

Material investments:

The Investment Policy states that no investments should exceed 5.0% of the value of the portfolio. At 31 December 2018 there were no such investments (2017: none).

Fixed asset investments – Charity

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

NOTES TO THE ACCOUNTS (CONTINUED)

| | Group 2018 £'000 | Group 2017 £'000 | Charity 2018 £'000 | Charity 2017 £'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| 14 STOCK | | | | |
| Goods for resale | 8 | 6 | 1 | 2 |
| 15 DEBTORS | | | | |
| Trade debtors | 35 | 37 | 16 | 54 |
| Prepayments | 86 | 86 | 74 | 84 |
| Other debtors | 35 | 40 | 35 | 49 |
| | <u>156</u> | <u>163</u> | <u>125</u> | <u>187</u> |
| 16 CASH | | | | |
| Cash at bank | 121 | 372 | 97 | 320 |
| CCLA COIF Charities Income account | 687 | 185 | 687 | 185 |
| Investment Manager Income Account | 210 | 136 | 210 | 136 |
| | <u>1,018</u> | <u>693</u> | <u>994</u> | <u>641</u> |
| 17 CREDITORS DUE WITHIN ONE YEAR | | | | |
| Trade creditors | 45 | 174 | 33 | 165 |
| Conditional grants | 50 | 50 | 50 | 50 |
| Investment Manager charges | 30 | 29 | 30 | 29 |
| Rents received in advance | 45 | 28 | 45 | 27 |
| Other taxes and social security | 39 | 19 | 23 | 20 |
| Amounts due to group undertaking | - | - | 19 | 15 |
| Other creditors | 25 | 60 | 22 | 22 |
| Accruals and deferred income | 81 | 29 | 31 | 29 |
| | <u>315</u> | <u>389</u> | <u>253</u> | <u>357</u> |
| 18 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 £1,638 (2017: £1,085) was reimbursed to two (2017: two) Trustees in respect of travel and other expenses and £516 (2017: £840) was incurred on behalf of Trustees.

(iii) Transactions with trading subsidiary

Costs (principally staff costs) recharged to the trading subsidiary amounted to £146,004 (2017: £93,487). Rent and service charge income was received from the trading subsidiary amounting to £22,000 (2017: £4,000).

NOTES TO THE ACCOUNTS (CONTINUED)

19 ANALYSIS OF GROUP ASSETS AND LIABILITIES WITHIN FUNDS

| | Arley Fund £'000 | 2018 General Fund £'000 | Total Funds £'000 | Arley Fund £'000 | 2017 General Fund £'000 | Total Funds £'000 |
|---------------------------|------------------------|----------------------------------|-------------------------|------------------------|----------------------------------|-------------------------|
| Intangible Assets | 12 | - | 12 | | | |
| Tangible Assets | 3,272 | - | 3,272 | 2,324 | - | 2,324 |
| Investments | 23,982 | 26,441 | 50,423 | 23,773 | 29,279 | 53,052 |
| Fixed Assets | 27,266 | 26,441 | 53,707 | 26,097 | 29,279 | 55,376 |
| Stock | 8 | - | 8 | 6 | - | 6 |
| Debtors | 101 | 55 | 156 | 62 | 64 | 126 |
| Cash | 126 | 892 | 1,018 | 377 | 316 | 693 |
| Creditors | (209) | (106) | (315) | (266) | (86) | (352) |
| Net Current Assets | 26 | 841 | 867 | 179 | 294 | 473 |
| Total Funds | 27,292 | 27,282 | 54,574 | 26,276 | 29,573 | 55,849 |

20 FUNDS ANALYSIS – GROUP

| | 1 January 2018 £'000 | Incoming Resources £'000 | Outgoing Resources £'000 | Transfers £'000 | Gains / (Losses) £'000 | 31 December 2018 £'000 |
|---------------------|----------------------------|--------------------------------|--------------------------------|--------------------|------------------------------|------------------------------|
| Operational funds | 26,256 | 1,051 | (1,057) | 460 | 459 | 27,169 |
| Revaluation reserve | 20 | - | - | (10) | 113 | 123 |
| Arley Fund | 26,276 | 1,051 | (1,057) | 450 | 572 | 27,292 |
| General Fund | 29,573 | 782 | (915) | (450) | (1,708) | 27,282 |
| Total Funds | 55,849 | 1,833 | (1,972) | - | (1,136) | 54,574 |

| | 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 |
| Total Arley Fund | 25,466 | 891 | (856) | 518 | 257 | 26,276 |
| General Fund | 27,686 | 815 | (818) | (518) | 2,408 | 29,573 |
| Total Funds | 53,152 | 1,706 | (1,674) | - | 2,665 | 55,849 |

Of the £1m investments realised in January 2018, the remaining £0.5m is designated for capital expenditure.

NOTES TO THE ACCOUNTS (CONTINUED)

21 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET OPERATING CASH FLOW

| | Group 2018 £'000 | Group 2017 £'000 | Charity 2018 £'000 | Charity 2017 £'000 |
|--|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Net movement in funds | (1,275) | 2,697 | (1,275) | 2,697 |
| Add back depreciation charge | 63 | 38 | 63 | 38 |
| Movement on revaluation reserve | (113) | 174 | (113) | 174 |
| Deduct income shown in quoted investing activities | (782) | (815) | (791) | (823) |
| (Gain) / loss on revaluation of investments | 1,249 | (2,839) | 1,249 | (2,839) |
| Decrease / (increase) in stock | (2) | - | 1 | 1 |
| Decrease / (increase) in debtors | 7 | (145) | 62 | (152) |
| Increase / (decrease) in creditors | (74) | 119 | (104) | 140 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash used in operating activities | (927) | (771) | (908) | (764) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

22 INCOME EARNED FROM TRADING ACTIVITIES

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

| | 2018 £'000 | 2017 £'000 |
|--|-----------------------|-----------------------|
| Turnover | 396 | 264 |
| Cost of sales | (112) | (71) |
| Direct costs | (156) | (121) |
| Overheads | (100) | (63) |
| | <u> </u> | <u> </u> |
| Profit included in Statement of Financial Activities on consolidation | 28 | 9 |
| Intra-group charge from the charity arising from internal leases, included in the company's own accounts | (18) | - |
| | <u> </u> | <u> </u> |
| Profit for the financial year | 10 | 9 |
| Amount distributed to the charity | (10) | (9) |
| | <u> </u> | <u> </u> |
| Retained in subsidiary | - | - |
| | <u> </u> | <u> </u> |
| The assets and liabilities of the subsidiary were: | | |
| Current assets | 108 | 87 |
| Current liabilities | (108) | (87) |
| | <u> </u> | <u> </u> |
| Total net assets | - | - |
| | <u> </u> | <u> </u> |
| Total net assets representing aggregate share capital and reserves | - | - |
| | <u> </u> | <u> </u> |

The Statement of Financial Activities of the Charity alone is not required to be published. It excludes the above trading turnover and costs but includes £28,000 investment income comprising £18,000 (2017: £nil) intra-group service charges and £10,000 (2017: £9,000) gift aid income from the subsidiary.

NOTES TO THE ACCOUNTS (CONTINUED)

23 FINANCIAL INSTRUMENTS

| | Group 2018 £'000 | Group 2017 £'000 | Charity 2018 £'000 | Charity 2017 £'000 |
|---|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | 26,441 | 29,279 | 26,441 | 29,279 |
| Financial assets that are debt instruments measured at amortised cost | 1,088 | 733 | 1,045 | 698 |
| | <u>27,529</u> | <u>30,012</u> | <u>27,486</u> | <u>29,977</u> |
| Financial liabilities | | | | |
| Financial liabilities measured at amortised cost | <u>177</u> | <u>342</u> | <u>173</u> | <u>310</u> |

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

Financial liabilities cost comprises trade creditors, conditional grants and other creditors.