

# 30

HERITAGE ASSETS

FINANCIAL REPORTING  
STANDARD



ACCOUNTING  
STANDARDS  
BOARD

*Financial Reporting Standard 30 'Heritage Assets' is issued by the Accounting Standards Board in respect of its application in the United Kingdom and by the Institute of Chartered Accountants in Ireland in respect of its application in the Republic of Ireland.*

# 30

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STANDARD



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*Financial Reporting Standard 30 'Heritage assets' is set out in paragraphs 1 to 32.*

*The Statement of Standard Accounting Practice, which comprises the paragraphs set in bold type, should be read in the context of the Objective, as stated in paragraph 1 and the Definition set out in paragraph 2 and also the Foreword to Accounting Standards, the Statement of Principles for Financial Reporting currently in issue and the Interpretation of the Statement of Principles for Public Benefit Entities. The explanatory paragraphs contained in the FRS shall be regarded as part of the Statement of Standard Accounting Practice insofar as they assist in interpreting that Statement.*

*Appendix I 'The Development of the FRS' reviews the considerations and arguments that were thought significant by members of the Board in reaching their conclusions on the FRS.*

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## **SUMMARY**

- 1 Financial Reporting Standard (FRS) 30 '*Heritage assets*' applies to all heritage assets that are held and maintained by an entity principally for their contribution to knowledge and culture. Heritage assets can have historical, artistic, scientific, geophysical or environmental qualities.
- 2 Assets that are used by an entity in its operations should be accounted for as operational assets in accordance with FRS 15 '*Tangible fixed assets*', notwithstanding historical or other heritage qualities.
- 3 The FRS sets out new disclosure requirements for the reporting of heritage assets, which apply whether or not they are reported in the balance sheet. Where heritage assets fall within the scope of FRS 30, the disclosure requirements of FRS 15 do not apply.
- 4 The FRS retains the recognition and measurement requirements in FRS 15 which require heritage assets to be reported as tangible fixed assets in the balance sheet where information is available on cost or valuation. There are however some relaxations to the measurement requirements of FRS 15 to encourage the reporting of heritage assets in the balance sheet at valuation.
- 5 The main features of this standard are as follows.
  - (i) the disclosures should apply to all entities that hold heritage assets, regardless of whether these assets are reported in the balance sheet. These disclosures will provide information about an entity's total holding of heritage assets and the entity's stewardship of these assets.
  - (ii) The disclosures should make clear the accounting policies adopted for an entity's holding of heritage assets and the extent to which these assets are

recognised in the balance sheet. The disclosures should provide readers with an understanding of the asset values being reported as well as the entity's policies for managing its total holding of heritage assets.

- (iii) The accounting in respect of the recognition and measurement of heritage assets should follow the requirements of FRS 15, as supplemented by the requirements of this standard.
  - (iv) To encourage a valuation approach, the FRS allows entities to use internal valuations without the need for a full valuation every five years.
- 6 Illustrative examples of disclosures are set out at Appendix II.



## **FINANCIAL REPORTING STANDARD 30 'HERITAGE ASSETS'**

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### *Objective*

- 1 The objective of this **FRS** is to ensure that:
  - (i) enhanced disclosures apply to all heritage assets, regardless of whether they are reported in the balance sheet; and
  - (ii) where information is available on cost or value, heritage assets are reported in the balance sheet.

### *Definition*

- 2 The following definition shall apply in this FRS

#### **HERITAGE ASSET**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### *Scope*

- 3 **All heritage assets should be accounted for in accordance with the requirements of this standard.**
- 4 **The FRS applies to all financial statements that are intended to give a true and fair view of a reporting entity's financial position and profit or loss (or income and expenditure) for a period, except that reporting entities applying the Financial Reporting Standard for Smaller Entities (FRSSE) currently applicable are exempt.**

*Disclosures*

- 5 **The disclosures required by paragraphs 6 to 15 are required, except where noted otherwise, for all heritage assets regardless of whether they are reported in the balance sheet.**
- 6 **An entity's financial statements should contain an indication of the nature and scale of heritage assets held by the entity.**
- 7 **The financial statements should set out the entity's policy for the acquisition, preservation, management and disposal of heritage assets. This should include a description of the records maintained by the entity of its collection of heritage assets and information on the extent to which access to the assets is permitted. The information required by this paragraph may alternatively be provided in a document that is cross-referenced from the financial statements.**
- 8 **The accounting policies adopted for an entity's holding of heritage assets should be stated, including details of the measurement bases used.**
- 9 **For heritage assets that are not reported in the balance sheet, the reasons why should be explained and the notes to the financial statements should explain the significance and nature of those assets that are not reported in the balance sheet.**
- 10 **The disclosures relating to assets that are not reported in the balance sheet should aim to ensure that, when read in the context of information about capitalised assets, the financial statements provide useful and relevant information about the entity's overall holding of heritage assets.**
- 11 **Where heritage assets are reported in the balance sheet, the following should be disclosed:**

- (i) the carrying amount of heritage assets at the beginning of the financial period and at the balance sheet date, including an analysis between those classes or groups of heritage assets that are reported at cost and those that are reported at valuation; and**
  - (ii) where assets are reported at valuation, sufficient information to assist in an understanding of the valuations being reported and their significance. This should include:**
    - (a) the date of the valuation;**
    - (b) the methods used to produce the valuation;**
    - (c) whether the valuation was carried out by external valuers and, where this is the case, the valuer's name and professional qualification, if any; and**
    - (d) any significant limitations on the valuation.**
- 12 An example of a limitation to be disclosed under paragraph 11 (ii) (d) would be where an asset has a particular provenance, the effect of which is not fully captured by valuation.
- 13 **Information that is available to the entity and is helpful in assessing the value of those heritage assets that are not reported in the entity's balance sheet should be disclosed.**
- 14 **The financial statements should contain a summary of transactions relating to heritage assets disclosing, for the accounting period and each of the previous four accounting periods:**
- (a) the cost of acquisitions of heritage assets;**

- (b) the value of heritage assets acquired by donation;
- (c) the carrying amount of heritage assets disposed of in the period and the proceeds received; and
- (d) any impairment recognised in the period.

This summary should show separately transactions in assets that are reported in the balance sheet and those that are not.

- 15 **Where, exceptionally, it is not practicable to obtain a valuation of heritage assets acquired by donation, the reasons why should be stated. Disclosures should also be provided on the nature and extent of significant donations of heritage assets.**
- 16 The information required by paragraph 14 may be supplemented by disclosure of other information, for example the sources of funding for acquisition of heritage assets, or expenditure on major restoration costs, but this is not required by this standard.
- 17 **The disclosures required by paragraphs 6 to 15 may be presented in aggregate for groups or classes of heritage assets provided this aggregation does not obscure significant information. Separate disclosures should be provided for those assets reported at cost and those reported at valuation. Amounts in respect of assets that are not reported in the balance sheet should not be aggregated with amounts for assets that are recognised at cost or valuation.**

### *Recognition and Measurement*

- 18 **An entity should report heritage assets as tangible fixed assets and recognise and measure these assets in accordance with FRS 15 ‘Tangible fixed assets’, subject to the requirements set out in paragraphs 19 to 25 below.**

- 19 **Where information is available on the cost or value of heritage assets:**
- (i) **they should be presented in the balance sheet separately from other tangible fixed assets;**
  - (ii) **the balance sheet or the notes to the accounts should identify separately those classes of heritage assets being reported at cost and those at valuation; and**
  - (ii) **changes in the valuation should be recognised in the statement of total recognised gains and losses, except for impairment losses that should be recognised in accordance with paragraph 24.**
- 20 **Where assets have previously been capitalised or are recently purchased, information on their cost or value will be available. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets will not be recognised in the balance sheet and the disclosures required by this standard should be made.**
- 21 **Valuations may be made by any method that is appropriate and relevant.**
- 22 There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are reported at valuation, the carrying amount should be reviewed with sufficient frequency to ensure the valuations remain current.

*Depreciation and Impairment*

- 23 **Depreciation need not be provided on heritage assets which have indefinite lives.**

- 24 **The carrying amount of an asset should be reviewed where there is evidence of impairment, for example where it has suffered physical deterioration or breakage or new doubts arise as to its authenticity. Any impairment recognised should be dealt with in accordance with the recognition and measurement requirements of FRS 11 ‘Impairment of fixed assets and goodwill’.**

*Donations*

- 25 **The receipt of donations of heritage assets should be reported in the profit and loss account at valuation. Where, exceptionally, it is not practicable to obtain a valuation for a donated heritage asset, the disclosures required by paragraph 15 apply.**

*Date from which effective and transitional arrangements*

- 26 **This standard should be applied in respect of accounting periods beginning on or after 1 April 2010. Earlier application is encouraged.**
- 27 **The information required by paragraph 14 need not be given for any accounting period earlier than the period immediately before the period in which this standard is first applied where it is not practicable to do so and a statement to the effect that it is not practicable is made.**

*Amendment to FRS 11 ‘Impairment of fixed assets and goodwill’*

- 28 Paragraph 5 of FRS 11 is amended by adding the following sub-paragraph:
- (e) **heritage assets to the extent specified in FRS 30 ‘Heritage assets’**

*Amendments to FRS 15 'Tangible fixed assets'*

29 The scope section of FRS 15 is amended by inserting the following additional paragraph:

**4A The recognition and measurement requirements in paragraphs 6 to 99 of this standard apply to heritage assets subject to the requirements set out in paragraphs 18 to 25 of FRS 30 'Heritage assets'. The disclosure requirements in paragraphs 100 to 108 of this standard do not apply to heritage assets.**

30 Paragraph 17 of FRS 15 is amended by inserting the following additional text:

**17 Where these gifts and donations are heritage assets, entities should report these assets in accordance with FRS 30 'Heritage assets'.**

31 Paragraph 18 of FRS 15 is amended by inserting the following additional text:

18 The requirements for heritage assets are addressed in FRS 30 'Heritage assets'.

32 Paragraphs 89 and 90 of FRS 15 are amended by inserting '**and heritage assets**' after 'non-depreciable land'.

## **ADOPTION OF FRS 30 BY THE ACCOUNTING STANDARDS BOARD**

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Financial Reporting Standard (FRS) 30 ‘Heritage assets’ was approved for issue by the eleven members of the Accounting Standards Board.

### ***Members of the Accounting Standards Board***

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Michael Ashley	
Edward Beale	
Marisa Cassoni	
Peter Elwin	
Ken Lever	
Robert Overend	
Andy Simmonds	
Professor Geoffrey Whittington	CBE



## APPENDIX I – THE DEVELOPMENT OF THE FRS

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### Introduction

- 1 This Appendix reviews the considerations and arguments that were thought significant by the Board in reaching its conclusions on heritage assets. It explains the different approaches considered by the Board and why it has issued a new Financial Reporting Standard (FRS) that requires enhanced disclosures for heritage assets.
- 2 In developing the FRS, the Board has considered the comments on its initial proposals which were set out in the Discussion Paper ‘*Heritage assets – Can accounting do better?*’ (January 2006) and on its subsequent proposals in FRED 40 ‘*Accounting for heritage assets*’ (December 2006) and FRED 42 ‘*Heritage assets*’ (June 2008).

### The need for a new standard

- 3 The Board’s project on heritage assets was undertaken to address criticisms of the current financial reporting requirements. Although a few museums and galleries account for their heritage assets at valuation, most adopt an approach under which assets purchased in 2001 and later years are reflected in the balance sheet at cost but previously acquired assets are not.
- 4 In many cases, this results in an amount in the balance sheet that appears significant but bears little or no relationship to the total value of an entity’s collection of heritage assets. Some entities aim to compensate for this by providing supplementary disclosures, although the quality of these is uneven, with significant differences in the information provided by different entities, which impairs its usefulness.
- 5 The current accounting is based upon the requirements of FRS 15 ‘*Tangible fixed assets*’ and the Statement of

Recommended Practice (SORP) for Charities. The Financial Reporting Advisory Board (FRAB)\* has in the past reported to Parliament its concerns over the existing accounting treatment applied by charities and public sector bodies, including the national museums and galleries, citing the problems noted above.

- 6 The ASB therefore agreed to carry out a review of the current accounting and reporting requirements for heritage assets in the UK, to determine whether a change to these requirements was desirable and, if so, to develop alternative proposals.

### **The Board's conclusions**

- 7 Any debate on accounting for heritage assets will inevitably generate a wide range of views. The Board has listened carefully to these views over the course of its project and acknowledges that the financial reporting of heritage assets presents some very difficult and challenging issues. Yet, after considering a number of alternative approaches, the Board is not persuaded that there is a better accounting solution for heritage assets than the current approach which is based on FRS 15 and results in entities capitalising those heritage assets that have been acquired since 2001.
- 8 The Board has therefore concluded that the main improvement in the financial reporting of heritage assets will be secured by issuing a new FRS that requires enhanced disclosures for all heritage assets, regardless of whether they are reported in the balance sheet. In reaching this conclusion the Board has considered responses to its three consultation papers. It has also met with key stakeholders to discuss their views.

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\* The FRAB is an independent statutory body which advises the Treasury and devolved administrations in the UK on financial reporting principles and standards applicable to government departments, executive agencies, executive non-departmental public bodies, trading funds, health bodies and, from accounting periods beginning 1 April 2010, local government.

- 9 The new FRS will result in the continued reporting of at least some of an entity's heritage assets in the balance sheet. In the Board's view, this is preferable to not reporting any assets in the balance sheet, even where, as under the current approach, it results in the reporting of recently acquired assets at cost. The improved disclosures prescribed by the new FRS will make clear the extent to which heritage assets are reported in the balance sheet and mitigate the disadvantages of an entity reporting only part of their total holding of heritage assets in the balance sheet.
- 10 Some respondents to the consultation papers questioned whether there was any purpose in reporting the value of heritage assets. Although many museums and galleries do not see their principal objectives in financial terms, they nonetheless use and command economic resources and it is the purpose of the financial statements to provide an account of these resources and how they have changed. In the Board's view, reporting the cost or value of heritage assets provides an important context in which other elements of financial performance may be assessed.

### ***Heritage assets are assets***

- 11 Throughout the project, the Board has retained the view that, conceptually, heritage assets are assets. They are central to the purpose of an entity such as a museum or gallery: without them the entity could not function. An artefact held by a museum might be realisable for cash, it might generate income indirectly through admission charges or the exploitation of reproduction rights. However, and in most cases much more importantly, the museum needs the artefact to function as a museum. The artefact has utility: it can be displayed to provide an educational or cultural experience to the public or it can be preserved for future display or for academic or scientific research. The future economic benefits associated with the artefact are primarily in the form of its service potential rather than cash flows. In the Board's view, by virtue of the service potential they provide, heritage assets meet the definition of an asset; that

is, they provide ‘rights or other access to future economic benefits controlled by an entity as a result of past transactions or events’\*.

### ***Inalienability***

- 12 Heritage assets are often described as ‘inalienable’, ie the entity cannot dispose of them without external consent. Such a restriction may, for example, be imposed by trust law, arise from a charity’s governing documents or, in some cases, by statute. The key feature of inalienability is that it prevents an asset being readily realisable. Some argue that assets held in trust are not assets of the entity, equating the inability to sell such items with foregoing the economic benefit inherent in them. But assets that are inalienable may well have utility to the entity and therefore, as noted in paragraph 11 above, meet the definition of an asset.
- 13 Inalienability is not a robust concept – it is possible that a donor’s wishes may be revoked and even statutory restrictions are not immutable from amendment or revocation by Parliament. Some assets are so central to the purpose of an entity that it is inconceivable they would ever be sold; so, in substance, they are inalienable. Because it is imprecise, the concept of ‘inalienability’ does not therefore provide a suitable criterion for framing accounting requirements.

### ***The best accounting***

- 14 If heritage assets are not capitalised, the balance sheet will provide an incomplete picture of an entity’s financial position. For this reason, it is better to report heritage assets in the balance sheet where information is available on cost or value rather than leave these assets out of the balance sheet.

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\* Paragraph 4.6 of the Board’s *Statement of Principles for Financial Reporting (December 1999)*.

- 15 The Board considers the best financial reporting is achieved when heritage assets are reported as tangible fixed assets at values that provide useful and relevant information at the balance sheet date. It is therefore likely that a current valuation will be more useful than historical cost, although it is acknowledged there can be difficulties in obtaining valuations for heritage assets.

### **Alternative approaches**

- 16 The Board considered a number of alternative approaches during the course of its work, ranging from capitalising no heritage assets through to a requirement to capitalise all heritage assets. The non-capitalisation approach, although straightforward to apply, has little conceptual merit and will result in heritage assets not being capitalised where information is available on their cost or value. It also raises issues regarding the reporting of acquisitions and disposals of heritage assets. In particular, it would be wrong to report the purchase of a heritage asset as an expense.
- 17 On the other hand, a full capitalisation approach is unlikely to be applied consistently, given the unique nature of many heritage assets and the many practical difficulties associated with identifying cost or determining a current value.

### ***Discussion Paper***

- 18 Neither of these approaches provides an appropriate basis for a standard; hence the Board developed an approach that it considered conceptually sound as well as being pragmatic. This approach was exposed in the Discussion Paper and required the valuation of heritage assets where *it is practicable to obtain valuations, which, when supplemented with appropriate disclosures, provide useful and relevant information sufficient to assist in an assessment of the value of heritage assets held by the entity at the balance sheet date.*
- 19 The Discussion Paper required the valuation, where practicable, of an entity's total holding of heritage assets,

where it could obtain, at reasonable cost, reliable current values for the majority, by value, of these assets. Where an entity was able to demonstrate a valuation approach was not practicable, a non-recognition approach was to be adopted.

#### ***FRED 40***

- 20 Despite considerable support from respondents, the Board was concerned that preparers might use the assessment of practicability to keep their heritage assets off the balance sheet. The Board therefore exposed in FRED 40 an approach that retained the principle of practicability but, rather than carrying out this assessment for an entity's total holding of heritage assets, required it to be carried out at the level of an individual collection.
- 21 The responses to FRED 40 highlighted two main problems. Firstly, respondents noted problems with the definition of a collection and that dividing up an entity's overall collection would provide scope for manipulation and confusion. Some large museums also suggested their heritage assets comprised a single collection – something that was not the Board's intention in publishing FRED 40.
- 22 Respondents to FRED 40 also noted that the judgements made by an entity in making its assessment of practicability could raise difficulties for auditors, particularly where a valuation approach is adopted and where valuations have been generated internally. Some auditors suggested this may result in a need for the audit opinion to include a limitation of scope.
- 23 The Board acknowledged that an approach that requires valuation, where practicable, raises issues for auditors, but it was keen to introduce a high level, principle-based standard and felt the issues raised should not be that dissimilar from other balance sheet issues, for example surrounding the reporting of intangibles.

**FRED 42**

- 24 Following its review of the responses to FRED 40, the Board re-considered its approach. It decided not to proceed with ‘practicability’, as envisaged in the Discussion Paper and FRED 40 but, instead, revert to an approach that would require heritage assets to be reported in the balance sheet where information on cost or value is available. This is the approach that was in FRED 42 and is the approach required by this standard.
- 25 The Board notes the importance of disclosures and the strong support that its proposals for enhanced disclosures have received from respondents throughout its consultations. The majority of respondents who commented said that the proposed disclosures are both appropriate and necessary for the proper discharge of an entity’s accountability for its heritage assets.
- 26 In the Board’s view, the enhanced disclosures remain the most important benefit of this project in terms of the improved financial reporting of heritage assets. The proposed disclosures, which have been developed from the Discussion Paper, and are similar to those included in FRED 40 and FRED 42, are therefore retained in this FRS. An important aim of the disclosures is to provide relevant and useful information on an entity’s overall holding of heritage assets and not just those that are reported as assets in the balance sheet.

**Specific Issues*****Scope and definition***

- 27 Works of art and similar objects are sometimes held by commercial entities but fall outside the scope of the new FRS because they are not maintained principally for their contribution to knowledge and culture. Respondents to the Discussion Paper said this issue should not be dealt with in a standard on heritage assets. These assets should therefore be

accounted for in accordance with FRS 15 '*Tangible fixed assets*'.

- 28 Historic assets used by the entity itself, for example historical buildings used for teaching by education establishments, should also be accounted for under the existing requirements for fixed assets. This is based on the view that an operational perspective is likely to be most relevant for most users of financial statements. However, entities that use historical buildings and similar assets may wish to consider whether it might be appropriate to apply the disclosures required by this FRS.

### ***Valuation***

- 29 To encourage entities to report heritage assets in their balance sheets, the new FRS includes the option available in FRS 15 to report assets at either cost or valuation. The Board would encourage entities to adopt a valuation approach where at all possible as it should provide more relevant and useful information.
- 30 The Board acknowledges that it may not always be possible to obtain current valuations but, to encourage entities to adopt a valuation approach, paragraphs 21 and 22 of the new FRS relax some of the valuation requirements of FRS 15. For example, the standard allows valuations to be made by any method that is appropriate and relevant.

### ***Disclosures***

- 31 Whilst some respondents raised concerns about the need for a five year summary of transactions relating to heritage assets, the majority supported this proposal and it has been retained. To avoid undue burdens in implementation, the standard permits the summary to be built-up going forward: only two years' information is required in the year in which the standard is first applied, provided it is stated that it is not practicable to provide information for earlier periods. This is consistent with the proposals in FRED 40 and FRED 42.



- 32 Paragraph 7 of the FRS requires an entity to disclose its policy for the acquisition, preservation, management and disposal of heritage assets. The FRS allows this disclosure to be made in the financial statements; in the information accompanying the financial statements; or in another document that is made publicly available by the entity. Where this information is not provided in the financial statements, the financial statements should contain a cross-reference to the document that sets out this information.
- 33 To clarify the Board’s intentions in framing the disclosure requirements, illustrative examples are provided in Appendix II.

### ***Depreciation and impairment***

- 34 The Discussion Paper and FRED 40 both proposed that heritage assets should be reported at valuation. Depreciation and impairment therefore were unnecessary refinements because any changes in value should be reflected in the regular revaluation of heritage assets. This FRS requires some assets to be reported at cost and therefore addresses depreciation and impairment. The requirements are consistent with those exposed in FRED 42.
- 35 Respondents to FRED 42 agreed with the proposal that entities should not be expected to charge depreciation on heritage assets that have indefinite lives. Respondents also agreed that for other assets depreciation will be required in accordance with FRS 15 ‘*Tangible fixed assets*’ and that the requirement in FRS 15 for annual impairment reviews for long-lived assets should not apply to heritage assets within the scope of this FRS.
- 36 FRED 42 reflected the view that not all of the indications of impairment identified in FRS 11 ‘*Impairment of fixed assets and goodwill*’ are relevant to heritage assets, for example, a fall in market prices is not relevant to the main purpose for which the asset is being held and maintained, i.e. for its contribution to knowledge and culture. For this reason, it

proposed that impairment reviews should be required only where an asset has suffered physical deterioration or breakage.

- 37 Some respondents suggested that impairment reviews should be required in other cases, including some of those included in FRS 11 '*Impairment of fixed assets and goodwill*'. The Board considered that it would be unduly burdensome to require impairment reviews when any of the indicators in FRS 11 is present. For this reason, the FRS simply requires an impairment review where there is evidence of impairment and specifically requires such a review only in the case of physical deterioration or breakage or where new doubts arise as to authenticity. It does not specify or restrict other circumstances in which an impairment review is required. This is a matter for professional judgement.

### ***Donations***

- 38 The proposals for donations of heritage assets are the same as set out in FRED 42. These require that heritage assets should be recognised in the profit and loss account, or equivalent statement, at the current value of the assets at the date they are received. This approach is also the same as that of FRS 15 '*Tangible fixed assets*' which recognises that heritage assets may present measurement difficulties. In the Board's view, it should only be impracticable to obtain a current value in exceptional cases and, where this is the case, paragraph 15 of the FRS requires disclosure in the notes to the accounts of why a valuation cannot be obtained.
- 39 Some respondents to FRED 42 questioned whether it was appropriate to report donations of heritage assets in the profit and loss account when the asset is not depreciated and cannot be sold. In addition to introducing volatility into the financial performance being reported, it was argued the accounting would generate substantial reserves that would give a misleading impression as to the true extent of an entity's expendable reserves. The Board's view remains that, where no conditions are attached to the receipt of a

donation, a gain equivalent to the value of the asset should be reported in the profit and loss account. The notes to the accounts and the accompanying information provide an opportunity for the entity to explain the impact of donations on its financial performance and expendable reserves.

- 40 Some respondents to FRED 42 noted that the proposals in respect of donated assets might be difficult to reconcile with the accounting principle in the Companies Act that only profits realised at the balance sheet date should be included in the profit and loss account. However, the Act provides that its accounting principles may be departed from if there are special reasons\*. The Board concluded that the receipt of a donation, and the need to ensure comparability with other entities that are subject to this FRS, would constitute such special reasons.

### ***Reporting acquisitions and disposals of heritage assets***

- 41 The proposals in the Discussion Paper and FRED 40 prohibited the reporting of acquisitions and disposals in the profit and loss account, or an equivalent statement. This was considered necessary to avoid acquisitions of heritage assets, where a non-recognition approach was being adopted, being reported as an expense. The proposals were also intended to avoid any distortion of the profit and loss account by prohibiting the reporting of disposal proceeds as gains.
- 42 The Board does not consider this FRS should require the separate reporting of acquisitions and disposals in the primary statements. This is because, other than donations

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\* Paragraph 15, Schedule 4 of the 1985 Companies Act and, from 6 April 2008, paragraph 10 of Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008: Statutory Instrument 2008/410, require that particulars of the departure, the reasons for it and its effect must be given in a note to the accounts. The equivalent reference in the Republic of Ireland is Section 6 of the Companies (Amendment) Act 1986 and paragraph 28 of the Group Accounts Regulations 1992.

where a current value cannot be obtained (something that should only happen in exceptional cases), acquisitions are required to be reported as assets.

- 43 There remains an issue for disposals of heritage assets that are not reported in the balance sheet, although this is not expected to be a significant issue for most entities on the grounds that few heritage assets are disposed of. There is also a requirement in paragraph 14 of the FRS for the financial statements to contain a summary of transactions in heritage assets, including information on proceeds and gains from disposals.

### **Regulatory Impact**

- 44 The Board has carried out an extensive consultation exercise as part of this project and, in doing so, sought views about the benefits and costs of applying its proposals for heritage assets. It noted the concerns expressed by a number of respondents that, where a valuation approach was adopted, the costs could be significant. The Board does, however, continue to believe there are significant benefits in reporting heritage assets in the balance sheet.
- 45 The costs of introducing the new requirements will largely fall on preparers, although it is not envisaged that, in the majority of cases, this will be burdensome. This is because the requirements will permit the current practice of reporting recent acquisitions at cost (or, in the case of donations, at current value).
- 46 Where an entity decides to report some or all of its heritage assets at a current value, it will do so having considered the benefits and costs of obtaining valuations. For this reason, there will not be disproportionate cost for those entities that choose to report heritage assets at valuation.
- 47 In addition, this standard includes new disclosure requirements, and there will be some cost in complying with them. However, the information should be readily

available; hence any new cost will be confined to presenting and publishing the information.

- 48 In light of the above, it appears to the ASB that the cost of the new requirements will not be disproportionate to their benefits.

### **Future Developments**

- 49 The ASB will continue to monitor how entities are accounting for heritage assets and may revise the requirements in the light of developments in reporting practice and the outcome of work being taken forward internationally, in particular the International Public Sector Accounting Standards Board's project on heritage assets.

## **APPENDIX II – ILLUSTRATIVE EXAMPLES OF DISCLOSURES**

*The following examples illustrate disclosures that might be made to comply with the requirements set out in paragraphs 6 to 15 of the FRS. To keep the illustrations simple, comparative information is not given, although this would normally be required.*

### **Example 1 — The Vintage Car Museum**

The Museum holds a collection of vintage cars and a collection of motoring ephemera for the purpose of fostering and promoting a public interest in the history of vintage cars.

The vintage car collection is capitalised at market value and was acquired through donations and purchases.

The collection of motoring ephemera has been assembled over many years and includes manuals, brochures and advertising material. The collection does not include items whose value is significant to the financial position of the Museum and is not capitalised because valuations could only be obtained at disproportionate cost.

#### **Note 1 Accounting policies**

##### **Tangible fixed assets and depreciation**

##### **Heritage assets**

The museum's collection of vintage and classic cars is reported in the Balance Sheet at market value. Valuations are made by professional valuers (Parker, Glass and Co). Approximately one-third of the collection is valued each year on a rolling basis. Gains and losses on revaluation are recognised in the Statement of Total Recognised Gains and Losses.

It is the Museum's policy to maintain its collection of cars in full working order and maintenance costs are charged to the Income and Expenditure Account when incurred. The cars are deemed to have indeterminate lives and the Trustees do not therefore consider it appropriate to charge depreciation.

Subject to the approval of the Trustees, the Museum may dispose of items from the collection, although this will only happen in exceptional circumstances, for example when the item cannot be properly displayed or the disposal proceeds can be used to purchase a better example.

In addition, the Museum holds a collection of motoring ephemera which is not recognised in the Balance Sheet as cost information is not readily available and the Trustees believe the benefits of obtaining valuations for these items would not justify the cost. Nearly all items in the collection are thought to have a financial value of less than £50 and, as far as the Trustees are aware, no individual item is worth more than £1,000. The vast majority of the items in the collection were acquired over twenty years ago.

The Museum's management policy in respect of its heritage assets is summarised in Note 8. Further information is available from the March 2006 publication "*Bringing Vintage Cars to Life*" which is available from the Museum's website. The Museum also makes available on its website a full listing of its collection of vintage and classic cars. This includes information on the history, provenance and date of acquisition of each vehicle and contains a commentary on their historical significance.

**Note 7(a) Tangible fixed assets – heritage assets**

	Vintage cars <u>£,000</u>
<u>Cost or valuation</u>	
1 April 2007	6,700
Additions	200
Disposals	(50)
<u>Revaluation</u>	<u>335</u>
<b><u>31 March 2008</u></b>	<b><u>7,185</u></b>

The above represents valuations made in the following financial years:

2007-08	3,000
2006-07	2,185
2005-06	<u>2,000</u>
	<u>7,185</u>

The vintage car collection includes the S4 Bentley Sport driven to victory by John Duff and Frank Clement in the 1924 Le Mans race. This vehicle has been included in the accounts at a valuation made in 2006-07 of £150,000 reflecting cars of a similar model and vintage. However, the Museum's professional valuers have advised that the car would probably realise significantly more than this if it were to be sold on the open market.

Additions in 2007-08 comprise:

£200,000 purchase of a private collection of 1950s Jaguar sports cars.

Disposals in 2007-08 comprise:

£50,000 sale of Lotus Elite and Triumph TR2.



**Note 7(b) Five year financial summary of heritage asset transactions:**

	2007-08 £000	2006-07 £000	2005-06 £000	2004-05 £000	2003-04 £000
<u>Additions:</u>					
Purchases	200	130	100	160	50
Donations	-	25	20	-	-
Total additions	200	155	120	160	50
<u>Disposals</u>					
Carrying value	50	-	30	50	-
Sale proceeds	50	-	25	55	-

The above information relates only to transactions in cars.

There were very few transactions in ephemera during the periods and these were acquisitions by donation. In the Trustees' view, the value of these donations is not material and obtaining a current valuation would involve disproportionate cost. The Museum wishes to acknowledge in particular the donation of 85 workshop manuals in 2007-08 from the estate of the late Toad of Toad Hall.

**Note 8 Heritage assets management policy**

The Museum maintains a collection of 250 vintage and classic cars which reflect the history of the British sports car from 1900-1960. Approximately 240 of these are on display to the public, while the remainder are held in the Museum's maintenance depot undergoing or awaiting repair.

Acquisitions are made by purchase or donation. The Museum occasionally disposes of objects from the collection in order to fund new acquisitions where the Trustees determine this does not detract from the integrity of the collection.

The Museum also holds a collection of motoring ephemera associated with the history of the British sports car. The collection comprises some 2,000 objects including manuals, brochures and advertising material. This collection of ephemera was originally purchased in the early 1970s, although a few items have been acquired since mostly through direct donation and occasionally by purchase. The Museum draws upon this collection for displays in the public rooms and arranges for private inspection by prior arrangement.

### ***Example 2 — The Bassetshire Museum***

The Museum's collections relate to the natural and man-made history of Bassetshire. There are three distinct collections: artefacts, fossils and paintings of local interest. The vast majority of the objects held were acquired in the late 19th century.

In the opinion of the Trustees, reliable information on cost or valuation is not available for the Museum's collections of fossils and artefacts. This is owing to the lack of information on purchase cost; the lack of comparable market values; the diverse nature of the objects; and the volume of items held. These collections are therefore not reported as assets in the balance sheet, other than recent purchases which are reported at cost.

The Trustees have obtained valuations for the collection of local paintings which is regularly being updated through acquisitions either by purchase or donation. The Trustees have also approved the sale of certain paintings.

The following disclosures would be provided in the notes to the financial statements.

**Note 1 Accounting policies****Tangible fixed assets and depreciation****Heritage assets**

The Museum has three collections of heritage assets which are held in support of the Museum's primary objective of increasing knowledge, understanding and appreciation of the Bassetshire landscape. The collections are accounted for as follows:

***Paintings***

The collection of paintings, which also includes sketches and photographs, is reported in the Balance Sheet at market value. Individual items in the collection are periodically revalued by an external valuer with any surplus or deficit on revaluation being reported in the Statement of Total Recognised Gains and Losses. The paintings are deemed to have indeterminate lives and a high residual value; hence the Trustees do not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at current value ascertained by the Museum's curators with reference, where possible, to commercial markets using recent transaction information from auctions.

***Artefacts and fossils***

The Trustees do not consider that reliable cost or valuation information can be obtained for the vast majority of items held in the collections of artefacts and fossils. This is because of the diverse nature of the assets held, the number of assets held and the lack of comparable market values. The Museum does not therefore recognise these assets on its Balance Sheet, other than recent acquisitions which are reported at cost, where the

object is purchased, or at the Museum curator's best estimate of current value where the object is donated.

### *Preservation costs*

Expenditure which, in the Trustees' view, is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income and Expenditure account when it is incurred.

Further information on the collections is given in Notes 7, 8 and 9 to the accounts.

### **Note 7 Tangible fixed assets – heritage assets**

	Paintings	Artefacts and fossils	Total assets
	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>
<u>Cost or valuation</u>			
1 April 2007	28,900	1,250	30,150
Additions	400	150	550
Disposals	(80)	-	(80)
<u>Revaluation</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>
<b><u>31 March 2008</u></b>	<b><u>30,820</u></b>	<b><u>1,400</u></b>	<b><u>32,220</u></b>

The Museum's external valuer (Turner, Constable and Co) carried out a full valuation of the collection of paintings as at 31 March 2008. The valuations were based on commercial markets, including recent transaction information from auctions where similar types of paintings are regularly being purchased. During the year, a painting that was valued in last year's accounts at £175,000 suffered major damage and was revalued at £25,000 at 31 March 2008. The write-down of £150,000 was charged to the Income and Expenditure account.

A particularly significant exhibit within the collection is the portrait of the Lady Elinor May, Countess of Basset by

William Maclean ca 1750. The portrait is unusual as Maclean is more widely known for his landscapes of the Scottish Highlands. The painting has been valued by an external valuer at £2.5 million. Expert opinion is divided as to the artistic merit of the portrait. A Maclean landscape was recently sold at auction for £3 million.

The values reported for the collections of artefacts and fossils are transaction costs for recent purchases or the Museum curator's best estimate of a current valuation for recent donations.

Additions in 2007-08 comprise:

- £200,000 purchase of a collection of 20 watercolours of Bassetshire landscapes by a local artist.
- £150,000 purchase at auction of a private collection of oil paintings from the estate of a local family.
- £50,000 donation of various paintings of local interest whose public display will, in the opinion of the Trustees, support the Museum's objective.
- £150,000 donation of fossils and artefacts received from the Dorsetshire Museum. The Trustees of the Dorsetshire Museum approved the donation because the objects were unlikely to be displayed at their Museum and it was becoming increasingly difficult to maintain them in good condition.

Disposals in 2007-08 comprise:

- The disposal relates to a piece of contemporary art that was donated to the Museum by a local artist in 2006-07. The disposal, which is to a private gallery that specialises in contemporary art, was approved by both the artist and the Trustees. The proceeds of £120,000 were used to fund additions to the collection of paintings in 2007-08.

**Note 8 Five year financial summary of heritage asset transactions:**

	2007-08	2006-07	2005-06	2004-05	2003-04
	£000	£000	£000	£000	£000
<u>Purchases</u>					
Paintings	350	70	100	160	50
Artefacts and Fossils	150	5	65	10	20
<u>Donations</u>					
Paintings	50	20	20	-	-
Total additions	550	95	185	170	70
<u>Disposal of Paintings</u>					
Carrying value	80	20	-	-	10
Sale proceeds	120	25	-	-	12

**Note 9 Further information on the Museum's collections of heritage assets****Paintings**

The collection consists of 3,000 paintings, sketches and photographs from the last 150 years illustrating the changing landscape and local populace. The collection has been significantly enhanced in 2007-08 by the acquisition of a collection of watercolours from a local artist and a collection of oil paintings from the estate of a local family. The watercolours comprise modern Bassetshire landscapes with the oil paintings depicting more traditional Bassetshire landscapes from the late 19<sup>th</sup> and early 20<sup>th</sup> centuries.

The Museum occasionally makes available on loan items from the collection to other regional museums and also accepts

paintings and other items on loan. At any time, approximately 50 per cent of the collections are on display. The remaining items are held in storage but access is permitted to scholars and others for research purposes.

### **Artefacts and fossils**

The Museum's collections of artefacts and fossils have been developed over 120 years and are used for reference, research and education. The Museum occasionally makes available on loan objects to other regional museums and also accepts objects on loan. The Trustees are indebted to the Dorsetshire Museum for the permanent transfer to the Museum of a collection of fossils and artefacts.

At any time approximately 20 per cent of the items in the collections are on display. The remaining items are held in storage but access is permitted to scholars for research purposes.

#### *Artefacts*

The collection consists of 5,000 miscellaneous, man-made objects including flints, pottery and coins from the period 3000 BC to 1900 AD and reflects the activity of man in the local area over this period. The collection has been developed over many years from digs and field surveys undertaken by the county archaeologists.

#### *Fossils*

The collection consists of 2,000 specimens from the Cretaceous to the Pleistocene period (145 million to 2 million years ago) and includes fossil fish remains such as shark and ray teeth, marine molluscs and sponges and disarticulated remains of fossil dinosaurs and mammals. It records the development of fauna from the local area. The collection was principally created from a bequest from Octavius Bayley, Victorian philanthropist and fossil enthusiast.

### **Heritage assets of particular importance**

As explained in note 7, the Museum holds one painting which, in the opinion of the Trustees, is of particular significance and has been valued by an external valuer at £2.5 million. The overall value of the collection, as reported in note 7, at 31 March 2008 is £30.8 million.

The Museum also holds certain items which the Trustees regard as particularly important to the collections of artefacts and fossils and are likely to have a significant monetary value in comparison with other items in these collections. Of particular importance are artefacts from the tomb of Baron Percy de Barseville ca 1100-1160 comprising chain mail armour, a long shield and a sword. These objects are in poor condition but are of great rarity. They were acquired by the Museum in the late 19th century and, in the Trustees' opinion, it is not possible to provide a reliable estimate of their value.

### **Preservation and management**

The Museum has a rolling programme of major restoration developed from a comprehensive review of the condition of the Museum's collections that was carried out in 2002-03. The review was commissioned by the Trustees following a major flood in the basement areas where items not on public display are stored.

The total cost of the restoration programme is £250,000 which is being partly funded by a £100,000 grant from the Heritage Preservation Fund. At the end of 2007-08, the programme is around 80 per cent complete and the Trustees expect the programme to be completed in 2008-09. The costs of the programme have been charged to the Income and Expenditure Account.

Each of the collections is managed by a Curator who reports to the Director of Collections. The Curators manage the collections in accordance with policies that are approved by



the Trustees. Further information is provided in the Museum’s separate publication “*The Management and Preservation of the Bassetshire Museum’s Collections*”, which is available on the Museum’s website. As is explained in that publication, assets in the collection are only disposed of where, in the opinion of the Trustees, an item does not contribute to the interest and diversity of the Museum’s collection.

The Museum maintains a register for its collections of heritage assets which records the nature, provenance and current location of each asset. Due to the large volume of items received in the period, the register is not currently complete. It is expected that it will be fully comprehensive by the end of March 2009.

### ***Example 3 — The Ancient Monument Museum***

The Museum maintains four Neolithic burial mounds and, although it periodically undertakes restoration work, none has been undertaken recently. In the Trustees’ opinion, conventional valuation approaches lack sufficient reliability and any valuation is likely to involve costs that are likely to be onerous. For this reason the burial mounds, which were gifted to the Museum at nil cost, are not recognised as assets in the Museum’s Balance Sheet. Other than routine maintenance works, there have been no transactions in heritage assets for many years.

The following disclosures are provided in the financial statements.

#### **Note 1 Accounting policies**

##### **Tangible fixed assets and depreciation**

##### **Heritage assets**

The Museum maintains four Neolithic burial mounds in support of the Museum’s objective to protect these historic monuments for the benefit of future generations. The Trustees

consider that owing to the incomparable nature of the burial mounds, conventional valuation approaches lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the Museum and users of the accounts. As a result, no value is reported for these assets in the Museum's Balance Sheet.

*Expenditure on major restoration*

The cost of associated major repairs is reported in the Income and Expenditure Account in the year it is incurred.

Further information is given in Note 8 to the accounts.

**Note 8 Heritage Assets not recognised in the balance sheet**

The Museum maintains four Neolithic burial mounds which were acquired during the 19<sup>th</sup> century as a gift from the former landowner at no cost to the Museum. No related artefacts are held.

There have been no acquisitions or disposals of heritage assets during the last five years.

The Museum aims to maintain the condition of the earthworks in a steady state of repair. Detailed surveys are undertaken at least every five years. The last survey was carried out during 2003-04 following a landslip. As a result, some underpinning work was undertaken. The cost of these works was not capitalised in the Balance Sheet. No major restoration costs were incurred during 2007-08.

Public access to the burial mounds is permitted at weekends and public holidays between March and October and, by prior arrangement, at other times.

***Example 4 — The Stoneworks Museum of Industrial Heritage***

The Museum charts the impact of the Industrial Revolution on the county of Slateshire which became famous for stonecutting and the manufacture of tiles. The Museum has two main parts; the Stoneworks Site, which includes the old quarry and stonecutting factory; and Stoneworth House, which was the country residence of the family which founded the Stoneworks Site. The majority of exhibits were acquired in the late 19th and early 20th centuries.

In the opinion of the Trustees, most of the items of machinery and equipment that are exhibited in the quarry and factory on the Stoneworks Site cannot be valued because conventional valuation approaches lack sufficient reliability. The Trustees are also of the opinion that the costs of obtaining valuations for these items would be disproportionate in terms of the benefits derived by the Museum and users of the accounts. Valuations are, however, provided for the majority of items exhibited in Stoneworth House, including the House itself.

The following disclosures would be provided in the notes to the financial statements.

**Note 1 Accounting policies****Tangible fixed assets and depreciation****Heritage assets**

The Museum holds heritage assets relating to the Stoneworks Site, founded by the Stoneworth family that has made the Slateshire area famous for stonecutting and the manufacture of tiles. The Museum also includes Stoneworth House, the country estate of the Stoneworth family, which includes collections of paintings, furniture and other household and business items. In addition to donations from the Stoneworth estate, the Museum also houses exhibits donated by other local

families and businesses, as well as exhibits that have been acquired from other museums or purchased at auction.

These items are held in support of the Museum's primary objective of increasing knowledge, understanding and appreciation of the industrial heritage of the Slateshire area. The Museum's exhibits are accounted for as follows:

### ***Stoneworks Site***

A valuation is provided for the land that is used for the factory and for other parts of the Site that do not form part of the quarry. This is because, subject to appropriate planning consents, the land may have an alternative commercial use. The valuation was updated in March 2008 by a local firm of estate agents with the increase in valuation charged to the Statement of Total Recognised Gains and Losses. The estate agents that valued the land also confirmed that sufficiently reliable valuations could not be obtained either for the factory building, which is now largely derelict, or for the quarry which is a heritage site and has no existing or alternative use.

The Trustees consider that obtaining valuations for the vast majority of the machinery and equipment that is exhibited in the quarry and factory would involve disproportionate cost. This is because of the diverse nature of the assets held and the lack of comparable market values. Other than a few items that have been acquired recently, for example purchased at auction or bequeathed, or where there may be an active market, the Museum does not recognise these assets on its Balance Sheet.

Valuations are, however, available for a small number of exhibits, including the two most significant items on display, a steam-driven stonecutter at the quarry site and a steam locomotive that ran between the quarry and the Stoneworks factory and the county town of Tilemouth. The Museum has also been able to value some recent donations that are reported at values indicative of prices for similar items achieved at auction. There are also some donations from the estate of the

late Lord Gravelstone, who also owned a quarry and stonecutting company in the late 19th century, that are reported at values provided by executors administering the estate.

The Trustees will occasionally approve the disposal of items of machinery and equipment, for example when an item is of doubtful provenance or is unsuitable for public display. Where items that are not recognised as fixed assets are disposed of, the proceeds are reported in the Income and Expenditure Account. Disposal proceeds are also disclosed separately in the notes to the accounts.

Recent purchases are recorded at cost with the Museum's curators making a best estimate of current value for reporting donations.

### ***Stoneworth House***

Stoneworth House was built in 1846 and remained the home of the Stoneworth family until 1910. It is a Grade II listed building and forms an integral part of the Museum. It is reported in the Balance Sheet as a tangible fixed asset.

The House and all of the paintings and furniture within it are stated at valuation with subsequent restoration work on the House stated at cost. Certain other household items, such as tapestries, statues and children's toys, are also included at valuation but, for the majority of household items, valuations could not be obtained at reasonable cost. This is because of the size and diversity of the collection.

The assets that are not valued include a collection of around 25,000 documents representing the business records of the Stoneworth company.

Where valuations are reported, Stoneworth House and items from the collections of paintings and furniture are periodically revalued by an external valuer. Other items that can be valued,

for example the late Lord Stoneworth's 1910 Model T Ford motor car, are valued by the Museum's curator. Any surplus or deficit on revaluation is charged to the Statement of Total Recognised Gains and Losses.

Acquisitions are normally made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at a current valuation ascertained by the Museum's curator with reference, where possible, to commercial markets using recent transaction information from auctions.

The Trustees have approved the sale of certain paintings and items of furniture to fund the restoration and maintenance work that is considered necessary to preserve the Stoneworks Site, maintain exhibits on display and keep the Museum open for the public.

The disposal proceeds from items that are not classified as fixed assets, are included in the Income and Expenditure Account and are separately disclosed in the notes to the accounts.

### ***Preservation costs***

Expenditure which, in the Trustees' view, is required to preserve or prevent further deterioration of individual items, including preservation work on Stoneworth House, is recognised in the Income and Expenditure Account when it is incurred.

Further information on the exhibits held by the Museum is given in Notes 7, 8 and 9 to the accounts.

**Note 7 Tangible fixed assets – heritage assets**

	Stoneworth House £000	Stoneworth House Exhibits £000	Stoneworks Land £000	Site Exhibits £000	<b>Total</b> £000
<u>Cost or valuation</u>					
1 April 2007	6,386	2,448	750	421	<b>10,005</b>
Additions	120	–	–	95	<b>215</b>
Disposals	–	(500)	–	–	<b>(500)</b>
Revaluation	–	1,120	50	–	<b>1,170</b>
<b>31 March 2008</b>	<b>6,506</b>	<b>3,068</b>	<b>800</b>	<b>516</b>	<b>10,890</b>
<b>Valuation</b>	<b>6,366</b>	<b>3,068</b>	<b>800</b>	<b>471</b>	<b>10,705</b>
<b>Cost</b>	<b>140</b>	<b>–</b>	<b>–</b>	<b>45</b>	<b>185</b>
<b>Total</b>	<b>6,506</b>	<b>3,068</b>	<b>800</b>	<b>516</b>	<b>10,890</b>

The Museum's external valuer (Granite, Marble and Co) carried out a full valuation of Stoneworth House at 31 March 2006. In the Trustees' opinion, the only material change in the valuation since this date results from the subsequent restoration work that has been carried out on the outhouses and paddocks. This expenditure, which allows these premises to display more of the Museum's exhibits, has been capitalised. The next full external valuation of Stoneworth House is scheduled for 31 March 2009.

Granite, Marble and Co also carried out valuations of paintings and furniture in Stoneworth House, as at 31 March 2008 and of other exhibits relevant to the House where valuation is practicable. The valuations were based on commercial markets, including recent transaction information from auctions where comparable items are regularly being traded.

The land valuation for the Stoneworks Site is provided by a local estate agent and was updated at 31 March 2008.

There are only a few items on display in the quarry and factory where valuations can be obtained. These items, including the

steam-driven stonecutter at the quarry and the steam locomotive, have been valued by the Museum's curator.

The collection of paintings includes six works by the local artist Alexander Pebble (1836–1902). These paintings are valued at significantly higher amounts than other paintings held by the Museum, reflecting the popularity of paintings depicting the Industrial Revolution, including those by Pebble. The revaluation of the six Pebble paintings exhibited at Stoneworth House results in an increase of £1,120,000 which has been taken to the Statement of Total Recognised Gains and Losses.

Additions in 2007-08 comprise:

- £120,000 restoration of outhouses and paddocks at Stoneworth House.
- £45,000 purchase at auction of a steam-driven stonecutter similar to the one that would have been used at the Stoneworks Quarry in the mid 19th century.
- £50,000 donation of various items of machinery and equipment from the estate of the late Lord Gravelstone. The public display of these items will, in the opinion of the Trustees, support the Museum's objective.

Disposals in 2007-08 comprise:

The disposal relates to the sale of Pebble's highly acclaimed 1873 landscape of the Stoneworks Site. The painting's carrying amount in the balance sheet was £500,000 and the £360,000 surplus is separately reported in the Income and Expenditure Account. The disposal, which is to a gallery that specialises in local art, was approved by the Trustees. The proceeds of £860,000 are being used to fund further restoration work on Stoneworth House.



**Note 8 Five year financial summary of heritage asset transactions**

	2007-08	2006-07	2005-06	2004-05	2003-04
	£000	£000	£000	£000	£000
<u>Purchases:</u>					
Stoneworth					
House	120	20	-	40	30
Other Exhibits	45	25	65	10	20
Donations	50	30	20	10	15
Total additions	215	75	85	60	65
<u>Disposals</u>					
Carrying amount	500	25	15	5	20
Sale proceeds	860	28	20	6	24

**Note 9 Further information on the Museum's heritage assets**

**The Museum's heritage**

The Museum provides an excellent example of how the Industrial Revolution transformed a small, family-run business into a successful large company employing hundreds of people locally and selling its products throughout the United Kingdom. The story of the Stonehouse family and the Stoneworks Site forms an important part of the industrial heritage of the Slateshire area.

A full inventory is maintained of all items held, including valuations where these can be obtained and provide a meaningful insight into the value of the asset.

**Stoneworks Site**

The factory and quarry are classified as heritage sites and retain many features from when the Stoneworks Site was operational

during the period 1830 to 1910. The machinery and equipment on display cover the early years, when the stone was quarried by hand with horses used for transport, through to the late 19th century when a steam-driven stonecutter was used to cut stone from the quarry which was then transported by a steam locomotive to the factory for shaping and polishing. The equipment used to process and polish the quarried stone, including that used to manufacture the world renowned Stoneworks tiles, is also on display in the factory.

All of the Museum's machinery and equipment relevant to the Stoneworks Site is on public display.

### **Stoneworth House**

The Stoneworth family built their family residence in 1876 following a particularly successful period for their Stoneworks company. The House is an excellent example of a mid Victorian family residence with furnishings and other items exhibited throughout the house that demonstrate the increasingly extravagant lifestyle of the Stonehouse family, their pursuit of leisure and the need to employ a large number of domestic staff.

At any one time, around 70 per cent of exhibits are on display in Stoneworth House. The remaining exhibits are not displayed, either because of preservation work or because of the Museum's policy of rotating some of the items on display. When not on display, items are stored in rooms that are not open to the public, although access is permitted to historians and others for research purposes.

#### *Paintings*

The collection, which was assembled by the Stoneworth family in the period 1850 to 1895, consists of 215 paintings by a number of artists, including Alexander Pebble. All of these paintings are recognised as fixed assets at a total value of £2.3 million as at 31 March 2008.

*Furniture and other exhibits*

The collection of furniture consists of around 1,200 items, including chairs, tables, beds and cabinets. Valuations are available for around 800 of these items which are reported in the Balance Sheet at a total value of £600,000. Whilst valuations are available for the majority of the items of furniture, very few valuations are available for the other exhibits displayed in the House. There are around 2,600 other exhibits, such as clothes, kitchen and gardening equipment, children's toys and chandeliers. The items that are valued, including a model T Ford motor car, are reported at a total value of £168,000 as at 31 March 2008.

**Heritage assets of particular importance**

As explained in note 7, the Museum holds a number of paintings by the well known local artist, Alexander Pebble. In the opinion of the external valuer, the six remaining Pebble paintings held by the Museum have a total value of £1.65 million, and have given rise to a £1.12 million revaluation gain that is reported in these financial statements. No other individual painting or item of furniture has a value in excess of £25,000.

Although the majority of other exhibits on display at the Museum are of low financial value, there are three items which, in the opinion of the Trustees, are of particular importance and have a significant market value which is reported in the Museum's Balance Sheet. These items are:

- A steam-driven stonecutter which was purchased in 1881 for 68 guineas and has an estimated current market value of £95,000.
- A steam locomotive which was purchased in 1884 for 145 guineas and has an estimated current market value of £180,000.

- A Ford motor car which was purchased in 1910 for \$750 and has an estimated current market value of £65,000.

### **Preservation and management**

The Museum has a rolling programme of major restoration developed from a comprehensive review of the condition of the Stoneworks Site, Stoneworth House and all the Museum's exhibits that was carried out in 2004-05. The review was commissioned by the Trustees following major storm damage to the factory which in turn resulted in some damage to exhibits on display.

The total cost of the restoration programme is £950,000 which is being partly funded by a £100,000 grant from Slateshire County Council and proceeds from the sale of exhibits. The sale of the Alexander Pebble painting means that the restoration programme is now fully funded and is scheduled to start in 2008-09.

The Museum's exhibits are managed by a Curator who reports to the Museum Director. The Curator manages the exhibits in accordance with policies that are approved by the Trustees.

Further information is provided in the Museum's separate publication "*The Management and Preservation of the Stoneworks Museum of Industrial Heritage*", which is available on the Museum's website. As explained in that publication, assets are only disposed of where, in the opinion of the Trustees, an item does not contribute to the interest and diversity of the Museum's collection or, in exceptional circumstances, where the disposal will provide the Museum with funding that, in the opinion of the Trustees, is considered essential to the Museum being able to fulfil its charitable objects in the future.

The Museum maintains a full catalogue of its collection of heritage assets and this can be consulted by appointment with the Curator. Information provided by the catalogue includes the nature and provenance of each item.

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