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CLAN SINCLAIR TRUST
FINANCIAL STATEMENTS
31 DECEMBER 2004



Saffery Champness
CHARTERED ACCOUNTANTS

CLAN SINCLAIR TRUST

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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COMPANY INFORMATION

Directors

The Rt Hon The Earl of Caithness – Chief Executive
The Rt Hon The Viscount Thurso
Iain Laird
Euan Sinclair

Secretary

Euan Sinclair

Registered Office

Clan Sinclair Study Centre
Nosshead
Wick
Caithness

Company Number

SC194021

Scottish Charity Number

SC028778

Accountants

Saffery Champness
Kintail House
Beechwood Park
Inverness
IV2 3BW

Bankers

Bank of Scotland
600 Gorgie Road
Edinburgh
EH11 3XP

DIRECTORS' AND TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors, as trustees of the Charity, have pleasure in presenting their report and financial statements of Clan Sinclair Trust for the year ended 31 December 2004.

The financial statements are presented in a form to comply with current statutory requirements and in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in October 2000.

This Directors' and Trustees' Report and full accompanying financial statements are published and distributed to all members in accordance with statutory regulations for registered companies.

Legal and administrative details

The legal and administrative details are listed on page 1.

The following directors have held office since 1 January 2004.

The Rt Hon The Earl of Caithness
The Rt Hon The Viscount Thurso
Euan Sinclair
Iain Laird

Objects

The Trust is established for the purpose of the preservation and promotion of Sinclair and Girnigoe Castles; for the promotion of the history of the Castles and the Sinclair Clan; and the establishment of a visitor centre.

Organisation

The Trust was incorporated on 4 March 1999 under the name of Sinclair and Girnigoe Castle Trust and recognised by the Inland Revenue as a Scottish Charity on 19 March 1999. The Trust changed its name to Clan Sinclair Trust on 19 October 1999 to reflect its wider objects.

Review of the development, activities and achievements of the Trust during the year

- Preservation and promotion of the Castles

The negotiations over the fine details of the scheduled monument consent took longer than expected but on 19 August, within twenty four hours of Historic Scotland giving their agreement, the archaeologists from York University were busy digging the foundations for the scaffolding. Almost immediately new evidence started to emerge. The two trenches in the moat to the south of the castle revealed the rock face but no sign of an attack by cannon. One trench in the outer bailey courtyard revealed more elegantly carved stones that once formed part of the Oriel window as well as some shards of glass and chicken bones.

DIRECTORS' AND TRUSTEES' REPORT (continued)**FOR THE YEAR ENDED 31 DECEMBER 2004**

- Preservation and promotion of the Castles (cont'd)

The most interesting new find was in the fourth trench in the Porter's Lodge. A previously unrecorded wall was only an inch below the surface but right in the middle of the trench. York completed their work on 31 August and the site was then handed over to the scaffolders. They put in the concrete bases and then erected the scaffolding which has been specifically designed to support the structure whilst the works are carried out. They also erected the access bridge. The archaeologists from York then returned to remove the rubble from above the archway and discovered a lovely but fragile sandstone floor. This has altered our plans for how to preserve the archway and we are currently in negotiation with Historic Scotland as to the best way forward.

They also excavated part of the west barbican outside the castle and exposed another unrecorded wall and the floor which we hoped would be there. The trench across the ditch and wall running west from the Castle and which we thought might have been another defensive structure revealed nothing of importance. We discovered it destroyed the north part of the west barbican so it is clearly later than 1680. It is likely to be part of the agricultural improvements of the early eighteen hundreds when many new field boundaries were made.

The Trust was honoured with a visit by its Patron, The HRH Prince Charles, Duke of Rothesay who took an immense interest in what we are doing. There have been a number of other organised visits including the Highland Council, Council for Scottish Archaeology, Scottish Society for Northern Studies, Caithness and Sutherland Enterprise and the Caithness Field Club.

- Clan Study Centre at Noss Head

New books have been added and catalogued.

Finance

Enough money has been raised to carry out the emergency works on the chimney in the outer bailey and the excavation work that accompanies it. Grants have been obtained from Historic Scotland, Heritage Lottery Fund, Caithness and Sutherland Enterprise and the Caithness Area of the Highland Council. Further donations have been received from companies and individuals both in the UK and around the world.

DIRECTORS' AND TRUSTEES' REPORT (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2004

Future plans

We are discussing the best way forward for the preservation of the remainder of the Castle. This will be the subject of grant applications to the major heritage bodies as with the current works. Studies are also being undertaken as to how to handle the expected visitors when the part of the Castle reopens and in the future as the works progress. Consideration is also being given to advertising, signs and a brochure and we are discussing the possibility of working with other attractions in the area.

Directors' responsibilities

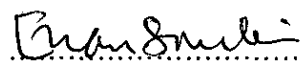
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board


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Euan Sinclair
Director

**ACCOUNTANTS' REPORT ON THE UNAUDITED ACCOUNTS
TO THE TRUSTEES OF CLAN SINCLAIR TRUST**

FOR THE YEAR ENDED 31 DECEMBER 2004

We report on the financial statements for the year ended 31 December 2004 set out on pages 6 to 12.

Respective responsibilities of directors and reporting accountants

As described on page 3 the company's directors are responsible for the preparation of the financial statements and they consider the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of opinion

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants and so our procedures consisted of comparing the accounts with the accounting records kept by the company and making such limited enquiries of the officers of the company as we consider necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

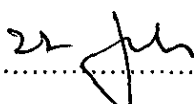
In our opinion:

1. the financial statements are in agreement with the accounting records kept by the company under Section 221 of the Companies Act 1985,
2. having regard only to, and on the basis of, the information contained in those accounting records:
 - a) the financial statements have been drawn up in a manner consistent with the accounting requirements specified in Section 249C(6) of the Act; and
 - b) the company satisfied the conditions for exemption from an audit of the accounts for the year specified in Section 249A(4) of the Act and did not, at any time, within that year, fall within any of the categories of companies not entitled to the exemption specified in Section 249B9(1).



Saffery Champness
Chartered Accountants
Reporting Accountants
Inverness

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**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	Restricted Funds £	Unrestricted Funds £	2004 Total £	2003 Total £
Incoming resources					
Grants	2	-	69,663	69,663	68,733
Donations	3	3,960	82,514	86,474	126,731
Investment income and interest	4	-	823	823	103
Total incoming resources		<u>3,960</u>	<u>153,000</u>	<u>156,960</u>	<u>195,567</u>
Cost of generating funds	5	-	(7,740)	(7,740)	(5,990)
Net incoming resources available for charitable application		<u>3,960</u>	<u>145,260</u>	<u>149,220</u>	<u>189,577</u>
Charitable expenditure					
Costs of activities in furtherance of charitable objectives:					
Conservation costs	6	-	93,366	93,366	88,865
Upkeep of grounds		2,110	-	2,110	-
Management and administration	7	-	5,869	5,869	2,610
Total charitable expenditure		<u>2,110</u>	<u>99,235</u>	<u>101,345</u>	<u>91,475</u>
Total resources expended		<u>2,110</u>	<u>106,975</u>	<u>109,085</u>	<u>97,465</u>
Net incoming resources		<u>1,850</u>	<u>46,025</u>	<u>47,875</u>	<u>98,102</u>
Total funds at 1 January 2004		100,000	18,855	118,855	20,753
Total funds at 31 December 2004		<u>101,850</u>	<u>64,880</u>	<u>166,730</u>	<u>118,855</u>

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £	2003 £
Income		156,137	95,464
Operating expenses		(109,085)	(97,441)
Operating surplus (deficit)		<u>47,052</u>	<u>(1,977)</u>
Interest receivable		823	103
Interest payable		-	(24)
Surplus (deficit) on ordinary activities before taxation	7	<u>47,875</u>	<u>(1,898)</u>
Taxation	8	-	-
Surplus (deficit) for the year		<u><u>47,875</u></u>	<u><u>(1,898)</u></u>

The Company has no recognised gains or losses other than the surplus for the year.

The Company's income and expenses all relate to continuing operations.

The notes on pages 9 to 12 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2004

			2004	2003
	Notes	£	£	£
Fixed assets				
Sinclair and Girnigoe Castle	10		1	1
Books, maps and manuscripts	10		101,850	100,000
			<u>101,851</u>	<u>100,001</u>
Current assets				
Cash at bank and in hand		80,592		22,389
Debtors	11	<u>1,550</u>		<u>1,015</u>
		82,142		23,854
Creditors: amounts falling due within one year	12	<u>17,263</u>	<u>5,000</u>	<u>18,854</u>
Net assets			<u>64,879</u>	<u>18,854</u>
			<u>166,730</u>	<u>118,855</u>
Funds				
Restricted	13		101,850	100,000
Unrestricted	13		64,880	18,855
			<u>166,730</u>	<u>118,855</u>

The notes on pages 9 to 12 form part of these financial statements.

The financial statements were approved by the Board on 8 July 2005

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.



 The Rt Hon The Earl of Caithness



 Euan Sinclair

For the year ended 31 December 2004 the company was entitled to exemption under Section 249A (2) of the Companies Act 1985.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with Section 249B (2).

- i) The directors acknowledge their responsibility for:
 Ensuring the company keeps accounting records which comply with Section 221; and
- ii) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial year, and of its profit and loss for the financial year in accordance with Section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

1 Accounting Policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, the Charities Accounts (Scotland) Regulations 1992 and Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) issued in October 2000.

(b) Incoming resources

Income is recognised in the period in which the charity is entitled to receipt. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period.

(c) Resources expended

Resources expended are accounted for on an accruals basis and are allocated to the specific activities of the charity.

The Trust is not registered for VAT and accordingly expenditure includes VAT where applicable.

(d) Funds accounting

Funds held by the charity are either:

Unrestricted general funds. These are funds that can be used in accordance with the charitable objects at the discretion of the trustees.

Designated funds. These are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.

Restricted funds. These are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

2 Grants

	2004	2003
	£	£
World Monuments Fund	32,297	-
Highland Council	8,000	10,000
Caithness & Sutherland Enterprise	4,112	5,000
Historic Scotland	554	5,487
Heritage Lottery Fund	24,700	48,246
	<u>69,663</u>	<u>68,733</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2004

3 Donations and gifts

	2004	2003
	£	£
Books donated – at valuation	-	100,000
Deeds of Covenant	-	962
Gift Aid	66,936	-
Corporate donors	1,850	-
Charitable foundations	1,000	6,500
Other UK donors	537	-
Overseas donors	16,151	19,269
	<u>86,474</u>	<u>126,731</u>

4 Investment income and interest

	2004	2003
	£	£
Interest on cash deposits	<u>823</u>	<u>103</u>

5 Cost of generating funds

	2004	2003
	£	£
Travelling expenses – Lord Caithness	6,444	3,922
Advertising and publicity	1,296	2,068
	<u>7,740</u>	<u>5,990</u>

6 Costs of activities in furtherance of charitable objectives

	2004	2003
	£	£
Conservation costs: Sinclair and Girnigoe Castles		
Strengthening and pinning of weak column	558	12,612
Conservation Plan fees	-	76,253
Phase 1 building costs	92,808	-
	<u>93,366</u>	<u>88,865</u>

7 Management and administration

	2004	2003
	£	£
Public liability insurance	787	1,575
Bank interest and charges	15	24
Miscellaneous expenses	15	12
Accountancy and other professional fees	5,052	999
	<u>5,869</u>	<u>2,610</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2004

8 Taxation

The Company is recognised by the Inland Revenue as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988.

9 Related party transactions

There were no related party transactions during the year.

10 Tangible assets

The ruins of Sinclair and Girnigoe Castle, which were gifted to the Trust, are included in the accounts at a nominal value of £1. The directors do not consider the cost of valuing the sites to be justified in terms of assessing their performance.

In 2003 books, maps and manuscripts were donated to the Trust by Niven Sinclair. The books, etc are housed in the Noss Head library and study centre with the object of providing a centre of learning for the study of the history of the Sinclair family and related subjects. For the purposes of these accounts the books are included at a valuation of £100,000. The acquisition of additional books is shown at cost.

11 Debtors

	2004 £	2003 £
Income tax recoverable	762	1,015
Prepayments	788	-
	<u>1,550</u>	<u>1,015</u>

12 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	14,263	-
Accrued expenses	3,000	5,000
	<u>17,263</u>	<u>5,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2004

13 Reconciliation of movements in funds

	2004		2003	
	Restricted Funds £	General Funds £	Restricted Funds £	General Funds £
Opening funds	100,000	18,855	-	20,753
Books donated (Note 10)	-	-	100,000	-
Incoming resources	3,960	153,000	-	95,567
Outgoing resources	(2,110)	(106,975)	-	(97,465)
Closing funds	<u>101,850</u>	<u>64,880</u>	<u>100,000</u>	<u>18,855</u>

14 Share capital

The company does not have a share capital as it is limited by guarantee