

CHARITY NUMBER : 1045067
COMPANY NUMBER : 03011540 (England and Wales)

ARTISTS STUDIO COMPANY

REPORT AND FINANCIAL STATEMENTS
(A company limited by guarantee)

FOR THE YEAR ENDED 31 DECEMBER 2021

ARTISTS STUDIO COMPANY

Contents

	Page
. Legal and administrative information	1
. Trustees' report	2 - 5
. Independent auditor's report	6 - 8
. Statement of financial activities	9
. Balance sheet	10
. Cash flow statement	11
. Notes to the financial statements	12 - 18

ARTISTS STUDIO COMPANY

Legal and administrative information for the year ended 31 December 2021

Constitution

Artists Studio Company is a company limited by guarantee and a registered charity governed by its memorandum and articles of association.

Charity number 1045067.

Company number 03011540 (England and Wales)

Directors and trustees

The directors of the charitable company ("the charity") are its trustees for the purpose of charity law and throughout this report are collectively referred to as trustees.

Trustees	J Cassidy J Hammond C Upson J A Goode (appointed on 01 September 2022)
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Secretary	C Upson
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Chief Executive Officer	P Flack
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Registered Office	The Chaplin Centre Taplow House Thurlow Road London, SE17 2DG
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Website	www.ascstudios.co.uk
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Bankers	CAF Bank Ltd 25 Kings Hill Avenue Kings Hill, West Malling Kent, ME19 4JQ
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	NatWest Bank PO Box 35 10 Southwark Street London Depot Code 190 SE1 1TJ
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Solicitors	Royds LLP 65 Carter Lane London, EC4V 5HF
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Auditor	Silver Levene (UK) Limited Chartered Certified Accountants 37 Warren Street London W1T 6AD
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ARTISTS STUDIO COMPANY

Report of the trustees for the year ended 31st December 2021

The trustees are pleased to present their annual report together with the financial statements of the Charity for the year ended 31st December 2021.

The financial statements have been prepared in accordance with the accounting policy set out in note 1 to the financial statements and comply with the Charity's memorandum, the Charities Act 2011 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic Ireland (FRS102) (effective 1 January 2019)".

Aims and objectives of the Charity

The objectives of the Charity are: -

- To advance the education of the public in arts;
- To relieve poverty by assisting un-established artists to become self-supporting through their art; and
- To promote and improve art and the production of objects and works of artistic merit.

To further the above objectives the Charity in brief:-

- Provides or assists in the provision of accommodation, studio space, equipment and materials for artists of promise who by reason of their poverty are unable to provide such accommodation, studio space, equipment and materials unaided;
- Promotes, encourages sponsors, produces or maintains and assists in the promotion, encouragement, sponsoring, production or maintenance of educational exhibitions and performances in public open spaces and elsewhere of paintings, sculpture, photographs, lithographs, engravings, etchings, bronzes, enamels, jewellery, gems, films, animations, plays, musical works, opera, dance, drama, poetry, literary works and other works or events of artistic, musical or literary merit;
- Provides, maintains and improves or assists in the provision, maintenance and improvement of premises of every description for exhibitions and or performances of paintings, sculpture, photographs, lithographs, engravings, etchings, bronzes, enamels, jewellery, gems, films, animations, plays, musical works, opera, dance, drama, poetry, literary works and other works or events of artistic, musical or literary merit; and
- Provides or assists in the provision of studios, workshops and other premises of every kind for the study and teaching of subjects and matters of artistic, musical or literary merit.

Organisation

The board of trustees currently numbers four but the board may from time to time register an increase of members. Powers to appoint trustees rests with the board of trustees. A chief executive is appointed by the trustees to manage the day-to-day operations of the charity.

Investment powers

The trustees have discretion as to the manner in which funds are invested. Professional advice in this regard is sought through the Charity's financial advisor/broker.

Trustee induction and training

Trustees are provided with an induction pack containing key documents such as the Charity Commissions' welcome leaflet, 'The Essential Trustee' and a summary of the Trustees Act. New trustees are encouraged to spend time on induction and meeting key employees.

ARTISTS STUDIO COMPANY

Report of the trustees for the year ended 31st December 2021 (continued)

Structure, governance and management

New trustees are appointed through recommendation and interview with the full board.

The trustees manage the Charity. The full board meets every quarter. The full board of trustees is concerned with policy matters and agrees board strategies and areas of activity for the Charity. The Chief Executive Officer and the Financial Controller advise the full board on more detailed management, which the board review i.e. quarterly internal accounting / finance, monitoring of income and expenditure, staff salaries, studio rent reviews, property rent reviews, public benefit, public exhibitions and events, risk management, future planning and other issues deemed appropriate.

When important matters arise in between meeting cycles the key staff and full board communicate with each other by phone or email in order to reach a decision. In some cases it is felt appropriate to hold a special meeting, for example, when a new property is acquired and heads of terms require agreement.

The responsibilities for day-to-day management of the Charity lies with the Chief Executive Officer, who has the powers and responsibilities approved by the trustees.

None of the trustees receive remuneration from the Charity.

Trustees/Directors

The trustees perform the role of the directors. Those who served during the year and up to the date of signature of the financial statements were as follows:

J Cassidy

J Hammond (Chairman)

C Upson (Secretary)

J A Goode (appointed 01 September 2022)

Achievements, performance and public benefit during the year

Due to the Covid 19 Pandemic it was difficult to run public art exhibitions and events over the period however the charity did manage to stage 2 public exhibitions.

Over the period the Charity supported 750 artists, makers and arts organisations within 545 affordable workspace.

The Charity supported our tenants suffering severe financial hardship with 50% - 100% rent waivers and debt waivers up until 30 June 2021 and it continued to run a recent graduate scheme providing 20% rent discounts for 12 months to recent graduates.

Workspace occupancy levels were drastically reduced during the pandemic however as on 31st December 2021 occupancy levels across all our buildings totalled 98.52%. This level of occupancy is consistent with pre-pandemic levels and was in part achieved because of the support the charity provided our tenants suffering severe financial hardship and by encouraging graduates to take up workspace with rent discounts.

During the period the organisation purchased 47c Streatham Hill. This is a building that ASC had leased since 2006. The Landlords informed the Charity that they intended to sell the property and therefore could not renew the lease at the lease expiry date in July 2021. ASC received a grant totalling £200,000 from The Lambeth Future Workspace Fund to help towards the purchase. ASC is committed to a program of building improvement works including a new roof, electrical and heating system, communal kitchen and gallery space. ASC will provide a free studio to a local artists every 24 months.

The purchase of 47c Streatham Hill increased the Charity's portfolio of permanent buildings to three.

During the period the organisation carried out improvement works on four of its buildings, Streatham Hill, Empson Street, Taplow House and Hawks Road.

Future plans:

The organisations business plan is based on acquiring new properties at below market value or rent. It will consider meanwhile and permanent property. It defines permanent property as property held on long leasehold (over 99 year terms) or freehold. It is focused on acquiring buildings at discounts via s106 Planning Gain Agreement.

ARTISTS STUDIO COMPANY

Report of the trustees for the year ended 31st December 2021 (continued)

ASC is the chosen operator and has agreed terms on the 17,500sqft affordable workspace element of a mixed use development scheme that has gained full planning approval and is currently under construction. The details of this property are commercially sensitive however the property will be sold to ASC fully fitted out at 50% below market price via 106 Planning Gain Agreement.

The cost of living crisis and especially increasing interest rates, construction and energy costs are a major concern to the ASC Board and management. The organisation is focused on mitigating these costs through a number of measures. These include solar energy, metering workspaces and making our buildings more energy efficient. We have paid off £500,000 of mortgage debt held on our 47c Streatham Hill building to cut down interest repayments.

At this stage the Government has only announced very limited support measures for Charities however ASC will take advantage of any relevant support. The organisation benefits from Mandatory Rates Relief but has now applied for Discretionary Rates Relief for all our buildings together with Hardship Rates Relief. It hopes to increase the Business rates relief across all our buildings to 100%.

The Board of Trustees recognise that it is beneficial to increase the size of the Board to five or six members and they are actively seeking new members with the relevant experience and skill set. A new Board member was appointed in September 2022.

Financial position:

This year the Financial Statements show a surplus for the year totalling £1,904,800 including fair value gain of £1,336,323 (2020: £nil) on investment properties with a surplus for the previous year totalling £317,743. The financial statements show a gross income for the year totalling £2,661,818 compared to the previous year totalling £2,534,869 (including grants). Given the challenges the Charity faced dealing with the Covid 19 pandemic, the trustees agree an increase in gross income totalling £126,949 (including grants) reflected the Charity's robust financial position and excellent management of the crisis. The Charity has improved its financial position in terms of both net assets and liquidity.

Reserves policy and risk management

As at 31st December 2021 ASC recorded unrestricted funds totalling £3,560,781 including fair value gain of £1,336,323. The Charity's free reserves include £288,444 returnable workspace deposits that may legally be used as working capital. The trustees agree that returnable workspace deposits must be held in addition to a minimum free reserve target equivalent to three months gross income (excluding grant) or £583,621. This is the sum the trustees agree is a reasonable sum to safeguard against the Charity's identified risks.

The trustees agree that within the total free reserves up to £1,352,393 may be used to acquire new buildings, for building improvements or early repayments of Loans.

The Chief Executive maintains a Major Risks Report detailing the risks the charity is exposed to. The trustees are satisfied that the systems are in place to mitigate exposure to the major risks.

The Charity continues to maintain and implement strict financial controls in order to safeguard the charity's assets. The trustees review the financial controls periodically to ensure they meet the charity's needs.

Investment Policy

ASC's investments are safeguarded in accordance with the Charity's governing document and having regard to the Trustee Act 2000. All the Charity's investments are held in low risk bank accounts.

ARTISTS STUDIO COMPANY

Trustees' report for the year ended 31 December 2021 (continued)

Trustees' responsibilities statement

The trustees, who are also directors of Artists Studio Company for the purposes of company law, are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees must prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue to operate.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

The trustees confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the charitable company's auditor is unaware. Additionally, the trustees 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 the charitable company's auditor is aware of that information.

Auditor

In accordance with the company's articles, a resolution proposing that Silver Levene (UK) Limited be reappointed as auditor of the company will be put at a General Meeting.

This report was approved by the board of trustees on 13.09.22 and signed on its behalf by:



J Hammond



J Cassidy

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARTISTS STUDIO COMPANY

Opinion on financial statements

We have audited the financial statements of Artists Studio Company for the year ended 31 December 2021 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow and the related notes and accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019)".

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 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 charitable company 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

In auditing the financial statements, we have concluded that the trustees use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' 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, except to the extent otherwise explicitly stated in our report, 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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 accounts is inconsistent in any material respect with the Trustees' Report; or
- sufficient accounting records have not been kept; or
- the accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ARTISTS STUDIO COMPANY (continued)**

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 5, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Discussions were held with, and enquiries made of, management and those charged with governance with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

. Those laws and regulations considered to have a direct effect on the financial statements include UK Financial Reporting Standards, Applicable Law, Employment Law, Health and Safety legislation, General Data Protection Regulation, Tax and Pensions legislation.

. It is considered that there are no laws and regulations for which non compliance may be fundamental to the operating aspects of the business.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ARTISTS STUDIO COMPANY (continued)

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and the regulations made under Section 154 of that Act. 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 auditors' 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.

Silver Levene (UK) Ltd

Silver Levene (UK) Limited
Statutory Auditor
Chartered Certified Accountants
37 Warren Street
London
W1T 6AD

Date 13 September 2022

Silver Levene (UK) Limited is eligible for appointment as auditor of the charity, the Trust, by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006

ARTISTS STUDIO COMPANY

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2021

		Year Ended 31 Dec 2021	Year Ended 31 Dec 2020
	Notes	<i>Total Funds</i>	<i>Total Funds</i>
		£	£
INCOME			
Income from charitable activities			
Studio licence fees		2,336,356	2,327,656
Other incoming resources		17,330	13,922
Grant income	14	308,132	193,291
TOTAL INCOME		<u>2,661,818</u>	<u>2,534,869</u>
EXPENDITURE			
Charitable activities	3	2,093,341	2,217,126
TOTAL EXPENDITURE		<u>2,093,341</u>	<u>2,217,126</u>
FAIR VALUE CHANGES ON INVESTMENT PROPERTIES			
Gain		<u>1,336,323</u>	<u>-</u>
NET INCOME		1,904,800	317,743
TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2021		1,655,981	1,338,238
TOTAL FUNDS CARRIED FORWARD AT 31 DECEMBER 2021	10	<u><u>3,560,781</u></u>	<u><u>1,655,981</u></u>

The notes on pages 12 to 18 form part of the financial statements.

ARTISTS STUDIO COMPANY

BALANCE SHEET AS AT 31 DECEMBER 2021

	Notes	Year Ended 31 Dec 2021		Year Ended 31 Dec 2020	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	6		243,587		297,283
Investment Properties	6		<u>7,272,442</u>		<u>4,053,678</u>
			7,516,029		4,350,961
CURRENT ASSETS					
Debtors	7		407,349		345,505
Cash at bank and in hand			1,025,356		1,261,824
			<u>1,432,705</u>		<u>1,607,329</u>
CREDITORS: Amounts falling due within one year	8		<u>(669,124)</u>		<u>(801,527)</u>
NET CURRENT ASSETS/(LIABILITIES)			763,581		805,802
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,279,610</u>		<u>5,156,763</u>
CREDITORS: Amounts falling due after more than one year	9		(4,718,829)		(3,500,782)
NET ASSETS			<u>3,560,781</u>		<u>1,655,981</u>
FUNDS					
Unrestricted funds			1,655,981		1,338,238
Surplus for the year			568,477		317,743
Other reserves			1,336,323		-
TOTAL FUNDS	10		<u>3,560,781</u>		<u>1,655,981</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The Trustees are satisfied that the company is entitled to exemption from the requirement to obtain an audit under section 477 of the Companies Act 2006. However, the Trustees are satisfied that an audit is required under the Charities Act 2011.

Trustees' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476 of the Companies Act 2006;
- The Trustees acknowledge their responsibilities for complying with the requirements of the act with respect to accounting records and the preparation of financial statements.

Approved by the trustees on 13.09.22 and signed on their behalf by:

Trustee J Hammond



Trustee J Cassidy



ARTISTS STUDIO COMPANY
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
Cash flows from operating activities		
Surplus for the financial year	1,904,800	317,743
Adjustments for:		
Leasehold amortisation	67,969	79,625
Depreciation of tangible assets	5,470	4,019
Interest paid	78,949	73,569
Grant received	200,000	482,900
Grant disbursed	(307,298)	(175,501)
Fair value gain on investment properties	(1,336,323)	-
Loan received	1,426,000	-
Loan repayments	(213,897)	(92,682)
Movements in working capital:		
Decrease/(increase) in debtors	(68,916)	(35,444)
Increase/(decrease) in creditors	(91,039)	23,815
Net cash generated from operating activities	<u>1,665,715</u>	<u>678,044</u>
Cash flows from investing activities		
Purchase of tangible fixed assets and improvements	(1,902,184)	(8,531)
Net cash from investing activities	<u>(1,902,184)</u>	<u>(8,531)</u>
Net increase/(decrease) in cash and cash equivalents	(236,469)	669,513
Cash and cash equivalents at beginning of period	1,261,825	592,312
Cash and cash equivalents at the end of period	<u>1,025,356</u>	<u>1,261,825</u>
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	<u>1,025,356</u>	<u>1,261,825</u>

ARTISTS STUDIO COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with the charity's memorandum and article of association, the Charities Act 2011 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019)".

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statement have been prepared under the historical cost convention, modified to include the revaluation of investment properties at fair value. The principal accounting policies adopted are set out below.

1.2 Going Concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income recognition

All income is recognised when the charity has entitlement to the income, when it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income from studio licence fees is included in the period in which the company is entitled to receive the income.

Income from grants is included in incoming resources when receivable.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity, this is normally upon on notification of the interest paid or payable by the bank.

1.4 Expenditure and irrecoverable VAT

Expenditure is recognised in the financial statements as soon as there is a legal or contractual obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis.

Irrecoverable VAT is charged as a cost against the category of expenditure for which it was incurred.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Fixed assets costing more than £1,000 are capitalised.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Lease improvements	the life of the lease
Short leasehold property	the life of the lease
Motor Vehicle	25% reducing balance
Fixtures & fittings	25% reducing balance
Equipment	33.3% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to resource expended in the Statement of Financial Activities.

1.6 Investment Properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1. ACCOUNTING POLICIES (CONTINUED)**1.7 Impairment of fixed assets.**

At each reporting date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the charity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year. A reversal of an impairment loss is recognised immediately in resource expended in the Statement of Financial Activities.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.9 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transactions price including transaction costs and subsequently carried at amortised cost using the effective interest method, less any impairment unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1. ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Pensions Costs

The charity has a defined contribution pension scheme. The cost of contributions made by the charity to the scheme are charged as an expenditure as they fall due.

1.11 Operating Leases

Rentals payable under operating leases, including any lease incentive received, are charged to the Statement of Financial Activities on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the term pattern in which economic benefits from the lease asset are consumed.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to resource expended in the Statement of Financial Activities.

1.12 Fund Accounting

Funds held by the charity are unrestricted general funds which can be used in accordance with the charitable objects at the discretion of the trustees.

1.13 Taxation

The registered charity is exempt from income and corporation tax in respect of the charitable activities.

ARTISTS STUDIO COMPANY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)
2. LEGAL STATUS OF THE CHARITY

The charity is a company limited by guarantee and has no share capital. The liability in respect of the guarantee is limited to £1 per member of the charity.

3. CHARITABLE EXPENDITURE

	Basis	Charitable Activities £ Total	Year Ended 31 Dec 2021 £ Total	Year Ended 31 Dec 2020 £ Total
Rent	Direct	840,810	840,810	763,422
Rates	Direct	102,963	102,963	156,042
Building insurances	Direct	64,196	64,196	57,743
Light and heat	Direct	167,740	167,740	210,413
Repairs and maintenance	Direct	116,322	116,322	157,300
Leasehold Amortisation	Direct	67,969	67,969	79,625
Salaries	Staff time	396,783	396,783	381,943
Social security costs	Staff time	40,677	40,677	37,925
Legal and professional	Direct	21,828	21,828	37,908
Funding & development	Direct	78,683	78,683	70,335
Pension costs	Direct	26,753	26,753	24,154
Auditors' remuneration	Direct	14,354	14,354	9,170
Printing, postage and stationery	Direct	2,625	2,625	2,590
Telephone costs	Direct	24,559	24,559	22,626
Computer & website expenses	Direct	2,647	2,647	2,931
Bank, card and other charges	Direct	110	110	126
Travelling expenses	Direct	5,231	5,231	4,718
Motor expenses	Direct	7,910	7,910	3,233
Sundry office expenses	Direct	4,675	4,675	1,912
Bad debts/Provision for bad debts	Direct	7,234	7,234	-
Depreciation on motor vehicle	Direct	1,063	1,063	-
Depreciation on fixtures & fittings	Direct	4,408	4,408	4,019
Staff welfare/training/recruitment	Direct	6,836	6,836	4,468
Insurance	Direct	8,981	8,981	7,308
Gallery expenses	Direct	1,904	1,904	1,714
Grants disbursed to artists	Direct	76,080	76,080	175,501
		2,093,341	2,093,341	2,217,126

Salaries of key staff members are allocated to governance costs based on their time spent on management and administration.

4. STAFF COSTS

No remuneration was paid to the trustees in the year, nor were any expenses reimbursed to them.

	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
The staff costs were:		
Wages and salaries	396,783	381,943
Social security costs	40,677	37,925
Pension costs	26,753	24,154
	464,213	444,022

The average number of full time equivalent employees during the year was as follows:

Other staff	9	10
Administrative	2	2

The number of employees whose remuneration fell within the following bands:

£90,000 - £100,000	1	1
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The number of employees for whom retirement benefits are accruing under a money purchase scheme totalled 9 (2020 - 9).

ARTISTS STUDIO COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. MOVEMENT IN TOTAL FUNDS FOR THE YEAR	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
This is stated after charging:		
Operating leases - land & buildings	840,810	763,422
Depreciation of tangible fixed assets	73,439	83,644
Auditor's remuneration for audit services	14,354	9,170

6. TANGIBLE FIXED ASSETS

	Short Leaseholds & Improvements £	Fixtures, Fittings, Equipment & Motor Vehicle £	Total £
Cost			
At 1 January 2021	887,503	23,559	911,062
Additions		19,743	19,743
Disposals	(14,518)	(9,937)	(24,455)
At 31 December 2021	872,985	33,365	906,350
Depreciation			
At 1 January 2021	598,032	15,747	613,779
Charge for the year	67,969	5,470	73,439
Disposals	(14,518)	(9,937)	(24,455)
At 31 December 2021	651,483	11,280	662,763
Net book values			
At 31 December 2021	221,502	22,085	243,587
At 31 December 2020	289,471	7,812	297,283

National Westminster Bank Plc has the 1st Legal Charge on the Investment Properties and its associated assets.

Investment Properties	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
At 01 January 2021	4,053,678	4,053,678
Additions	1,882,441	-
Fair value changes on investment properties	1,336,323	-
At 31 December 2021	7,272,442	4,053,678

The fair value has been arrived at on a basis of a valuation by JLL, Chartered Surveyors who are not connected to the company in 23 July 2021. The valuations were made on an open market value and fair value basis by reference to market evidence of transaction prices for similar properties and referencing increased demand in the market. The trustees consider that the carrying value is not significantly different from current market value.

ARTISTS STUDIO COMPANY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

7 DEBTORS	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
Trade debtors	18,173	39,957
Prepayments	275,820	265,795
Other debtors	113,356	39,753
	407,349	345,505

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
Trade creditors	61,053	75,853
Deposits held on account	-	17,458
General Provisions	23,000	23,000
Social security and other taxes	13,451	11,658
Other creditors	19,489	18,581
Loan	258,561	182,154
Accruals	93,570	165,424
Grants	200,000	307,399
	669,124	801,527

9 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
Loan	4,430,385	3,215,740
Deposits held on account	288,444	285,042
	4,718,829	3,500,782

10 FUNDS

	£ Balance at 01 Jan 21 b/fwd	£ Income	£ Expenditure	£ Gain	£ Balance at 31 Dec 21 c/fwd
Analysis of fund movements					
General funds	1,655,981	2,661,818	(2,093,341)	-	2,224,458
Fair value changes on investment properties	-	-	-	1,336,323	1,336,323
	1,655,981	2,661,818	(2,093,341)	1,336,323	3,560,781

General funds comprise those funds which the trustees are free to use in accordance with the charitable objects.

These funds are represented by:	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
Tangible fixed assets	7,516,029	4,350,961
Current assets	1,432,705	1,607,329
Current liabilities	(669,124)	(801,527)
Long term liabilities	(4,718,829)	(3,500,782)
	3,560,781	1,655,981

ARTISTS STUDIO COMPANY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)
11 OPERATING LEASE COMMITMENTS

At 31 December 2021 the charitable company had outstanding financial commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

Expiry date:	Year Ended 31 Dec 2021 £	Year Ended 31 Dec 2020 £
Between one to five years	3,046,572	3,408,050
Over five years	494,634	721,009
	<u>3,541,206</u>	<u>4,129,059</u>

12 PENSIONS

The Charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the charity to the fund and amounted to £26,753 (2020 - £24,154).

13 RELATED PARTIES

The charity trustees were not paid or in receipt of any other benefits from the charity in the year neither were they reimbursed expenses during the year. No charity trustees received payment for professional or other services supplied to the charity.

The key management personnel of the charity comprise the trustees and the Chief Executive Officer of the charity.

Remuneration of Key management personnel

	2021 £	2020 £
Aggregate remuneration	<u>96,410</u>	<u>96,410</u>

14 GRANT INCOME

HMRC CJRS grant & Council grant
Artists hardship grant

	2021 £	2020 £
HMRC CJRS grant & Council grant	170,833	17,790
Artists hardship grant	137,299	175,501
	<u>308,132</u>	<u>193,291</u>

15 Cash (absorbed by)/ generated from operations

	2021	2020
Surplus(deficit) for the year	1,904,800	317,743
Adjustments for:		
Depreciation	73,439	83,644
Interest (net)	78,949	73,569
Grants (net)	(107,298)	307,399
Fair value gain on investment properties	(1,336,323)	
Loan received	1,426,000	
Loan repayments	(213,897)	(92,682)
Movements in working capital:		
Decrease/(increase) in debtors	(68,916)	(35,444)
Increase/(decrease) in creditors	(91,039)	23,815
Cash generated from operations	<u>1,665,715</u>	<u>678,044</u>