

COMPANY REGISTRATION NO: 02422890
REGISTERED CHARITY NO: 1059678

REPORT & FINANCIAL STATEMENTS

MK GALLERY

**(A COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL)**

FOR THE YEAR ENDED 31 MARCH 2021



MK GALLERY

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The Trustees, who are also Directors of the charity for the purposes of the Companies Act 2006, are pleased to present their annual report and the audited consolidated financial statements of the charity for the year ending 31 March 2021 which are prepared to meet the requirements for a Directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 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).

About MK Gallery, including Mission and Aims and Activities for the Public Benefit

Founded in 1999, MK Gallery reopened in March 2019 after a £12m capital expansion which doubled the exhibition spaces and greatly enhanced access facilities creating a new Learning Studio with adjacent Changing Places toilet, a playscape for outdoor activities, and a multi-use auditorium for film, music, dance, theatre and talks. In its reopening year it welcomed 150,000 visitors, compared with c.30,000 in previous years. Exhibitions attract visitors from across the UK and beyond but core audiences are drawn from Milton Keynes, Luton, Bedfordshire and Northamptonshire. MK Gallery is the only venue showing major exhibitions within a 40-mile radius and it is a member of Plus Tate, the network of leading UK visual arts organisations.

Annually, MK Gallery programmes three high-profile exhibitions that bring together international and national loans of historical and contemporary art, as well as new commissions. Its exhibitions attract five-star reviews in the mainstream press, and tour to international institutions. Exhibitions are accompanied by publications and conferences with new texts and papers by leading scholars, writers and artists to offer new insights and perspectives.

Every element MK Gallery's programming is designed to consider broader agendas beyond the art, offering multiple entry points for audiences and connections with diverse communities and partners. Alongside the three major exhibitions we offer a wide-ranging programme of film, music, dance, talks and conferences, mixing emerging and locally based talent with established names. Some of this programme complements and expands on exhibition themes, other elements are developed in response to and working with different communities of interest. Outcomes of community partnerships and projects are integrated throughout our programmes and buildings.

Alongside working with schools, MK Gallery delivers creative activities for early years and pre-schoolchildren. Its young people's programme provides artist-led creative sessions for those with emotional and mental health issues to build self-confidence, develop positive relationships and raise aspirations. Its 'Inclusive Practice in the Arts' programme includes weekly artist-led workshops with some of MK's most marginalised families who have one or more children with complex learning needs and/or physical disabilities.

At the beginning of this year MK Gallery sought to fully integrate and embed schools, families and community programmes across all of the Gallery's core objectives through merging our public programmes and learning teams. This shift in emphasis is designed to enhance the Gallery's social mission and purpose; to make more visible our award-winning outreach projects; and to ensure that activities recently enabled by the new building, including the cinema, auditorium, studio and playscape, form part of this programme.

Exactly a year after reopening MK Gallery was required to close to the public in line with government restrictions to control the Covid-19 pandemic. The building remained closed for the majority of 2020/21 only operating as a public building for circa 40 days of the year.

TRUSTEES' REPORT (CONTINUED)

About MK Gallery, including Mission and Aims and Activities for the Public Benefit (continued)

MK Gallery's principal charitable purpose is to promote, maintain, improve and advance the education and understanding of the public, particularly by the production and presentation of and engagement with the arts, visual culture and related areas of creative practice.

Its vision is to be one of the UK's leading centres for the arts with a national and international reputation for artistic excellence and innovation and to be a cultural beacon for the city.

MK Gallery's mission is to provide access to high quality, innovative and thought-provoking art from around the world and through its programme, stimulate participation and debate, and build relationships between artists and audiences.

MK Gallery has three core values that support its vision and mission:

- Quality - By championing excellence the charity seeks to raise ambition and build confidence;
- Diversity – The charity welcomes and actively supports inclusivity;
- Opportunity – The charity is a platform for the development and exchange of art and ideas.

To deliver these values the Trustees set themselves strategic objectives for the year across five priority areas: Audiences, Artists, Enrichment, Place and Sustainability.

In shaping these priority areas the Trustees considered the Charity Commission's guidance on public benefit, Arts Council England's strategy for the arts *Let's Create*, MK Council's Corporate Plan and MK Council's Arts and Public Arts Strategy.

In 2020-21 the Gallery relied extensively on the Job Retention Scheme to remain sustainable but the scheme's conditions prevented the Gallery from developing significant alternative online activities while the building was closed. Nevertheless, MK Gallery contributed towards its objectives in the following ways:

1. Audiences

- Despite significant limits on public access MK Gallery welcomed over 5,000 visitors to the building.
- MK Gallery engaged with its audiences and communities online, through panel discussions responding both to the pandemic and the rise of the Black Lives Matter movement. These discussions resulted in new community partnerships and programming opportunities. We also shared the outcome of the first three years of our Inclusive Practice in the Arts programme via an informal on-line conference.
- Each of the 130 MK Calling artists were profiled on our digital and social media channels providing opportunities to increase audiences for their work whilst MK Gallery was closed.

2. Artists

- MK Calling showcasing the work of 130 artists from across the UK exhibition was extended to October 2020.
- MK Gallery opened Memphis: Plastic Fields in November 2020, an exhibition that brought together over 150 of the Memphis Group's most significant design objects.
- Two Project Space exhibitions showcased community partnerships projects with Headway and MK Arts for Health and a third profiled the work of 46 children and young people who applied for our Young Painter competition.
- MK Gallery provided spaces for Milton Keynes based artists and artistic companies including The Plays The Thing, MOTUS Dance, Pagrav Dance and Tamsin Moulding to develop and rehearse new work in covid safe environments.

TRUSTEES' REPORT (CONTINUED)

About MK Gallery, including Mission and Aims and Activities for the Public Benefit (continued)

3. Enrichment

- Art and Us workshops for families with children with profound or complex needs were delivered on-line and through the distribution of Sensory Boxes.
- Our young people's programme 'The Secret Selfie Project' completed artist led workshops to develop a new name and logo; explore issues of gender and identity; and develop a project for the Future Fossil public art commission.
- A new approach to informal family engagement was trialled during the October half-term and lead up to Christmas.
- We continued to work with Roche Court Education Trust to deliver Articulation through on-line workshops with students and teachers.

4. Place

- The Director regularly attended the MK Cultural Leaders meetings; and the Head of Public Programmes represented the Gallery at Arts & Heritage Alliance Milton Keynes meetings.
- The Director and Deputy Director are trustees of locally based community and arts organisations.
- Gallery staff participated in 'Embracing Diversity and Inclusion' events with Milton Keynes Islamic Arts & Culture Organisation;
- The Gallery supported the development of the Arts and Heritage Alliance's 'Rethinking Cultural Inclusion and Diversity Report' and the Director contributed as a speaker to the on-line launch event.

5. Sustainability

- During the pandemic MK Gallery's Executive raised significant funds from emergency sources to provide financial stability at a time of global uncertainty.
- MK Gallery's Board used the UK Government's Job Retention Scheme to protect staff jobs during the long periods of closure.
- MK Gallery brought its catering business in-house providing greater flexibility for growth.

Overview of Achievements and Performance in 2020-21

The new MK Gallery had reopened in March 2019, increasing audiences by 120,000 in its first year and reducing reliance on ACE subsidy from 55% to 26% of turnover due to new, earned income streams (exhibition tickets, retail, catering, private hire and cinema/concerts) accounting for 30%. The balance came from Milton Keynes Council, raised income and MK Gallery's unrestricted reserves.

However, as a result of the Covid 19 pandemic, MKG closed to the public on 16 March 2020. Following a short period of part-time opening during September and October, the Gallery closed again in November. After only two weeks trading in December, the Gallery closed again and remained closed until 18 May 2021. During the 40 days that MK Gallery was open the team began to rebuild audience confidence and attract visitors but the majority of efforts were curtailed by the various government restrictions on movement and activity.

Overview of Achievements and Performance in 2020-21 (continued)

AUDIENCES

MK Gallery worked hard to make its buildings safe and accessible for all visitors during periods of opening in 2020-21. This included timed entry and visitor number limits, reduced café capacity and table service, protective clothing and equipment to maintain social-distancing and increased cleaning and hygiene routines.

A combination of rapid responses, flexibility, excellent understanding by all staff and the Board of trustees, alongside recognition from major stakeholders and funders of the gallery's significant role, enabled the organisation to manage the complexity of the last months and deliver a reduced but impactful range of activities that engaged audiences from online panel discussions, to creativity packs delivered through the post for participants of our Art and Us and ARioT programmes.

A focus on families and young people after re-opening in summer 2021 has proved successful in bringing audiences back to the Gallery. The Gallery's high-profile autumn exhibition, Laura Knight, has successfully reinvigorated audiences and seen them return to the Gallery in greater numbers, which bodes well for the future.

Throughout 2020-21 the Gallery managed to maintain a national profile with extensive coverage in the national press and a number of prestigious awards, including the Freeland Award and RIBA National and Regional awards for the building.

ARTISTS

In March 2020 the Gallery opened MK Calling, an open call submission exhibition featuring over 130 artists across five world class gallery spaces. The exhibition showcased the most dynamic work being made today including work by Royal Academicians, and alumni of The British Art Show, John Moore's Painting Prize and New Contemporaries as well as providing opportunities for younger, less experienced artists. The show featured numerous pieces that addressed and challenged many contemporary issues such as the environment and the political climate, as well as a number of playful and performance works. With the exhibition taking place in the new town of Milton Keynes and with a third of artists local to the area, a lot of the work also looked at cities and architecture. This exhibition re-opened in September 2020.

MK Gallery opened Memphis: Plastic Fields in November 2020, an exhibition that explored the subversive and irreverent spirit of the Memphis Group, bringing together over 150 of the design collective's most significant objects whose bold and playful look pushed boundaries and sparked a new era in international design. Their furniture was colourful, kitsch and geometric, drawing on Pop Art, Bauhaus and Art Deco to create an entirely new aesthetic full of punch and vitality. The sensory quality of the object was prioritised over function. Materials like plastic laminate and Terrazzo, previously used in kitchens and bathrooms, were suddenly incorporated into high-end furniture, and monochrome patterns of graphic shapes and squiggly lines paired with vivid yellow became an instant Memphis trademark. The exhibition at MK Gallery will feature the iconic designs created by the Memphis Group between 1981 – 1988, including work by important contributors such as Shiro Kuramata, Michele De Lucchi, Nathalie Du Pasquier, Martine Bedin, George Sowden, Michael Graves, Javier Mariscal, Marco Zanini, Aldo Cibic and Peter Shire. Of the 4,500 visitors to the exhibition 33% of visitors were under 26s, 26% of visitors booked full price tickets, 23% were MK residents and 2% qualified for concession tickets. The exhibition was extended to September 2021 due to ongoing Covid-19 restrictions. The exhibition attracted rave reviews in the national press, including 'Go on, cheer yourself up and get over to Milton Keynes' in The Telegraph.

TRUSTEES' REPORT (CONTINUED)

ARTISTS (CONTINUED)

MK Gallery provided spaces for Milton Keynes based artists and artistic companies including The Plays The Thing, MOTUS Dance, Pagrav Dance and Tamsin Moulding to develop and rehearse new work in covid safe environments. We also recruited a further five artists to join our Associate Artists team who work on different aspects of our programmes.

ENRICHMENT

With limited public opening throughout 2020-21 levels of enrichment activity was understandably lower than in previous years. However, we were able to deliver two Project Space exhibitions with community partners, 'Space to be You' in partnership with Headway a charity who support individuals with acquired brain injury, and MK Arts for Health who use the arts and creativity to improve the health and wellbeing of the local community. We also showcased the work of 46 children and young people who applied to take part in our Young Painter award and created and submitted works during the first lock down in summer 2020. The judges, artists Boyd and Evans, announced the winners in an on-line awards ceremony broadcast from the Sky Room.

We listened to and developed our programmes according to the needs of participants. Art and Us workshops were planned to restart in November 2020, however when this became impossible, we developed an on-line workshop offer. Families that accessed these workshops enjoyed them, however they were not suitable for all, as many Art and Us participants could not interact with a screen based activity. In response to this we developed a 'sensory box' offer of creative materials and workshops created by an Associate Artist for each specific family. These were extremely well received and became a highlight for many of the families during lockdown. Participants in our young people's programme 'The Secret Selfie Project' initially did not want to engage in activities via an on-line environment but were keen to return for a series of covid secure workshops during the school holidays, which then led to continued on-line interaction when face to face meetings were no longer possible. They had a productive year and worked with a branding specialist to create a new identity and logo. They also worked with artist Dylan Fox and local arts organisation Big Shop Friday on a series of workshops to explore gender and identity, and developed projects in partnership with Future Fossil, Milton Keynes Youth Cabinet, and ARTiculation.

We continued to partner with Roche Court Education Trust to deliver ARTiculation, a national public speaking initiative designed to promote the discussion of visual culture and build confidence in young people aged 14-23 delivering 3 on-line sessions with schools, one teacher CPD session, and hosting the on-line regional heat.

Two Important online conferences looking at how to improve relations and remove barriers across Milton Keynes in terms of ethnic diversity and disability resulted in stimulating new partnerships with communities across the city that will feed into future public programming. We also delivered an on-line conference 'Sharing Art and Us' with contributions from artists, participants, funders and partners involved in the delivery of our Inclusive Practice in the Arts programme. Feedback from the event was overwhelmingly positive and helped to stimulate new delivery and funding partnerships.

TRUSTEES' REPORT (CONTINUED)

ENRICHMENT (CONTINUED)

The Executive spent time during the year imagining and redeveloping its learning and public programmes. From 2021-22 onwards we are planning a more inclusive, cross-disciplinary and holistic approach to programming with more opportunities for a greater range of communities to participate. We are particularly concerned to: increase family audiences; offer more to young people; create more opportunities for artists and producers; strengthen and build partnerships with the diverse communities of MK, in particular in the area of disability; further integrate our volunteers in our programmes and processes; and develop our digital offer. We have integrated inclusive events into our programmes as a whole, including monthly relaxed film screenings, sensory tours and an annual relaxed fireworks evening. We will continue to build our offer to include more activities for audiences with a broad spectrum of needs.

PLACE

MK Gallery continued to participate in the Milton Keynes Arts and Heritage Alliance (AHA MK): a collection of local organisations working together to position the arts and heritage sectors as strategic contributors to the community and economy of Milton Keynes. This partnership supports communication with other local cultural providers to ensure MK Gallery continues to be a relevant artistic resource for the city.

SUSTAINABILITY

As a result of the lockdowns, MK Gallery lost c.£384k earned income. Access to trusts, foundations and individuals also reduced significantly, resulting in a loss of funding for projects of c.£305k.

To mitigate these losses and reduce core costs, all programmes and services were cancelled/postponed. 31/35 staff were furloughed March-June 2020 with the majority remaining furloughed full/part-time July-October. Furloughed staff salaries were capped at 80% May–December and working staff salaries cut by 20% May-August. Overheads reduced during closure period included utilities and cleaning. Further programme cancellations and adjustments were made as a result of the second and third lockdowns and use of the furlough scheme continued into 2021.

MK Gallery has reserves of £1.2m but they are fully restricted and designated: £220k for on-going projects; £360K to underwrite revenue costs during the gallery's first years of operation (as per business plan 2020-2023); £600,000 for capital renewal and maintenance (as per ACE capital funding conditions).

MK Gallery withdrew £350k from cash reserves in April 2020 to provide immediate cash stability. Use of these funds was always a short-term solution and part of the emergency fundraising campaign to 31 March 2021 has been to replenish this cash reserve by sourcing alternative income streams to replace lost earned and raised income. By 31 March MK Gallery had raised c. £645k in emergency funds from MK Council, Job Retention Scheme, Cultural Recovery Funds, trusts and foundations. Combined with operational savings made in-year these funds have enabled MK Gallery cover immediate fixed costs and retain its skilled staff team.

SUSTAINABILITY (CONTINUED)

The budget for 2021-22 demonstrates significant predicted shortfalls in earned income. A sustained period of closure, ongoing uncertainty around opening restrictions, vulnerable fledgling trading operations and depleted reserves coupled with uncertainty about visitor appetite as the country re-opens mean that income assumptions for 2021/22 made in 2020/21 are no longer viable. Anticipated visitor numbers across all areas of activity have been reduced to - 60% for April – June 2021/22 and an average of -40% for the rest of the year (against prior figures).

Difficult choices have also been made with a view to reducing costs and encouraging audiences to return to the site. The summer 2021 exhibition has been cancelled and the Autumn 2020 exhibition extended to September 2021. To re-build audiences so that MK Gallery's business activities can return to pre-Covid levels, it will invest in and launch an extensive marketing, communications and PR campaign. MK Gallery will also invest resource in its catering operation which was brought in-house at the beginning of the pandemic. An in-house model offers much greater flexibility to generate income and offer audience incentives but it will take time for the fledgling business to stabilise and grow.

Future Developments

The Gallery's first year of operation was a period of significant programme and audience development with footfall figures exceeding all expectations. The impact of Covid 19 and the closure of the building in March 2020 presented numerous challenges for the Board and executive across all areas of the business including cash-flow, long-term revenue fundraising and public exhibitions and education programmes. The period 2021-23 will see a reassessment of many aspects of the Gallery's business model and operational structures in order to rebuild lost audiences, programmes, commercial income and funding streams. It will also see the Gallery reapply for National Portfolio Status with Arts Council England to secure revenue funding for the 2023-27 period.

Finance Review

The financial statements that follow are prepared to comply with 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).

The principal Charity income for the year continued to arise from the unrestricted annual subsidies from Milton Keynes Council totalling £273,942 (2020: £278,944), and funding from Arts Council England of £635,360 plus £136,000 capital funding (2020: £383,307 plus £392,862 capital funding).

Further income was raised from external sources and fundraising and income generation continues with income from trusts, foundations, donations, exhibition hire fees, sales of limited edition artworks, sundry income, bank interest and the profit on café and venue hire, retail, ticket sales and exhibition catalogues.

Total expenditure for the group was £1,602,675 (2020: £2,613,997) of which £1,561,530 (2020: £2,432,327) was spent on the charitable activities i.e. operation of the art gallery. This included £794,052 (2020: £820,564) of staff costs, £105,050 (2020: £585,057) of exhibition and education and event programme costs, £193,379 (2020: £241,727) of premises costs, and £270,801 of depreciation (2020: £258,001).

MK GALLERY

TRUSTEES' REPORT (CONTINUED)

Finance Review (continued)

The subsidiary, MK Gallery Trading Limited, reported a loss of £(1,111) (2020: loss of £1,692). This subsidiary has now ceased trading and will be wound up in the near future.

The most recently formed subsidiary, MK Gallery Enterprises Limited, reported a loss of £(15,092) (2020: loss of £63,496). MK Gallery Enterprises Limited operates the art gallery and all commercial trading operations carried on at the art gallery premises. The operations in the subsidiary continued to be reorganised during the year and both the level of business and the year end financial position were satisfactory.

The Trustees are fully aware of the need to protect the Charity's funds beyond the period of committed support from Milton Keynes Council whilst ensuring that the charity can fulfil the key charitable objectives in the short and medium term including the committed revenue funding of MK Gallery and potential further expenditure on site development.

The Charity's financial forecasts and strategies were examined while preparing the Forward Plan 2018-2022; those continue to be monitored and tested through its financial controls and reporting systems.

Financial Summary

The year-end financial position for the charitable group (to the nearest thousand) was as follows:

	£
Unrestricted funds carried forward	
General surplus	357,000
Capital fund	11,439,000
Designated funds carried forward	
Capital renewal fund	600,000
Programme fund	360,000
Restricted funds	224,000
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Net assets	£12,980,000
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Reserves Policy

The MK Gallery reserves policy is to maintain a sufficient level of reserves to enable operating activities to be maintained, taking account of potential risks and contingencies that may arise from time to time. The policy is reviewed annually by the Trustees.

Unrestricted group reserves at the year-end amounted to £12,755,791 (2020: £11,940,190). Of these, the free reserves amounted to £357,234 (2020: £(495,207)). The desired level of free reserves is £500,000, representing approximately 6 months' operating costs.

In September 2012 the Trustees agreed to designate £4,000,000 from general reserves to a designated fund, the Development Fund. The company maintained and invested this fund to provide monies to meet special targets of opportunity or need, which further its mission and which may or may not have specific expectation or incremental or long-term increased income. On 18 March 2013 the Trustees re-designated £2,000,000 of the Development Fund to a new Capital Fund as a contribution towards the major redevelopment of the site. On 27 September 2016 the Trustees re-designated a further £1,000,000 from the Development Fund to the Capital Fund.

TRUSTEES' REPORT (CONTINUED)

Reserves policy (continued)

At 31 March 2021 the building contract retention remaining outstanding. The final contract sum has been agreed between Bowmer & Kirkland and MK Gallery but due to Covid-19 and closure the rectification period has been extended. Payment of the retention is likely to take place in 2021-22.

At its meeting on 23 March 2021 the Board agreed changes to the charity's designated funds. The designated capital fund and Patrons/Donations fund was reallocated to the unrestricted capital fund at the amount required to depreciate the capital asset in full. Any remaining reserves in the fund were allocated to the general income fund.

The designated development fund was reallocated to a new £360,000 designated programme fund (£120,000 per annum to be drawn down annually to support programming costs) and a new £600,000 designated capital renewal fund. Any remaining reserves in this fund were allocated to the general income fund.

In the view of the Trustees the free reserves are sufficient at the current time as the decision can be taken to reverse any designations in the event the funds are needed for general purposes.

Investment Policy

MK Gallery operates a policy of investing a minimum sum of £1,000,000 (plus accumulated value) relating to the current Development Fund long-term with an investment manager.

Following completion of the redevelopment project, the Trustees employ a policy of investing any remaining funds in short to medium-term interest-bearing deposits.

In accordance with its reserves policy MK Gallery also has at least six months of planned expenditure as cash reserves in order to ensure financial security, continuity and to provide for contingencies.

MK Gallery assets are invested in line with its aims, in such a way that enables the trust to achieve its goals in both the short and long term. The Trustees do not wish to adopt an exclusionary policy, but individual investments may be excluded if perceived to conflict with the trust's purpose. Such instructions may be issued to the Investment Manager on behalf of the trust by the Finance and Operations Committee.

Assets

In the opinion of the Trustees, the charitable company's assets are sufficient to fulfil the obligations of the Charity.

Trustee Liability Insurance

Liability Insurance exists for the benefit of all Trustee Directors.

MK GALLERY

TRUSTEES' REPORT (CONTINUED)

Legal and Administrative Details

The Charity is MK Gallery (registered number 1059678) and is constituted as a private limited company limited by guarantee (registered number 02422890) incorporated in the UK. The principal and registered address is MK Gallery, 3 Theatre Walk, Central Milton Keynes, MK9 3PX.

Trustees

The directors of the charitable company are its Trustees for the purposes of charity law. The Trustees and Officers serving during the year were as follows:

Chairman	Elizabeth Gifford Sas Amoah (appointed 28 June 2021) Cllr Carole Baume (appointed 7 July 2020) David Danskin Cllr David Hopkins David King Cllr Pete Marland Rois Mascarenhas (appointed 28 June 2021) Cllr Jennifer Marklew (resigned 7 July 2020) Fidele Mutwarasibo (appointed 7 July 2020) Mark Rayner (resigned 16 December 2021) Neil Smith Charles Douglass Welch (resigned 29 September 2020) Sunita Yeomans
Company Secretary	David Danskin
Gallery Director	Anthony Spira

All current Trustees stand as guarantors to the company in the sum of £1 each.

Advisers

The following acted as advisers to the charity during the year:

Bankers HSBC Bank plc 19 Midsummer Place Milton Keynes MK9 3GB	Bankers METRO Bank One Southampton Row London WC1B 5HA	Auditor Steve Monico Ltd 19 Goldington Road Bedford MK40 3JY
HR Consultants ARC HR Solutions 44 Blanchland Circle Monkston Milton Keynes MK10 9GP	Solicitors Hewitsons Exchange House 482 Midsummer Boulevard Milton Keynes MK9 2EA	Accountants Steve Monico Ltd 19 Goldington Road Bedford MK40 3JY

TRUSTEES' REPORT (CONTINUED)

Structure, Governance and Management

MK Gallery, established in 1999 as Milton Keynes Theatre and Gallery Company, is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association which were formally adopted on 20 February 2014.

Appointment of Trustees (Directors)

MK Gallery may appoint any person who is willing to be a Trustee. Milton Keynes Council (MKC) may nominate two people to be Trustees.

Each Trustee serves for a three year term from the date of his or her appointment. The Trustees may resolve to re-appoint a Trustee who retires for a further term. The exceptions to this rule are Trustees nominated by Milton Keynes Council, who are appointed on an annual basis.

Trustees are recruited through an open process to meet identified skills gaps and succession planning. Opportunities are advertised on the Gallery's website and through other local and regional media channels.

New Trustees receive induction and training through meetings with the Chair, Director and staff of the Charity and through receipt of the Charity Commission's *The Essential Trustee*, a copy of the charity's Articles of Association and other key internal documents including the most recent Business Plan and Board papers.

No trustees stood down to retire by rotation within the year. Sas Amoah and Ros Mascarenhas were appointed in June 2021.

Board Operation and Development

During 2020-2021 the Board of Directors/Trustees continued to meet as scheduled on-line. Individual trustees provided support as required, for example the resolution of lease issues. The strengthening of the Board which was set in motion following an awayday in October 2019 was carried through with the recruitment and appointment of new trustees who diversify the representation on the Board and bring new partnership opportunities for the future. Training for Directors and staff delivered by Equality and Diversity UK in February 2021 was well received. A number of trustees have adopted specified areas of interest e.g. diversity and inclusion, youth provision, marketing.

Organisational Structure

The Board of Trustees meets quarterly to administer the Charity, review performance and discuss key topics. In addition to this the Finance and Operations Committee meets quarterly to scrutinise finance and audit, HR and legal issues.

The Building Committee, tasked with supervising the renovation and expansion of the building has ceased operation, after completion of the capital project.

The Board currently has no official working parties or steering groups.

Day to day management of the Gallery is delegated to MK Gallery's staff team led by the Director who is supported by the Deputy Director and senior colleagues. The Director takes lead responsibility for exhibition programming, fundraising, marketing and audience development, the Deputy Director for commercial operations and day to day management, staff, governance and facilities.

TRUSTEES' REPORT (CONTINUED)

Organisational Structure (continued)

Shortly before closure in March 2020 the Executive completed a company restructure to better support the operational delivery of Gallery activity going forward. The Executive also agreed TUPE arrangements with the Gallery's outgoing catering operator and welcomed a number of café colleagues into the team structure. As previously outlined the majority of staff were furloughed between April and September 2021. Furloughed staff salaries were capped at 80% May–December and working staff salaries cut by 20% May-August. These measures enabled the organisation to retain its skilled workforce and reopen in May 2021.

MK Gallery kept in close contact with volunteers during the pandemic via weekly contact through digital media, this included: setting up a Facebook group 'MKG sharethelove' just for volunteers; sending out emails with links of interesting things that other volunteers found to keep people occupied during lockdown; coffee morning zoom calls and talks by staff which have continued into 2021-22 for those still shielding. The number of active volunteers has taken time to return to pre-pandemic levels. A major recruitment campaign has been taking place in October-November 2021.

Salary Review

The Board is responsible for approving the organisation's annual budget which includes the global salaries budget. The Board has delegated responsibility for reviewing and setting individual salary levels to the Director, except in the case of his/her own salary. The Board remains responsible for making decisions in relation to the Director's salary. Salary levels across the organisation are reviewed annually and benchmarked against external peers to establish market rate salaries for similar posts in the sector/area. Changes to individual job descriptions are also taken into account.

Any changes to individual staff salaries are included in the global salary budget presented to the Board for approval in March. The Board also makes any decision regarding the pay of the Director at this meeting.

The Director/Board is/are under no obligation to increase annual rates of pay as a result of these reviews. This is reflected in the company's employment contracts.

Related parties

None of the Trustees receive remuneration or other benefit from their work with the charity. Any connection between a Trustee or senior manager of the charity with an artist, contractor, performer or other supplier must be disclosed to the full Board in the same way as any other contractual relationship with a related party.

The charity's wholly owned subsidiary, MK Gallery Trading Limited, was established in 2002 to undertake some or all of the commercial activities of MK Gallery.

The Board authorised the set-up of a new trading company, MK Gallery Enterprises Ltd, in October 2018 for all the Gallery's trading activities. The Board started meeting regularly from 2019-20 to review the Gallery's commercial activities.

Financial health

The charity continues to control its costs whilst diversifying income, both earned and voluntary to achieve a sustainable financial model. The charity received significant financial support within the year from Covid-19 emergency funds which has helped to provide stability during a difficult trading year.

Risk Management

The Trustees acknowledge their responsibility to identify, review and assess all major risks to which the Company is exposed, in particular those related to its operation, finances and reputation. A formal organisational risk assessment is undertaken as part of the charity's business planning process which identifies and ranks the risks the charity faces and the means of mitigation.

Brexit

In the opinion of the Board the impact of the UK leaving the EU finally on 31 December 2020 has not adversely affected the charity nor is it expected to have a material effect on the charity's operations.

Impact of Covid-19

In March 2020 MK Gallery closed to the public in line with government guidelines to prevent the spread of Covid-19. Closure resulted in the postponement of two major exhibitions, significant losses from earned and raised income sources and a large number of staff being furloughed throughout the first six months of 2020/21. The site reopened on a part-time basis in September 2020. In December 2020 the Gallery entered a further period of closure which lasted until May 2021.

The Executive continues to monitor government advice in relation to COVID-19 and regularly reports issues to the Board.

The Board has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Gallery's ability to continue as a going concern. Although designated for long-term programming and capital maintenance the Gallery has sufficient cash to underwrite its operational costs for at least 12 months.

The Board acknowledges that further actions might be required within the next 12 months to generate sufficient cashflows to meet its obligations when they fall due but is prepared to draw on cash reserves to cover gaps in the short-term. The charity is unlikely to require borrowing facilities.

TRUSTEES' REPORT (CONTINUED)

Fundraising activities

With stronger fundraising regulation now in place in the UK and EU, the charity has worked to ensure that it maintains high standards in how it works with funders, donors and supporters and that fundraising practices and management meet the requirements of the new regulations.

Key features of the charity's approach to fundraising are:

- The charity is a member of the Institute of Fundraising and follows the Code of Fundraising Practice which is set by the Fundraising Regulator through its Standards Committee. The charity is registered with the Fundraising Regulator which maintains the standards for charitable fundraising and ensures that fundraising is respectful, open, honest and accountable to the public. It also takes complaints about fundraising, investigates cases and adjudicates on fundraising practice;
- The fundraising method outlines the charity's commitment to high standards;
- The fundraising approach is in line with the charity's aims and objectives;
- The charity raises funds through business networking, corporate donations and trusts and foundations fundraising, and individual gifts where appropriate;
- The fundraising work is overseen by the Head of Development and Communications who is also a member of the Institute of Fundraising;
- Fundraising guidance and advice is given to supporters through fundraising packs, email enquiries, networking events, the website and telephone conversations.
- The charity does not carry out any telephone, face-to-face or door-to-door fundraising.
- All of the charity's fundraising activity complies with explicit donor preferences about opting in.
- The charity does not use third party agencies for fundraising. The charity does not swap or share data and never sells data.
- The charity has a complaints policy which outlines commitment to resolving fundraising complaints as promptly and amicably as possible. It also sets out the process for handling any complaints received. All formal and informal complaints are recorded, along with the actions taken to resolve the complaint and the outcome of those actions. Complaints will be reported and referred to the Fundraising Regulator if a resolution with the complainant cannot be reached or if they are in the breach of any aspect of a code of fundraising practice;
- In 2020/21 no complaints were received;
- The Board of Trustees is able to provide additional assistance, advice and reassurance on the standards of the charity's fundraising delivery.

TRUSTEES' REPORT (CONTINUED)

Statement of Disclosure of Information to Auditor

In so far as the Trustees are aware:

- (a) there is no relevant information of which the group's auditor is unaware, and
- (b) the Trustees have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint Steve Monico Limited as auditor to the Charity and to authorise the Trustees to fix their remuneration will be proposed at the next General Meeting.

This report has been prepared under the special provisions of Part 15 of the Companies Act 2006 relating to small entities.

Approved by the Board and signed on its behalf by



**E Gifford
Chairman**

Date: 25 March 2022

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also the directors of MK Gallery for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and the group 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 2019 (FRS 102);
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MK GALLERY

Opinion

We have audited the financial statements of MK Gallery (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise of the Consolidated Statement of Financial Activities, the Consolidated and Charitable Company Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2021 and of the group's 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 Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 group and parent charitable 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 other information comprises the information included in the Trustees Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MK GALLERY

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report, which includes the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 16, the Trustees (who are also the directors of the parent charity 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 group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

We have been appointed auditor under the Companies Act 2006 and report in accordance with this Act.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MK GALLERY

Auditor responsibilities for the audit of the financial statements (continued)

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the nature of the sector in which the charitable company group operates, including the legal and regulatory framework applicable to the charitable company group. We consider that the most significant are the Charities Statement of Recommended Practice, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and the parent charitable company's Memorandum and Articles of Association.
- We obtained an understanding of how the charitable company group complies with these requirements by discussions with those charged with governance and reviewing the minutes of Trustee meetings.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with those charged with governance.
- We inquired of those charged with governance about their own identification and assessment of the risk of irregularities, including any known actual, suspected or alleged instances of fraud.
- We discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to irregularities or fraud.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the FRC's website at:

<https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MK GALLERY

Use of the audit report

This report is made solely to the charitable company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Steve Monico". The signature is written in a cursive, flowing style.

Stephen Monico FCA (Senior Statutory Auditor)

for and on behalf of Steve Monico Limited

Chartered Accountants and Statutory Auditor
19 Goldington Road
Bedford
MK40 3JY

Date: 25 March 2022

Steve Monico Limited is eligible to act as an auditor in terms of section 1212 of the companies Act 2006.

MK GALLERY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 MARCH 2021

		Unrestricted funds £	Restricted funds £	Total 2021 £	As restated Total 2020 £
	Notes				
Income:					
<i>Income from charitable activities:</i>					
Grants and donations	5	1,545,733	80,759	1,626,492	1,766,399
Other income		8,895	-	8,895	-
<i>Income from other trading activities:</i>					
Commercial trading operations		32,304	-	32,304	269,007
Investment income	6	6	-	6	332
Total income		1,586,938	80,759	1,667,697	2,035,738
Expenditure:					
Raising funds	7	41,145	-	41,145	181,670
<i>Expenditure on charitable activities:</i>					
Operation of art gallery	8	1,503,666	57,864	1,561,530	2,432,327
Total expenditure		1,544,811	57,864	1,602,675	2,613,997
Unrealised gain/(loss) on investments	6	299,581	-	299,581	81,217
Net income/(expenditure)		341,708	22,895	364,603	(497,042)
Transfers between funds		473,893	(473,893)	-	-
Net movement in funds for the year		815,601	(450,998)	364,603	(497,042)
Reconciliation of funds:					
Total funds brought forward		11,940,190	675,634	12,615,824	13,112,866
Total funds carried forward	21, 22	12,755,791	224,636	12,980,427	12,615,824

The notes on pages 25 to 46 also form part of these financial statements.

CONSOLIDATED AND CHARITABLE COMPANY BALANCE SHEETS
(COMPANY NUMBER 02422890)
AS AT 31 MARCH 2021

	Notes	Group		Charitable company	
		2021	As restated 2020	2021	As restated 2020
		£	£	£	£
Fixed assets:					
Tangible assets	16	11,172,945	11,323,087	11,172,945	11,323,087
Investments	17	1,664,613	1,528,898	1,664,813	1,529,098
Total fixed assets		12,837,558	12,851,985	12,837,758	12,852,185
Current assets:					
Stock		47,617	45,150	24,097	24,742
Debtors	18	92,321	114,243	201,494	205,343
Cash at bank and in hand		709,099	40,669	689,373	16,069
Total current assets		849,037	200,062	914,964	246,154
Liabilities:					
Creditors falling due within one year	19	(706,168)	(436,223)	(704,049)	(430,472)
Net current assets / (liabilities)		142,869	(236,161)	210,915	(184,318)
Total assets less current liabilities		12,980,427	12,615,824	13,048,673	12,667,514
Net assets		12,980,427	12,615,824	13,048,673	12,667,867
The funds of the charity:					
Unrestricted funds					
General income fund	21	357,234	(495,207)	425,480	(443,164)
General capital fund	21	11,438,557	8,183,591	11,438,557	8,183,591
Designated funds	21	960,000	4,251,806	960,000	4,251,806
Total unrestricted funds		12,755,791	11,940,190	12,824,037	11,992,233
Restricted funds					
Restricted income funds	21	224,636	675,634	224,636	675,634
Total restricted funds		224,636	675,634	224,636	675,634
Total charity funds	22	12,980,427	12,615,824	13,048,673	12,667,867

The notes on pages 25 to 46 also form part of these financial statements.

MK GALLERY

**CONSOLIDATED AND CHARITABLE COMPANY BALANCE SHEETS
(COMPANY NUMBER 02422890)
AS AT 31 MARCH 2021 (CONTINUED)**

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the board, authorised for issue and signed on its behalf by



**E Gifford
Chairman**



**N Smith
Trustee**

Date: 25 March 2022

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	Group		Charitable company	
	2021	As restated 2020	2021	As restated 2020
	£	£	£	£
Cash flows from operating activities:				
Net movement in funds	364,603	(497,042)	380,806	(431,854)
Less interest income shown in investing activities	(6)	(332)	(6)	(332)
Add depreciation	270,801	258,001	270,801	258,001
Less unrealised gain/add unrealised loss	(299,581)	(81,217)	(299,581)	(81,217)
(Increase)/Decrease in stock	(2,467)	(36,563)	645	(24,742)
Decrease in debtors	21,922	323,662	3,849	233,526
Increase/(Decrease) in creditors	269,945	(481,569)	273,577	(477,452)
Add investment management fees paid from fixed asset portfolio	13,866	15,813	13,866	15,813
Net cash used in operating activities	639,083	(499,247)	643,957	(508,257)
Cash flows from investing activities:				
Interest received	6	332	6	332
Purchase of shares in subsidiary	-	-	-	-
Net disposals of listed investments	150,000	-	150,000	-
Purchase of tangible fixed assets	(120,659)	(49,945)	(120,659)	(49,945)
Net cash provided by/(used in) investing activities:	29,347	(49,613)	29,347	(49,613)
Change in cash and cash equivalents in the year	668,430	(548,860)	673,304	(557,870)
Cash and cash equivalents at the beginning of the year	40,669	589,529	16,069	573,939
Total cash and cash equivalents at the end of the year	709,099	40,669	689,373	16,069

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with 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) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

MK Gallery constitutes a public benefit entity as defined by FRS 102.

Going concern

The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

The Trustees consider the going concern basis to be appropriate due to the current level of reserves and the fact the charity raised all necessary funds needed for the capital project which, at the end of the year, was complete. The Trustees' assessment of the impact of Covid-19 is detailed on page 13.

b) Group financial statements and basis of consolidation

These financial statements consolidate the results of the charity and its wholly owned subsidiary, MK Gallery Trading Limited, on a line-by-line basis. A separate statement of financial activities and income and expenditure account for the charity itself has not been presented itself because the charity has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

c) Volunteers and donated services and facilities

The value of services provided by volunteers is not incorporated into these financial statements. Further details of the contribution made by volunteers can be found in the trustees' annual report.

d) Short term employee benefits

When employees have rendered service to the charity, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service. The charity operates a defined contribution pension scheme. Contributions payable to the charity's pension scheme are charged to the statement of financial activities in the period to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

e) Income

Voluntary income including donations, gifts and legacies and grants that provide core funding or are of general nature are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Such income is only deferred when:

- The donor specifies that the grant or donation must only be used in future accounting periods; or
- The donor has imposed conditions which must be met before the charity has unconditional entitlement.

Grants and donations for capital purposes are recognised on a receivable basis.

Income from commercial trading activities is recognised as earned as the related goods and services are provided.

Investment income is recognised on a receivable basis.

Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to specific performance conditions and is recognised as earned as the related services are provided. Grant income included in this category provides funding to support performance activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Income is deferred when performance related grants are received in advance of the exhibitions or education programmes to which they relate.

f) Expenditure

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods or services are supplied. Other grant payments are recognised when a constructive obligation arises that results in the payment being unavoidable.

Costs of generating funds are those costs incurred in attracting voluntary income and those incurred in trading activities that raise funds.

Expenditure on capital items is capitalised and included within fixed assets when it becomes payable.

Charitable activities include expenditure related to the overall administration and development of the art gallery complex in Milton Keynes. It includes both the direct costs and support costs relating to these activities.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1 Accounting policies (continued)

f) Expenditure (continued)

Expenditure is classified under activity headings relating to the exhibition programme, the education programme and the events programme of the charity. Expenditure that is not directly attributable to each activity is apportioned between the activities of the charity according to criteria appropriate to the nature of the expenditure. Expenditure is allocated to support costs using the bases stated in note 10.

g) Irrecoverable VAT

All expenditure is classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT on revenue expenditure is included within support costs and irrecoverable VAT on capital costs is capitalised as part of the cost of the fixed asset.

h) Fixed assets and depreciation

Depreciation is provided to write off the cost of tangible fixed assets over their estimated useful economic lives as follows:

Property Improvements under the course of construction	Not depreciated
Capital constructions	1.25% per annum
Furniture, fittings and equipment	20% per annum
Computer equipment	33% per annum

i) Fixed asset investments

Investment income is accounted for when due.

Realised gains and losses are accounted for by reference to the sale proceeds and either the last balance sheet valuation, or the cost of the purchase if later. Unrealised gains and losses are calculated by comparing the previous balance sheet valuation, or cost of purchase if later, to the valuation at the year end.

j) Leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date rent is expected to be adjusted to the prevailing market rate.

k) Financial instruments

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of financial activities in support costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1 Accounting policies (continued)

1) Funds

The company has the following funds:

Unrestricted funds: These represent funds which can be expended as the Trustees see fit, in accordance with the charitable objects of the company.

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

Restricted income funds: These represent income received, which can only be expended for the purpose specified by the donor.

Unrestricted capital funds: The charity's restricted capital funds are those raised for the capital project. Annual depreciation is charged against the fund. The closing balance represents funds held in the restricted capital project fixed asset and equates to the net book value of the associated restricted fixed asset.

2 Key areas of judgement and estimate

In applying the accounting policies, the Trustees have made critical accounting judgments, estimates and assumptions. These estimates and assumptions are based on historical experience and are reviewed on a continual basis. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The total cost of the capital project has been broken down using component accounting to include the shorter life assets within the category of furniture, fittings and equipment rather than capital constructions. The assets have been categorised according to their useful lives which have been chosen to reflect the expected life of the asset and are then depreciated accordingly. There are no indications of impairment of the capital constructions.

3 Limited liability

The company is limited by guarantee and therefore has no share capital. The liability of the members is limited by guarantee to £1 each.

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

4 Comparative Statement of Financial Activities

The Consolidated Statement of Financial Activities for the year ended 31 March 2020 is presented for illustrative purposes.

	Unrestricted funds	Restricted funds	Restricted capital funds	As restated Total 2020
Notes	£	£	£	£
Income:				
<i>Income from charitable activities:</i>				
Grants and donations	1,531,049	235,350	-	1,766,399
Other income	-	-	-	-
<i>Income from other trading activities:</i>				
Commercial trading operations	269,007	-	-	269,007
Investment income	332	-	-	332
Total income	1,800,388	235,350	-	2,035,738
Expenditure:				
Raising funds	181,670	-	-	181,670
<i>Expenditure on charitable activities:</i>				
Operation of art gallery	2,253,755	178,572	-	2,432,327
Total expenditure	2,435,425	178,572	-	2,613,997
Unrealised (loss)/gain on investments	81,217	-	-	81,217
Net income/(expenditure)	(553,820)	56,778	-	(497,042)
Transfers between funds	-	-	-	-
Net movement in funds for the year	(553,820)	56,778	-	(497,042)
Reconciliation of funds:				
Total funds brought forward	12,494,010	618,856	-	13,112,866
Total funds carried forward	11,940,190	675,634	-	12,615,824

The unrestricted funds balance of £11,940,190 is made up of £7,688,384 income and capital funds and £4,251,806 designated funds.

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

5 Voluntary income

2021 (Group)

	Unrestricted 2021 £	Restricted 2021 £	Restricted Capital 2021 £	Total 2021 £
Grants receivable:				
Milton Keynes Council:				
Deed of Variation	183,944	-	-	183,944
Gallery subsidy	89,998	-	-	89,998
Other grants	-	-	-	-
Trusts and foundations	17,000	80,000	-	97,000
Public grants	456,537	-	-	456,537
Arts Council England	771,360	-	-	771,360
Total grants receivable	1,518,839	80,000	-	1,598,839
Donations	26,894	759	-	27,653
	<u>1,545,733</u>	<u>80,759</u>	<u>-</u>	<u>1,626,492</u>

2020 (Group)

	Unrestricted 2020 £	Restricted 2020 £	Restricted Capital 2020 £	Total 2020 £
Grants receivable:				
Milton Keynes Council:				
Deed of Variation	183,944	-	-	183,944
Gallery subsidy	95,000	-	-	95,000
Other grants	-	20,000	-	20,000
Trusts and foundations	19,355	50,000	-	69,355
Public grants	2,000	10,000	-	12,000
Arts Council England	776,169	18,000	-	794,169
Total grants receivable	1,076,468	98,000	-	1,174,468
Donations	454,581	137,350	-	591,931
	<u>1,531,049</u>	<u>235,350</u>	<u>-</u>	<u>1,766,399</u>

Under a historic agreement with Milton Keynes Council, the Council undertook to provide the company with an annual subsidy of £100,000 towards the gallery's operational costs. As at 31 March 2021, a total of £2,284,998 (2020: £2,195,000) has been received since 1998. Of this, £89,998 is included in this year's financial statements which is lower than the previous year due to a reduction in funding. A further agreement with Milton Keynes Council commenced in November 2011 to provide an index-linked grant of £150,000 per annum under a Deed of Variation. £183,944 has been included as income in the year ended 31 March 2021 (2020: £183,944).

Under its NPO scheme ACE provided the company with a grant of £391,360 towards gallery operational costs for the year ended 31 March 2021 (2020: £383,307). There were several public grants received during the year toward the costs of charitable activities including grants for the capital project from ACE, Milton Keynes Council and SEMLEP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
6 Investment income from current assets

	Group 2021 £	2020 £
Deposit interest receivable	-	-
Bank interest receivable	6	332
	<u>6</u>	<u>332</u>

Investment income from fixed asset investments

	Group 2021 £	2020 £
Unrealised gains/(losses) on listed investments portfolio	299,581	81,217
	<u>299,581</u>	<u>81,217</u>

7 Costs of generating funds

	Unrestricted 2021 £	Restricted 2021 £	Group 2021 £	Group 2020 £
Commercial trading operations	27,279	-	27,279	165,857
Investment management fees	13,866	-	13,866	15,813
	<u>41,145</u>	<u>-</u>	<u>41,145</u>	<u>181,670</u>
Total expenditure on costs of generating funds	<u>41,145</u>	<u>-</u>	<u>41,145</u>	<u>181,670</u>

All figures for 2020 relate to unrestricted funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
8 Analysis of expenditure on charitable activities

	Exhibitions and running the Gallery £	Education and events programme £	Total 2021 £
Exhibition costs	80,115	-	80,115
Event costs	-	-	-
Education delivery costs	-	24,935	24,935
Premises costs	77,352	58,014	135,366
Marketing and development costs	44,046	33,034	77,080
Travel costs	54	40	94
Depreciation	135,401	108,321	243,722
Staff costs	396,972	193,000	589,972
Other staff costs	-	-	-
Support costs (see note 10)	235,348	156,898	392,246
Governance costs (see note 10)	10,800	7,200	18,000
	<u>980,088</u>	<u>581,442</u>	<u>1,561,530</u>
Total expenditure on charitable activities	<u>980,088</u>	<u>581,442</u>	<u>1,561,530</u>

Expenditure on charitable activities was £1,561,530 (2020: £2,432,327) of which £3,055 (2020: £68,917) was restricted in respect of exhibition costs, £49,748 was restricted in respect of education and event costs (2020: £99,762), £1,931 was restricted in respect of development costs (2020: £4,547), £nil was restricted in respect of premises costs (2020: £5,080) and £3,130 was restricted in respect of support costs (2020: £266). The remaining amount of £1,503,666 (2020: £2,253,755) was unrestricted. 100% of support costs are allocated to expenditure on charitable activities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
9 Analysis of support and governance costs

2021	Support costs £	Governance costs £	Total 2021 £	Basis of apportionment
Salary costs	112,463	5,000	117,463	Time spent
Other staff costs	16,944	-	16,944	Invoiced cost
Travel costs	44	-	44	Invoiced cost
Marketing and development costs	33,034	-	33,034	Invoiced cost
Premises costs	58,013	-	58,013	Office space
Accountancy – accounts preparation services	-	3,500	3,500	Governance
Accountancy – general support services	17,858	-	17,858	Invoiced cost
Audit fees	-	9,500	9,500	Governance
Professional fees	2,126	-	2,126	Invoiced cost
Memberships/subscriptions	2,036	-	2,036	Invoiced cost
Trustee insurance	-	-	-	Governance
Board and committee costs	-	-	-	Governance
Bank charges	2,555	-	2,555	Total cost
Depreciation	27,080	-	27,080	Office space
Irrecoverable VAT	44,886	-	44,886	Total cost
Corporation tax	-	-	-	Invoiced cost
Sundry costs	7,735	-	7,735	Invoiced cost
IT and telephone costs	65,343	-	65,343	Invoiced cost
Printing and postage costs	2,129	-	2,129	Invoiced cost
Total	392,246	18,000	410,246	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
9 Analysis of support and governance costs (continued)

2020 As restated	Support costs £	Governance costs £	Total 2020 £	Basis of apportionment
Salary costs	119,928	5,000	124,928	Time spent
Other staff costs	14,487	-	14,487	Invoiced cost
Travel costs	2,099	-	2,099	Invoiced cost
Marketing and development costs	64,187	-	64,187	Invoiced cost
Premises costs	72,518	-	72,518	Office space
Accountancy – accounts preparation services	-	3,500	3,500	Governance
Accountancy – general support services	23,442	-	23,442	Invoiced cost
Audit fees	-	7,000	7,000	Governance
Professional fees	7,434	-	7,434	Invoiced cost
Memberships/subscriptions	1,866	-	1,866	Invoiced cost
Trustee insurance	-	696	696	Governance
Board and committee costs	-	89	89	Governance
Bank charges	9,604	-	9,604	Total cost
Depreciation	26,466	-	26,466	Office space
Irrecoverable VAT	190,000	-	190,000	Total cost
Corporation tax	-	-	-	Invoiced cost
Sundry costs	32,140	-	32,140	Invoiced cost
IT and telephone costs	59,909	-	59,909	Invoiced cost
Printing and postage costs	12,270	-	12,270	Invoiced cost
Total	636,350	16,285	652,635	

10 Net income/(expenditure) for the year

This is stated after charging:

	Group 2021 £	2020 £
Operating leases – equipment	-	-
Auditors’ remuneration for audit services	9,500	13,550
Auditors’ remuneration for non-audit services	21,358	-
Depreciation	270,801	258,001

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

11 Staff costs

	Group 2021 £	2020 £
Wages and salaries	708,526	731,283
Social security costs	52,010	58,138
Other pension costs	33,516	31,143
	794,052	820,564

One employee received remuneration in the band £60,000 to £70,000 during the year (2020: one in the band £70,000 to £80,000). Pension costs in the year for the provision of a defined contribution scheme in respect of this employee amounted to £3,086 (2020: £3,648).

The charity trustees were not paid any remuneration in the year (2020: £nil), neither were they reimbursed expenses during the year (2020: £nil).

The key management personnel of the parent charity and the group comprise the Trustees, the Gallery Director, the Deputy Director, and the Head of Development and Communications. For the previous year, the key management personnel were the Trustees, the Gallery Director, the Deputy Director and the Head of Development and Communications. The total employee benefits of the key management personnel of the charity were £112,562 (2020: £166,181).

The average number of persons employed by the group during the year was 41 (2020: 41).

12 Pension costs

The company and its subsidiary make contributions into a group of personal pensions on behalf of their employees. The assets of the scheme are held separately from those of the company. The pension cost charge for the period represented contributions payable by the company and its subsidiary and amounted to £33,516 (2020: £31,143). At the year end there were contributions outstanding of £5,096 which are included in other creditors (2020: £4,763). Pension costs are allocated to restricted funds when such costs are covered by restricted funding.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

13 Taxation

As a registered charity, the company is not in normal circumstances subject to corporation tax. As a result, the Trustees are of the opinion that no material corporation tax liability will arise on the activities undertaken during this year.

The following relates to the trading subsidiary's corporation tax charge:

	Group	
	2021	2020
	£	£
Domestic current year tax		
UK corporation tax	-	-
	<hr/>	<hr/>
Current tax charge	-	-
	<hr/>	<hr/>
	2021	2020
	£	£
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	-	-
	<hr/>	<hr/>
Profit on ordinary activities before taxation multiplied by the standard rate of U.K. corporation tax of 19.00% (2020: 19.00%)	-	-
Effects of:		
Gift Aid donations	-	-
Capital allowances in excess of depreciation	-	-
Depreciation in excess of capital allowances	-	-
	<hr/>	<hr/>
Current tax charge	-	-
	<hr/>	<hr/>

The subsidiary MK Gallery Trading Ltd's result for the year gives rise to a current tax charge of £nil for the year ended 31 March 2021 (2020: £nil).

The subsidiary MK Gallery Enterprises Ltd's result for the year gives rise to a current tax charge of £nil for the year ended 31 March 2021 (2020: £nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

14 Financial activities of the charity

The financial activities shown in the consolidated statement includes those of the charity's wholly owned subsidiaries, Mk Gallery Enterprises Limited and MK Gallery Trading Limited.

A summary of the financial activities by the charity is set out below:

	2021	As restated 2020
	£	£
Gross income	1,934,974	1,847,948
Total expenditure	(1,554,168)	(2,279,802)
Net income	380,806	(431,854)
Total funds brought forward	12,667,867	13,099,721
Total funds carried forward	13,048,673	12,667,867
Represented by:		
Restricted income funds	224,636	675,634
Designated funds	960,000	4,251,806
Unrestricted income funds	425,480	(443,164)
Unrestricted capital funds	11,438,557	8,183,591
	13,048,673	12,667,867

15 Financial activities of the trading companies

The wholly owned trading subsidiaries MK Gallery Trading Limited (MKGT) and MK Gallery Enterprises Ltd (MKGE), which are incorporated in the United Kingdom, usually pay all taxable profits to the charity by gift aid. No Gift Aid payment was made in the year so that funds were retained in the subsidiary for use in the following year. The trading subsidiaries operate the art gallery and all commercial trading operations carried on at the art gallery premises. The charity owns the entire share capital of 100 ordinary shares of £1 each in each company. A summary of the trading results is shown below.

	MKGE 2021 £	MKGE 2020 £	MKGT 2021 £	MKGT 2020 £
Turnover	32,304	269,564	-	(557)
Cost of sales & administration costs	(47,396)	(333,060)	(1,111)	(1,135)
Net loss	(15,092)	(63,496)	(1,111)	(1,692)
Amount gift aided to the charity	-	-	-	-
Taken to reserves in subsidiary	(15,092)	(63,496)	(1,111)	(1,692)
The assets and liabilities of the subsidiary were:				
Fixed assets	-	-	-	-
Current assets	48,636	68,031	9,738	11,374
Current liabilities	(125,150)	(129,453)	(1,270)	(1,795)
Total net (liabilities)/assets	(76,514)	(61,422)	8,468	9,579
Aggregate share capital and reserves	(76,514)	(61,422)	8,468	9,579

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
16 Tangible fixed assets

	Group	Group	Group	Group
	Capital construc- tions £	Furniture, fittings and equipment £	Computer equipment £	Total £
Cost				
As at 1 April 2020 – as restated	10,972,467	666,275	22,202	11,660,944
Additions	111,056	4,834	4,769	120,659
At 31 March 2021	11,083,523	671,109	26,971	11,781,603
Depreciation				
At 1 April 2020 – as restated	137,154	189,286	11,417	337,857
Charge for the year	140,795	124,606	5,400	270,801
At 31 March 2021	277,949	313,892	16,817	608,658
Net book value				
At 31 March 2021	10,805,574	357,217	10,154	11,172,945
At 31 March 2020 – as restated	10,835,313	476,989	10,785	11,323,087
	Company	Company	Company	Company
	Capital construc- tions £	Furniture, fittings and equipment £	Computer equipment £	Total £
Cost				
As at 1 April 2020 – as restated	10,972,467	656,864	22,202	11,651,533
Additions	111,056	4,834	4,769	120,659
At 31 March 2021	11,083,523	661,698	26,971	11,772,192
Depreciation				
At 1 April 2020 – as restated	137,154	179,875	11,417	328,446
Charge for the year	140,795	124,606	5,400	270,801
At 31 March 2021	277,949	304,481	16,817	599,247
Net book value				
At 31 March 2021	10,805,574	357,217	10,154	11,172,945
At 31 March 2020 – as restated	10,835,313	476,989	10,785	11,323,087

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

16 Tangible fixed assets (continued)

All assets are held for direct charitable purposes.

Certain assets were transferred from property improvements under the course of construction to furniture, fittings and equipment during the year to reflect the components of the capital project that were internal fixtures and equipment with a shorter useful life than capital constructions.

17 Investments

Listed investments are held at market value and were valued by Ruffer LLP on the basis of their open market value as at 31 March 2021. The historical cost of the investments as at 31 March 2021 is £850,000 (2020: £1,000,000). All investments are held for charitable activities.

Group	Shares in subsidiary £	Listed investments £	Total £
At 1 April 2020	-	1,528,898	1,528,898
Additions	-	200,000	200,000
Disposals	-	(350,000)	(350,000)
Change in market value	-	299,581	299,581
Gross investment management fees paid	-	(13,866)	(13,866)
At 31 March 2021	-	1,664,613	1,664,613

Company	Shares in subsidiary (cost) £	Listed investments (market value) £	Total £
At 1 April 2020	200	1,528,898	1,529,098
Additions	-	200,000	200,000
Disposals	-	(350,000)	(350,000)
Change in market value	-	299,581	299,581
Gross investment management fees paid	-	(13,866)	(13,866)
At 31 March 2021	200	1,664,613	1,664,813

MK Gallery owns all the shares of MK Gallery Trading Limited, a company registered in England under company number 04469234. Unaudited accounts have been signed and have been filed with the Registrar of Companies. A summary of trading results is shown in note 16.

MK Gallery also owns all the shares of MK Gallery Enterprises Limited, a company registered in England under company number 11597873. Unaudited accounts have been signed and have been filed with the Registrar of Companies. A summary of trading results is shown in note 15.

The change in market value represents the net gains and losses arising within the portfolio managed by Ruffer LLP. A net amount of £150,000 was withdrawn from the portfolio by the charity during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
18 Debtors

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	2,341	47,582	125	35,798
Prepayments	49,341	33,263	49,341	33,263
Accrued income	29,861	-	28,361	-
Amounts owed by group undertakings	-	-	114,401	115,993
Other debtors	10,778	33,398	9,266	20,289
	<u>92,321</u>	<u>114,243</u>	<u>201,494</u>	<u>205,343</u>

19 Creditors: amounts falling due within one year

	Group		Company	
	2021	As restated 2020	2021	As restated 2020
	£	£	£	£
Trade creditors	105,910	128,117	105,207	119,706
Deferred income (note 20)	279,500	675	279,500	-
Taxation and social security	131,818	122,637	131,819	122,638
Accruals	184,165	180,383	173,345	174,604
Amounts owed to group undertakings	-	-	9,403	9,113
Other creditors	4,775	4,411	4,775	4,411
	<u>706,168</u>	<u>436,223</u>	<u>704,049</u>	<u>430,472</u>

Amounts owed by and to group undertakings are unsecured, interest free and repayable on demand.

20 Deferred income

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Balance at 1 April 2020	675	3,000	-	-
Amount received in the year	279,500	675	279,500	-
Amount released in the year	(675)	(3,000)	-	-
	<u>279,500</u>	<u>675</u>	<u>279,500</u>	<u>-</u>

Income is deferred where it relates to a future accounting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
21 Analysis of charitable funds

	As restated At 1 April 2020 £	Income £	Expenditure £	Transfers £	At 31 March 2021 £
Group					
Unrestricted fund movements:					
Designated funds:					
Development fund	1,230,255	299,581	(16,269)	(1,513,567)	-
Capital fund	3,000,000	-	-	(3,000,000)	-
Capital construction fund	21,551	-	-	(21,551)	-
Capital renewal fund	-	-	-	600,000	600,000
Programme fund	-	-	-	360,000	360,000
General income fund	(443,164)	1,418,634	(1,103,557)	553,567	425,480
General capital fund	8,183,591	136,000	(376,478)	3,495,444	11,438,557
Trading Subsidiaries:					
MKGT	9,479	-	(1,111)	-	8,368
MKGE	(61,522)	32,304	(47,396)	-	(76,614)
Total unrestricted funds	11,940,190	1,886,519	(1,544,811)	473,893	12,755,791
Restricted funds (see below)	675,634	80,759	(57,864)	(473,893)	224,636
Total funds	12,615,824	1,967,278	(1,602,675)	-	12,980,427
Company					
Designated funds:					
Development fund	1,230,255	299,581	(16,269)	(1,513,567)	-
Capital fund	3,000,000	-	-	(3,000,000)	-
Capital construction fund	21,551	-	-	(21,551)	-
Capital renewal fund	-	-	-	600,000	600,000
Programme fund	-	-	-	360,000	360,000
General income fund	(443,164)	1,418,634	(1,103,557)	553,567	425,480
General capital fund	8,183,591	136,000	(376,478)	3,495,444	11,438,557
Total unrestricted funds	11,992,233	1,854,215	(1,496,304)	473,893	12,824,037
Restricted funds (see below)	675,634	80,759	(57,864)	(473,893)	224,636
Total funds	12,667,867	1,934,974	(1,554,168)	-	13,048,673

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
21 Analysis of charitable funds (continued)

	As restated At 1 April 2020 £	Income £	Expenditure £	Transfers £	At 31 March 2021 £
Restricted funds					
Group and Company					
Paul Hamlyn Foundation	35,715	20,170	(40,923)	-	14,962
MK Council Porte Cocheres	4,818	-	-	-	4,818
Catalyst	24,117	-	-	-	24,117
Kirkland Foundation	125,000	-	-	-	125,000
Artwork SE Bridge Support	2,082	-	(501)	-	1,581
Artwork CLN 1	587	-	(587)	-	-
Artwork CLN 2	241	-	(241)	-	-
Children in Need	223	10,000	(6,791)	-	3,432
MK Council Middleton Commission	19	-	(19)	-	-
Garfield Weston – L&F	839	-	(839)	-	-
Artwork MKCEP	2,490	-	-	-	2,490
Garfield Weston 2021	-	-	(3,130)	-	(3,130)
AHA	1,153	400	-	-	1,553
City Club – Arts Council	473,893	-	-	(473,893)	-
MKCF Young Dancer	(188)	188	-	-	-
Capital Construction	-	1	-	-	1
MKCF	(15)	30,000	-	-	29,985
New Towns	595	-	(595)	-	-
Open University	720	-	(720)	-	-
ACE Explorers	1,095	-	(1,095)	-	-
PHF Emergency Fund 2	-	20,000	(173)	-	19,827
Directors Circle	2,250	-	(2,250)	-	-
Total Restricted funds	675,634	80,759	(57,864)	(473,893)	224,636

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

21 Analysis of charitable funds (continued)

Milton Keynes Council has confirmed that for the purposes of managing and reporting on their annual grants, that the Council do not consider or treat those as restricted. The Company must report regularly on the grant released as a result of new management arrangements, and comply with annual Council reporting needs.

Name of fund	Description, nature and purpose of fund
Restricted Funds	
Paul Hamlyn Foundation	To fund a 3 year programme of inclusive arts practice for children with complex needs and their families
MK Council Porte Cochères	To support the Porte Cochères project
Catalyst	A fundraising programme to improve the Gallery's capability to raise funds from private sources
Kirkland Foundation	To support the cost of exhibition programmes
Artwork SE Bridge Support	To support educational workshops
Artwork CLN Fund 1	To support the development of the Creative Learning Network
Artwork CLN Fund 2	To support the development of the Creative Learning Network
Children in Need	To fund a 3 year facilitated artists programme of activity for young people with low level mental health relates issues
MK Council Middleton Commission	To commission an artists-led participatory project on behalf of the Broughton and Middleton Parish Council
Garfield Weston Foundation	To support the Lost and Found project
Artwork MKCEP	To project manage an education and arts sector partnership programme on behalf of AHA MK to engage children from 10 schools including CPD for teachers and artists
Garfield Weston 2021	To support the Covid-19 recovery period through delivery of a programme of activities to re-engage and build new audiences, and to make improvements to physical and digital infrastructure to support income generation and audience development
Pedalling Culture	To support the Pedalling Culture project
AHA	To support public learning programmes
City Club – Arts Council	To support the City Club project
MKCF Young Dancer	To support the Young Dancer project

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

21 Analysis of charitable funds (continued)

Name of fund	Description, nature and purpose of fund
Restricted Funds	
New Towns	To support a conference
Open University	To support artist commissions
ACE Explorers	To support the Explorers conference
Arts Society North Bucks	To support the Family in Residence project
Directors Circle	To support the cost exhibition programmes
PHF Emergency Fund 2	To assist with the costs of the recovery from the pandemic

At the year end the Garfield Weston 2021 fund has a deficit balance of £3,130 which will be reversed with funding during the following year.

Designated Funds

The Trustees designated funds received during the year ended 31 March 2013 for the capital project and development fund.

At its meeting on 23 March 2021 the Board agreed changes to the charity's designated funds. The designated capital fund and Patrons/Donations fund was reallocated to the unrestricted capital fund at the amount required to depreciate the capital asset in full. Any remaining reserves in the fund were allocated to the general income fund.

The designated development fund was reallocated to a new £360,000 designated programme fund (£120,000 per annum to be drawn down annually to support programming costs) and a new £600,000 designated capital renewal fund. Any remaining reserves in this fund were allocated to the general income fund.

Unrestricted Funds

The general income fund represents those funds that are unrestricted and not designated for other purposes.

The general capital fund represents those funds that are unrestricted but represented by capital assets and are therefore not available reserves.

Transfers between funds

A transfer of £473,893 was made from restricted funds to general funds to represent the City Club capital project that is now used for unrestricted purpose.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**
22 Analysis of net assets between funds**Group:**

	Unrestricted Funds	Restricted Funds	2021 Total	As restated 2020 Total
	£	£	£	£
Fixed assets	11,172,945	-	11,172,945	11,323,087
Investments	1,664,613	-	1,664,613	1,528,898
Current assets	624,401	224,636	849,037	200,062
Current liabilities	(706,168)	-	(706,168)	(436,223)
	<u>12,755,791</u>	<u>224,636</u>	<u>12,980,427</u>	<u>12,615,824</u>

Company:

	Unrestricted Funds	Restricted Funds	2021 Total	As restated 2020 Total
	£	£	£	£
Fixed assets	11,172,945	-	11,172,945	11,323,087
Investments	1,664,813	-	1,664,813	1,529,098
Current assets	690,328	224,636	914,964	246,154
Current liabilities	(704,049)	-	(704,049)	(430,472)
	<u>12,824,037</u>	<u>224,636</u>	<u>13,048,673</u>	<u>12,667,867</u>

23 Commitments

There is a 99 year lease on the Theatre, Art Gallery and Theatre Square. A nominal rent of £1 each per annum is payable. This lease expires in more than 5 years.

Changes to the lease arrangements between Milton Keynes Council, Ambassador Theatre Group and MK Gallery mean the three parties are all now signatory to management arrangements that are enshrined in a long lease of 99 years from 18 December 2001.

Capital commitments

The charity has undertaken a capital development project which is complete apart from the final balance due to the contractor. At the year end the final balance due for the project was unknown but the charity is holding sufficient reserves to cover the balance due.

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

24 Related party transactions

During the year donations of £nil were received from Trustees (2020: £nil). There are no other related party transactions during the period that require disclosure. The charitable company has taken advantage of the exemption available in accordance with Section 33 of FRS 102 'Related Party Disclosures' not to disclose transactions entered into between two or more members of the group that are wholly owned.

25 Provisions and contingent liabilities

The company has indemnified the purchaser of a lease against any claw back of £800,000 VAT by HMRC. This is only ever likely to arise if the building was not to be used as a commercial theatre within 10 years from November 2011. The Trustees consider the likelihood of this occurring to be remote and consequently no provision for this liability is considered appropriate.

26 Prior year adjustment

An adjustment has been made to the comparative figures for the year ended 31 March 2020 in relation to the following accounting issues in the years ended 31 March 2018, 31 March 2019 and 31 March 2020:

- VAT return errors arose which resulted in £134,205 being payable to HMRC. This meant creditors were understated by this amount in the figures originally reported.
- Fixed asset cost was overstated by £68,700 as a result of irrecoverable VAT being capitalised in error (relating to the VAT return errors).
- Accruals and fixed asset costs were both overstated by £197,560 in relation to an accrual for fixed asset additions that was not necessary.

The relevant values in the comparative figures have now been adjusted. The effect of this adjustment is:

	Group £	Company £
Opening reserves at 1 April 2020 (as previously stated)	12,806,667	12,858,710
Prior year adjustment	(190,843)	(190,843)
	<hr/>	<hr/>
Opening reserves at 1 April 2020 (as restated)	12,615,824	12,667,867
	<hr/>	<hr/>