



**Pallant
House
Gallery**

**Pallant House Gallery
Annual Report & Financial Statements
For the Year Ended 31 March 2022**

Charity Registration No. 1102435

Company Registration No. 05045130 (England & Wales)

Reference and administrative information

Company number	05045130																																
Country of incorporation	United Kingdom																																
Charity number	1102435																																
Country of registration	England & Wales																																
Registered office & operation address	Pallant House Gallery 8-9 North Pallant Chichester West Sussex PO19 1TJ																																
Trustees	<p>Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:</p> <table><tr><td>John D S Booth DL</td><td>Chair, until 25 March 2022</td></tr><tr><td>John Ayton</td><td>Chair, appointed on 25 March 2022</td></tr><tr><td>Jane Weeks</td><td>Deputy Chair</td></tr><tr><td>Elizabeth J Davis</td><td>Company Secretary</td></tr><tr><td>Aki Abiola</td><td></td></tr><tr><td>Cllr Clare Apel</td><td></td></tr><tr><td>Ruth S Butler</td><td></td></tr><tr><td>Adrian S Clark</td><td></td></tr><tr><td>Mahtab Hussain</td><td>Appointed 26 March 2021</td></tr><tr><td>Zachary R Leonard</td><td></td></tr><tr><td>Charles Martin</td><td></td></tr><tr><td>Roger Mavity</td><td></td></tr><tr><td>Andrea Rose OBE CMG</td><td></td></tr><tr><td>Jacqueline D Russell</td><td></td></tr><tr><td>The Rt Hon The Lord Tyrie of Chichester</td><td></td></tr><tr><td>Mark Washer</td><td>Appointed 25 March 2022</td></tr></table>	John D S Booth DL	Chair, until 25 March 2022	John Ayton	Chair, appointed on 25 March 2022	Jane Weeks	Deputy Chair	Elizabeth J Davis	Company Secretary	Aki Abiola		Cllr Clare Apel		Ruth S Butler		Adrian S Clark		Mahtab Hussain	Appointed 26 March 2021	Zachary R Leonard		Charles Martin		Roger Mavity		Andrea Rose OBE CMG		Jacqueline D Russell		The Rt Hon The Lord Tyrie of Chichester		Mark Washer	Appointed 25 March 2022
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Gallery Director	Simon J Martin																																
Auditor	Sayer Vincent LLP Chartered Accountants and Statutory Auditor Invicta House 108-114 Golden Lane London EC1Y 0TL																																
Bankers	Barclays Bank PLC 74-75 East Street Chichester West Sussex PO19 1HT																																

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Reference and administrative information set out on page 2 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association, the requirements of a directors' report as required under company law, and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

Chair's statement

I am pleased to introduce our Trustees' Report and Financial Statements for 2021/22.

Having joined the Board as Chair in March 2022 this report deals almost entirely with the period preceding my election under the leadership of our previous Chair, John Booth. John's Leadership of the organisation over the past 8 years has been exemplary and I am conscious that in succeeding him I have a hard act to follow.

Of course John's leadership was particularly important during these past two years as the world has grappled with the Covid-19 pandemic. It has been a difficult time for the arts sector but the Gallery has emerged well as these accounts demonstrate. It is worth remembering that as the financial year opened we were still in a lockdown situation with the Gallery closed to the public until the middle of May 2021. The Gallery team have had to respond to considerable uncertainty and difficulties in the scheduling and mounting of international quality exhibitions and yet were successful in doing so. Our two main gallery shows during the year which are described further in this report, were extremely well received and well attended in the circumstances.

The support of our donors, Patrons and Friends has been strong and absolutely vital to our success. During this year we have received some extraordinary donations. Ann and George Dannatt were long term supporters of the Gallery and during the year the Trust they created during their lives was wound up by its Trustees. Their gift of £850,000 during the year under review has been followed by a final gift of £150,000 which will be reported in the next financial year; this wonderful support will be acknowledged within the Gallery in due course. Three individual donors combined during the year to provide £1 million toward the purchase of No 7 North Pallant, the house adjacent to the Gallery. This purchase opens up the possibility of a much more exciting future redevelopment of the enlarged site than would otherwise have been possible. We are grateful to these and all other donors to the Gallery during the year.

Our Community Programme is one of the things that truly makes the Gallery different and the pandemic made the vital work that we do particularly difficult. During this financial year the Programme has really been able to bounce back which has been so important for its members.

As we look to the future, I am ambitious for the Gallery and excited to build on the success of John Booth and the Trustees and of the staff team led by our Director, Simon Martin.

John Ayton

Trustees' annual report

The Trustees present their report and the audited financial statements for the year ended 31 March 2022.

Objectives & activities of the Charity

The Charity's objectives are for the public benefit to promote and advance the education of the public in, and to promote, the visual arts and history of art principally in the Chichester administrative district and in particular, to maintain, preserve, restore and furnish Pallant House in the City of Chichester as a period house within which to exhibit works of art of historic or public interest for viewing by the public.

Our Mission and Vision

Our mission is to share and stimulate new thinking on British art and to play a pivotal role in the creative lives of the widest possible audience

Our vision is to be recognised as an international centre for British art from 1900 to now.

We achieve this by observing the following six principles:

1. Making Modern British art relevant today by exploring contemporary, historic and international connections, redressing imbalances in its history and filling gaps in our collection.
2. Putting our audiences at the heart of what we do, striving to understand their needs and motivations, enabling two-way conversations and involving them in our work.
3. Thinking of the Gallery as more than a physical destination, expanding our audience reach through digital, outreach and regional, national and international partnerships.
4. Being a recognised authority on Modern British art and an example of best practice in all aspects of our work.
5. Creating and upholding a distinctive brand for the Gallery that informs all activity.
6. Investing in our people, culture, assets and systems and working to become financially and environmentally sustainable and appropriately resourced.

Public benefit derived from our activities

The Trustees of the Gallery have paid regard to the Charity Commission's published guidance on public benefit. They believe that those who have access to the visual arts derive real public benefit from the experience through the expansion of their ideas and understanding; through appreciation, learning and participation. The Gallery provides the opportunity for people to gain a better understanding of the cultural and artistic make up of our society and their personal response to the cultural and artistic content of their lives.

Performance and achievements during the year*The Year at a Glance*

27,400 visitors to the permanent collections and temporary exhibitions.

3,120 Friends of Pallant House Gallery and 121 Patrons.

8 temporary exhibitions during the year, and a complete redisplay of the permanent collection across 10 rooms.

418 artworks were acquired for the permanent collection, including 83 new works by 48 female artists, bringing the gender ratio up to 24% women artists, and 9 new acquisitions by Black and ethnic minority artists.

800 lunches distributed to the elderly and vulnerable from the kitchens of the Pallant Cafe during lockdown.

38 new works commissioned for the Model Art Gallery in response to Covid-19 pandemic.

35 works loaned to 12 individual venues, including two international venues.

78 collection artworks conserved and remounted.

1 Apollo magazine 'Acquisition of the Year' award for the 175 works in the MJ Long collection

14 resources released online for home-schooling families downloaded over 800 times.

2828 individuals attended our new programme of digital events.

New 20% discount introduced for NHS Keyworkers.

6600 Gallery magazines distributed and sold by the Gallery.

130 pieces of press coverage relating to the Gallery and programmes, reaching a circulation of 1,527,788,420.

17% growth in Instagram audiences.

A 6 tonne CO2 reduction in the Gallery's environmental impact.

£3.5m in gifts, subscriptions and pledges from individuals, trust and foundations, corporates and statutory funding

Over 4000 hours given by 192 volunteer Gallery Assistants.

Capital Project

With the ongoing pandemic the wider Capital Project remained on hold during the financial year beyond the upgrading of the New Wing's lighting thanks to a grant from Arts Council (England). Further preparatory work was completed for future plans for the lighting and environmental controls in the historic house.

Thanks to the generosity of a small number of major donors we were able to purchase No 7 North Pallant. When in the 2022/23 year we consider a new brief for the Capital Project taking into account the new global economic situation this purchase will allow us to consider a considerably wider range of options for the development which will ensure its viability.

Digital Transformation Plan

During the financial year we engaged with Unit 1, a digital consultancy, to develop a new digital strategy for the organisation which considered both back office limitations and ambitions for customer facing digital transformation. In addition the recruitment of staff with specific knowledge of the production and promotion of digital content allowed us to significantly increase our digital footprint and reach.

Trustees received the draft 2 year Digital Strategy at the last meeting of the financial year for comment and with minor revisions this Strategy has now been adopted and will be implemented in the coming years.

Equality & Diversity Action Plan

The Gallery's Equality & Diversity Action Plan covers all aspects of the Gallery's governance, employment, operations and programmes. It accompanies the Forward Plan as one of our key strategy documents and is updated annually and reviewed by the Board. As an Arts Council National Portfolio Organisation [NPO], our programming contributes to the Creative Case for Diversity and we are committed to initiatives that increase inclusion and diversity across all aspects of the Gallery's operations. An Anti-Racism statement was published on our website (www.pallant.org.uk) in June 2020 and our Anti-Racism Action Plan was published in November 2020.

Anti Racism Plan

The staff and Trustees of Pallant House Gallery stand in solidarity with the Black community and with all who oppose racism and discrimination. Recent events have encouraged us to reflect on our role as a cultural organisation and how we can better represent modern Britain. The Gallery's formal Anti-Racism Plan was agreed by the Board of Trustees in November 2020 and is published on our website [here](#).

Pallant House Gallery exists to explore new perspectives on British art from 1900 to now. It is our role to expand, question and explore the parameters that define Modern British art so that our exhibitions and programmes are always relevant, rigorous and inclusive.

We acknowledge that we have much work to do to ensure our programme and collections, as well as our staff and board, reflect the diversity of the society in which we live. We are committed to making Pallant House Gallery a safe, welcoming and inspiring place for everyone. The Gallery critically reviews its permanent collection of British art from the perspective of diversity, and this has reinforced our commitment to increasing the diversity of the collections, and how ethnic diversity is recorded on our collections database systems to facilitate future planning of collections

displays. Works by Black artists are prioritised for conservation and mounting to ensure that they are ready to go on display in future collections displays.

A “Collection of Collections”

2021/2 saw two major Pallant House Gallery exhibitions drawn entirely from our collection, ‘Degas to Picasso: International Modern Masters’ and ‘Hockney to Himid: 60 Years of British Printmaking’. Both showcased the breadth of artists, movements and mediums within the collection, including the Gallery’s not insignificant holding of international artists.

We marked Black History Month with the announcement of our acquisition of two works by Ronald Moody (1900-1984), one of the most distinguished Caribbean-born sculptors and the first recorded Black British artist, having arrived from Jamaica in 1923. The sculpture, *The Warrior* (1974), was the first work by the artist to come up at auction in this country, at an historic sale at Christie’s and was acquired with support from Art Fund, V&A Purchase Fund, and private donors. The Gallery also received a second sculpture by Ronald Moody gifted by the Ronald Moody Trust, a powerful portrait bust of the sculptor’s brother Dr Harold Moody (1946).

On a larger scale, the acquisition of 175 works of British Pop and figurative art by the likes of RB Kitaj, Richard Hamilton, Patrick Caulfield and Eduardo Paolozzi from the estate of MJ Long is an example of how important long-term relationships are to the Gallery. MJ Long and her husband, Colin St John Wilson were the architects of the new wing and together they formed one of the most significant collections of post-war British art, reflecting their close friendships with the leading artists of the period. The significance of the acquisition was recognised with the Apollo Magazine Award for Acquisition of the Year 2021.

With the creation of the 2021 Model Art Gallery, united with the 1934 Gallery and the Model Gallery 2000, our model galleries now tell the story of the last 80 years of British art. Designed by Wright and Wright Architects and filled with over 30 original miniature artworks by the best of the contemporary British art world, the 2021 Model Art Gallery includes a miniature spin-painting by Damien Hirst, a blackboard by Tacita Dean, a staircase by Rachel Whiteread and ceramics by Magdalene Odundo, amongst many others.

Exhibitions 2021-22

Degas to Picasso: International Modern Masters

November 2020 - June 2021

This exhibition was drawn entirely from the Gallery’s collection, which unknown to many, includes many significant international artists. Celebrating over 100 years of international modern art, on show were major paintings, drawings and prints by artists from the 1870s to the 1970s - from the French Impressionists to American Abstract Expressionism and including great artists such as Manet, Cézanne, Derain, Picasso, Bonnard, Klee, Valadon – and our newly conserved Édouard Vuillard. In some cases, such as Emil Filla, Gino Severini and Jean Metzinger, the artists are well-represented in the great modern art museums of Europe and the USA, but we are one of the only UK museums to have their works.

Richard Hamilton: Respective

November 2020 - June 2021

Father of British Pop art, Richard Hamilton (1922–2011) was one of the most influential artists of the 20th century. This exhibition brought together the full-range of work by Hamilton in our collection. It included internationally important works including *Hers is a Lush Situation* (1958) and *Swinging London '67* (1968) alongside early studies from the 1950s and later works from the 1970s onwards that reveal his engagement with new digital technology.

Ben Nicholson: From the Studio

June – October 2021

This exhibition gave audiences an intimate look at the everyday objects that inspired Ben Nicholson (1894–1982) and showed how he transformed them into extraordinary experiments in abstract art.

It brought together for the first time Nicholson's paintings, reliefs, prints and drawings alongside his rarely seen personal possessions, from patterned jugs and cut glass goblets to his studio tools, revealing how the artist's style developed, from his early traditional tabletop still lifes to later abstract works.

The exhibition also traced Nicholson's artistic and personal influences and explored his time with Winifred Nicholson and Barbara Hepworth, as well as his encounters with other great Modernists, Pablo Picasso and Piet Mondrian.

Masterpieces in Miniature: The 2021 Model Art Gallery

June 2021 – April 2022

In 2020, we asked Wright and Wright Architects to design a model art gallery to house artworks commissioned especially from over 30 exciting contemporary British artists, including Rachel Whiteread, Edmund de Waal, John Akomfrah, Tacita Dean and Magdalene Odundo.

The 2021 Model Art Gallery was displayed alongside two earlier model galleries – The Thirty Four Gallery and The Model Gallery 2000, housing work by artists from Augustus John, Vanessa Bell and Paul Nash to Peter Blake and Richard Hamilton. The model art galleries are a time capsule of British art from the 1930s until today and provide a fascinating insight into the evolution of styles and influences across the decades.

Hockney to Himid: 60 Years of British Printmaking

November 2021 – April 2022

This extraordinary exhibition, from the Gallery's collection, spanned the last 60 years of British art with over 100 prints by 90 different artists, including works by Edward Bawden, Peter Blake, Tracey Emin, Barbara Hepworth, Henry Moore, Chris Ofili, Grayson Perry and Rachel Whiteread, amongst others.

Celebrating the inventiveness and originality of printmaking, the rich variety of works showcased different printmaking techniques, with abstract screenprints by Bridget Riley and Terry Frost alongside figurative etchings by Lucian Freud, a delicate woodcut by Rebecca Salter or a

lithograph by Antony Gormley. Covering the last 6 decades years, it gave a fascinating snap shot of the evolution of British printmaking.

Print Room Exhibitions

Access to our Print Room shows is a key part of our free-offer, offering something of high-quality that is open and accessible to all.

All Souls: The Outside In Co-Commission 2020

May - July 2021

The output of the Gallery's Community Programme's bi-annual co-commission with Outside In was exhibited during this period. See below under Community Programme.

St Ives: Connecting Circles

July - November 2021

In the mid-twentieth century the harbour town of St Ives in Cornwall became a regional centre for modern art. Barbara Hepworth and Ben Nicholson moved there and were later joined by others including William Scott, Patrick Heron, Wilhelmina Barns-Graham, Terry Frost and Dennis Mitchell. The artistic community that evolved during this period saw a network of personal and creative relationships develop that were as vital as they were fractious. Alongside prints, drawings and sculpture, this exhibition also presented ceramics by potters Bernard Leach and Janet Leach.

Christmas Greetings by Modern British Artists

November 2021 - January 2022

This festive Print Room display featured over 100 original Christmas cards dating from across the 20th century. It included cards made by celebrated British artists including Edward Bawden, Glenn Brown, Barnett Freedman, Mark Hearld, Nigel Henderson, Enid Marx, Ben Nicholson and Glyn Philpot.

Old Masters, Modern Masters: Drawings From The Hussey Bequest

January –Apr 2022

Gave audiences a chance to see rarely exhibited works on paper from Walter Hussey's founding collection including the oldest piece in our archive, Renaissance artist Giulio Romano's powerful drawing of the head of an eagle.

Rev'd Walter Hussey believed that so long as the quality is right, there is no incongruity in setting the art of different periods side-by-side and his extraordinary collection of drawings reflects that, with works from the Renaissance to the Rococo, represented by Jean Antoine Watteau to 20th Century works by Henry Moore, John Minton, and Graham Sutherland.

Public Programmes

Our wide range of creative opportunities for people of all ages and backgrounds helps them to discover how art can have a place in their lives. Our Public Programme aims to ensure everyone feels welcome at the Gallery and our activities show the benefits of leading a creative life whilst providing opportunities to do this. Through delivering activities (programmes for all ages) the aim is to increase number and diversity of visitors to better reflect local, regional and national populations.

Model Art Gallery of the Future

We invited local schools to visit the model galleries and gave each pupil a canvas measuring 10cm x 10cm and the opportunity to create their own miniature works of art in response to works that they encountered on their visit.

13 local schools took part (2 Colleges, 6 Secondary and 5 Primary) and 333 works were submitted. These went on show in a dedicated exhibition called The Model Art Gallery of the Future in April 2022.

Our normally active learning programme was severely impacted by the pandemic but we reopened for self-guided visits in September and, despite Covid related cancellations, 862 students (Key Stage 1-4) from 34 schools and 354 students (Post 16) from 22 sixth forms and universities attended.

Our Public Programmes team focussed on rebuilding our programme in 2022 by surveying teachers and hosting a Teachers' Private View for our winter exhibitions.

The Pallant Arts Award Club

Arts Award is a range of nationally-recognised qualifications that supports anyone aged up to 25 to grow as an artist and art leader. It inspires them to connect with the wider art world through taking on challenges in an art form. The Gallery hosted a cohort of participants through their Discover, Explore and Bronze certificates.

Community Programme

Leading a creative life has tremendously positive benefits. Our Community Programme provides close to 200 people who have a range of support needs with meaningful, long-term opportunities to be creative.

Sustaining our Community Programme through the pandemic was a priority for the Gallery in 2021-22 and this was achieved through online workshops during lockdown, moving to outdoor workshops over the summer as life cautiously returned to normal. Participants were back in the Gallery for group sessions from August. Their work was showcased in two Community Programme Exhibitions (Summer and Winter), the proceeds from which went back into supporting the programme.

All Souls: The Outside In Co-Commission 2020

The Gallery's bi-annual co-commission with Outside In, which had been due to be exhibited at the Gallery in Autumn 2020, was postponed due to the pandemic. However, an open call for entries took place in October 2020, with entrants responding to the theme of spirituality and in particular the work of Madge Gill (a widely celebrated self-taught artist known for the thousands of intricate, spiritual ink drawings she produced during her lifetime). 52 submissions were received from the UK and abroad. One of the Gallery's Community Programme participants, Julia Oaks, was selected by the panel. She received a £5,000 bursary to undertake the commission and her work was displayed in the Print Room, alongside those of Madge Gill, when the Gallery re-opened in May 2021.

Buildings & facilities**Arts Council Small Capital Grant**

During 2020/21 we worked with Wright & Wright and Max Fordham on improving light-levels and lighting in the new wing, and on plans to overhaul environmental controls and improving UV controls, blinds and light-levels in the historic house.

In response to the pandemic, the Arts Council extended the Small Capital grant deadline by 12 months to 31 March 2022, allowing us to proceed with the proposed works in 2021/22.

Statement of Significance & Conservation Management Plan

During 2020-21 we worked with our Heritage Consultants Alan Baxter and Associates on the creation of a Statement of Significance and Conservation Management Plan for Pallant House Gallery, which is due to be completed in the next financial year and which will be used to plan the future care, conservation and interpretation of the distinctive architecture on the site including a Grade 1 listed building.

Commercial activities**Pallant Café & Restaurant**

The catering facility is operated as a franchise by the Sussex Bar and Food Company, with a rental agreement providing the Gallery with rent linked to turnover. In 2021-22 this amounted to £24,049.

Pallant Bookshop

The Bookshop is an independent franchise operated by Nicholas and Caroline Higbee, who are stakeholders within the Gallery, and work closely in parallel with the Gallery's programme and exhibitions. The Bookshop Director sits on the Gallery's Collections and Exhibitions Advisory Group.

The Bookshop is the primary point of sales for the Gallery's publications, postcards, collection prints and other merchandise based on the collections and exhibition. In addition, the Pallant Bookshop is a leading specialist bookshop for Modern Art Britain art and design, with extensive stock of both new publications and exhibition catalogues, rare books and first editions, artist-

illustrated and limited-edition prints. The Bookshop also stocks ranges for children and young people, gift ranges (from mugs to tea-towels), greetings cards and postcards.

The Bookshop contributes a rental income and pays a commission to the Gallery on its products.

Fundraising

Pallant House Gallery actively seeks philanthropic support from a wide variety of sources, securing restricted and unrestricted income from individuals, companies, trusts and foundations and statutory bodies. All fundraising activity is carried out in house and no agencies are engaged to fundraise on behalf of the Gallery.

During 2021/22, we received almost £3.5m in gifts, pledges and Friends or Patrons subscriptions from individuals, trust and foundations, corporates and statutory funding, particularly from Art Fund, ACE and NLHF.

Fundraising activities that took place were managed and resourced by Gallery employees; outside fundraisers were not used. They were compliant with appropriate codes and there have been no complaints about them. We generally focus on wealthy individuals, trusts and foundations and statutory bodies as a source of funds, leaving members of the public a free choice whether to become a Friend or donate additionally when buying a ticket. Consequently, it is not necessary to have measures that specifically protect vulnerable people from our fundraising, while care is given to ensuring the safety of all potential donors.

Friends & Patrons

The Friends of Pallant House Gallery are knowledgeable and enthusiastic champions of the Gallery, and their financial support is the lifeblood of the Gallery. There are several different membership packages available and benefits include free admission, exclusive access to Friends previews, a discount on event tickets and a subscription to the twice yearly Gallery magazine.

Our Patrons programme provides unique opportunities for individual supporters who give at a more substantial level to have an in-depth engagement with the full programme of our activities, from private exhibition tours and talks, to studio visits, dinners, international tours and visits to private collections. Each event is supported by a Senior Management team member and Trustees to provide an intimate and invaluable insight into the workings of the Gallery

Human Resources

The Gallery recognises that its staff and volunteers are its greatest resource and require investment to get the best outcomes. This will be achieved through investing in HR, training and development as well as reviewing internal communications. We couldn't exist without our dedicated team of almost 300 Volunteers who donated over 4,000 hours of their time in 2021. We're most grateful for their support.

Financial review

The results for the year are set out in the Statement of Financial Activities and accompanying notes later in this report.

The statement shows that a surplus of almost £3.0m (2020/21: £5.8m) was achieved during the year. This comprised exceptional or restricted application items in both years, with the underlying operating performance remaining around break even in continuing challenging times. This summary shows that the underlying operating outcome is considerably more fragile than indicated by the headlines in the Statement of Financial Activities.

	2021/22	2020/21
	£000	£000
Exceptional items		
Increase in investment value	426	1,913
Donations for purchase of adjacent property	1,013	-
Gifted artwork	574	4,107
Capital grants (mainly ACE)	284	-
Cultural Recovery and furlough grants	128	
Legacy gift from another charity	850	
Depreciation	(304)	(246)
	<hr/>	<hr/>
	2,971	5,774
Underlying operating outcome	(23)	48
	<hr/>	<hr/>
Reported surplus	2,947	5,822
	<hr/>	<hr/>

This year, we saw a definite bounce-back from the extended periods in lockdown during 2020-21. Note 3 to the accounts shows that earned charitable income more than doubled to £594k. In particular, general admission income to our exhibitions was higher than the periods recently leading up to lockdown, although we only expect to see the same income recovery for our ticketed events during this coming year.

At the same time, our expenditure levels have similarly increased with the return to full operating and overall increased from £1.6m to £1.9m. The control of expenditure will become increasingly challenging during the next few years, with the cost of living rises affecting our staff putting salary levels under pressure, with energy rises being another significant factor.

Historically, the Gallery has relied on investment income and capital growth from its endowment fund. Returns continue to disappoint in an uncertain investment environment, with income this year being £362k compared to pre-Covid levels of around £600k. Whilst these accounts show increases in unrealised investment capital values, this has yet to make good fully the fall we saw with the onset of the pandemic.

Reserves policy and going concern

Our reserves are set out in the accounts within the balance sheet and in more detail within note 20.

The trustees have a reserves policy designed to ensure that the Gallery has adequate reserves to carry out its charitable objects including maintaining the assets entrusted to it.

The numerous restricted funds are listed later in these accounts. Each fund relates to a separately identifiable activity that has attracted its own funding from various donors on terms generally that their support is to be applied only to that project. Normally the Gallery has agreed to fund the balance from its wider resources to ensure a successful outcome. These projects are usually short term, typically completed within a year, and taken together represent the essence of the Gallery's core operation.

Designated funds were created historically by the provision to the charity of the Gallery building, along with funds held for related contingencies and the collection of works of art donated or purchased from donations for display in the Gallery. These designated funds are not liquid.

There are four endowment funds that have varying terms, all established with the overarching objective of holding investments to provide income to support the Gallery's core operation. In the case of at least one fund, this was the stipulation of the donor and in the remainder, it is the policy of the Trustees.

Trustees have again reviewed the reserves policy during the year, which was last amended during 2017/18, and believe it to remain appropriate. This is as follows:-

- The Gallery should hold cash balances in unrestricted funds, of at least £200,000 or, if greater, the cash funding projected to be required for its activities for the following two months. This is currently achieved through holding liquid accounts within cash and investments.
- The endowment fund of £300,000 provided by the Friends in 2018/19 should only be held in readily realisable investments so that it acts as a second layer of reserves if required to meet unexpected adverse circumstances.
- The other endowment funds should continue to include in excess of £500,000 of readily realisable investments that could be sold as a third layer of reserves, whilst otherwise continuing to provide income for the core operation.

This policy was met during the course of 2021/22 and up to the date of signing this report. It continues to be reviewed annually and the Trustees have resolved that it should continue in force for a further year.

At the time of compiling this report, the overarching assumption is that there will be an operating deficit of the order of £100k in each of the next two years, both subject to a significantly uncertain climate for fundraising. If these deficits transpire, then they can be met by the cash resources in place. Consequently, the Trustees conclude that there are not any material uncertainties about the Gallery's ability to remain a going concern in the foreseeable future.

Investment policy and objectives

Under its Articles, the Gallery has the power to invest funds in the furtherance of its charitable objectives.

The Gallery's endowment funds are held for the long term to generate income, required to meet around a third or more of the continuing cost base. The trustees' investment policy has hitherto been to invest in a funds promoted by M&G Investments specifically for charities focussing on high yielding UK equities in order to make that required level of income, accepting a higher level of risk to capital accordingly.

In August 2020, the Finance & Investment Committee undertook a periodic tendering process to reassess the investment policy and to select the fund manager that was considered would provide

the best return. In doing this, the Committee considered it more prudent to move away from an income-driven, short-term approach and instead adopt a total return approach that would involve utilising capital growth. Following the tendering process, Sarasin & Partners were appointed as the investment advisers and the investments that were within M&G have been moved gradually over to a fund managed by Sarasin subsequently.

Principal risks and uncertainties

The trustees have a duty to identify and review the risks to which the Gallery is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

The trustees operate an Audit and Risk Committee that meets every quarter and as part of its remit, review the "living" Risk Register. This contains the principal risks that the trustees and the senior management team have identified and the Committee seeks to ensure that adequate steps are being taken to mitigate and minimize them.

As regards building and contents, the risk of damage due to fire is controlled by an extensive fire detection and alarm system, which is monitored 24/7 and serviced annually. Designated members of Gallery staff are trained in what to do in the event of a fire. A team of Fire Marshalls and a Duty Manager are named on a list at reception and are responsible for the safe and efficient evacuation of the galleries and communicating and liaising with the alarm monitoring company and emergency services. An Emergency Salvage Priority list is updated regularly and includes works from the Gallery's collection and works on loan and their location. The impact of any loss would also be mitigated through extensive insurance cover.

The Finance and Investment Committee meets every quarter to review the current and projected financial position of the Gallery, so that timely corrective action can be instigated to minimise the impact. During last year, its work was clearly centred around financial planning in response to Covid-19 and is now focussed on sustainability and resilience in the subsequent period and back onto the Capital Project.

Structure, governance and management

Legal status of the Gallery

Pallant House Gallery is a charitable company limited by guarantee, incorporated in England and Wales on 16 February 2004 and registered as a charity in England and Wales on 2 March 2004. The charitable objects and powers of the company are set out in its articles of association.

The trustees, who are also the directors for the purpose of company law, and who served during the year are listed in the 'Reference and administrative information' section at the beginning of this report.

None of the trustees has any beneficial interest in the charitable company. All of the trustees are members of the charitable company and guarantee to contribute £1 in the event of a winding up.

Appointment of trustees

Trustees are proactively selected and appointed to ensure there is a broad range of relevant skills and experience represented across the trustee board. Chichester District Council also has the right to appoint and remove one trustee. Trustee recruitment take place through targeted approaches to individuals, and via open advertising and interview, agreed by the nomination

committee to possess skills and experience that would further strengthen the board. A trustee board skills matrix has been reviewed to ensure a suitable balance of skills, experience and trustee diversity.

Trustee induction and training

The company secretary provides or arranges external trustee induction training to each newly appointed trustee. They receive copies of the articles of association, the last three trustee meetings minutes, annual financial statements and a copy of the Charity Commission's The essential trustee: what you need to know, what you need to do (CC3) along with copies of other Gallery literature, the magazine and What's On leaflet.

The trustees are responsible for the overall governance of the charity. They delegate all day-to-day responsibilities for running the organisation to the Director, Simon Martin. A Finance & Investment Committee, Audit & Risk Committee and Nominations Committee have been established to ensure that the trustees' governance responsibilities are fulfilled. All trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 8 to the accounts.

Remuneration policy for key management personnel

Remuneration levels for key management personnel is approved by the Finance & Investment committee and the trustee board takes responsibility for the appointment and performance management of the Director.

The Senior Pay disclosures include the Director and senior members of the leadership team.

Equality and Diversity

The Gallery is committed to equality and diversity. Staff and trustees have undergone appropriate training and there are written policies in place which are mentioned by the Director of the Gallery and the trustees. A new Equality Action Plan was formulated in December 2017 and last updated in February 2020.

Related parties and relationships with other organisations

Prior to the merger on 1st April 2018, the Gallery enjoyed a close relationship with the Friends of Pallant House, whose objectives were financial and other support for the Gallery. The activity of the Friends of Pallant House is now undertaken directly by the Gallery.

Until 31 March 2020, a trading subsidiary, Pallant House Gallery Services Limited, carried on commercial activities related to the Gallery and received income from the restaurant and from the shop franchise. After that point, this was carried on within the parent Gallery company. There is also a dormant subsidiary, Pallant House Enterprises Limited, with an historical involvement in collection of subscriptions from Friends.

Funds held as custodian trustee on behalf of others

The charity does not hold funds as custodian trustee on behalf of others.

Statement of responsibilities of the trustees

The trustees (who are also directors of Pallant House Gallery for the purposes of company law) are responsible for preparing the trustees' annual 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 affairs of the charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company or 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
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice 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 charity 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 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- The trustees have taken all 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

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the charity guarantee to contribute an amount not exceeding £10 to the assets of the company in the event of winding up. The total number of such guarantees at 31 March 2022 was 14 (2021:12). The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity.

Auditor**Appointment**

Sayer Vincent LLP was re-appointed as the charitable company's auditor during the year and has expressed its willingness to continue in that capacity.

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but which has not been made available to the auditor. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The trustees' annual report has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

The trustees' annual report was approved by the trustees on 23rd September 2022 and signed on their behalf by:

Elizabeth Davis

Trustee & Company Secretary

Independent auditor's report to the members of Pallant House Gallery**Opinion**

We have audited the financial statements of Pallant House Gallery (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 March 2022 which comprise the consolidated statement of financial activities, the group charitable company balance sheet, the consolidated statement of cash flows and the 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 FRS 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 2022 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Pallant House Gallery'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' annual report, other than the group 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 group 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 group 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 group 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.

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' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The trustees' annual report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Act 2011 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the trustees' annual 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 in the trustees' annual report, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group'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 group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We enquired of management and the audit and risk committee, which included obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
 - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
 - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the group from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.

- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Judith Miller (Senior Statutory Auditor)

16 December 2022

for and on behalf of Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities

(incorporating an income and expenditure account)

	Notes	Year ended 31 March 2022				Year ended 31 March 2021 (as restated)			
		Unrestricted £	Restricted £	Endowment £	Total £	Unrestricted £	Restricted £	Endowment £	Total £
Income from:									
Donations and Legacies	2	2,158,821	1,296,902	-	3,455,723	4,743,208	13,900	-	4,757,108
Charitable Activities	3								
Collection Management		7,463	2,250	-	9,713	800	25,675	-	26,475
Exhibitions & Displays		333,796	111,190	-	444,986	129,397	66,765	-	196,162
Public Programmes		40,553	905	-	41,458	25,847	780	-	26,627
Publishing		98,672	-	-	98,672	37,882	-	-	37,882
Other Trading Activities	4	44,644	-	-	44,644	11,650	-	-	11,650
Investments	5	362,404	-	-	362,404	431,260	-	-	431,260
Total income		3,046,353	1,411,247	-	4,457,600	5,380,044	107,120	-	5,487,164
Expenditure on:	6								
Raising funds		87,032	-	-	87,032	66,076	-	-	66,076
Charitable activities									
Collection Management		252,130	18,306	2,960	273,396	205,941	17,839	3,001	226,781
Exhibitions & Displays		892,948	64,833	10,482	968,263	752,478	65,181	10,967	828,626
Public Programmes		424,757	30,840	4,986	460,583	340,596	29,503	4,964	375,063
Publishing		135,487	9,837	1,591	146,915	74,579	6,460	1,087	82,126
Total expenditure		1,792,354	123,816	20,019	1,936,189	1,439,670	118,983	20,019	1,578,672
Net income / (expenditure) before net gains / (losses)		1,253,999	1,287,431	(20,019)	2,521,411	3,940,374	(11,863)	(20,019)	3,908,492
Net gain/ losses on investments	13	-	-	425,823	425,823	-	-	1,913,451	1,913,451
Net income / (expenditure)		1,253,999	1,287,431	405,804	2,947,234	3,940,374	(11,863)	1,893,432	5,821,943
Transfers between funds	20	1,249,412	(1,249,412)	-	-	(280,890)	(4,235)	285,125	-
Net movement in funds		2,503,411	38,019	405,804	2,947,234	3,659,484	(16,098)	2,178,557	5,821,943
Reconciliation of funds:									
Total funds brought forward as reported		29,126,228	343,246	11,326,334	40,795,808	25,475,226	364,256	9,147,777	34,987,259
Prior year adjustment	21	12,943	92,748	-	105,691	4,461	87,836	-	92,297
Total funds brought forward as restated		29,139,171	435,994	11,326,334	40,901,499	25,479,687	452,092	9,147,777	35,079,556
Total funds carried forward		31,642,582	474,013	11,732,138	43,848,733	29,139,171	435,994	11,326,334	40,901,499

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 20 to the financial statements.

Consolidated balance sheet

Company number 05045130

		2022	2021
	Notes	£	As restated £
Fixed Assets			
Tangible assets	11	8,549,976	6,882,851
Heritage assets	12	23,719,608	23,145,984
Investments	13	10,851,287	10,425,464
		<u>43,120,871</u>	<u>40,454,299</u>
Current Assets			
Stocks		35,827	10,959
Debtors	16	688,274	277,219
Cash at bank and in hand		343,272	438,994
		<u>1,067,373</u>	<u>727,172</u>
Liabilities			
Creditors: Amounts falling due within one year	17	(339,511)	(279,972)
		<u>727,862</u>	<u>447,200</u>
Net current assets			
		<u>43,848,733</u>	<u>40,901,499</u>
Total net assets			
Funds:	19		
Unrestricted			
Designated		31,360,332	29,100,689
General		282,250	38,482
Endowment		1,821,915	1,805,004
Total unrestricted funds		<u>33,464,497</u>	<u>30,944,175</u>
Endowment (Restricted)		<u>9,910,223</u>	<u>9,521,330</u>
Restricted		<u>474,013</u>	<u>435,994</u>
Total funds		<u>43,848,733</u>	<u>40,901,499</u>

Note: Separate Charity balance sheets have not been presented as the difference between group and charity is not material and detailed information has been provided in the notes to the financial statements.

Approved by the trustees on 23rd September and signed on their behalf by:

Elizabeth Davis, Trustee & Company Secretary

Consolidated statement of cash flows

	2022		2021 As restated	
	£	£	£	£
Cash flows from operating activities				
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	2,947,234		5,821,943	
Depreciation charges	304,174		246,191	
Donations of heritage assets included in income	(573,624)		(4,106,817)	
(Gains)/losses on investments	(425,823)		(1,913,451)	
Dividends and interest from investments	(362,404)		(431,260)	
(Increase)/decrease in stocks	(24,868)		-	
(Increase)/decrease in debtors	(411,055)		70,616	
Increase/(decrease) in creditors	59,539		(40,882)	
Net cash provided by / (used in) operating activities		1,513,173		(353,660)
Cash flows from investing activities:				
Dividends and interest from investments	362,404		431,260	
Purchase of fixed assets	(1,971,299)		(115,792)	
Net cash provided by / (used in) investing activities		(1,608,895)		315,468
Net cash provided by / (used in) financing activities		-		-
Change in cash and cash equivalents in the year		(95,722)		(38,192)
Cash and cash equivalents at the beginning of the year		438,994		477,186
Change in cash and cash equivalents due to exchange rate movements		-		-
Cash and cash equivalents at the end of the year		343,272		438,994

Notes to the financial statements

1) Accounting policies

a) Statutory information

Pallant House Gallery is a charitable company limited by guarantee and is incorporated in England and Wales. The registered office address is Pallant House, 8-9 North Pallant, Chichester, West Sussex, PO19 1TJ.

b) 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) - (Charities SORP FRS 102) and the Companies Act 2006.

These financial statements consolidate the results of the charity and its wholly-owned subsidiaries Pallant House Gallery Services Limited and Pallant House Enterprises Limited on a line by line basis. Transactions and balances between the charity and its subsidiary have been eliminated from the consolidated financial statements. Balances between the two entities are disclosed in the notes of the charity's balance sheet. A separate statement of financial activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

c) Public benefit entity

The charity meets the definition of a public benefit entity under FRS 102.

d) Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern. Financial projections have been prepared that show that the existing cash resources supported by the ability to realise investments will be sufficient to allow the Gallery to continue operating for the foreseeable future and in particular for the twelve months following the signing of these accounts. Further reference can be found in the section 'Reserves policy and going concern' in the Trustees' Report.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

Membership subscriptions are recognised when received.

Entrance fees are recognised in income when they are receivable except for group deposits which are recognised when the group visit takes place. Admission income for exhibitions is recognised when the tickets are sold. Ticket income relating to courses, events and group bookings is recognised when they take place. Book and other sales income are recognised when receivable.

f) Donations of gifts, services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised so refer to the trustees' annual report for more information about their contribution.

On receipt, donated gifts, professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

g) Interest receivable

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

h) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

Endowment funds are split between permanent endowments and expendable endowments. The capital of the permanent endowments must be maintained, although the income can be utilised in accordance with the terms of the endowment.

i) Resource expended

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the charity in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose.
- Expenditure on charitable activities includes the costs of delivering services, exhibitions and other educational activities undertaken to further the purposes of the charity and their associated support costs.
- Other expenditure represents those items not falling into any other heading.
- Irrecoverable VAT is charged as a central support cost or included in the cost of a fixed asset.

j) Allocation of support and governance costs

Activities have been identified under the headings of:

- Collections management - maintaining and acquiring artwork, lending to other galleries and maintaining a resource library.
- Exhibitions & displays – creating and promoting permanent and temporary exhibitions and arranging for public admission.
- Public programmes – organising and promoting courses, lectures and events for artistic, historical, educational and community outreach purposes.
- Publishing – creating publications, mostly related to the exhibition activity for sale in the Gallery bookshop and elsewhere.

Resources expended are allocated to the particular activity where the cost relates directly to that activity.

The cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned where it is realistic and feasible to measure this.

Otherwise support and governance costs are allocated to the activities in proportion of their direct cost. Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

k) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

l) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- Land & buildings 50 years
- Plant & machinery 15 years
- Fixtures, fittings and equipment 10 years

m) Heritage assets

A heritage asset is defined as “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture”. The Gallery has estimated a value in these financial statements in respect of its various collections of artwork. Any acquisitions are shown either at cost or in the case of donations at an estimated valuation on the date of receipt. Any gains or losses on revaluation, if they take place, would be recognised in the Statement of Financial Activities.

n) Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading “Net gains/(losses) on investments” in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

o) Investments in subsidiaries

Investments in subsidiaries are at cost.

p) Stocks

Stocks are made up of catalogues and are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

q) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

r) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

s) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

t) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

u) Pensions

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2) Donations and legacies

	2022			2021		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£	£	£	£	£	£
Arts Council England grant	90,759	-	90,759	90,759	-	90,759
Assistance to acquire artwork	-	-	-	-	13,900	13,900
Chichester DC grant	130,000	-	130,000	130,000	-	130,000
CRF grant	128,470	-	128,470	-	-	-
Dannatt Trust Gift	850,000	-	850,000	-	-	-
Donations and gifts	86,565	-	86,565	66,955	-	66,955
Donations towards No 7 purchase	-	1,012,500	1,012,500	-	-	-
Friends & Patrons subscriptions	221,607	-	221,607	124,926	-	124,926
Furlough Grants	21,531	-	21,531	193,187	-	193,187
Gift Aid on income	22,065	-	22,065	25,850	-	25,850
Gifts of artwork	573,624	-	573,624	4,106,817	-	4,106,817
Grants for specific activities	-	284,402	284,402	-	-	-
Legacies	10,000	-	10,000	-	-	-
Lockdown Support Grants	24,000	-	24,000	4,714	-	4,714
Sponsorship	200	-	200	-	-	-
	<u>2,158,821</u>	<u>1,296,902</u>	<u>3,455,723</u>	<u>4,743,208</u>	<u>13,900</u>	<u>4,757,108</u>

The Gallery was fortunate in receiving three donations totalling £1.012m supporting its bid to purchase the adjacent property at No 7 North Pallant. This was eventually successful and the property is included in fixed assets, see note 11. This property could potentially form part of the capital project development extending the facilities that is being actively explored, although there

are various regulatory and practical hurdles that need to be addressed before this materialises. In the event that the property is not used in this way and is subsequently sold, one of the donations has conditions providing for all or part to be repaid, depending on the sale proceeds achieved, and a second requires that the proceeds would form part of the Gallery's restricted funds relating to the collections management activity. The third donation is unconditional.

3) Charitable activities

	2022			2021		
	Unrestricted £	Restricted £	Total £	Unrestricted £	Restricted £	Total £
Collection management						
Charges to owners	6,008	-	6,008	800	-	800
Grants & donations	1,455	2,250	3,705	-	15,675	15,675
Trust & foundations	-	-	-	-	10,000	10,000
Subtotal	7,463	2,250	9,713	800	25,675	26,475
Exhibitions & displays						
Admission income	241,403	-	241,403	103,346	-	103,346
Charges to other galleries	-	-	-	-	-	-
Corporate sponsorship	-	17,500	17,500	-	7,000	7,000
Donations	-	26,470	26,470	-	7,765	7,765
Exhibition tax relief	70,566	-	70,566	15,300	-	15,300
Gift Aid on entrance fees	21,827	-	21,827	10,751	-	10,751
Supporters' Circle	-	50,500	50,500	-	50,000	50,000
Trust & foundations	-	16,720	16,720	-	2,000	2,000
Subtotal	333,796	111,190	444,986	129,397	66,765	196,162
Public programmes						
Courses earned income	19,177	305	19,482	8,127	-	8,127
Grants income	14,961	600	15,561	17,720	780	18,500
National Lottery Heritage Fund	-	-	-	-	-	-
Sale of artwork	6,415	-	6,415	-	-	-
Subtotal	40,553	905	41,458	25,847	780	26,627
Publishing						
Advertising Income	11,660	-	11,660	8,892	-	8,892
Donations	5,600	-	5,600	-	-	-
Image rights revenue	2,097	-	2,097	3,034	-	3,034
Sales of publications	79,315	-	79,315	25,956	-	25,956
Trust & foundations	-	-	-	-	-	-
Subtotal	98,672	-	98,672	37,882	-	37,882
Total income from charitable activities	480,484	114,345	594,829	193,926	93,220	287,146

4) Income from other trading activities

	Unrestricted £	Restricted £	2022 Total £	Unrestricted £	Restricted £	2021 Total £
Bookshop rental income	19,695	-	19,695	7,050	-	7,050
Gallery hire income	900	-	900	(600)	-	(600)
Other income	-	-	-	-	-	-
Restaurant rental income	24,049	-	24,049	5,200	-	5,200
Total income from other trading activities	44,644	-	44,644	11,650	-	11,650

5) Income from investments

	Unrestricted £	Restricted £	2022 Total £	Unrestricted £	Restricted £	2021 Total £
Listed investments on endowment	359,332	-	359,332	431,122	-	431,122
Rental income	3,000	-	3,000	-	-	-
Other investment income	72	-	72	138	-	138
Total income from investments	362,404	-	362,404	431,260	-	431,260

6) Analysis of expenditure

a) Current year

	Charitable activities						Support costs	2022 Total	2021 Total As restated
	Raising funds	Collection management	Exhibitions & displays	Public programme	Publishing	Governance			
Advertising	-	-	-	-	-	-	20,578	20,578	5,16
Architect fees	-	-	-	-	-	-	500	500	-
Artist & technician fees	-	264	21,428	-	-	-	-	21,692	10,65
Artwork conservation	-	14,459	11,865	-	-	-	-	26,324	8,64
Artwork transport	-	-	43,062	-	-	-	-	43,062	15,91
Audience development	-	-	-	-	-	-	3,307	3,307	1,18
Business rates	-	-	-	-	-	-	12,762	12,762	2,69
Course expenses	-	-	-	29,404	-	-	-	29,404	5,26
Course leader fees	-	-	-	21,250	-	-	-	21,250	-
Depreciation and impairment	-	-	-	-	-	-	304,174	304,174	246,19
Exhibition development	-	-	12,022	-	-	-	-	12,022	47,75
Facilities enhancement	-	-	-	-	-	-	951	951	3,28
Finance charges	-	-	-	-	-	-	9,764	9,764	10,91
Fundraising event expenses	-	-	-	-	-	-	-	-	94
Insurance	-	30,064	-	-	-	-	31,348	61,412	49,55
Irrecoverable VAT	-	-	-	-	-	-	101,322	101,322	40,78
Magazine & gallery publications	-	-	-	-	73,584	-	-	73,584	16,75
Office costs	-	-	-	-	-	-	24,877	24,877	11,88
Other professional fees	-	-	-	-	-	-	10,575	10,575	-
PR consultancy	-	-	-	-	-	-	32,561	32,561	32,54
Professional fees	-	-	-	-	-	47,698	6,262	53,960	51,46
Promotional materials	-	-	-	-	-	-	25,248	25,248	2,47
Rent	-	-	-	-	-	-	15,660	15,660	19,62
Repairs & maintenance	-	-	-	-	-	-	61,283	61,283	27,86
Research	-	389	-	-	-	-	-	389	35
Staff costs	80,291	52,601	219,863	102,449	18,327	-	284,003	757,534	801,70
Storage facilities	-	17,748	-	-	-	-	-	17,748	15,20
Supporter development	6,741	-	-	-	-	-	-	6,741	2,23
Systems enhancement	-	-	-	-	-	-	17,797	17,797	16,54
Systems maintenance	-	-	-	-	-	-	50,428	50,428	46,79
Touring & loan fees	-	-	150	-	-	-	-	150	93
Trustee expenses	-	-	-	-	-	23,116	-	23,116	2,69
Utilities	-	-	-	-	-	-	85,887	85,887	73,38
Website maintenance	-	-	-	-	-	-	10,127	10,127	7,27
Subtotal	87,032	115,525	308,390	153,103	91,911	70,814	1,109,414	1,936,189	1,578,67
Reapportionment of support and governance costs									
Support costs		148,399	620,280	289,031	51,704	-	(1,109,414)	-	
Governance costs		9,472	39,593	18,449	3,300	(70,814)	-	-	
Total Expenditure for 2021	87,032	273,396	968,263	460,583	146,915	-	-	1,936,189	
Total Expenditure for 2020	66,076	226,781	828,626	375,063	82,126	-	-		1,578,67

b) Prior year (as restated)

	Raising funds	Collection manageme	Exhibitions & displays	Public programme	Publishing	Governance	Support costs	2021 Total As restated
Advertising	-	-	-	-	-	-	5,163	5,163
Architect fees	-	-	-	-	-	-	-	-
Artist & technician fees	-	323	10,331	-	-	-	-	10,654
Artwork conservation	-	4,561	4,082	-	-	-	-	8,643
Artwork transport	-	-	15,915	-	-	-	-	15,915
Audience development	-	-	-	-	-	-	1,181	1,181
Business rates	-	-	-	-	-	-	2,690	2,690
Course expenses	-	-	-	5,269	-	-	-	5,269
Depreciation and impairment	-	-	-	-	-	-	246,191	246,191
Exhibition development	-	-	47,755	-	-	-	-	47,755
Facilities enhancement	-	-	-	-	-	-	3,282	3,282
Finance charges	-	-	-	-	-	-	10,915	10,915
Fundraising event expenses	947	-	-	-	-	-	-	947
Insurance	-	22,851	-	-	-	-	26,704	49,555
Irrecoverable VAT	-	-	-	-	-	-	40,789	40,789
Magazine & gallery publications	-	-	-	-	16,754	-	-	16,754
Office costs	-	-	-	-	-	-	11,884	11,884
PR consultancy	-	-	-	-	-	-	32,545	32,545
Professional fees	-	-	-	-	-	47,945	3,515	51,460
Promotional materials	-	-	-	-	-	-	2,473	2,473
Rent	-	-	-	-	-	-	19,620	19,620
Repairs & maintenance	-	-	-	-	-	-	27,865	27,865
Research	-	351	-	-	-	-	-	351
Staff costs	62,893	50,958	208,178	102,697	18,155	-	358,823	801,704
Storage facilities	-	15,204	-	-	-	-	-	15,204
Supporter development	2,236	-	-	-	-	-	-	2,236
Systems enhancement	-	-	-	-	-	-	16,546	16,546
Systems maintenance	-	-	-	-	-	-	46,792	46,792
Touring & loan fees	-	-	930	-	-	-	-	930
Trustee expenses	-	-	-	-	-	2,695	-	2,695
Utilities	-	-	-	-	-	-	73,389	73,389
Website maintenance	-	-	-	-	-	-	7,275	7,275
Subtotal	66,076	94,248	287,191	107,966	34,909	50,640	937,642	1,578,672
Support costs		125,742	513,691	253,411	44,798	-	(937,642)	
Governance costs		6,791	27,744	13,686	2,419	(50,640)		
Total Expenditure for 2020	66,076	226,781	828,626	375,063	82,126	-	-	1,578,672

7) Net income/ (expenditure) for the year

This is stated after charging / (crediting):

	2022	2021
	£	As restated £
Depreciation and impairment	304,174	246,191
Operating lease rentals payable Property	15,660	19,620
Operating lease rentals receivable Property	46,744	12,250
Auditors remuneration (excluding VAT)		
Audit	22,375	22,600
Other services	-	-
	<u> </u>	<u> </u>

8) Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2022	2021
	£	£
Salaries	688,805	707,997
Redundancy and termination costs	-	32,017
Social security cost	39,005	44,736
Employer's pension contributions (*)	11,876	11,996
Other forms of employee benefits	3,639	3,543
Training costs	6,912	553
Travel and sustenance	6,219	645
Volunteer expenses	1,078	216
	<u> </u>	<u> </u>
	757,535	801,703
	<u> </u>	<u> </u>

(*) made to defined contribution scheme

The redundancy and termination costs were settled and paid at the balance sheet date.

The following number of employees received employee benefits (excluding employer pension costs and employer's national insurance) during the year between:

	2022 No	2021 No
£60,000 - £69,999	-	-
£70,000 - £79,999	1	1
£80,000 - £89,999	-	1

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £80,347 (2021: £158,246).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2021: £nil). No charity trustee received payment for professional or other services supplied to the charity (2021: £nil).

Trustees' expenses represents the payment or reimbursement of trustee indemnity insurance premium of £2,059 (2021: £1,635) along with recruitment agency costs of £21,025 relating to the appointment of a new Chair (2021: £1060 for a new trustee).

During the year the Gallery entered into the following transactions with related parties:

- C Martin is also a Trustee of Outside In Art. There were no management charges raised to Outside In Art in 2021/22 whilst £9,000 was raised in 2020/21. There were no amounts included in restricted funds in either year that were paid to Outside In Art. At both balance sheet dates, nothing was owed by either party to the other.
- The John Booth Charitable Foundation was one of the donors mentioned in note 2, contributing a £500,000 donation towards the purchase price of No7 North Pallant. The terms of this donation include restrictions on its use and for repayment if the property is sold within ten years. In 2020/21, the Foundation also made a £10,000 donation towards the cost of a curatorial assistant. John Booth is connected with the Foundation and was the Chairman of the Trustees until March 2022.
- There are no other donations from related parties which are outside the normal course of business and no restricted donations from related parties.

9) Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 36 (2021: 38).

Staff are split across the activities of the charity as follows:

	2022		2021	
	Head count	Full Time	Head count	Full Time
		Equivalent		Equivalent
	No	No	No	No
Administration	1.0	1.0	1.0	1.0
Collections	3.0	1.8	3.0	1.8
Commercial	1.0	0.6	1.0	0.6
Communications	3.5	3.2	3.8	3.3
Curatorial	3.8	3.6	3.0	2.8
Development	2.0	2.0	2.0	2.0
Directors	1.0	1.0	1.8	1.8
Finance	1.0	1.0	1.8	1.5
Front of House	12.3	5.2	12.1	4.9
Operations	1.3	1.2	2.0	1.5
Public Programmes	6.2	4.7	6.4	4.9
	<u>36.1</u>	<u>25.3</u>	<u>37.9</u>	<u>26.1</u>

10) Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's trading subsidiary Pallant House Gallery Services Limited is currently dormant.

11) Fixed assets

The group and charity:-

	Freehold property	Plant & machinery	Fixtures, fittings & equipment	Artwork	Total
Cost					
At start of year, as restated	7,180,848	984,010	1,081,303	544,231	9,790,392
Additions	1,700,000	-	239,833	31,466	1,971,299
Disposals	-	-	-	-	-
At the end of the year	8,880,848	984,010	1,321,136	575,697	11,761,691
Depreciation					
At start of year, as restated	1,356,675	721,899	828,967	-	2,907,541
Charge for the year	177,617	65,601	60,956	-	304,174
Disposals	-	-	-	-	-
At the end of the year	1,534,292	787,500	889,923	-	3,211,715
Net book value					
At the end of the year	7,346,556	196,510	431,213	575,697	8,549,976
At the start of the year, as restated	5,824,173	262,111	252,336	544,231	6,882,851

There is no land in either year included within freehold property that is not depreciated. The main addition in property relates to the purchase of an adjoining property, see comment in note 2.

12) Heritage assets

Collections, of artworks, display furniture,
pictures and art library of books

At 1 April 2021	23,145,984
Assets donated during the year	573,624
At 31 March 2022	23,719,608

All of the above assets are used for charitable purposes.

The Gallery owns a substantial collection and an archive of works that are of national and worldwide importance. It boasts one of the best collections of Modern British art in the UK. Donated over the past forty years, the collections tell the story of a number of individuals, all passionate collectors of art who generously donated their lifetimes' labours to the Gallery for the benefit of the public. The collection includes paintings, drawings, prints, sculptures, studio pottery, lithographs and artists' sketch book and tools.

The Gallery has limited resources to permit it to purchase Heritage Assets but when offered works as a gift the Director, Head of Collections and others with the requisite skills and knowledge determine whether they should be added to the collection. In making their decision they take into account both the quality of the work and whether it is an appropriate compliment to the existing collection. They are guided by a full formal Collections Development (Acquisitions and Disposal) Policy, which was last revised in 2017 and formally approved by the trustees on 17 March 2017.

There have been no disposals or impairment of Heritage Assets involving artwork during the last five years. It is not the Gallery's policy to dispose of Heritage Assets but, should the Director or Head of Collections believe it would be appropriate to dispose of a work, the Gallery's disposal policy specifies that the decision must be made by the trustees on the advice of the curatorial staff and that the Director or Head of Collections does not have the power to dispose of any work.

The Gallery maintains a full and detailed inventory of all the items in its collection.

The collection is available to public viewing through rotating displays and access to any work not on display is arranged by appointment.

The Heritage Assets are regularly valued by professional valuers for insurance purposes. Artworks have been valued when they have been lent to external venues and a revaluation of all works last valued at over £100,000 in 2009 took place during 2020/21 by Gurr Johns.

The Heritage Assets are reported in the Financial Statements at the insurance valuation at the date of acquisition and then not generally revalued.

13) Listed Investments

	2022 £	2021 £
Fair value at the start of the year	10,425,464	8,512,013
Additions at cost	-	-
Net gain / (loss) on change in fair value	425,823	1,913,451
	10,851,287	10,425,464
Cash held by investment broker pending reinvestment	-	-
Fair value at the end of the year	10,851,287	10,425,464

14) Subsidiary undertaking

These financial statements are consolidated financial statements for Pallant House Gallery group.

Details of the Gallery's subsidiaries at 31 March 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held direct
Pallant House Gallery Services Limited (CRO 05526158)	UK	Dormant	Ordinary	100
Pallant House Enterprises Limited (CRO 03787604)	UK	Dormant	Ordinary	100

Both of these subsidiaries are included in these consolidated accounts. At 31 March 2022, Pallant House Gallery Service Limited's assets totalled £200, its liabilities £nil and total funds £200. Pallant House Enterprises Limited's assets total £100, its liabilities £nil and its total funds £100. There was no income or expenditure in the year for either company.

15) Parent charity results

As explained in the previous section, the subsidiary's results are insignificant in the context of the group and such profits that were generated were donated to the Charity. In effect, therefore these accounts already disclose and only comprise the parent company results.

16) Debtors

	2022 £	2021 £
Trade debtors	83,583	14,492
Accrued income	399,983	104,134
Deferred expenditure	6,086	3,622
Tax reliefs	144,495	99,916
VAT	8,977	3,610
Other debtors	565	-
Prepayments	44,585	51,445
	688,274	277,219

17) Creditors: Amounts falling due within one year

	2022	2021
	£	£
Trade creditors	74,600	62,156
Accruals	84,463	44,566
Tax and social security	17,270	10,281
Deferred income	150,836	153,932
Other creditors	12,342	9,037
	<u>339,511</u>	<u>279,972</u>

18) Pension

The Gallery complies with the minimum automatic enrolment obligations under the Pensions Act 2008 with an arrangement with a third party provider of personal pension plans for its employees. The extent of the Gallery's financial liability is to contribute a specified percentage of payroll costs to each employee's plan as the employer contributions along with similar deductions from pay for the employee contributions.

19) Analysis of group net assets between funds**a) Current year**

	Designated	Endowment	Endowment	Restricted	Unrestricted	Total funds
	£	(Restricted)	(Unrestricted)	£	£	£
Tangible assets	7,580,724	-	880,851	-	88,401	8,549,976
Heritage assets	23,719,608	-	-	-	-	23,719,608
Investments	-	9,910,223	941,064	-	-	10,851,287
Net current assets	60,000	-	-	474,013	193,849	727,862
Reserves	<u>31,360,332</u>	<u>9,910,223</u>	<u>1,821,915</u>	<u>474,013</u>	<u>282,250</u>	<u>43,848,733</u>

b) Prior year

As restated	Designated	Endowment	Endowment	Restricted	Unrestricted	Total funds
	£	(Restricted)	(Unrestricted)	£	£	£
Tangible assets	5,894,705	-	900,870	-	87,276	6,882,851
Heritage Assets	23,145,984	-	-	-	-	23,145,984
Investments	-	9,521,330	904,134	-	-	10,425,464
Net current assets	60,000	-	-	435,994	(48,794)	447,200
Reserves	<u>29,100,689</u>	<u>9,521,330</u>	<u>1,805,004</u>	<u>435,994</u>	<u>38,482</u>	<u>40,901,499</u>

20) Movements in funds**Current year:****a) Endowment funds**

A - Endowment funds	At 1 April 2021 As restated	Income & gains	Expenditure & losses	Transfers	At 31 March 2022
<u>Endowment by donor stipulation</u>					
Appeal Fund	1,679,067	68,581	-	-	1,747,648
HLF Catalyst	2,069,272	84,518	-	-	2,153,790
The Monument Trust	5,772,991	235,794	-	-	6,008,785
	9,521,330	388,893	-	-	9,910,223
<u>Endowment by trustee designation</u>					
JM Fund	1,805,004	36,930	(20,019)	-	1,821,915
Total endowment funds	11,326,334	425,823	(20,019)	-	11,732,138

b) Restricted funds:

B - Restricted funds	At 1 April 2021 As restated	Income & gains	Expenditure & losses	Transfers	At 31 March 2022
Collection Management	60,712	2,250	(7)	-	62,955
Public Programme	9,599	905	(1,237)	805	10,072
Exhibition	7,298	116,190	(113,697)	41,685	51,476
Organisational Development	358,385	1,291,902	(8,875)	(1,291,902)	349,510
Total restricted funds	435,994	1,411,247	(123,816)	(1,249,412)	474,013

c) Unrestricted funds

(1) Designated funds	At 1 April 2021 As restated	Income & gains	Expenditure & losses	Transfers	At 31 March 2022
Building					
ACE Small Capital Works	143,813	-	(39,498)	220,285	324,600
New Wing	5,185,416	-	(189,199)	-	4,996,217
No 7 North Pallant	-	-	(34,000)	1,700,000	1,666,000
Print Room Island	21,245	-	(3,035)	-	18,210
Subtotal	5,350,474	-	(265,732)	1,920,285	7,005,027
Collection Management					
Acquisitions Fund	604,231	-	-	31,466	635,697
Heritage Assets Fund	23,145,984	573,624	-	-	23,719,608
Subtotal	23,750,215	573,624	-	31,466	24,355,305
Total designated funds	29,100,689	573,624	(265,732)	1,951,751	31,360,332
(2) General funds	38,482	2,472,729	(1,526,622)	(702,339)	282,250
Total unrestricted funds	29,139,171	3,046,353	(1,792,354)	1,249,412	31,642,582
Total funds	40,901,499	4,883,423	(1,936,189)	-	43,848,733

The narrative to explain the purpose of each fund is given at the foot of the note below.

Prior year:**a) Endowment funds**

	At 1 April 2020 As restated	Income & gains	Expenditure & losses	Transfers	At 31 March 2021
A - Endowment funds					
<u>Endowment by donor stipulation</u>					
Appeal Fund	1,320,694	308,170	-	50,203	1,679,067
HLF Catalyst	1,690,014	379,786	-	(528)	2,069,272
The Monument Trust	4,692,875	1,059,553	-	20,563	5,772,991
	<u>7,703,583</u>	<u>1,747,509</u>	<u>-</u>	<u>70,238</u>	<u>9,521,330</u>
<u>Endowment by trustee designation</u>					
JM Fund	1,444,194	165,942	(20,019)	214,887	1,805,004
	<u>1,444,194</u>	<u>165,942</u>	<u>(20,019)</u>	<u>214,887</u>	<u>1,805,004</u>
Total endowment funds	<u>9,147,777</u>	<u>1,913,451</u>	<u>(20,019)</u>	<u>285,125</u>	<u>11,326,334</u>

b) Restricted funds:

	At 1 April 2020 As restated	Income & gains	Expenditure & losses	Transfers	At 31 March 2021
B - Restricted funds					
Collection Management	71,668	39,575	(27,600)	(22,931)	60,712
Public Programme	9,220	780	(401)	-	9,599
Exhibition	7,006	66,765	(85,169)	18,696	7,298
Organisational Development	364,198	-	(5,813)	-	358,385
	<u>442,092</u>	<u>107,120</u>	<u>(118,983)</u>	<u>(4,235)</u>	<u>435,994</u>
Total restricted funds	<u>452,092</u>	<u>107,120</u>	<u>(118,983)</u>	<u>(4,235)</u>	<u>435,994</u>

c) Unrestricted funds

(1) Designated funds	At 1 April 2020 As restated	Income & gains	Expenditure & losses	Transfers	At 31 March 2021
Building					
ACE Small Capital Works	118,063	-	(17,469)	43,219	143,813
New Wing	5,374,615	-	(189,199)	-	5,185,416
No 7 North Pallant	-	-	-	-	-
Print Room Island	24,280	-	(3,035)	-	21,245
Subtotal	5,516,958	-	(209,703)	43,219	5,350,474
Collection Management					
Acquisitions Fund	548,335	-	-	55,896	604,231
Heritage Assets Fund	19,039,167	4,106,817	-	-	23,145,984
Subtotal	19,587,502	4,106,817	-	55,896	23,750,215
Total designated funds	25,104,460	4,106,817	(209,703)	99,115	29,100,689
(2) General funds	375,227	1,273,227	(1,229,967)	(380,005)	38,482
Total unrestricted funds	25,479,687	5,380,044	(1,439,670)	(280,890)	29,139,171
Total funds	35,079,556	7,400,615	(1,578,672)	-	40,901,499

Endowment funds represent assets that either the donors required or the trustees have decided should be set aside from donations received by the Gallery in order to generate income. Income arising on the endowment funds can usually be used in accordance with the objects of the Gallery and is included as unrestricted income. Any capital gains or losses arising on the assets would normally be reinvested. The funds include a revaluation reserve on the unrealised growth in the investment value, as is detailed in note 13.

Restricted funds represent the net assets attributed to specific activities or projects that the Gallery undertakes. In some instances, the Gallery has received a donation from one or more source that has stipulated that the funds should only be applied for a specific activity. In other cases, in particular with the individual exhibition restricted fund accounts, there are no such donations, or formal restrictions or the donations fall short of what is required and has been made good by a transfer from general reserves. The approach taken is still to show these as individual restricted funds so as to report separately on their outcomes. During this particular year, as detailed in note 2, the Gallery received donations towards the cost of purchasing No 7 North Pallant, which have been included as restricted fund income reflecting the restrictions on use, and then the funds transferred to the unrestricted designated fund specifically set aside for permanently holding this property once the purchase happened and those conditions were fulfilled.

Designated funds represent items of artwork or building assets, which have either been gifted to the Gallery or to the extent they have been acquired through grants and donations for that purpose.

The funds serve to set aside the value of those assets from general unrestricted funds to reflect that they are not available for ongoing activities.

21) Prior year adjustment

During 2018, the Gallery was awarded an Arts Council England grant facility as a contribution towards its costs of its wider capital project that was being planned at the time. The award involved the Gallery incurring qualifying expenditure of up to the £300k in the period up to 31 March 2021 and claiming reimbursement from the facility.

The programme had only just commenced when it was suspended due to Covid restrictions. Due to this and significant changes in the overall capital project, relevant expenditure had been incurred at the time of finalising the 2019/20 and 2020/21 accounts where it was not certain that it would be possible to claim on the facility, as the original terms and timing of the award had not been met. Furthermore, it was uncertain at the time whether the scale and longevity of the expenditure would qualify it to be regarded as capital in nature. Consequently, the expenditure was mostly entered into those accounts either as revenue expenses or as capital expenditure not subject to a restricted fund facility but funded from internal reserves. The accounts included £20k of accrued grant income of which £9k had been actually claimed and paid.

Subsequently, the Gallery was successful in obtaining an extension in the completion deadline to 31 March 2022 and was able to complete sufficient of the remaining work during 2021/22 at a total overall cost of £394k to enable it to make a claim on the remaining facility. Consequently, these accounts contain accrued income for the balance of £280k, of which £260k has been received and £31k is subject to consideration of our final report.

As a result of this outcome, the accounts for 2019/20 and 2020/21 are being restated to reflect firstly the capitalisation of the entire £394k expenditure at the time it was incurred and the consequent amended depreciation charge. The impact for the two previous years is shown below.

Accounts for 2020/21

	Unrestricted £	Restricted £	Endowment £	Total £
Reserves position As at 31 March 2021				
Funds previously reported	29,126,228	343,246	11,326,334	40,795,808
Adjustments on restatement				
Movement following capitalisation of previously expensed costs	-	105,691	-	105,691
Change in transfers as a result of capitalising costs in prior year	12,943	(12,943)	-	-
Funds restated	29,139,171	435,994	11,326,334	40,901,499
Impact on income and expenditure For the year ended 31 March 2021				
Net movement in funds as previously reported	3,651,101	(21,110)	2,178,557	5,808,548
Movement in expenditure due to capilisation of items expensed in the prior year	-	13,395	-	13,395
Change in transfers as a result of capitalising costs in prior year	8,383	(8,383)	-	-
Net income/ (expenditure) as restated	3,659,484	(16,098)	2,178,557	5,821,943

Accounts for 2019/20

	Unrestricted £	Restricted £	Endowment £	Total £
Reserves position As at 31 March 2020				
Funds previously reported	25,475,226	364,256	9,147,777	34,987,261
Adjustments on restatement				
Movement following capitalisation of previously expensed costs	-	92,295	-	92,295
Change in transfers as a result of capitalising costs in prior year	4,461	(4,459)	-	-
Funds restated	25,479,687	452,092	9,147,777	35,079,556
Impact on income and expenditure For the year ended 31 March 2020				
Net movement in funds as previously reported	912,652	(114,868)	(2,466,030)	(1,668,246)
Movement in expenditure due to capilisation of items expensed in the prior year		92,295	(1)	92,306
Change in transfers as a result of capitalising costs in prior year	520	(520)	-	-
Net income/ (expenditure) as restated	913,184	(23,093)	(2,466,031)	(1,575,940)

22) Operating lease commitments payable as a lessee

The charity and group's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Property		Equipment	
	2022 £	2021 £	2022 £	2021 £
Less than one year	39,000	39,000	-	-
One to five years	78,000	117,000	-	-
Over five years	-	-	-	-
	<u>117,000</u>	<u>156,000</u>	<u>-</u>	<u>-</u>

The figures shown for the property commitments are contained within a lease for the land and buildings at 8-9 North Pallant, Chichester, which expires on 31 March 2025. The Gallery does receive the benefit of a concession rent, which would mean the amounts that will be paid are lower than this.

23) Operating lease commitments receivable as a landlord

The group is due to receive the following amounts under non-cancellable operating leases:

	Property	
	2022 £	2021 £
Operating lease commitments receivable as a lessor		
Less than one year	28,000	28,000
One to five years	-	28,000
Over five years	-	-
	<u>28,000</u>	<u>56,000</u>

The amounts shown refer to the bookshop and restaurant concession rent and contain a projection of the rent that will be received based on turnover. The contractual minimum rents total £28k annually until 2022.

24) Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £10.