

THE
HARLEY
FOUNDATION

ANNUAL REPORT & FINANCIAL STATEMENTS

Year Ended 31st March 2021

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LEGAL AND ADMINISTRATIVE INFORMATION

Charity Name:	The Harley Foundation
Charity Registration number:	276611
Registered Office and operational address:	Portland Estate Office Worksop Nottinghamshire S80 3LT
Trustees:	Mr W H M Parente Ms D M A Parente Mr R J Brown Mrs Z Caldecott Mr M Fullerlove
Senior Management:	Ms Lisa Gee Director
Curatorial Advisory Group:	Mr M Hall Mrs K Hearn (Chair) Ms H Obee Mr H Wyndham
Auditors:	Dixon Wilson Audit Services LLP 22 Chancery Lane, London WC2A 1LS
Bankers:	Svenska Handelsbanken Ab. Cumberland House, Park Row Nottingham, NG1 6EE
Solicitors:	Latimer Hinks 5-8 Priestgate, Darlington Co. Durham, DL1 1NL
Investment Managers:	CCLA Investment Management Limited Senator House, 85 Queen Victoria Street London, EC4V 4ET

WHO WE ARE AND WHAT WE DO

The Harley Foundation was set up in 1978 by the late Duchess of Portland to encourage creativity and to help maintain traditional craft skills. Today we aim to help more people access and enjoy the visual arts and to help artists and makers to continue to create.

Vision	To encourage people to enjoy the visual arts and crafts.
Mission	To create spaces where the imagination can flourish, and be enjoyed.
Activities	<p>To spark creativity by bringing the old and the new face to face through public exhibitions in the Harley Gallery and the Portland Collection gallery.</p> <p>To celebrate the handmade through exhibitions, events, and studio spaces.</p> <p>To offer artists and makers spaces to create and sell their work.</p>

Admission to both galleries is free.

At the Harley Studios we provide subsidised workspaces and special schemes of support for individual artists and makers.

The Harley Gallery has three exhibition spaces. The exhibition spaces show the work of contemporary artists and makers through a varied programme which changes five times annually. The Gallery has an annual programme of events for adult visitors, families, schools and children. The Gallery Shop sells work from around 250 makers and craftspeople from across the UK.

The Portland Collection Gallery shows fine and decorative arts from the Portland Collection.

The Harley Foundation receives an annual income from the investment of the gifts made by the late Duchess of Portland in 1978 and from the late Lady Anne Bentinck in 2010. In addition the Foundation raises income from studio licence fees, grant funding for particular projects and via its trading subsidiary from the Harley Gallery shop, events and café.

ACTIVITIES REPORT

Activities

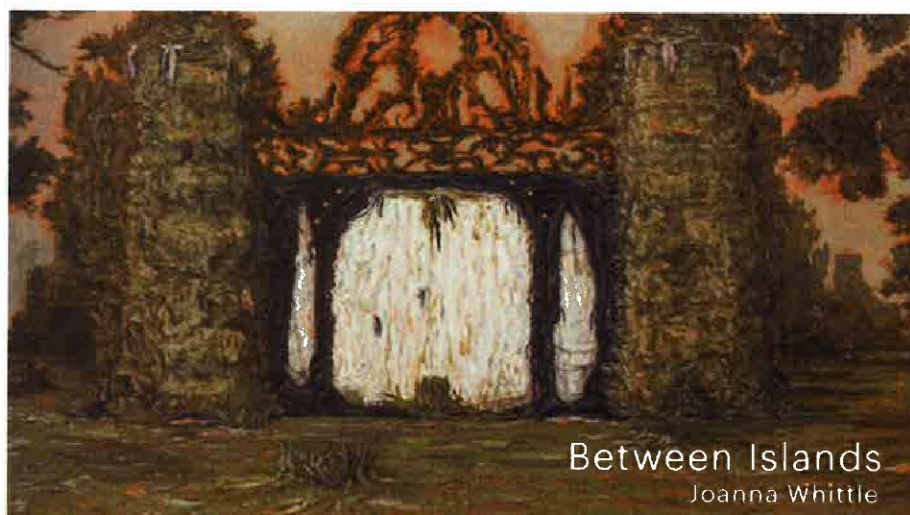
Our mission to create spaces where creativity can flourish remained in place, as did our commitment to engaging with as broad a range of visitors as possible. Despite both our galleries being closed for much of 2020-21, we moved our events programme online and also offered an online shopping facility.

Portland Collection

The Portland Collection gallery was closed for the majority of the year. We made the difficult decision to close on Mondays and shorten daily opening hours to 6 hours daily, 10 – 4pm.

Harley Gallery

The Harley Gallery exhibitions were closed for the majority of the year. We were able to open for our Open Exhibition Summer 2020 and also the exhibition *Between Islands*, a solo exhibition of work by Joanna Whittle, with funding from Arts Council England. Harley Gallery Trading developed an online shop offer during lockdown 3.



Grants

The John Hemingway Trust continued to provide a £10,000 grant for work to develop ways of embedding creativity across the primary school curriculum. This year the grant was spent on disseminating Lift Off! The Harley Art Framework which provides developmental guidelines and art lesson ideas across the 3 to 11 age range. This is available through the Harley website and other educational websites.

Public Benefit

Free monthly gallery talks moved online in November and have attracted audiences from across the UK and beyond. These are recorded and available to view through the Harley website.

Artist Studios

Our 22 artist studios remain a full and busy community. The studios range in size and offer space to over 30 artists at greatly subsidised rates. Current occupants this year:

Restoration

The Glass Repository

Goetze Gwynn - Organ Restoration

Ross Alcock - Clock Restorer

Mark and Diana Roberts - Painting Conservation

Fiona Hutchinson - Ceramic Restoration

Geoff Tinniswood - Keyboard Restoration

Visual Arts

Michelle Reader - Sculptor

Phil Neal - Sculptor

Steve Handley - Sculptor

Hilary Bower - Textile Artist

Louise Asher - Textile Artist

Louise Presley - Textile Artist

Julian Bray - Artist

Lauren Geoghegan - Ethical fashion designer

Craft and Design

Laura Baxter - Jeweller

Natalie Harris - Jeweller

Janie Withers - Textile Design

Ruth Waller and Lee Hewitt - Textile Designers

Richard Hartley - Guitar maker

Lynne Stanniland - Potter

Rachel Wood - Potter

Kyra Cane - Potter

Simon Mount - Furniture Maker

Education

Our gallery education programme did not run as a result of the pandemic. Monthly Art Clubs were also closed.

We work in partnership with Bassetlaw and Mansfield MIND and their weekly sessions continued when they were able.

The Lift Off Art Framework was designed to be offered as a digital download and has been available since October 2020. It provides developmental guidelines, ideas and activities across the 3 to 11 age range and aims to promote the sustainability of creative education in primary schools.

The Lift Off Project has been instrumental in helping us improve the skills of our staff in teaching art and it has also meant that children have an excellent art curriculum, that teaches them the skills they need to enjoy creating their own work. Children also have a broader understanding of art and they appreciate the work of their peers and other artists. The benefit of being part of the project will be experienced for many years to come.

George Huthart, Headteacher Norbridge Academy

TRUSTEES' REPORT

The Trustees present their report and audited financial statements for the year ended 31 March 2021. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's Trust Deed, the Charities Act 2011 and the Charities SORP (FRS 102).

Structure, Governance and Management

The full name of the unincorporated charity is 'The Harley Foundation' ("Foundation"). The Foundation is governed by a Trust Deed dated 11 September 1978 and various supplemental deeds. The Foundation's registered office address and current Trustees are listed on page 3.

The Foundation has a wholly-owned subsidiary, Harley Gallery Trading Limited, a private company limited by share capital, company number 08083700. The subsidiary carries on trading activities under the direction of the Trustees and senior management.

Recruitment and Appointment of Trustees

Trustees are appointed by unanimous formal resolution of the Board of Trustees. The Trustees have the power to add, amend, replace or revoke all or any of the powers conferred on them by the Trust Deeds provided that no exercise of that power shall affect the objects of the Foundation.

Trustee Induction and Training

Potential Trustees meet with the Director and Chair of Trustees for a discussion about the work of the Harley Foundation and the interaction between staff and Trustees. They are invited to join us for a full Trustee Meeting and to meet with other Trustees. Once Trustees have joined, they are given a full information pack with information about current work projects, the mission statement and future plans. They then spend time with gallery staff, key stakeholders and partners. All new Trustees are given appropriate Charity Commission documents relating to good practice for Charity Trustees.

Risk Management

The Trustees have examined the major risks to which the Foundation is exposed. Financial sustainability is the major financial risk for both the Foundation and its subsidiary. A key element in the management of financial risk is a regular review of available liquid funds to settle debts as they fall due. In particular, the Foundation's investments are monitored to ensure sufficient funds are generated to provide working capital for the Foundation and its subsidiary company. There are also non-financial risks arising from health and safety of staff, clients and visitors to the gallery. Procedures are in place to manage these risks, and these procedures are periodically reviewed to ensure that they continue to meet the requirements of the Foundation.

COVID 19

As a charity whose main source of income is from its endowment, the financial impact of closure has been relatively limited. Income from the trading subsidiary stopped but has now resumed, and the investment portfolio has proved resilient.

The main impact of the pandemic has been on the ability of the Foundation to deliver its objectives. In particular the Harley Gallery and Portland Collection had to close for 9 months of the year during lockdowns. The lack of trading was mitigated by government grant aid from Local Business Support Grants and small business rate relief. Notwithstanding the closure of the galleries, the artist studios continued to be used and wherever possible we shifted to online activities for education, events and retail.

Curatorial Advisory Group

The Curatorial Advisory Group considers the display of works from the Portland Collection in the Foundation's galleries. The terms of reference of the group are to offer advice and oversight of proposed exhibitions of the Portland Collection, to propose likely academic links and partnerships and to advise on best practice with regard to interpretation and display matters. Members to the Group are appointed for a 3-year term which may be extended. The Curatorial Advisory Group is made up of leading art historians and curators and the members of the group are listed on page 3.

Objectives and Activities

The Foundation's objects as set out in the Trust Deeds are:

- The advancement of public education particularly in arts and crafts and the improvement of public taste therein;
- The promotion and assistance in the promotion of training, apprenticeship, instruction and education of persons in the United Kingdom in the practice and performance of arts and crafts;
- Such other charitable objects for the advancement of education as the Trustees not being less than three in number shall from time to time by deed or deeds executed with their unanimous consent declare.

The Foundation's principal activities in pursuance of its objectives are:

- The maintenance of the Harley Gallery as a premier location in Nottinghamshire for the promotion of exhibitions of art and craft, and as a venue for the holding of courses for school children and adult learners;
- The maintenance of the Portland Collection gallery for the display of historic fine and decorative arts from the Portland Collection. The displays are semi-permanent and change every 33 months;
- The provision of subsidised workshops for craftspeople to encourage training and preservation of art and craft skills. The Foundation gives encouragement to artists to display and sell their work at the Gallery and elsewhere;
- The grant of sponsorship and bursaries in support of the educational role of the Foundation, and;
- The Foundation aims to attract at least 90,000 visitors per annum to the Harley Gallery and maximise the occupancy of its craft workshop, as well as maximising the opportunities it can offer to support and promote arts and crafts.

Information on the Foundation's activities during the year is given on pages 5 to 6.

Public Benefit Statement

The Trustees, having regard to the Public Benefit guidance published by the Charity Commission in accordance with section 17 of the Charities Act 2011, consider that the purpose and activities of the charity satisfy the requirements of the public benefit test set out in section 4 of the same Act.

Financial Review

A summary of the Foundation's results for the year are as set out in the Statement of Financial Activities on page 15. 100% (2020: 100%) of the Foundation's expenditure related to its key charitable objectives.

The Foundation's total outgoing resources this year were £865,628 (2020: £1,122,703) which has been funded through income generated from the Foundation's charitable activities of £92,248 (2020: £107,265), investment income of £190,969 (2020: £126,665), donations of £34,961 (2020: £36,674) and other income of £95,506 (2020: nil) leaving a deficit for the year of £451,944 (2020: £852,099 deficit). There were also net profits arising on the Foundation's fixed and current asset investments in the year amounting to £3,621,815 (2020: net loss £829,861), resulting in total unrestricted funds carried forward of £24,536,584 (2020: £21,366,713).

Post Balance Sheet Events

After the year end, the Foundation sold a painting for £4,520,000.

Principal Funding Sources

The principal sources of funding for the Foundation are income and gains generated by its investments, supplemented by income generated by Harley Gallery Trading Limited, grants from third parties and license fees paid by the occupants of the craft workshops.

Investment Policy

The Trustees have adopted a balanced investment approach with the view of achieving a long term total return through a mixture of property and equity investments. Details of the Foundation's current investments in agricultural land and equities are set out in note 9 of the financial statements.

The Foundation's equity investments were reallocated during the year to COIF Charities Investment Fund Income Units, managed by CCLA Investment Management Limited, an investment company regulated by the Financial Conduct Authority. The Fund's investment objective is to maximise its total return from a diversified portfolio, mainly of equities, spread across global markets principally through securities and shares in collective schemes but also through money market instruments, deposits and cash or near cash investments. No emphasis is placed on any particular economic, industrial or geographical sector. The fund has a focus on total return rather than high yield and the Trustees plan to sell units to provide funds to subsidise the Foundation's charitable activities.

The Foundation's tradeable investments showed a revaluation gain of £1,894,201 (2020: loss of £338,096) with stock markets around the world rebounding in value after the lows reached in Q1 2020 when the COVID-19 pandemic first hit.

The value of the Foundation's agricultural land was unchanged in the year, following significant market uncertainty in 2020 due to the pandemic, which saw a decrease of £555,000 last year. Overall, the value of the Foundation's investments increased by 12% (2020: 14% decrease).

Reserves Policy

The Trustees, having reviewed the future commitments of the Foundation, are of the opinion that the funds and investments held at the year end are necessary to produce income and gains to supplement that generated from its charitable activities in order to maintain the normal operations of the Foundation, to cover ongoing costs of maintaining and operating the gallery and workshops, and to continue the educational activities of the Foundation.

The Trustees are confident that the Foundation has the financial resources to continue to further its charitable objectives outlined above.

Senior management

Matters of strategy are agreed by the Trustees whilst day to day management including decisions involving the execution of strategy are delegated to the senior management. The pay of key management personnel is reviewed annually. The review considers pay in the sector, the general economic environment and personal performance.

Responsibilities of the Trustees

The Trustees are responsible for preparing the Report of the Management Committee and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales 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 charity and of the incoming resources and application of resources of the charity 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the Foundation and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Trust Deeds. They are also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

So far as each Trustee is aware, there is no relevant information that has not been disclosed to the Foundation's auditors and each Trustee believes that all steps necessary have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Foundation's auditors have been made aware of that information.

This report has been prepared in accordance with the Charities SORP (FRS 102).

Approved by the Board of Trustees on **30/11/2021** and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'W. Parente.', with a horizontal line underneath the signature.

W H M Parente

Trustee

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of The Harley Foundation (the 'charity') for the year ended 31 March 2021 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2021 and of its incoming resources and application of resources, for the year the ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity'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 annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 10, the trustees 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 charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the charity by considering, among other things, the sector in which it operates and considered the risk of acts by the charity that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the assessed level of risk, but recognised that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, intentional misrepresentations, or through collusion.

We focused on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to UK Charity Law. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and reviewing correspondence with the Charity Commission.

As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud.

A further description of our responsibilities for the audit of the financial statements is located 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 charity's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Dixon Wilson Audit Services LLP

Dixon Wilson Audit Services LLP, Statutory Auditor

22 Chancery Lane

London

WC2A 1LS

Date: 16/12/2021

Dixon Wilson Audit Services LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted funds 2021		Unrestricted funds 2020	
		£	£	£	£
Income					
Donations and legacies		34,961		36,674	
Investment income	2	190,969		126,665	
Charitable activities					
- Galleries	3	31,738		47,424	
- Craft workshops	3	60,510		59,841	
Other income	6	95,506		-	
Total income			413,684		270,604
Expenditure					
Raising funds					
- Investment management fees	2	2,860		2,305	
Charitable activities					
- Galleries	3	850,032		1,096,693	
- Craft workshops	3	12,736		22,811	
- Grants	3	-		894	
Total expenditure			(865,628)		(1,122,703)
Net gains/(losses) on investments			3,621,815		(829,861)
Net income and net movement in funds			3,169,871		(1,681,960)
Reconciliation of funds					
Total funds brought forward			21,366,713		23,048,673
Total funds carried forward			24,536,584		21,366,713

BALANCE SHEET

	Notes	2021	2020
		£	£
Fixed Assets			
Tangible fixed assets	7	6,519,105	6,703,844
Heritage assets	8	-	3,000,000
Investments	9	12,368,333	11,044,232
		<hr/>	<hr/>
Total fixed assets		18,887,438	20,748,076
Current assets			
Debtors	10	234,476	144,079
Current asset investments	11	4,704,650	87,650
Cash at bank and in hand		811,357	686,290
		<hr/>	<hr/>
Total current assets		5,750,483	913,019
Creditors: Amounts falling due within one year	12	<hr/> (101,337) <hr/>	<hr/> (299,382) <hr/>
Net current assets		<hr/> 5,649,146 <hr/>	<hr/> 618,637 <hr/>
Total assets less current liabilities and net assets		<hr/> 24,536,584 <hr/>	<hr/> 21,366,713 <hr/>
Funds of the charity			
Unrestricted funds		<hr/> 24,536,584 <hr/>	<hr/> 21,366,713 <hr/>

Approved by the Board of Trustees on and signed on its behalf by:



W H M Parente
Trustee

The notes on pages 17 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and in accordance with applicable accounting standards and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP (FRS 102)) (effective 1 January 2019). The financial statements have been rounded to the nearest £.

The Foundation is not required to produce consolidated accounts because it is within the relevant threshold.

1.2 Fund structure

The Foundation was created by the Most Noble Ivy Duchess of Portland by Trust Deed dated 26 January 1978 as a single charitable fund with the Trustees having the power to hold the capital and income of the trust fund in trust to apply the same as they shall at their absolute discretion think fit.

By Deeds of Variation of the Will of Lady Anne Bentinck dated 27 November 2010 and 26 December 2010, various paintings and works of art were bequeathed to the Foundation to hold as part of the single charitable fund on the terms set out above.

1.3 Incoming resources/resources expended

Income and expenditure is recognised on an accruals basis. The following specific policies are applied to particular categories of:

Income

- Dividend income is recognised when the security is quoted ex-dividend.
- Incoming resources from charitable trading activities are accounted for when earned, rental income is accounted for in the period to which it relates.
- Grants and donations are recognised once the charity is entitled to receive them and there is sufficient evidence that any attached conditions will be met.

Expenditure

- All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource.

1.4 Tangible fixed assets

Equipment purchased for use in the craft workshops and gallery office equipment is capitalised and depreciated by equal instalments over a five year term.

The Portland Collection building is depreciated by equal instalments over a 50 year period, while the fixtures and fittings are depreciated in equal instalments over a 20 year period. The Harley Gallery and the craft workshops have been fully depreciated.

Capital expenditure incurred on improving leasehold property is capitalised and included as fixed assets. It is then depreciated by equal instalments over the length of the lease.

Exhibits purchased for the Harley Gallery are charged in the year they are purchased as a direct cost in accordance with the accounting practice adopted by Museums.

Heritage assets comprised a single painting of particular artistic and historic value which was previously held principally for its contribution to knowledge and culture. It was stated at cost, being the market value at the time the painting was gifted to the Trustees. During the year, the Trustees decided to sell the painting and it was transferred to current asset investments (see note 1.6).

1.5 Fixed assets investment and investment income

The Foundation's freehold interests in farm land and buildings are included as investment properties. These properties are revalued annually and are included in the Balance Sheet at their open market value (fair value) in accordance with FRS 102.

Investments listed on a recognised Stock Exchange and other ready realisable investments are valued at their mid-market price prevailing at the Balance Sheet date. Profits or losses on sales of investments and net gains on revaluation of investments are credited to the Statement of Financial Activities.

Investments in subsidiaries are included at cost less provision for impairment.

1.6 Current asset investments

Current asset investments are held at the Trustees' best estimate of market value. Realised and unrealised gains and losses are included in the Statement of Financial Activities.

1.7 Cash flow statement

The Trustees have taken advantage of the exemptions for small enterprises under Charities SORP (FRS 102) from preparing a cash flow statement with these financial statements.

1.8 Taxation

As a charity, The Harley Foundation is exempt from tax on income and gains falling within part 10 of the Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the Foundation.

1.9 Key sources of estimation uncertainty

The valuation of investment property and the works of art held as current asset investments are sources of estimation uncertainty, as these are subjective and liable to change due to demand and market conditions. The carrying amounts are detailed in notes 8 and 10.

1.10 Government grants

Government grants are recognised in other operating income in the period in which the company is entitled to receive payment.

2 Investment income

	2021 £	2020 £
Income from tradeable investment	103,323	38,763
Rent receivable	87,109	87,136
Interest receivable	447	766
Touring exhibition fees	90	-
	<u>190,969</u>	<u>126,665</u>

Investment management fees totalling £2,860 (2020: £2,305) relate to the Foundation's investment property.

3 Analysis of Charitable income and expenditure

	Galleries £	Craft workshops £	Grants £	Total £
Year ended 31 March 2021				
Income				
Sales and charges	18,555	60,510	-	79,065
Grants and donations	13,183	-	-	13,183
	<u>31,738</u>	<u>60,510</u>	<u>-</u>	<u>92,248</u>
Expenditure				
Direct costs	(42,019)	-	-	(42,019)
Staff costs	(286,422)	(4,505)	-	(290,927)
Premises costs	(155,844)	(8,231)	-	(164,075)
Depreciation	(218,359)	-	-	(218,359)
Other costs	(147,388)	-	-	(147,388)
	<u>(850,032)</u>	<u>(12,736)</u>	<u>-</u>	<u>(862,768)</u>
Net (deficit)/surplus for the year	<u>(818,294)</u>	<u>47,774</u>	<u>-</u>	<u>(770,590)</u>
Year ended 31 March 2020				
Income				
Sales and charges	23,443	59,841	-	83,284
Grants and donations	23,981	-	-	23,981
	<u>47,424</u>	<u>59,841</u>	<u>-</u>	<u>107,265</u>
Expenditure				
Direct costs	(136,632)	-	(894)	(137,526)
Staff costs	(324,204)	(7,430)	-	(331,634)
Premises costs	(242,236)	(15,381)	-	(257,617)
Depreciation	(208,256)	-	-	(208,256)
Other costs	(185,365)	-	-	(185,365)
	<u>(1,096,693)</u>	<u>(22,811)</u>	<u>(894)</u>	<u>(1,120,398)</u>
Net (deficit)/surplus for the year	<u>(1,049,269)</u>	<u>37,030</u>	<u>(894)</u>	<u>(1,013,133)</u>

4 Support and governance costs

	2021 £	2020 £
Auditor's remuneration		
Fee payable to the auditor for the audit of the financial statements	6,000	5,900
Fees payable to the auditor for other services	<u>4,200</u>	<u>4,100</u>

The above costs are the only support and governance costs incurred during the year. The costs have been allocated to the Galleries' activity as the amount allocated to any other activities would be immaterial.

5 Staff costs

	2021 Number	2020 Number
Full time	2	6
Part time	15	13
	<u>17</u>	<u>19</u>
	2021	2020
Staff costs (for the above persons):	£	£
Wages and salaries	264,378	296,138
Social security costs	14,968	23,028
Pension costs	<u>11,581</u>	<u>12,468</u>
	<u>290,927</u>	<u>331,634</u>

During the year one employee (2020: one) received emoluments of between £70,000 and £80,000 and the Foundation made pension contributions of £7,375 (2020: £7,375) in respect of this employee.

The Foundation paid management fees to The Welbeck Estates Company Limited as detailed in note 13.

Key management personnel includes the director. The total emoluments of key management personnel of the Foundation was £75,025 (2020: £75,205).

6 Other income

	2021 £	2020 £
Insurance proceeds	5,332	-
Government grants	<u>90,174</u>	<u>-</u>
	<u>95,506</u>	<u>-</u>

7 Tangible fixed assets

	Leasehold Property £	Workshops & galleries £	Equipment £	Plant and machinery £	Total £
Cost					
At 1 April 2020	68,601	10,525,775	155,638	75,756	10,825,770
Additions	-	17,374	16,246	-	33,620
At 31 March 2021	68,601	10,543,149	171,884	75,756	10,859,390
Depreciation					
At 1 April 2020	6,331	3,976,071	130,257	9,267	4,121,926
Charge for the year	1,056	192,683	10,734	13,886	218,359
At 31 March 2021	7,387	4,168,754	140,991	23,153	4,340,285
Net book value					
At 31 March 2021	61,214	6,374,395	30,893	52,603	6,519,105
At 31 March 2020	62,270	6,549,704	25,381	66,489	6,703,844

8 Heritage assets - works of art

	2021 £	2020 £
Market value		
At 1 April 2020	3,000,000	3,000,000
Transferred to current assets (Note 11)	(3,000,000)	-
At 31 March 2021	-	3,000,000

A painting classified as a heritage asset was transferred to current asset investments during the year because the Trustees decided to sell the asset to enable the Foundation to better pursue its objectives. An unrealised gain of £1.5m is recognised during the year on revaluing the painting to the Trustees' best estimate of market value. The painting was subsequently sold after the year end for £4,520,000 (see note 15).

9 Fixed asset investments

	2021 £	2020 £
Freehold investment properties	4,100,000	4,100,000
Tradeable investment	8,138,333	6,744,132
Investment in subsidiary	130,000	200,100
	<u>12,368,333</u>	<u>11,044,232</u>

Freehold investment properties

Market value at 1 April 2020	4,100,000	4,655,000
Disposals - revalued amount	(180,714)	-
Revaluation gain/(loss) in the year	180,714	(555,000)
	<u>4,100,000</u>	<u>4,100,000</u>
Market value at 31 March 2021	4,100,000	4,100,000
	<u>784,131</u>	<u>784,131</u>
Historical cost at 1 April 2020 and 31 March 2021	784,131	784,131

The investment properties were valued by the trustees in consultation with an external real estate services provider.

	2021 £	2020 £
Tradeable investment		
Market value at 1 April 2020	6,744,132	8,053,980
Additions	8,229,984	-
Disposals—cost	(2,881,534)	(395,375)
Disposals—revalued amount	(5,848,450)	(576,377)
Revaluation gain/(loss) in the year	1,894,201	(338,096)
	<u>8,138,333</u>	<u>6,744,132</u>
Market value at 31 March 2021	8,138,333	6,744,132
	<u>8,229,984</u>	<u>2,881,536</u>
Historical cost at 31 March 2021	8,229,984	2,881,536

The Foundation's tradeable investment comprises a holding of 453,986 (2020 - nil) units in COIF Charities Investment Fund Income Units and nil (2020: 2,542,078) shares in The Ord Fund ICVC.

	2021 £	2020 £
Investment in subsidiary		
Historical cost at 1 April 2020	200,100	200,100
Provision for impairment	(70,100)	-
	<hr/>	<hr/>
Carrying value at 31 March 2021	130,000	200,100
	<hr/>	<hr/>

The investment in subsidiary represents a 100% holding in Harley Gallery Trading Limited, a company which carries out trading activities previously carried out by the Foundation (see also note 13).

10 Debtors

	2021 £	2020 £
Trade debtors	11,524	6,517
Other debtors	106,982	51,717
Prepayments and accrued income	115,970	85,845
	<hr/>	<hr/>
	234,476	144,079
	<hr/>	<hr/>

11 Current asset investments

	2021 £	2020 £
Works of art		
Market value at 1 April 2020	87,650	52,663
Transferred from fixed assets (Note 8)	3,000,000	-
Revaluation gain in the year	1,617,000	34,987
	<hr/>	<hr/>
Market value at 31 March 2021	4,704,650	87,650
	<hr/>	<hr/>

12 Creditors

	2021 £	2020 £
Trade creditors	4,406	13,807
Other creditors	23,157	36,549
The Welbeck Estates Company Limited	73,774	249,026
	<hr/>	<hr/>
	101,337	299,382
	<hr/>	<hr/>

13 Trustee remuneration and related party transactions

No Trustee received any remuneration or reimbursement for expenses in the period (2020: £nil).

Two of the Trustees are directors of The Welbeck Estates Company Limited ("the company"). During the period, the Foundation was charged £25,634 (2020: £27,869) in rent and £87,775 (2020: £104,479) in management charges and insurance costs. These transactions were carried out on an arms-length basis. The company also paid expenditure on behalf of the Foundation. The balance outstanding at the period end is shown in note 12.

The Harley Foundation owns 100% of the share capital of Harley Gallery Trading Limited ("the company"). During the period, the company paid rent of £9,455 (2020: £14,692) to the Foundation. The Foundation advanced loans to and paid expenses on behalf of the company of £204,528 (2020: £367,344). The Foundation received funds on behalf of and repayments from the company of £149,262 (2020: £338,329). The company also made a donation to the Foundation of £34,961 (2020: £36,674). At the balance sheet date the amount due from the company was £107,521 (2020: £53,762).

14 Financial instruments

	2021 £	2020 £
Financial assets that are tradeable investments measured at fair value through profit or loss	8,138,333	6,744,132
Financial assets that are debt instruments at amortised cost	929,865	744,525
Financial assets that are equity instruments measured at cost less impairment	130,000	200,100
Financial liabilities that are debt instruments measured at amortised cost	(97,022)	(293,791)
	<hr/>	<hr/>
	9,101,176	7,394,966
	<hr/>	<hr/>

15 Post balance sheet events

After the year end, the Foundation sold a painting that was held in current asset investments the year end. The sale proceeds received were £4,520,000 generating a gain on disposal of £20,000.

