

Charity Registration No. 1102435

Company Registration No. 5045130 (England and Wales)

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

PALLANT HOUSE GALLERY

CONSOLIDATED FINANCIAL STATEMENTS

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	J D S Booth DL, Chairman B Finucane QC Lady Nicholas Gordon Lennox LVO S Greenhalgh T E James Mrs J D Russell Ms T Slowe Ms A Rose OBE CMG Ms J Weeks Cllr P Dignum (Appointed 17 June 2016) C Martin (Appointed 9 December 2016) R Mavity (Appointed 23 September 2016)
Gallery directors	M Steene and S Martin (until 31 December 2016) S Martin (Acting Director 1 January - 28 February 2017) S Martin (from 1 March 2017)
Secretary	T E James
Charity number	1102435
Company number	5045130
Principal address	Pallant House 9 North Pallant Chichester West Sussex PO19 1TJ
Registered office	Pallant House 9 North Pallant Chichester West Sussex PO19 1TJ
Auditor	Jones Avens Limited Piper House 4 Dukes Court Bognor Road Chichester West Sussex PO19 8FX
Bankers	Barclays Bank plc 74/75 East Street Chichester West Sussex PO19 1HT

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CONSOLIDATED FINANCIAL STATEMENTS
TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2017

The trustees present their report and accounts for the year ended 31 March 2017.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Gallery's Memorandum and Articles of Association, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016)

Chair's statement

I am delighted to introduce our Trustees' Report and Financial Statements for the year to 31st March 2017. This has been a period of exciting changes in the life of the Gallery with three significant developments which will influence our future in a very positive way.

First was the granting of structural independence to our Outside In programme, developed with brilliant success over the last ten years by the Gallery's Executive Director, Marc Steene. It has become a charity in its own right and has already secured National Portfolio status and funding from Arts Council England. We will continue to have a close working relationship with Outside In and wish it every success in the years ahead. Marc Steene was thanked at a splendid dinner in the Garden Gallery for all that he had contributed to Pallant House in over fourteen years, especially in building so much of our community engagement activity and latterly as Co-Director.

The Trustees took the decision to revert to sole director leadership and after a thorough recruitment process attracting an international field of over thirty candidates were delighted to appoint Simon Martin as Director. We wish him well as he takes up his new role and are grateful for the years he has already given to Pallant House, culminating in his distinguished tenure as Artistic Director.

The year's third major development was our acquisition of the original Coach House of Pallant House. This is the best and most logical expansion of the Gallery's footprint and will provide exciting opportunities to add to our gallery, office and storage space. Work has commenced with architects to assess the best use of the building and we expect to refresh various other parts of the site as we integrate it into our existing premises.

In other respects it was business as usual: we continued to champion Modern British art, presenting three ground-breaking and varied programmes during the year. Rail strikes took their toll on visitor numbers and income has suffered accordingly, but the shows were received with significant critical acclaim, national and international. We also continued to lend works and to encourage greater national awareness of the collection and, assisted by the generosity of friends far and wide, we worked hard to improve its depth, breadth and quality.

As for many years now, we played our part in the social and cultural life of our neighbourhood, city and county in delivering numerous learning and community programmes to a wide and varied audience, improving the quality of life in Chichester and far beyond. This year our finances enabled us to introduce free entry for all students with valid ID and we were really pleased to widen access in this way.

As preparation to bid for renewed funding from Chichester District Council and Arts Council England we undertook studies into the economic and social impact of Pallant House Gallery to help provide evidence of the wider benefits we generate for the local community of Chichester and of what we contribute to the area's prosperity. The Economic Study carried out by BOP Consulting shows that the Gallery adds over £4.45 million to the local economy and creates 77 additional jobs in the district. I'm very happy to report that — despite pressure on their own budgets — both bodies have renewed our funding at similar levels to their past grants for four years. We are grateful to both for their robust and long term support which is so helpful to our strategic planning.

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The support of our Patrons and Friends, almost 4,000 in number, underpins all that we do and we remain ever grateful to them and to our major sponsors De'Longhi, Tooveys, whose generosity has been renewed again in 2016-7, and to all our other supporters.

Finally, my thanks go to the Gallery's hard working staff for coping so well during this year of change, to our almost 250 volunteers whose assistance in custodial, learning, guiding, marketing and promotional areas has been tireless and impressive, and to our Trustees who have been so heavily involved in bringing about all these new developments to ensure that good governance sustains all we do.

John Booth DL
Chair of the Board of Trustees
Pallant House Gallery

Objectives and activities

Pallant House Gallery opened in 1982 housed in Pallant House, a Queen Anne townhouse in the conservation area of the city of Chichester. Following a £8.6million building and refurbishment project, a new wing was built and the Gallery re-opened on 1 July 2006.

The primary objective of the charity as expressed in the Memorandum of Association is to generate public benefit by balancing a programme of diverse and challenging exhibitions and a socially inclusive learning and community programme with high attendances from a wide geographic and demographic spread. The charity owns all of the shares in its trading company that has been set up with limited liability.

The Gallery provides a unique combination of the Grade I listed historic townhouse and a contemporary gallery designed by Long & Kentish, in association with Prof Sir Colin St John Wilson. There is an impressive courtyard garden, designed by Christopher Bradley-Hole, and the Gallery was the first in the UK to have a geothermal 'green' heating and cooling system to reduce its reliance on fossil fuels.

The collection is one of the best 20th century British art collections in the world. The Gallery is home to an expanding collection of Modern British and contemporary art, temporary exhibitions, a library, a workshop and studio facilities, a restaurant and café, a shop, and a lecture room.

Public benefit

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 very real benefit from the experience. The Gallery seeks to be open and available to all and encourages participation by all. Core costs have to be met and therefore with reluctance the Gallery levies an admission charge. The admission charge is reduced on one day each week and in addition, there are occasional free days. The Gallery is open without charge on Thursday evenings. All children up to age 16 are permitted free entry, and during 2016 free admission was introduced for all students with valid ID. To ensure none are excluded the ground floor and courtyard garden are free of charge at all times.

The Gallery Directors, in consultation with Board and Committee members and staff, work closely in line with the Strategic and Business Plans agreed for the 2015-18 period.

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Vision and core values

To be a landmark art gallery inspiring the enjoyment and understanding of Modern British and contemporary art through our outstanding collection, exhibitions and innovative programmes by:

Consolidating and further expanding the collection

Mounting ground-breaking exhibitions

The fostering of the creative life and the expansion of its learning and community programmes

It is the mission of the Gallery to engage audiences with the best of Modern British, international, contemporary and outsider art. The Gallery cares for and interprets the collections, making them available for study and creative inspiration.

The Gallery's core values are:

To champion Modern British art

To be a leader in the field through the excellence of its activities

To be sustainable, socially responsible and environmentally friendly

To be inclusive and accessible to a wide audience

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Achievements and performance

Exhibitions

The Gallery's 2016/17 temporary exhibition programme was a success with a total of 61,217 visitors.

The programme included critically acclaimed major exhibitions such as *John Piper: The Fabric of Modernism*, *Christopher Wood: Sophisticated Primitive* and *The Mythic Method: Classicism in British Art 1920-1950*; and *Victor Pasmore: Towards a New Reality*.

In addition, there were a number of smaller exhibitions including The Bishop Otter Collection: A Celebration (a collaboration with the University of Chichester); Contemporary Abstract Prints: The Golder Thompson Gift; Ian Hamilton Finlay: Neoclassicism and Revolution and Transferences: Sidney Nolan in Britain.

The Outside In exhibition, *Radical Craft: Alternative Ways of Making* (in collaboration with Craftspace) celebrated ten years of Outside In, and has subsequently toured to several other UK venues, and coincided with an installation in the courtyard: *Yarnbombing: The Octopus Garden* produced during workshops facilitated by Outside In artist and ambassador Julia Oak.

There were a series of exhibitions in the De'Longhi Print Room including Helen Muspratt: Photographer; The British Landscape Tradition: From Gainsborough to Nash; Friedrich Nagler: Wunderkammer; Prints for the Pub: The Guinness Lithographs and Hans Feibusch: The Unseen Drawings, and The Woodcut: From Dürer to Now.

The Gallery held several exhibitions of new work by contemporary artists: Clare Woods and Des Hughes: The Sleepers (an exhibition of new paintings in response to key artworks in the Gallery's collection); and a related installation by Woods, entitled Lady Midnight, on the 18th century stairwell. There was also an installation of sculptures in the courtyard garden Laura Ford: Beauty in the Beast, Pippa Blake: Someone Who'll Watch Over me; and Pablo Bronstein: Wall Pomp, a wallpaper installation in response to the interiors of the 18th century house by the Argentinian artist. To mark the 10th anniversary of the building of the contemporary extension German artist Lothar Götz was commissioned to paint a mural Composition for a Staircase.

A series of small exhibitions were held in the Studio including Passion for Painting: William Lai; Studio Artists (showcasing community programme artists); People, Places and Partnership (showcasing two Partners in Art partnerships); Picture This (works by pupils of St Anthony's School, Jessie Younghusband and Westbourne Primary School; Triple Helix; a Community Programme Fundraising Exhibition; and Insight: A Collaborative Partnership.

The Gallery presented the exhibition *The Colony Room: Masterpieces from Pallant House Gallery* at Bonhams in October 2016 to coincide with Frieze London, featuring 18 works from the collection by artists including Michael Andrews, Frank Auerbach, Lucian Freud, and Richard Hamilton.

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Collections

There were a series of changing thematic collections displays throughout Rooms 1-11, including a focus on early John Piper; new acquisitions by Wilhelmina Barns-Graham; a display marking the centenary of Sussex-based painter Kit Barker; and a display of the Pat Roth Bequest of paintings by the Smith Brothers of Chichester.

The Gallery recruited a Librarian funded by the Dannatt Trust and completed its Accreditation return to Arts Council England so as to maintain its status as a registered museum.

43 items from the collection received conservation treatment, including 25 works on paper by Hans Feibusch, which had never previously been exhibited before *Hans Feibusch: the Unseen Drawings*,

Acquisitions and Long-term Loans

The Gallery acquired 51 new works in the period through donation and bequest:

The Peter Collymore Gift included 23 works by artists including Eileen Agar, Anthony Caro, Prunella Clough, Anthony Hill, Paul Nash, Pablo Picasso and Georges Roualt.

A group of 9 paintings by the 18th century Smith Brothers of Chichester (George, William and John Smith) were received through the Pat Roth Bequest.

Through the Golder – Thompson Gift the Gallery received 9 modern and contemporary prints including works by Ann Christopher, Allen Jones, Michael Rothenstein, Tom Hammick and Jane Harris.

A drawing by Stanley Spencer of George Carline was received through the Peter L. Molden Bequest and a painting by Kit Barker *The Dark Sea* (1958) was donated by Tom and Ros Barker.

Six significant new long-term loans from private collections included *Portrait of a Girl* and two other works by Lucian Freud, two late Walter Sickert paintings, and *Homework* by Milton Avery.

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Loans to other Venues:

The Gallery lent 68 works to 17 venues in the UK and internationally. These included Boughton House, Northamptonshire; Focal Point Gallery, Southend; Gagosian Gallery, London; Haus der Kunst, Munich; Kunstmuseum; J. Paul Getty Museum, Los Angeles; Modena Museet, Stockholm; Dorset County Museum, Tate Britain; Whitechapel Art Gallery, London; Wolfsburg; and Towner Eastbourne.

Works by Graham Sutherland, Duncan Grant, John Piper and Hans Feibusch were lent to the exhibition 'Sussex Modernism: Retreat and Rebellion' at Two Temple Place in London as part of the Sussex Modern partnership between nine Sussex museums and galleries.

Special events

Events in the period included talks by the Gallery's Artistic Director on *John Piper: The Fabric of Modernism* and *Modern Classicism in Britain*, and Curator Katy Norris on Christopher Wood, as well as leading art historians and writers including Stephen Bann, Prof Amy de la Haye, Orde Levinson, Emma Mason, Jovan Nicholson, Caron Penney, Dr Alan Powers, Prof Frances Spalding, Dr Francesco Ventrella, and Hugo Vickers. A series of in-conversation events with artists included Lothar Götz, Laura Ford, Alice Kettle, Clare Woods and Des Hughes.

The Free Open Weekend (previously the Family Open Day) held in the Spring was attended by over 1400 people.

The National Open Art Competition winners were shown at the Gallery in December 2016.

The Co-Directors took part in various external events, panel discussions and international symposiums on behalf of the Gallery. The Artistic Director took part in the Chichester Cathedral Fabric Advisory Committee and the Special Collections and Archives Committee of the University of Chichester.

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Learning and Community Programme

The Gallery's learning and community programme continued its work supporting its local community to engage with the Gallery, its collections and exhibitions. Particular highlights of the year were:

Following a comprehensive review of the School's Programme in consultation with our Teacher's Advisory Group, a new programme was produced with four new themes that relate to cross-curricular activities that can be explored both in the gallery and back in the school environment.

Teachers CPD

The Gallery provided a range of CPD sessions for teachers, including the launch of the Picture This project, guided tours and exhibition packs introducing the gallery's three temporary exhibitions and the Schools Programme launch. A total of 99 teachers took part in these CPD sessions.

Picture This

The 2016 'Picture This' work selected from the collection was Victor Willing's *Night*, with creative workshops by pupils from St Anthony's School, Jessie Younghusband School and Westbourne Primary Schools. In total 350 pupils and 15 teachers took part in this project.

Arts Awards

As an Arts Award centre and supporter, the Gallery supported 9 children to achieve silver, 13 bronze in 2016. A further 9 children have worked for their bronze award in 2017.

Early Years, children and families

A total of 51 studio sessions/workshops were provided in the financial year 2016/17 for early years, children and families and young people, attracting 524 participants

College and Universities

504 students visited; 14 different colleges and Universities visited, some on repeat visits

Art History Course

The programme of Art History courses. It is a modular introduction to art history using the Gallery's collection to explore key themes and stories in art. The course has proved to be very popular with around 60 people attending each session.

Art Views

The Community Programme has continued developing opportunities for people living with dementia and their carers to be included in activities and the general life of the Gallery. Art Views provide dementia-friendly opportunities for interactive and stimulating discussions in response to selected artworks from the Gallery's collections.

Chichester Festival Theatre

Twelve artists from the Community Programme worked with The Company in association with the Chichester Festival Theatre to create costumes and props for an outdoor production of *Cyrano* at the Weald & Downland Open Air Museum in summer 2016.

Community Programme

There are currently 180 active members of the Community Programme. There are in addition 24 people living with Dementia/carers who also live in the Chichester district and have participated in the Community Programme in the last year. 5,723 is the total attendance at the Studio Sessions and other projects for the year 2016/17.

Social Impact Study

The study was published during the year by Susan Potter and copies distributed to key stakeholders and supporters, relevant arts and community organisations and potential funders.

Of the 61,217 people visiting the Gallery in the year, 36,347 were ticketed admissions which included 933 children tickets and 1,044 student tickets. There were 1,033 school pupil visits from 44 separate schools in the district, 3,485 workshop tickets sold and 1,363 members of group visits.

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Outside In

The award winning Outside In project was founded in 2006 by Pallant House Gallery. The project provides a platform for artists who see themselves as facing barriers to the art world due to health, disability, social circumstance or isolation.

Outside In held ten exhibitions in the period, including The Octopus Garden; and Radical Craft which celebrated the tenth anniversary of the project and was delivered in partnership with Craftspace.

In October 2016 the project took part in the Outsider Art Fair in Paris for the third time, which was a great success with around twelve works being sold.

Outside In was constituted as a separate independent charity from Pallant House Gallery, effect from 1 April 2017. In January 2017, Marc Steene became Director of Outside In, and as a result stepped down from his position as Executive Director of Pallant House Gallery. Outside In will have a Board of Trustees, including two nominated by Pallant House Gallery, and will maintain offices within the Gallery for the foreseeable future.

OI is now registered as a Charitable Incorporated Organisation and will come into operation from April 1st 2017. The decision to establish OI as an independent charity has been motivated by the need for it to be better resourced so as to grow and deliver an expanded programme of support for excluded artists, both nationally and internationally. The medium term goal is to find a home for the charity, providing a space for it to programme exhibitions, hold a collection and provide studio and training spaces for artists.

A new staffing structure is being developed, enabling the charity to deliver its business plan and generate new income streams. The charity will have a full time dedicated Director, strategically leading the organisation and developing working partnerships with other arts organisations. An Exhibitions Coordinator will oversee and develop the exhibition programme, an Artist Development Coordinator will deliver the Artist Support Days and Step Up projects, a Commercial/Development Coordinator will be responsible for generating income from sales, merchandising and other earned income and a Communications Officer.

Funding applications have been made to the Paul Hamlyn Foundation, Esmée Fairbairn Foundation and Arts Council England to secure the core funding required to enable the project to deliver its business plan.

Fundraising and development

The Gallery continued its status as an Arts Council England National Portfolio Organisation and Accredited Museum for the period 2015 to 2018.

The Gallery worked with Chichester District Council to produce a Service Level Agreement for 2016/17 and presented elements of its work to councillors during the year.

De'Longhi confirmed their continued support of the Gallery as its headline sponsor for 2017 and Toovey's Auctioneers continued to support the collection displays and exhibition programme.

The Gallery continued its legacy campaign and two legacies were received in the period.

The Gallery successfully fundraised over £130,000 for its exhibitions programme.

The Gallery continued to develop its Patrons programme, including a number of special tours and a trip to galleries and museums in the South of France.

The Gallery's Catalyst campaign for HLF endowment match-funding was shortlisted in the 'Best Individual Giving Campaign' category in the 2016 National Fundraising Awards.

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Capital Projects

During the financial year the Gallery purchased the Coach House, 8 East Pallant, to the rear of the Gallery for £1 million with the intention of developing the property to create a new Collections Centre, accessible offices, meeting rooms, and expanded library, new visitor facilities and exhibition space. The exchange for the purchase of the Coach House took place on 20 December and completion took place on 20 March 2017. £298,712.50 was received from private donors and £702,251 was transferred from the Gallery's Endowment Funds, to be reimbursed through the fundraising campaign.

Commercial income

The detailed commercial plan was closely adhered to throughout the period.

The Pallant Restaurant and Pallant Café were run by the Sussex Pub Company as a franchise and following a successful relaunch income was received from 1 April 2016.

The Pallant Bookshop operated by Gallery Bookshop Ltd as a franchisee of Pallant House Gallery Services Ltd continued to offer the best of new, remaindered and out of print books.

The Gallery published catalogues for *John Piper: The Fabric of Modernism*; *The Mythic Method: Classicism in British art 1920-1950* and *Transferences: Sidney Nolan in Britain* and worked with outside publishers on catalogues for the Christopher Wood, Radical Craft, Victor Pasmore and The Colony Room exhibitions. It published three editions of the Pallant House Gallery Magazine.

Additional income was received from image rights and reproductions, and Gallery Hire, as well as the programme of Art History courses.

Volunteers at the Gallery

During 2016-17 the Gallery had around 220 volunteers. This figure includes approximately 130 Room Stewards who provide security and a welcoming presence in the galleries; 15 Voluntary Guides who lead tours of the collection and exhibition as well as providing talks; 4 Library Volunteers, 2 administration and event volunteers, 13 Director Trustees, and 68 learning and community programme volunteers including Partners in Art, Workshop Volunteers and Step Up Volunteers. In addition, there were 5 work experience placements from local schools and further education.

Volunteer briefings led by gallery staff were held at the start of each exhibition season, and ongoing training sessions and briefings were held for volunteer guides. A training programme for learning and community programme volunteers was held, including dementia awareness training. A "thank you" party was held for all volunteers in December 2016.

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Digital Audiences:

Digital Audiences at end March 2017

- Facebook: 4,496
- Twitter: 14,442
- Instagram: 4,994
- E-bulletin subscribers: 7,593
- Unique users to visit website, April 2016- end March 2017: 115,138

Audience Profiling

The Gallery continued to take part in the ongoing Audience Finder project, a free national audience data and development project run by the Audience Agency with the support of Arts Council England, enabling cultural organisations to understand, compare and apply audience insight.

The Audience Finder analysis for 2016/17 shows that compared to other organisations in the Contemporary Visual Arts Network the Gallery has a higher than average representation of the highly engaged Commuterland Culturebuffs (32%) and Metroculturals (13%) groups, as well as medium engaged Home & Heritage (14%) segment, meaning it is successfully attracting audiences from these groups. The Gallery is also doing better than other surveyed organisations in the South East at attracting members of all three highly engaged groups, possibly explained by its long-standing national reputation for high quality exhibitions, when compared to younger galleries in the region.

Audience Finder insight for 2016/17 shows that 79% of visitors are 'extremely likely' to recommend the Gallery to a friend, family member or colleague. 55% of respondents had visited the Gallery on more than one occasion during the past 12 months, with a median attendance of 3 times.

Key achievements against objectives

During 2016 – 17 the Gallery made good progress against its strategic objectives for the period.

Following the Governance Review in 2015 a series of committees and working groups were successfully established to support the Gallery's operations including trustees and independent experts. These include Finance and Investment, Audit and Risk, Nominations, Development, Collections and Exhibitions, Learning and Community, and Commercial and Communications.

The exhibition programme was successfully delivered and the *Radical Craft* exhibition toured to a number of venues, which met the objective of touring an exhibition and enabled it to meet the stated objective of programming an Outsider Art exhibition. The Clare Woods and Des Hughes, Pablo Bronstein, Lothar Götz and Laura Ford installations met the objective of programming and commissioning contemporary artists.

The Gallery developed its work with people with dementia and their carers and supported nine young people to achieve their Arts Award. The Learning and Community Programme fed into the Social Impact Study to evidence the Gallery's work in this key strategic area.

Outside In successfully met its objective of delivering three regional exhibitions and delivering a programme of Artist Support and Induction Days. Outside In also maintained its position on the European Outsider Art board and achieved its income target from sales of art.

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Financial review

The trustees continue to keep at the forefront of their minds the need to meet operational expenditure from operational income.

The Gallery's finances benefitted from a successful exhibition programme which, together with an increase in the level of admission charges, resulted in entrance fee income of £222,926.

Works of art valued at £125,000 were gifted to the Gallery during the year, with 17 artworks yet to be valued. Although classified as income for accounting purposes these works will form part of the Gallery's permanent collection and their value is not available to meet operating costs.

The Gallery continued to benefit substantially from income from its Endowment Fund that was boosted recently by the Catalyst Appeal and helped by an increase in yield. Total such investment income during the year was £525,000 (2016: £519,087). Ninety five percent of the endowment is invested in high yielding equity Common Investment Funds. The trustees believe this investment policy which concentrates on income could have an adverse effect on the long term real value of the capital and there is a risk that dividends could be reduced. Because the Gallery is heavily dependent on the income from the endowments there are no immediate plans to reduce the level of income drawn.

The previous year had seen a downturn in the stock market and a net reduction in the value of the investments held by almost £0.7m. Fortunately the market reversed in our favour subsequently and despite withdrawing £1m during the year, the year end valuation was slightly ahead of last year at £10,825,341.

The investments liquidated funded the purchase of the Coach House (£702k), which the trustees intend to replace when fund-raising for this development takes place. During the year the Gallery's income from the Friends was limited because of queries raised by HMRC regarding the Friends VAT status. After the year end this matter was resolved in the Friends' favour and the funds will flow again in 2017/18.

Legacies in the year to 31 March 2017 totalled £11,309 from Jocelyn Underwood and Vanessa Wright. These are an important source of income to the Gallery.

The variability of legacy income and the risk that dividends could be reduced emphasises the importance of maintaining adequate reserves.

During 2015/6, as part of the continuing development of its activities, the Gallery introduced Art Courses which this year generated an income of £30,930 (2016: £23,260).

Staffing costs are the largest element of the operational costs. Committed employees are vital both for the security and care of the collection and for the provision of the Gallery's important education and outreach work. As a consequence of filling vacancies and some necessary pay adjustments, staffing costs had increased in the previous year. Fortunately, as the Gallery is very conscious of the need to exercise careful control of these and other running costs, they remained static this year. However that was also partly because some roles were unfilled for part of the time and the pressure continues to be upwards.

During the year the Gallery was an admitted member of the West Sussex County Council Local Government Pension Scheme. The scheme was in deficit and for several years the Gallery has been paying contributions to make good its share of the shortfall. Following the retirement of the last Gallery member of the scheme the Gallery no longer has any liability for deficits.

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At 31 March 2017, the group's total funds were £35,409,126, however of this sum only £362,069 (2016: £240,222) was available to meet the group's core operating costs. The remaining funds were as follows:

Endowment (held to generate income to meet core costs)	£11,821,160
Restricted funds (usable only in line with donor's instructions)	£233,826
Designated funds	
(non-realisable assets required for Gallery's continued existence)	
Fixed assets (Gallery building and equipment etc)	£6,239,314
Heritage Assets (Works of Art)	£16,748,749
Current Assets	£4,008

The Chichester District Council has continued its financial support and the Gallery has continued to curate the Council's art collection and to maintain the interior of Pallant House, a listed building, the maintenance of which would otherwise fall on the Council.

The trustees have considered the provisions of Financial Reporting Standards 102 in relation to Heritage Assets and the requirements of the Charities SORP. The Gallery is an accredited museum and its collection and archive of works is of both national and international importance. As required by Financial Reporting Standards the collection and archive are incorporated in the accounts. Their book value is treated as an unrestricted designated fund on the basis that the works cannot be sold.

Reserves policy

The trustees are concerned to establish an adequate level of reserves to enable the Gallery to carry out its charitable objectives.

The Gallery holds an endowment fund, restricted funds, a designated building fund, a designated acquisitions fund and an unrestricted operational fund.

The endowment fund is held to generate income to support the Gallery's core operating costs. All the resources held in this fund were donated specifically for this purpose. The capital is not available for operational use.

The restricted funds are sums given for specific purposes and can only be used for those purposes. Details of these funds are disclosed in note 25 to the financial statements.

The designated building fund is represented by the Gallery building, and the funds held for related contingencies. These funds are not available to meet operational costs. The only way the funds could be released to meet the Gallery's obligations would be by closing the Gallery and selling the building.

Similarly, the designated acquisitions fund is represented by works of art purchased for display in the Gallery. These funds are not available to meet operational costs. The only way the funds could be released to meet the Gallery's obligations would be by closing the Gallery and selling the works.

Excluding depreciation and restricted fund expenditure, the Gallery's operational expenditure is approximately £1.4 million per annum. These costs have to be met from unrestricted income. Currently sources that are reasonably assured amount to approximately £700,000 per annum and therefore the Gallery has to raise in the region of £700,000 each year to balance its budget. With this in mind and to provide funds to meet unexpected operational costs the trustees resolved in 2013 that taking account of the identified financial risks the Gallery should hold an unrestricted operational reserve equal to ten weeks' operational expenditure, around £270,000, and that this should be achieved by 31 March 2017. At that date, this reserve was £362,069, so this objective has been satisfied.

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Investment policy and objectives

Under its Articles, the Gallery has the power to invest funds in the furtherance of its charitable objectives. Investments must be made in the same manner and subject to the same conditions as trustees are permitted to do by the Trustee Act 2000.

The Gallery's endowment fund is held for the long term and is to generate income. The trustees' investment policy for the fund is to seek to balance income and capital growth. Currently the funds are held in common investment funds. During the year, the Finance and Investment committee reviewed quarterly the allocation between bond funds and equity funds.

Risk Management

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 have identified two principal risks that the charity and subsidiary face, namely should a fire destroy the collection which as they are unique works of art it would be impossible to replace, and loss of income due to investments values falling and/or funding institutions and donors no longer supporting the gallery.

The trustees operate an Audit and Risk committee that meets every quarter and as part of its remit is to review the "living" Risk Register that is regularly reviewed by the Gallery's senior management team and ensure that adequate steps are being taken to mitigate/minimize identified risks.

The risk of damage due to fire is controlled by an extensive fire detection and alarm system, which is monitored 24hrs a day 365 days a year 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 Finance and Investment Committee meets every quarter to review the current projected position of the gallery. In so doing corrective action can be instigated timeously to minimize the impact. The Trustees have instituted a reserves policy that we should hold ten weeks free reserves to help with any situation that arises in the short term.

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2017

Plans for the future

As part of its application to renew its funding from Chichester District Council and the Arts Council England the Gallery has during this financial year undertaken an Economic Impact Study carried out by BOP Consulting. The application to renew the Gallery's Arts Council England National Portfolio status was submitted in January, with this confirmed in July 2017.

In the year ahead the Gallery will work on a new Forward Plan for the period from April 2018 to March 2022.

The Coach House

The acquisition of No 8. East Pallant, a property that lies at the rear of the Gallery, provides the opportunity for a major capital project to develop additional facilities such as an arts store and conservation area. During the year ahead, the development of an architectural brief, explorations of options studies and fundraising applications to the HLF and Arts Council will take place.

Collections

The Gallery will submit its Accreditation return to maintain its status as a registered museum. A programme of conservation will continue in line with the Collections Management Forward Plan, including the recently acquired Degas drawing.

Exhibitions

The Gallery will hold four major exhibitions in the period, Victor Pasmore: Towards a New Reality, John Minton: A Centenary and Bomberg in partnership with the Ben Uri Art Gallery and Museum, and an exhibition of British Pop Art from the Gallery's collection. It will tour the Bomberg exhibition to the Laing Art Gallery. There will be three exhibitions in the De'Longhi Print Room including The Woodcut from Dürer to Now, Women Artists: The Female Gaze and The Peter Collymore Gift.

Communications

The Gallery plans to engage in a brand review, to develop a new brand strategy to inform the Forward Plan. There are also plans for a new website and digital strategy to be developed in 2017-18.

Learning and Community

The Gallery will conduct a review of its current community programme activities, with a view to best allocation of resources.

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2017

Structure, governance and management

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 company was established under a memorandum of association which established the objects and powers of the charitable company and is governed under its articles of association.

The trustees, who are also the directors for the purpose of company law, and who served during the year were:

J D S Booth DL, Chairman	
K Clark	(Resigned 9 December 2016)
B Finucane QC	
Lady Nicholas Gordon Lennox LVO	
S Greenhalgh	
T E James	
J Ransley	(Resigned 17 June 2016)
Mrs J D Russell	
Ms T Slowe	
Ms A Rose OBE CMG	
Ms J Weeks	
Cllr P Dignum	(Appointed 17 June 2016)
C Martin	(Appointed 9 December 2016)
R Mavity	(Appointed 23 September 2016)

None of the trustees have 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.

Trustees are proactively selected and appointed to ensure there is a broad range of relevant skills and experience represented across the trustee board. Trustee recruitment take place through targeted approaches to individuals, 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. A comprehensive policy is being prepared by the nominations committee for the appointment and approval of new trustees, in addition to processes for the election of officers such as the Chair and Treasurer. An effective training and development programme for trustees is under development that will ensure that Trustees are cognizant of their statutory responsibilities and also keep up to date on key issues. Currently any new Trustee receives copies of the last three Trustee meetings minutes, annual financial statements and a copy of the Charity Commissions The essential trustee: what you need to know, what you need to do (CC3) and copies of other Gallery literature, such as Pallant Press, 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 Co-Directors Marc Steene and 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 10 to the accounts. All trustees donate travel and other expenses associated with their governance duties.

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 Directors. The Senior Pay disclosures include the Co-Directors and the Deputy Director. The aggregated actual pay and pension contributions for this group in 2017 was £177,803.

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 MARCH 2017

Related parties

The Gallery enjoys a very close relationship with the Friends of Pallant House, whose objectives are financial and other support for the Gallery. In practice, the Friends of Pallant House are mainly concerned with raising funds through donations, subscriptions and events to support the Gallery. A trading subsidiary, Pallant House Gallery Services Limited, carries on commercial activities related to the Gallery and receives income from the restaurant and from the shop franchise.

Asset cover for funds

An analysis of the assets attributable to the various funds and a description of those funds are in note 27 to the accounts.

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 Co-Directors of the Gallery and the trustees.

Auditor

The auditor, Jones Avens Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor are aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The trustees' report was approved by the Board of Trustees.

.....
T E James

Trustee

Dated:

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2017

The trustees, who are also the directors of Pallant House Gallery for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Gallery and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, 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 have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Gallery 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 Gallery and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Gallery and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PALLANT HOUSE GALLERY CONSOLIDATED FINANCIAL STATEMENTS INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLANT HOUSE GALLERY

We have audited the group accounts of Pallant House Gallery for the year ended 31 March 2017 set out on pages 20 to 50. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out on page 17, the trustees, who are also the directors of Pallant House Gallery for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Small Entities (Revised)", in the circumstances set out in note 32 to the financial statements.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts.

In our opinion the group accounts:

- give a true and fair view of the state of the charitable group's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the group accounts are prepared is consistent with the group accounts.

**PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF PALLANT HOUSE GALLERY**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.
- the trustees were not entitled to prepare the accounts in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the trustees' report and from preparing a strategic report.

Other matter

Your attention is drawn to the fact that the charitable group has prepared accounts 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) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has now been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

**Claire Norwood BSc FCA ATII (Senior Statutory Auditor)
for and on behalf of Jones Avens Limited**

.....

**Chartered Accountants
Statutory Auditor**

Piper House
4 Dukes Court
Bognor Road
Chichester
West Sussex
PO19 8FX

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2017 £	Total 2016 £
<u>Income and endowments from:</u>						
Donations and legacies	3	483,865	649,437	-	1,133,302	2,077,484
Charitable activities	4	350,116	28,168	-	378,284	428,813
Other trading activities	5	70,176	-	-	70,176	78,204
Investments	6	525,000	-	-	525,000	519,087
Total income and endowments		1,429,157	677,605	-	2,106,762	3,103,588
<u>Expenditure on:</u>						
Raising funds	7	20,773	-	14,045	34,818	105,652
Charitable activities	8	1,646,326	489,984	-	2,136,310	2,029,999
Total resources expended		1,667,099	489,984	14,045	2,171,128	2,135,651
Net gains/(losses) on investments	12	-	-	1,035,498	1,035,498	(685,032)
Net (outgoing)/incoming resources before transfers		(237,942)	187,621	1,021,453	971,132	282,905
Gross transfers between funds	13	205,105	(205,105)	-	-	-
Net (outgoing)/incoming resources		(32,837)	(17,484)	1,021,453	971,132	282,905
<u>Other recognised gains and losses</u>						
Actuarial gain/(loss) on defined benefit pension schemes		19,796	-	-	19,796	11,204
Net movement in funds		(13,041)	(17,484)	1,021,453	990,928	294,109
Fund balances at 1 April 2016		23,367,181	251,310	10,799,707	34,418,198	34,124,089
Fund balances at 31 March 2017		23,354,140	233,826	11,821,160	35,409,126	34,418,198

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
SUMMARY INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017

	All income funds	
	2017	2016
	£	£
Gross income	2,106,762	2,365,277
Transfer (to)/from endowment funds	-	32,630
	<hr/>	<hr/>
Total income in the reporting period	2,106,762	2,397,907
Total expenditure from income funds	2,157,083	2,111,875
	<hr/>	<hr/>
Net (expenditure)/income for the year	(50,321)	286,032
	<hr/> <hr/>	<hr/> <hr/>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	14	7,283,462		6,567,227	
Heritage assets	15	16,748,749		16,623,749	
Investments	16	10,825,341		10,789,844	
		<u>34,857,552</u>		<u>33,980,820</u>	
Current assets					
Stocks	18	39,764		21,276	
Debtors	19	243,545		245,591	
Cash at bank and in hand		513,570		489,778	
		<u>796,879</u>		<u>756,645</u>	
Creditors: amounts falling due within one year	20	<u>(245,305)</u>		<u>(299,471)</u>	
Net current assets			551,574		457,174
Total assets less current liabilities			<u>35,409,126</u>		<u>34,437,994</u>
Net assets excluding pension liability			35,409,126		34,437,994
Defined benefit pension liability	23		-		(19,796)
Net assets			<u><u>35,409,126</u></u>		<u><u>34,418,198</u></u>
Capital funds					
<u>Endowment funds</u>					
General endowment funds		8,232,294		7,660,985	
Revaluation reserve		<u>3,588,866</u>		<u>3,138,722</u>	
	24		11,821,160		10,799,707
Income funds					
Restricted funds	25		233,826		251,310
<u>Unrestricted funds</u>					
Designated funds	26	22,992,071		23,126,959	
Non-charitable trading fund		-		(21,720)	
General unrestricted funds		<u>362,069</u>		<u>261,942</u>	
			<u>23,354,140</u>		<u>23,367,181</u>
			<u><u>35,409,126</u></u>		<u><u>34,418,198</u></u>

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

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2017

		2017		2016	
	Notes	£	£	£	£

The accounts were approved by the Trustees on

.....
T E James
Trustee

Company Registration No. 5045130

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	Notes	£	£
Cash flows from operating activities			
Cash absorbed by operations	31	(496,294)	(616,744)
Investing activities			
Purchase of tangible fixed assets		(1,004,914)	(50,295)
Purchase of other investments		-	(681,396)
Proceeds on disposal of other investments		1,000,000	-
Investment income received		525,000	519,087
Net cash generated from/(used in) investing activities		520,086	(212,604)
Financing activities			
Receipt of endowment		-	738,311
Expenditure of endowment		-	(24,016)
Net cash (used in)/generated from financing activities		-	714,295
Net increase/(decrease) in cash and cash equivalents		23,792	(115,053)
Cash and cash equivalents at beginning of year		489,778	604,831
Cash and cash equivalents at end of year		513,570	489,778
Relating to:			
Bank balances and short term deposits		513,570	489,778

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

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

1.1 Accounting convention

The accounts have been prepared in accordance with the Gallery's governing document, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016). The Gallery is a Public Benefit Entity as defined by FRS 102.

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

The accounts have been prepared on the historical cost convention, modified to include the revaluation of fixed asset investments. The principal accounting policies adopted are set out below.

The accounts have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following the Statement of Recommended Practice for charities applying FRS 102 rather than the version of the Statement of Recommended Practice which is referred to in the Regulations but which has since been withdrawn.

The consolidation is done on a line by line basis. Pallant House Gallery Services Limited is included in the consolidation. This is the only subsidiary of the parent charity.

1.2 Going concern

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

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Designated funds comprise funds which have been set aside at the discretion of the trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the accounts.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the Gallery.

1.4 Incoming resources

Income is recognised when the Gallery is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the Gallery has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Legacies are recognised on receipt or otherwise if the Gallery has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Grants are credited as income in the year in which they are receivable. Grants received for specific purposes are accounted for as restricted funds. Grants are not recognised as receivable until all conditions for receipt have been complied with.

Income is deferred when it relates to a grant or sponsorship for a particular period which is after the balance sheet date or when it relates to an event which is happening after the balance sheet date.

Entrance fees are recognised in income when they are receivable except for group deposits which are recognised when the group visit takes place. Book and other sales income are recognised when receivable.

1.5 Resources expended

Liabilities are recognised on an accruals basis.

Charitable expenditure includes those expenses directly related to charitable activities, support costs and governance costs. Support costs are 15% of the total of unrestricted charitable expenditure and direct charitable activities costs are the remaining 85%. This apportionment of costs applies to both salaries and other expenditure excluding depreciation and governance costs. Governance costs includes audit and accountancy fees and legal and professional fees relating to governance.

1.6 Tangible fixed assets

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

Tangible fixed assets are stated at cost less depreciation.

Freehold land and buildings are depreciated on a straight line basis over 50 years.

Fixtures, fittings and equipment that don't relate to the New Wing are depreciated on a straight line basis over 10 years.

Fixtures, fittings and equipment that relate to the New Wing are depreciated on a straight line basis over 10 years.

Plant and machinery that relate to the New Wing are depreciated on a straight line basis over 15 years.

Acquisitions are not depreciated but are stated at their cost to the Gallery. The trustees are of the opinion that the market value of these assets exceeds their book value, the assets are regularly maintained and restored and their long useful economic life would result in any depreciation charge being immaterial.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.7 Heritage assets

The heritage assets are included in the Balance Sheet at the valuation for insurance purposes. The receipt of donations of heritage assets are reported in the Statement Of Financial Activities at valuation. Depreciation is not provided on the heritage assets as they have indefinite lives. The carrying amount of an asset is reviewed where there is evidence of impairment. Any impairment recognised is shown in the Statement Of Financial Activities.

1.8 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

Investments in subsidiaries and associates are all held at cost in the separate financial statements of the company.

A subsidiary is an entity controlled by the Gallery. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting end date, the Gallery reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/ (expenditure for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Items held for distribution at no or nominal consideration are measured the lower of replacement cost and cost.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

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

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.13 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Gallery is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

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

The cost of providing benefits under defined benefit schemes is determined using the Projected Unit Credit Method, with actuarial valuations carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, and reduced by the fair value of scheme assets.

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in income/(expenditure) for the year.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other recognised gains and losses in the period in which they occur and are not reclassified to income/(expenditure) in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease.

1.16 Irrecoverable VAT

Irrecoverable VAT is written off in the Statement of Financial Activities in the year it arises.

2 Critical accounting estimates and judgements

In the application of the Gallery's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

3 Donations and legacies

	Unrestricted funds	Restricted funds	Endowment funds	Total 2017	Total 2016
	£	£	£	£	£
Donations and gifts	142,811	416,513	-	559,324	1,156,256
Legacies receivable	11,309	-	-	11,309	35,416
Grants receivable for core activities	297,085	179,674	-	476,759	494,537
HLF Lottery Grant receivable	-	-	-	-	340,725
Sponsorship	26,627	53,250	-	79,877	50,550
Friends' membership subscriptions	6,033	-	-	6,033	-
	<u>483,865</u>	<u>649,437</u>	<u>-</u>	<u>1,133,302</u>	<u>2,077,484</u>
For the year ended 31 March 2016	<u>979,356</u>	<u>359,817</u>	<u>738,311</u>		<u>2,077,484</u>
Donations and gifts					
Donations and gifts	17,811	416,513	-	434,324	508,406
Gifts of artworks	125,000	-	-	125,000	647,850
	<u>142,811</u>	<u>416,513</u>	<u>-</u>	<u>559,324</u>	<u>1,156,256</u>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

4 Charitable activities

	2017	2016
	£	£
Entrance fees	222,926	275,525
Commissions, sales, workshop and other income	105,632	103,466
Art courses income	30,930	23,260
Exhibition and artwork hire	9,121	13,236
Events income	9,675	13,326
	<u>378,284</u>	<u>428,813</u>
Analysis by fund		
Unrestricted funds	350,116	
Restricted funds	28,168	
	<u>378,284</u>	
For the year ended 31 March 2016		
Unrestricted funds		379,453
Restricted funds		49,360
		<u>428,813</u>

5 Other trading activities

	2017	2016
	£	£
Non-charitable trading activities in subsidiary	65,176	71,915
Fundraising events	5,000	6,289
	<u>70,176</u>	<u>78,204</u>
Other trading activities	<u>70,176</u>	<u>78,204</u>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

6 Investments

	2017	2016
	£	£
Income from listed investments on Endowment	522,775	516,961
Interest receivable on Endowment Fund	933	43
Other interest receivable	1,292	2,083
	<u>525,000</u>	<u>519,087</u>

7 Raising funds

	Unrestricted funds	Endowment funds general	Total 2017	Total 2016
	£	£	£	£
<u>Costs of fundraising events</u>				
Seeking donations, grants and legacies	-	-	-	23,776
Staging fundraising events	-	-	-	2,593
Depreciation and impairment	-	14,045	14,045	-
	<u>-</u>	<u>14,045</u>	<u>14,045</u>	<u>26,369</u>
Costs of fundraising events	-	14,045	14,045	26,369
<u>Trading costs</u>				
Operating trading company undertaking non-charitable trading activity	20,773	-	20,773	46,506
Staff costs	-	-	-	32,777
	<u>20,773</u>	<u>-</u>	<u>20,773</u>	<u>79,283</u>
Trading costs	20,773	-	20,773	79,283
	<u>20,773</u>	<u>14,045</u>	<u>34,818</u>	<u>105,652</u>
For the year ended 31 March 2016				
Costs of fundraising events	2,593	23,776		26,369
Trading costs	79,283	-		79,283
	<u>81,876</u>	<u>23,776</u>		<u>105,652</u>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

8 Charitable activities

	2017	2016
	£	£
Staff costs	767,436	769,660
Depreciation and impairment	274,634	268,265
Premises costs	121,386	133,730
Repairs and maintenance	51,510	64,090
Office costs	66,586	56,080
Exhibition costs	-	5,734
Fundraising and publicity	51,168	40,680
Legal and professional	53,767	52,511
Cost of magazines and gallery publications	30,413	17,233
Other costs	119,153	92,132
Restricted funds expenditure	384,752	314,792
	<u>1,920,805</u>	<u>1,814,907</u>
Share of support costs (see note 9)	204,034	203,984
Share of governance costs (see note 9)	11,471	11,108
	<u>2,136,310</u>	<u>2,029,999</u>
Analysis by fund		
Unrestricted funds	1,646,326	
Restricted funds	489,984	
	<u>2,136,310</u>	
For the year ended 31 March 2016		
Unrestricted funds		1,639,280
Restricted funds		390,719
		<u>2,029,999</u>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

9 Support costs

	Support costs	Governance costs	2017	2016	Basis of allocation
	£	£	£	£	
Staff costs	116,860	-	116,860	122,422	
Premises costs	21,421	-	21,421	23,599	
Repairs and maintenance	9,090	-	9,090	11,310	
Office costs	11,751	-	11,751	9,896	
Exhibition costs	-	-	-	1,012	
Fundraising and publicity	9,030	-	9,030	7,179	
Legal and professional	9,488	-	9,488	9,267	
Cost of magazines and gallery publications	5,367	-	5,367	3,041	
Other costs	21,027	-	21,027	16,258	
Audit fees	-	8,400	8,400	7,895	Governance
Governance review	-	3,071	3,071	3,213	Governance
	<u>204,034</u>	<u>11,471</u>	<u>215,505</u>	<u>215,092</u>	
Analysed between					
Charitable activities	<u>204,034</u>	<u>11,471</u>	<u>215,505</u>	<u>215,092</u>	

In addition to the above, there are audit fees for the subsidiary included in these consolidated accounts of £3,000 (2016 - £2,970) which are included in Trading costs in Raising funds.

10 Trustees

None of the trustees (or any persons connected with them) received any remuneration or reimbursement of expenses from the Gallery during the year.

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

11 Employees

Number of employees

The average monthly number employees during the year was:

	2017	2016
	Number	Number
Operations	38	37
Finance and administration	5	4
Restaurant	-	3
	<u>43</u>	<u>44</u>

Employment costs

	2017	2016
	£	£
Wages and salaries	797,012	826,656
Social security costs	63,001	61,961
Other pension costs	24,283	36,242
	<u>884,296</u>	<u>924,859</u>

During the year there were redundancy payments of £4,651 (2016 - £47,355).

There were no employees whose annual remuneration was £60,000 or more.

12 Net gains/(losses) on investments

	2017	2016
	£	£
Revaluation of investments	1,039,045	(685,032)
Gain/(loss) on sale of investments	(3,547)	-
	<u>1,035,498</u>	<u>(685,032)</u>

13 Transfers

The transfers between funds are made up of the following:-

- £89,317 net deficit on restricted fund exhibitions taken to unrestricted funds as funded by core costs.
- £4,291 deficits on closed restricted fund collections projects taken to unrestricted funds as funded by core costs.
- £298,713 donations received towards a property purchase taken to unrestricted funds as this restricted fund is now closed due to the purchase of the property.

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

14 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Acquisitions	Total
	£	£	£	£	£
Cost					
At 1 April 2016	6,179,884	984,010	790,336	85,070	8,039,300
Additions	1,000,964	-	3,950	-	1,004,914
At 31 March 2017	7,180,848	984,010	794,286	85,070	9,044,214
Depreciation and impairment					
At 1 April 2016	638,590	393,798	439,685	-	1,472,073
Depreciation charged in the year	143,617	65,633	79,429	-	288,679
At 31 March 2017	782,207	459,431	519,114	-	1,760,752
Carrying amount					
At 31 March 2017	6,398,641	524,579	275,172	85,070	7,283,462
At 31 March 2016	5,541,294	590,212	350,651	85,070	6,567,227

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

15 Heritage assets

	£
At 1 April 2016	16,623,749
Donated assets	125,000
	<hr/>
At 31 March 2017	16,748,749
	<hr/> <hr/>

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 thirty 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 does not have the resources to permit it to purchase Heritage Assets but when offered works as a gift the Co-Directors, Curator 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 written acquisitions and disposal policy, which was last revised in 2008 and formally approved by the trustees on 5 September 2008. It is not the Gallery's policy to dispose of Heritage Assets but, should the Curator 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 Curator 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 majority of the collection is on public display and access to any work not on display is arranged by appointment.

The Heritage Assets are regularly valued by professional valuers for insurance purposes. The last valuation of the 228 highest value priority works was undertaken in 2009 by Bonhams, fine art valuers and auctioneers. 27 works were valued by Bonhams in 2004, 473 works were valued by Bonhams in 2003 and 21 works valued by Sotheby's in 1995. In each case the basis of the valuation was open market value at the date of valuation. In addition to these Heritage Assets the Gallery also holds a further 1,431 low value works that have not been formally valued. It is estimated that the value of these low value works is in the region of £140,000.

The Heritage Assets are reported in the Financial Statements at the insurance valuation.

During this year there have been donations to the Gallery of Heritage Assets of £125,000 (2016 - £647,850, 2015 - £143,173, 2014 - £90,179, 2013 - £299,013). There have been no disposals or impairment of Heritage Assets during the last five years.

16 Fixed asset investments

	2017 £	2016 £
M&G Investments	10,825,341	10,789,844
	<hr/> <hr/>	<hr/> <hr/>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

16	Fixed asset investments	(Continued)	
	Listed investments included above:	2017	2016
		£	£
	M&G investments carrying amount	10,825,341	10,789,844
		<u> </u>	<u> </u>
	Fixed asset investments revalued		
	The historical cost of the M&G Investments is £7,236,475 (2016 - £7,651,122).		
	The M&G Investments consist of Charifund (value of £8,063,080), Charibond (value of £557,187), HLF Catalyst Charifund (value of £2,157,522) and HLF Catalyst Charibond (value of £47,552).		
	Movements in fixed asset investments		
			M&G
			Investments
			£
	Cost or valuation		
	At 31 March 2016		10,789,844
	Valuation changes		1,039,045
	Disposals		(1,003,548)
	At 31 March 2017		10,825,341
			<u> </u>
	Carrying amount		
	At 31 March 2017		10,825,341
			<u> </u>
	At 31 March 2016		10,789,844
			<u> </u>
17	Financial instruments	2017	2016
		£	£
	Carrying amount of financial assets		
	Debt instruments measured at amortised cost	673,015	672,086
	Instruments measured at fair value through profit or loss	10,825,341	10,789,844
		<u> </u>	<u> </u>
	Carrying amount of financial liabilities		
	Measured at amortised cost	195,566	197,582
		<u> </u>	<u> </u>
18	Stocks	2017	2016
		£	£
	Catalogues, magazines and multiples	39,764	21,276
		<u> </u>	<u> </u>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

19 Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Trade debtors	49,249	68,664
Other debtors	114,153	115,692
Prepayments	80,143	61,235
	<u>243,545</u>	<u>245,591</u>

20 Creditors: amounts falling due within one year

	2017	2016
	£	£
	Notes	
Corporation tax payable	1,232	-
Other taxation and social security	21,422	16,873
Deferred income	22 27,085	85,016
Trade creditors	170,047	157,073
Other creditors	7,367	22,519
Accruals	18,152	17,990
	<u>245,305</u>	<u>299,471</u>

21 Provisions for liabilities

	2017	2016
	£	£
	Notes	
Retirement benefit obligations	23 -	19,796
	<u>-</u>	<u>19,796</u>

22 Deferred income

	2017	2016
	£	£
Arising from grants	8,429	65,116
Arising from Sponsorships, exhibitions and other	18,656	19,900
	<u>27,085</u>	<u>85,016</u>

Deferred income is included in the financial statements as follows:

	2017	2016
	£	£
Current liabilities	<u>27,085</u>	<u>85,016</u>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

23 Retirement benefit schemes

Defined contribution schemes

The Gallery operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Gallery in an independently administered fund. The company contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the company with respect to the scheme is to make the specified contributions.

The charge to profit or loss in respect of defined contribution schemes was £4,767 (2016 - £3,292). The creditor at the balance sheet date relating to this scheme is £820 (2016 - £760).

Defined benefit schemes

Pallant House Gallery participated in the Local Government Pension Scheme which is a defined benefit scheme based on final pensionable salary. It ceased participation in the fund on 28 February 2017.

Valuation

The most recent valuation of the Local Government Pension Scheme was carried out as at 31 March 2016, and has been updated by independent actuaries to the West Sussex County Council Pension Fund (the Fund) to take account of the requirements for FRS102 in order to assess the liabilities of the Fund as at 28 February 2017. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The asset of £157,000 has not been recognised in the balance sheet as there is no refund likely to be received.

Total pension contributions payable by the charity to this pension scheme amounted to £19,516 (2016 - £32,950). The creditor at the balance sheet date relating to this scheme is £530 (2016 - £2,711).

Key assumptions

	2017	2016
	%	%
Discount rate	2.5	3.4
Expected rate of increase of pensions in payment	2.5	2.1
Expected rate of salary increases	3.2	3.6

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2017	2016
	Years	Years
Retiring today		
- Males	23.6	24.4
- Females	25	25.8
Retiring in 20 years		
- Males	26	26.9
- Females	27.8	28.5

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

23 Retirement benefit schemes

(Continued)

The amounts included in the balance sheet arising from the Gallery's obligations in respect of defined benefit plans are as follows:

	2017 £	2016 £
Fair value of plan assets	787,000	677,000
Present value of defined benefit obligations	(630,000)	(508,000)
Surplus in scheme	157,000	169,000
Asset not recognised due to asset ceiling	(157,000)	(169,000)
Liability for minimum funding requirement	-	19,796
Total liability recognised	-	19,796

Movements in the present value of defined benefit obligations:

	2017 £
Liabilities at 1 April 2016	508,000
Current service cost	2,000
Benefits paid	(21,000)
Actuarial gains and losses	125,000
Interest cost	15,000
Other	1,000
At 28 February 2017	630,000

The defined benefit obligations arise from plans which are wholly or partly funded.

Movements in the fair value of plan assets:

	2017 £
Fair value of assets at 1 April 2016	677,000
Interest income	21,000
Return on plan assets (excluding amounts included in net interest)	91,000
Benefits paid	(21,000)
Contributions by the employer	19,000
At 28 February 2017	787,000

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

23 Retirement benefit schemes

(Continued)

The fair value of plan assets at the reporting period end was as follows:

	2017	2016
	£	£
Equity instruments	574,510	487,440
Debt instruments	125,920	108,320
Property	62,960	60,930
Cash	23,610	20,310
	<u>787,000</u>	<u>677,000</u>

24 Endowment funds

Endowment funds represent assets which must be held permanently by the Gallery. Income arising on the endowment funds can 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 form part of the fund.

	Movement in funds					
	Balance at 1	Incoming	Resources	Transfers	Investments	Balance at 31
	April 2016	resources	expended		gains/losses	March 2017
	£	£	£	£	£	£
Permanent endowments						
The Monument						
Trust	5,621,738	-	-	(702,251)	520,210	5,439,697
Appeal Fund	1,588,102	-	-	-	153,241	1,741,343
HLF Catalyst	2,004,895	-	-	-	200,707	2,205,602
John Morrish						
Legacy	1,584,972	-	-	-	161,340	1,746,312
The Coach House						
Property	-	-	(14,045)	702,251	-	688,206
	<u>10,799,707</u>	<u>-</u>	<u>(14,045)</u>	<u>-</u>	<u>1,035,498</u>	<u>11,821,160</u>

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

25 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Movement in funds				
	Balance at 1 April 2016	Incoming resources	Resources expended	Transfers	Balance at 31 March 2017
	£	£	£	£	£
Library fund	2,271	474	(478)	-	2,267
Partners in Art fund	5,906	17,500	(26,526)	(5,905)	(9,025)
Schools Project	1,285	10,527	(8,378)	-	3,434
Outside In	34,127	103,807	(108,956)	(1,544)	27,434
Catalogue fund	17,011	-	-	-	17,011
Picture conservation fund	2,309	500	(1,000)	-	1,809
Gold Run	7,730	-	-	(7,730)	-
Database	25,400	-	(110)	-	25,290
Artworks acquisitions	26,927	-	(2,599)	-	24,328
Chichester Art	1,474	-	-	-	1,474
HLF Outside In	5,417	17	-	-	5,434
Graylingwell Heritage Project	86	-	-	(86)	-
Publications - Delongh'i	6,990	-	(13)	(6,977)	-
Esme Fairbairn Foundation	382	61,458	(59,146)	2,324	5,018
David Jones	(13,287)	-	(673)	13,960	-
Sickert's Dieppe	(2,525)	115	(49)	2,459	-
Contemporary commissions	(12,801)	1,600	(22,541)	33,742	-
Nek Chand	(3,769)	-	(520)	4,289	-
L&C Programme	7,964	44,063	(23,727)	11,568	39,868
Classicism	487	11,138	(52,394)	40,769	-
John Piper Textiles	7,848	-	(7,554)	(294)	-
Golder Thompson	4,106	3,375	(2,965)	-	4,516
Dannatt Trust - Racking system	52,852	-	(5,085)	-	47,767
Exhibition Fund	73,120	39,843	(187)	(112,776)	-
Digital Fundraising	-	881	(74)	-	807
Volunteer training	-	2,200	(210)	-	1,990
Coach House	-	281,838	-	(281,838)	-
Freelance Art Technicians	-	-	(13,273)	15,111	1,838
Christopher Wood	-	26,120	(60,258)	34,138	-
British Constructivism	-	5,000	(5,483)	5,250	4,767
Lothar Gotz	-	-	(7,403)	7,403	-
Clare Woods/Des Hughes	-	-	(1,810)	1,810	-
Pablo Bronstein	-	-	(30,039)	30,039	-
Sidney Nolan	-	8,563	(13,455)	4,892	-
Victor Passmore	-	29,048	(20,677)	-	8,371
John Minton	-	13,000	(2,037)	-	10,963
David Bomberg	-	7,750	-	-	7,750
Jessica Dismorr/Radical Women	-	-	(2,000)	-	(2,000)
Laura Ford	-	3,000	(285)	-	2,715
Bonhams	-	-	(371)	371	-
Dannatt Trust Publication	-	5,788	(5,788)	-	-
ACE Art Store (Bike shed)	-	-	(3,920)	3,920	-

PALLANT HOUSE GALLERY
CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

25 Restricted funds

(Continued)

<u>251,310</u>	<u>677,605</u>	<u>(489,984)</u>	<u>(205,105)</u>	<u>233,826</u>
<u>251,310</u>	<u>677,605</u>	<u>(489,984)</u>	<u>(205,105)</u>	<u>233,826</u>

The Partners in Art and Jessica Dismorr/Radical Women restricted funds are in deficit at 31 March 2017. There will be income in the 2017/18 financial year that will cover these deficits.

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25 Restricted funds

(Continued)

The following ten restricted funds are all community projects and their full names are as follows:

Partners in Art fund
Schools Project
L & C Programme
Gold Run
Chichester Art
HLF Outside In
Graylingwell Heritage Project
Esme Fairbairn Foundation
Outside In
Volunteer training

The following twenty restricted funds are all exhibition related and their full names are as follows:

Dannatt Trust Publication
David Jones
Sickert's Dieppe
Publications - Delongh'i
Nek Chand
Exhibition Fund
John Piper Textiles
Contemporary commissions
Classicism
Christopher Wood
Lothar Gotz
Sidney Nolan
Victor Passmore
Clare Woods/Des Hughes
Pablo Bronstein
John Minton
David Bomberg
Jessica Dismorr/Radical Women
Laura Ford
British Constructivism

The following twelve restricted funds are all collection management projects and their full names are as follows:

Picture conservation fund
Artwork Acquisitions fund
Library fund
Database fund
Dannatt Trust - Racking System
Catalogue fund
Digital Fundraising
Bonhams
ACE Art Store (Bike Shed)
Golder Thompson
Freelance Art Technicians
Coach House

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26 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

	Balance at 1 April 2016	Movement in funds		Balance at 31 March 2017
	£	Incoming resources	Resources expended	£
Acquisitions fund	89,078	-	-	89,078
Building fund	6,414,132	-	(259,888)	6,154,244
Heritage assets fund	16,623,749	125,000	-	16,748,749
	<u>23,126,959</u>	<u>125,000</u>	<u>(259,888)</u>	<u>22,992,071</u>

The acquisitions fund is represented by works of art purchased for display in the Gallery.

The building fund is represented by the Gallery building and the new wing furniture, fixtures, equipment, plant and machinery.

The Heritage assets fund is represented by the Gallery's collections of artworks which have been donated to the Gallery in the past.

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27 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total £
Fund balances at 31 March 2017 are represented by:				
Tangible assets	6,595,256	-	688,206	7,283,462
Heritage assets	16,748,749	-	-	16,748,749
Investments	-	-	10,825,341	10,825,341
Current assets/(liabilities)	10,135	233,826	307,613	551,574
	<u>23,354,140</u>	<u>233,826</u>	<u>11,821,160</u>	<u>35,409,126</u>

Included in Unrestricted funds above are Designated funds as follows:-

Tangible fixed assets £6,239,314

Heritage assets £16,748,749

Current assets £4,008.

Unrealised gains/(losses) included above:

On investments	-	-	3,588,866	3,588,866
On pension scheme	-	-	-	-
	<u>-</u>	<u>-</u>	<u>3,588,866</u>	<u>3,588,866</u>

Reconciliation of movements in unrealised gains/(losses)

Unrealised gains/(losses) at 1 April 2016	(19,796)	-	3,138,722	3,118,926
Unrealised gains eliminated on disposal	-	-	(588,901)	(588,901)
Net gains/(losses) on revaluations in year	19,796	-	1,039,045	1,058,841
	<u>-</u>	<u>-</u>	<u>3,588,866</u>	<u>3,588,866</u>

28 Operating lease commitments

At the reporting end date the Gallery had outstanding commitments for future minimum lease payments under non-cancellable operating leases of £312,000 (2016 - £351,000). This is the total market rent for the land and buildings due over the 10 year term of the lease which expires on 31 March 2025. However, the charging of a concessionary rent rather than a market rent means that the total amount payable would actually be lower than this.

The lease payments recognised as an expense during the year are £11,700 (2016 - £11,700).

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29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017	2016
	£	£
Aggregate compensation	162,669	160,128
	<u> </u>	<u> </u>

During the year there were grants and donations received from Friends of Pallant House Gallery (a related charity) of £2,500 (2016 - £104,681). There were also grants and donations from Friends of Pallant House Gallery of £62,500 released from deferred income.

At the balance sheet date £724 (2016 - £1,938) was owed by Friends of Pallant House Gallery. Also included in these consolidated accounts is a creditor of £1,447 (2016 - £1,940) which was owed by Pallant House Gallery Services Limited to Friends of Pallant House Gallery at the balance sheet date.

30 Subsidiaries

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

Details of the Gallery's subsidiaries at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Pallant House Gallery Services Limited - Company no. 05526158	UK	Managing the shop and restaurant franchises	Ordinary	100.00	

At 31 March 2017, the company's assets total £63,910, its liabilities £63,710 and its total funds £200. For the year, its turnover is £65,155, expenditure £20,773, bank interest receivable £20 and made a profit after tax of £44,402.

This subsidiary is included in these Consolidated accounts.

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31 Cash generated from operations	2017 £	2016 £
Surplus for the year	971,132	282,905
Adjustments for:		
Investment income recognised in profit or loss	(525,000)	(519,087)
Loss on disposal of investments	3,547	-
Fair value gains and losses on investments	(1,039,045)	685,032
Depreciation and impairment of tangible fixed assets	288,679	268,265
Donations of heritage assets included in income	(125,000)	(647,850)
Receipt of endowment	-	(738,311)
Expenditure of endowment	-	24,016
Movements in working capital:		
(Increase) in stocks	(18,488)	(14,568)
Decrease/(increase) in debtors	2,046	(21,799)
Increase in creditors	3,766	19,774
(Decrease)/increase in deferred income	(57,931)	44,879
Cash absorbed by operations	(496,294)	(616,744)

32 Auditors' Ethical Standards

The relevant circumstances requiring disclosure in accordance with the requirements of APB Ethical Standard - Provisions Available for Small Entities are that, in common with many charities of our size and nature we use our auditors to assist with the preparation of the accounts.