

**HEDLEY FOUNDATION LIMITED**

**A Company Limited by Guarantee**

**Registered Charity Number: 262933**

**Registered Company Number: 01018571**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2018**

WEDNESDAY



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**HEDLEY FOUNDATION LIMITED****CHARITY INFORMATION****Trustees**

J F M Rodwell (Chairman)  
P R Holcroft  
G R S Broke  
P G Chamberlin (Retired September 2017)  
Mrs L Stuttaford  
A E Fanshawe  
D W Byam-Cook  
A C Ford  
C Bennett (Appointed November 2017)

**Company Secretary**

M Kitto

**Registered Office**

1 College Hill  
London EC4R 2RA

**Bankers**

Royal Bank of Scotland  
London Service Centre  
4th Floor  
Regents House  
42 Islington High Street  
London N1 8XL

**Independent Auditor**

PKF Littlejohn LLP  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Investment Managers**

Waverton Investment Management Limited  
16 Babmaes Street  
London SW1Y 6AH

**Solicitors**

Macfarlanes LLP  
20 Cursitor Street  
London EC4A 1LT

**Company Registration Number**

01018571

**Charity Registration Number**

262933

The Trustees, who are also the Directors of The Hedley Foundation Limited (the Foundation), have pleasure in presenting their Report together with the Financial Statements for the year ended 31 March 2018. The Trustees have adopted the provisions of the Statement of Recommended Practice "Accounting and Reporting by Charities" ("FRS 102 SORP") in preparing the annual report and financial statements of the charity.

### **Trustees of the Charity**

The Directors of the Charitable Company are its Trustees for the purposes of charity law. The Trustees who have served during the year and since the year end are listed on page 1.

### **Objectives and Activities**

The Foundation was established for exclusively charitable purposes. The Foundation manages its assets including its subsidiary companies, which together with the Foundation comprise the Group, in order to make grants to UK registered charities out of the Group's income.

Grants were made during the year to 358 (2017 - 310) charities totalling £907,453 (2017 - £ 821,980).

The Foundation considers applications from registered charities, never individuals, in the United Kingdom relating to:

- Young people: their education, recreation, support, training, health and welfare which currently accounts for about half of the Foundation's annual grants; and
- Disabled people and the terminally ill: provision of specialist equipment and support for carers and other grants as the Trustees decide.

Grants are for specific projects only and are mostly one-off with a limited number of recurring grants for two to three years. National and very large appeals are not considered.

Details of how to apply are available on the Foundation's website at [www.hedleyfoundation.org.uk](http://www.hedleyfoundation.org.uk)

Using a detailed application form, numerous telephone and email enquiries and an insistence on the submission of up-to-date and audited Accounts by applicants to The Foundation, Trustees are able to assess the need for an appropriate grant. The Foundation encourages successful applicants to send feedback confirming the success or otherwise of the project funded and in many cases future relationships are developed. As The Foundation specialises in making small financial grants to small UK charities it does not have the resources to carry out detailed analysis of the success of all grants made. However, the Trustees are satisfied that, with very few exceptions, grants are greatly appreciated and well used. The Foundation requires the recipient to send a letter of acknowledgement, together with a formal receipt, after the making of any grant.

A principal objective of The Foundation is to effect change for the better in the lives of young people within the United Kingdom. This ranges from help for children's and young people's hospices, through support of outdoor activities for inner city and under-served children, to apprenticeships and training for outstanding and talented young people. Beneficiaries during the year included The Treloar Trust, In2Change South Yorkshire, Young Musicians Symphony Orchestra and the Edward Barnsley Educational Trust.

### **Public Benefit**

The objectives and activities as listed above are undertaken to further the Foundation's purpose for public benefit. The Trustees confirm that they have had regard to the guidance on public benefit issued by the Charity Commission when considering the objectives and activities of the Foundation.

### Structure, governance and management

The Foundation was incorporated on 23 July 1971 as a company limited by guarantee and is a registered charity. It is governed by its Memorandum and Articles of Association. The Foundation has no share capital but each member undertakes, in the event of winding up, to contribute up to £1 towards the cost of winding up.

At 31 March 2018, there were 8 members of the Foundation, who are also the Trustees and the Directors of the Charitable Company.

The Trustees met formally on six occasions during the year to review the progress of the Foundation's investment policy and its financial state and to conduct Board Meetings of the subsidiary companies of which they are Directors. Applications for grants received by the Foundation and decisions on the application of the money available are administered by a separate 'Sift' Board, incorporating an element of rotating membership, which meets prior to each full meeting of all the Trustees.

Trustees have individually visited many charities to which the Foundation might make or has made grants.

New Trustees are appointed by the existing Trustees. One new appointment, Mr Charles Bennett, was made in November 2017 and Mr Peter Chamberlin retired from his Trusteeship in September 2017, after 18 years. Newly appointed Trustees are given a full brief on the history of The Foundation and are provided with a copy of the Articles of Association and copies of the Minutes of Board Meetings for the last five years. Signposting to the Charity Commission website was also suggested.

Recommendations for pay and remuneration are made to a sub Committee of the Trustees and Directors of the subsidiary companies (see below). The sub Committee then makes its own recommendations to the full Board of The Foundation which makes the final decision. Recommendations for pay and remuneration take into consideration many benchmarks including the remuneration levels paid by similar Third Sector organisations and the CPI.

### Review of the Business and Future Developments

The results for the year are set out on page 9 of the Financial Statements. The net movement in funds for the year amounted to a movement of £49,215 compared to a movement of £3,821,138 in the prior year.

The following companies are wholly owned subsidiaries of the Foundation:

<b>Company</b>	<b>Principal Activity</b>
Fairhood Properties Limited	Management of investment properties
Merewood Properties Limited	Management of investment properties
Mountbarrow Properties Limited	Management of investment properties
Middlerigg Nominees Limited	Nominee company
Middlerigg Services Limited	Management services company

The management company and the property companies transfer 100% of their taxable profits to the Foundation under the Gift Aid arrangements.

The results of the above companies have been consolidated in the Statement of Financial Activities and Balance Sheet of the Foundation in accordance with the Charities' Statement of Recommended Practice (SORP), Accounting and Reporting by Charities as updated in July 2015 to take account of Financial Reporting Standard 102. The Trustees consider the results of the investment property companies and management services company to be satisfactory.

### Financial Instruments

The Foundation does not receive any public or government funding and relies entirely upon its invested assets to provide funding for the making of grants. In order to minimise the risk, the Trustees have diversified the range of investments to include UK and global equities, government stocks and retail property.

**Reserves Policy**

The Foundation has total funds of £36,130k at 31 March 2018 all of which are unrestricted. Of these total funds, £37,369k could only be realised by disposing of fixed assets (£11,150k investment properties, £20,749k listed investments and £5,470k investment in subsidiaries).

Unrestricted free reserves at the consolidated level at 31 March 2018 are £905,661. The Trustees consider the appropriate target level of consolidated free reserves to be at least 6 months operating expenditure. The current level of consolidated free reserves at 31 March 2018 is in line with this target, representing 8 months of operating and grant-making expenditure.

The Trustees intend to award budgeted grants for the next financial year in the region of £1m, but this amount is reviewed by the Trustees at each Sift Meeting. The Foundation does not enter into any contractual arrangements with beneficiaries as to future levels of funding. A small number of pledges are made, but the progress of these are individually reviewed on a regular basis by the Trustees. The combined total of outstanding pledges would usually equate to no more than £15,000.

**Investment Policy**

The policy of the Foundation is to combine security with higher than average income by investment, partly in let commercial property and partly in a managed portfolio of investments.

In respect of the managed portfolio, the Trustees have decided that the portfolio should be reviewed against the FTSE All Word Index.

In respect of the commercial property portfolio, the current annual yield is 6% (2017 - 6%).

The rental income derived from the commercial properties and the dividends are utilised, after expenses, for the Foundation's grant-making process.

**Risk Management**

The Trustees have examined the major strategic, business and operational risks which the Foundation faces and confirm that systems have been established to mitigate the Foundation's exposure to such risks. The annual cost base for the Foundation is relatively low, with more than twelve month's running costs available.

The Trustees consider that a significant fall in the value of the stock market, or the failure of tenants to pay their rents, to be the key risks which could affect the future ability of The Foundation to make grants.

**Third party indemnity provisions**

The Foundation has purchased professional indemnity insurance on behalf of the Trustees. The premium paid for the insurance was £1,891 (2017 - £1,815).

**Trustees' Responsibilities**

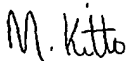
The statement of Trustee's responsibilities can be found on page 5.

**Audit Information**

The Trustees who held office at the date of approval of this Trustees' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Charity's auditor is unaware; and each Trustee has taken all reasonable steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

Our independent auditor, PKF Littlejohn LLP, has signified its willingness to continue in office.

By Order of the Board



**M Kitto**  
Secretary

12 September 2018

The Trustees (who are also Directors of the Foundation for the purpose of company law) are responsible for preparing the Trustees' report and the Financial Statements in accordance with applicable law and United Kingdom Accounting standards (UK Generally Accepted Accounting Practice).

Company and Charity law requires the Trustees to prepare Financial Statements for each financial year. Under that law the Trustees have elected to prepare the Financial Statements in accordance with the Charities' Statement of Recommended Practice, Accounting and Reporting by Charities issued in July 2015 and United Kingdom Financial Reporting and Accounting Standards. Under company and charity law the Trustees must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of the surplus or deficit of the Charitable Company for that period. In preparing these Financial Statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles of the Charities' SORP, Accounting and Reporting by Charities;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including SORP FRS 102 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to assume that the Charitable Company will be able to continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Charities Act 2011. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Opinion**

We have audited the financial statements of the Hedley Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities (including Income and Expenditure Account), the Consolidated and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2018, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

**Basis for opinion**

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

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the Report of the Trustees, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Report of the Trustees (incorporating the Directors' Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees (incorporating the Directors' Report) has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

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

- adequate and sufficient accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the charitable company and the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Alastair Duke (Senior Statutory Auditor)  
For and on behalf of PKF Littlejohn LLP  
Statutory Auditor**

1 Westferry Circus  
Canary Wharf  
London E14 4HD

Date: 15 October 2009

PKF Littlejohn LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006

**HEDLEY FOUNDATION LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**(Including Income and Expenditure Account)**  
**Year ended 31 March 2018**

		<b>Unrestricted Funds</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
<b>Income from:</b>			
Income from investment properties	1	734,480	685,148
Income from Investment portfolios	2	399,143	393,354
Other trading activities – subsidiary companies	25	193,160	258,857
Other Income		-	-
		<hr/>	<hr/>
<b>Total Income</b>		<b>1,326,783</b>	<b>1,337,359</b>
		<hr/>	<hr/>
<b>Expenditure on:</b>			
Raising funds	3	318,587	317,200
Charitable activities	4	966,402	885,158
Other – on charitable trading	25	107,787	153,010
Transfer of minority interest	19	-	144
		<hr/>	<hr/>
<b>Total Expenditure</b>		<b>1,392,776</b>	<b>1,355,512</b>
		<hr/>	<hr/>
<b>Net income / (expenditure)</b>		<b>(65,993)</b>	<b>(18,153)</b>
		<hr/>	<hr/>
Net realised and unrealised gains / (loss) on investment assets	8	210,208	3,179,291
Unrealised losses on revaluation of investment properties		(95,000)	660,000
		<hr/>	<hr/>
<b>Net Movement in Funds</b>		<b>49,215</b>	<b>3,821,138</b>
		<hr/>	<hr/>
Fund balances brought forward		36,081,178	32,260,040
		<hr/>	<hr/>
<b>Fund balances carried forward</b>		<b>36,130,393</b>	<b>36,081,178</b>
		<hr/>	<hr/>

All of the above results are derived from continuing activities. The Company and its subsidiaries have no gains and losses other than those shown above.

In accordance with the provisions of the Companies Act 2006, a separate Income and Expenditure Account dealing with the results of the Foundation only has not been presented.

The Accounting Policies and Notes on pages 12 to 27 form part of these Financial Statements.

	Note	Consolidated		Company	
		2018	2017	2018	2017
		£	£	£	£
<b>Fixed Assets</b>					
Investment properties	12	14,475,000	13,050,000	11,150,000	10,675,000
Investments	13	20,749,732	20,165,709	26,219,488	25,455,731
		<u>35,224,732</u>	<u>33,215,709</u>	<u>37,369,488</u>	<u>36,130,731</u>
<b>Current Assets</b>					
Debtors	14	47,912	81,558	349,908	380,688
Cash at bank and in hand	15	1,123,751	1,323,437	1,045,214	1,312,869
Current assets held for sale		-	1,660,000	-	750,000
		<u>1,171,663</u>	<u>3,064,995</u>	<u>1,395,122</u>	<u>2,443,557</u>
<b>Creditors:</b> amounts falling due within one year	16	(266,002)	(199,526)	(2,634,217)	(2,493,110)
<b>Net Current Assets/(Liabilities)</b>		<u>905,661</u>	<u>2,865,469</u>	<u>(1,239,095)</u>	<u>(49,553)</u>
<b>Net Assets</b>		<u>36,130,393</u>	<u>36,081,178</u>	<u>36,130,393</u>	<u>36,081,178</u>
<b>General Funds</b>					
Charitable funds		30,660,637	30,791,156	30,660,637	30,791,156
Non-charitable investment/trading company funds		5,469,756	5,290,022	5,469,756	5,290,022
Minority interest	19	-	-	-	-
<b>Total Funds</b>	18	<u>36,130,393</u>	<u>36,081,178</u>	<u>36,130,393</u>	<u>36,081,178</u>

These Financial Statements were approved and authorised for issue by the Board of Trustees on 12 September 2018.

Signed on behalf of the Board of Trustees

  
J F M Rodwell

  
A C Ford

)  
)  
) Directors  
)  
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The Accounting Policies and Notes on pages 12 to 27 form part of these Financial Statements.

**HEDLEY FOUNDATION LIMITED**
**CONSOLIDATED CASHFLOW STATEMENT**  
**Year ended 31 March 2018**

	Note	2018 £	2017 £
<b>Cash (outflow) / inflow from operating activities</b>	21	34,128	(30,650)
<b>Net cash flow used in operating Activities</b>		<u>34,128</u>	<u>(30,650)</u>
<b>Cash flow from investing activities</b>			
Payments to acquire investment property	(770,000)	-	-
Receipts from sales of investment property	910,000	(875,000)	(875,000)
Payments to acquire investments	(5,763,805)	(8,343,667)	(8,343,667)
Receipts from sales of investments	5,389,990	6,405,137	6,405,137
<b>Net cash flow provided by investing Activities</b>		<u>(233,815)</u>	<u>(2,813,530)</u>
<b>Change in cash and cash equivalents In the year</b>		<u>(199,687)</u>	<u>(2,844,180)</u>
Cash and cash equivalents at 1 April 2017		1,323,438	4,167,618
Cash and cash equivalents at 31 March 2018		<u>1,123,751</u>	<u>1,323,438</u>
<b>Cash and cash equivalents consists of:</b>			
Current accounts		313,695	59,972
Deposit accounts		223,434	43,695
Cash at Investment Managers		586,622	1,219,771
<b>Cash and cash equivalents at 31 March 2018</b>		<u>1,123,751</u>	<u>1,323,438</u>

The Accounting Policies and Notes on pages 12 to 27 form part of these Financial Statements.

**General information and basis of preparation**

The Hedley Foundation is a Charitable Company limited by Guarantee in the United Kingdom. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 1 of these financial statements. The nature of the charity's operations and principal activities are charitable grant giving to UK registered charities.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015. The Financial Statements have been prepared under the historical cost convention, with the exception of investments, which are included on a market value basis and Investment Properties, which are included on the basis of annual valuations.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the charity.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

**Going Concern**

It is the opinion of the Trustees that the use of the going concern basis of accounting is appropriate because there are no material uncertainties relating to events or conditions that may cast significant doubt about the ability of the Charity to continue as a going concern and there is reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future.

**Basis of Consolidation**

The Group Financial Statements consolidate the Financial Statements of The Hedley Foundation Limited and its subsidiary undertakings.

**Fund Accounting**

General funds, all of which are unrestricted, are available for use at the discretion of the Trustees in furtherance of the general objectives of the Foundation.

**Income Recognition**

All income and expenditure is shown in the Statement of Financial Activities (SOFA).

**Charitable activities**

The Foundation has a portfolio of investment properties generating rental income which is accounted for on a receivable basis.

**Investment Income**

Investment income is earned through holding assets for investment purposes such as shares and property. It includes dividends, interest and rent. Interest income is recognised when receivable and dividend and rent income is recognised as the Foundation's right to receive payment is established.

**Income Recognition (continued)****Other trading activities – subsidiary companies**

Income from trading activities includes income earned from trading activities undertaken by subsidiary companies to raise funds for the charity. Income is received in exchange for supplying goods and services in order to raise funds and is recognised when entitlement has occurred. The gross income of the subsidiaries is shown in the consolidated SOFA.

**Expenditure**

All expenditure is accounted for on an accruals basis. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds includes the direct costs of managing the listed investment portfolio;
- Expenditure on charitable activities includes direct expenditure on grant-making activities and support costs which are allocated on a basis consistent with the use of resources; and
- Non-charitable trading and investment property expenses includes the costs of the subsidiary companies which are incurred in relation to these activities.

Grants payable to third parties are included in expenditure on charitable activities. Where unconditional grants are made, these amounts are recognised when a constructive obligation is created, typically when the recipient is notified that a grant will be made to them. Where grants are conditional on performance, then the grant is only recognised once any unfulfilled conditions are outside of the control of the charity.

**Support costs allocation**

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs and governance costs. They are incurred directly in support of expenditure on the objects of the charity. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Premises costs have been allocated on a business to charity staff time allocation basis. This had been reviewed in September 2016 and subsequently approved by the Trustees.

The analysis of these costs is included in note 5.

**Operating Leases**

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

**Investment Properties**

Investment properties are measured at fair value at each balance sheet date, with changes in fair value recognised in 'net gains / (losses) on investments' in the SOFA.

Surpluses and deficits arising on revaluation are taken to revaluation reserves within the Foundation's subsidiary companies (with the movement reflected in the statement of total recognised gains and losses), and to the SOFA on consolidation.

Sales and purchases of investment properties are recognised at the date of exchange, where this is not subject to conditions, as the equitable interest has passed from the vendor to the purchaser at this date. If a contract is conditional, credit for a sale is taken when the last material condition has been satisfied.

Assets held for sale (being actively marketed and expected to be disposed within 12 months of the Balance Sheet date) are measured at valuation (or sale price if this is known) and shown within current assets on the Balance Sheet.

**Investments****Subsidiary companies**

Investments in subsidiary companies are valued annually at the attributable amount of the subsidiaries' net assets at the Balance Sheet date. This is considered by the Trustees to be a fair assessment of their fair value.

**Publically traded investments**

Publicly traded investments are measured at fair value at each balance sheet date, with changes in fair value recognised in 'net gains / (losses) on investments' in the SOFA.

**Taxation**

The Foundation is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010. It therefore meets the definition of a charitable company for UK corporation tax purposes.

The Foundation is registered for VAT; irrecoverable VAT (where applicable) is included with the expenditure to which it relates. The subsidiaries of the Foundation are liable to Corporation Tax on any taxable income not covenanted or transferred by Gift Aid to the Foundation.

**Grants**

Grants authorised in the period are charged to the SOFA. Any grants authorised but unpaid at the Balance Sheet date are included in creditors. Grants covering more than one period are charged to the SOFA as the money is released and is conditional on receipt of satisfactory progress reports.

**Pension Costs**

The Foundation operates two employee pension schemes. The Foundation makes pension contributions for employees under individual money purchase schemes. Payments made are charged against income in the period in which they are paid. The Foundation also operates a defined contribution plan for the benefit of its employees. Contributions to this scheme are expensed as they become payable.

**Judgments in applying accounting policies and key sources of estimation uncertainty**

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Impairment of debtors**

The Foundation makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

**(ii) Valuation of investment properties**

The Foundation makes an estimate of the fair value of investment properties. When assessing the fair value, management seeks the help of an expert in this area and considers, amongst other things the expected rental yields, valuation of other properties in the immediate vicinity of the property and the condition of the building.



1. Income from investment properties	Company 2018 £	Company 2017 £
Rental Income	734,480	685,148
	<u>734,480</u>	<u>685,148</u>
2. Income from Investments	Group 2018 £	Group 2017 £
Income from Managed Portfolio	355,424	341,283
Interest	435	2,930
Other investment income	43,284	49,141
	<u>399,143</u>	<u>393,354</u>

Other investment income relates to income from investments held in managed funds outside of the main investment portfolio.

3. Expenditure on raising funds	Group 2018 £	Group 2017 £
Management of investment properties	144,072	154,677
Investment Management fees	174,515	162,523
	<u>318,587</u>	<u>317,200</u>

#### 4. Analysis of expenditure on charitable activities

	Staff £	Direct costs £	Support costs £	Group 2018 Total £	Group 2017 Total £
Grant making	26,308	907,554	32,540	966,402	885,158
	<u>26,308</u>	<u>907,554</u>	<u>32,540</u>	<u>966,402</u>	<u>885,158</u>

Expenditure of £40,646 (2017 - £154,677) relating to the management of investment properties has been reclassified as expenditure on raising funds to better reflect the nature of the Foundation's activities.

**HEDLEY FOUNDATION LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

<b>5. Support Costs</b>	<b>Basis of Allocation</b>	<b>Investment Properties £</b>	<b>Grant Making £</b>	<b>Total 2018 £</b>	<b>Total 2017 £</b>
Governance costs (note 6)	71%-29%	19,617	8,013	27,630	39,790
Maintenance	71%-29%	-	-	-	41
Office costs	71%-29%	17,372	7,096	24,468	23,552
Premises	71%-29%	42,675	17,431	60,106	58,842
		<u>79,664</u>	<u>32,540</u>	<u>112,204</u>	<u>122,225</u>
<b>6. Governance Costs</b>				<b>Group 2018 £</b>	<b>Group 2017 £</b>
Business Rates				3,485	3,012
Insurance				2,036	3,334
Accountancy Fees				7,880	6,086
Professional Fees				13,133	26,193
Bank Charges				1,096	1,165
				<u>27,630</u>	<u>39,790</u>
<b>7. Analysis of Grants</b>		<b>Grants to Institutions £</b>	<b>Grants to Individuals £</b>	<b>Total 2018 £</b>	<b>Total 2017 £</b>
Youth category grants (Y)		487,091	-	487,091	467,495
The Disabled category grants (D)		272,285	-	272,285	213,029
The Terminally Ill and Hospices (ETH)		31,177	-	31,177	61,856
Other category grants (O)		117,000	-	117,000	79,600
		<u>907,553</u>	<u>-</u>	<u>907,553</u>	<u>821,980</u>
<b>Recipients of grants</b>			<b>Grant Making £</b>	<b>Total 2018 £</b>	<b>Total 2017 £</b>
Edward Barnsley Educational Trust			10,000	10,000	10,000
In2Change South Yorkshire Ltd			25,000	25,000	50,000
Veterans Aid (MS)			15,000	15,000	-
English National Ballet School (Y)			15,000	15,000	15,000
Young Musicians Symphony Orchestra (Y)			15,000	15,000	15,000
British Exploring Society (Y)			-	-	15,000
Raleigh International (Y)			-	-	10,000
Treloar Trust (DA)			10,000	10,000	-
Ebony Horse Club (Y)			12,500	12,500	-
Mark Evison Foundation			10,000	10,000	-
Other grants payable			795,053	795,053	706,980
			<u>907,553</u>	<u>907,553</u>	<u>821,980</u>
<b>Total grants payable</b>			<u>907,553</u>	<u>907,553</u>	<u>821,980</u>

Others grants payable' includes grants payable to UK registered charities which are each under £10,000.

8. Net Incoming / (Outgoing) Resources are stated after Charging:	Group 2018 £	Group 2017 £
Auditors' remuneration - audit	17,630	17,200
- other services	4,580	4,480
Operating leases - land and buildings	43,829	44,325
- other	1,917	2,753
Loss on fair value movement of investment property	(95,000)	600,000
Gain / (loss) on fair value movement of investment portfolio	210,208	3,179,291

9. Auditor's remuneration

Auditor's remuneration amounts to an audit fee of £17,630 (2017 - £17,200) and fees payable for iXBRL tagging, corporation tax compliance and VAT Compliance in relation to the subsidiary companies of £4,580 (2017 - £4,480).

10. Staff Costs

	2018 £	2017 £
Wages and salaries	137,833	158,437
Social security costs	8,973	9,282
Pension costs - money purchase scheme	4,000	5,000
Pension costs - employer's pension	852	545
Other staff costs	808	-
	<hr/>	<hr/>
	152,466	173,264
	<hr/>	<hr/>

The average number of employees during the year, excluding Trustees, was 3 (2017 - 3). This equates to a full time equivalent number of 2 (2017 - 2).

The number of employees who received total employee benefits (excluding employer pension costs) of more than £60,000 is as follows:

	2018 Number	2017 Number
£60,001 - £70,000	-	1
	<hr/>	<hr/>
	-	1
	<hr/>	<hr/>

**11. Trustees' and key management personnel remuneration and expenses**

	2018 Number	2017 Number
The number of company directors in receipt of emoluments	1	2

Payment of emoluments by the Subsidiary Companies to named directors (who are also Trustees of the Foundation) is made in relation to management and professional services provided to these companies.

Mr John Francis Rodwell is a Company Director of Fairhood Properties Limited, Middlerigg Services Limited and Mountbarrow Properties Limited. Payments are approved under Charity Commission Order 462/98 sealed on 21 December 1998. Payments amounted to £50,000 (2017 - £51,625).

The following Trustees' expenses were reimbursed or paid directly on their behalf during the year:

	2018 Number	2017 Number	2018 £	2017 £
Travel	8	5	894	448
	8	5	894	448

The total amount of employee benefits received by key management personnel during the year was £88,471 (2017 - £84,354). The Trust considers its key management personnel to comprise of:

Mary Kitto: Company Secretary  
Noreen Sherry: Financial Controller (resigned October 2017)  
Pauline Barker: Appeals Secretary (retired December 2017)  
Lucy Janes: Appeals Secretary (appointed November 2017)  
Christine Janes: Financial Accountant (appointed March 2018)

## 12. Investment Properties

Valuation	Group freehold land and buildings 2018 £	Group freehold land and buildings 2017 £	Company freehold land and buildings 2018 £	Company freehold land and buildings 2017 £
At beginning of year	13,050,000	13,175,000	10,675,000	10,175,000
Additions at cost	770,000	875,000	770,000	875,000
Disposals at valuation	-	-	-	-
Assets transferred to current assets held for sale	750,000	(1,660,000)	-	(750,000)
Surplus on revaluation	(95,000)	660,000	(295,000)	375,000
At end of year	14,475,000	13,050,000	11,150,000	10,675,000

The investment properties had an original cost of £12,923,756 (2017 - £13,048,756) (Group), and £10,798,831 (2017 - £10,918,831) (Company). The fair value of investment properties is determined by independent, professional valuation at 31<sup>st</sup> March 2018. The valuation was undertaken by Clive Thomas of Clive Thomas & Co Chartered Surveyors, in conjunction with Robin Hanson of Brackenridge Hanson Tate, Chartered Surveyors and Property Consultants. Both Messrs Thomas and Hanson are Fellows of the Royal Institute of Chartered Surveyors. The exercise was carried out on a "desk top" valuation basis, which takes into consideration the location, the valuation of other properties in the immediate vicinity of the building, the condition of the building and the expected rental yields. Valuations are undertaken annually.

In June 2017 permission was granted by way of an Order from The Charity Commission to transfer the property known as 65 Frogmore Street, Abergavenny from The Hedley Foundation Limited to its subsidiary company, Merewood Properties Limited. The value of the property at the time of the transfer was £750,000. The rental income and associated costs were transferred internally to show the new ownership as Merewood Properties Limited with effect from 1<sup>st</sup> September 2017.

## 13. Fixed Asset Investments

	2018 £	2017 £	2018 £	2017 £
	Group		Company	
Investment in subsidiary undertakings	-	-	5,469,756	5,290,022
Listed investments	20,749,732	20,165,709	20,749,732	20,165,709
	20,749,732	20,165,709	26,219,488	25,455,731

Details of the subsidiary undertakings can be found in note 24.

## 13a. Fixed Asset Investments

Company  
£

## Investment in Subsidiary Undertakings

Valuation at beginning of year	5,290,022
Movement in year	179,734

<b>Valuation at end of year</b>	<b>5,469,756</b>
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These Financial Statements incorporate the results of all the Foundation's subsidiaries, which are listed in Note 24. All the subsidiaries are incorporated in England and are wholly owned at 31 March 2018.

## 13b. Fixed Asset Investments

Listed Investments	Group and Company 2018	Group and Company 2017
	£	£
Market value at beginning of year	20,165,709	15,047,888
Additions at cost	5,763,805	8,343,667
Disposal proceeds	(5,389,990)	(6,405,137)
Net investment gains		
- unrealised gains / (losses) on revaluation	(1,432,394)	1,995,663
- realised gains on disposal	1,642,602	1,183,628
	210,208	3,179,291
<b>Market value at end of year</b>	<b>20,749,732</b>	<b>20,165,709</b>
Historical cost at end of year	16,728,663	14,795,978
Unrealised gains / (losses) at end of year	(9,371,593)	7,939,201
Unrealised (losses) / gains at beginning of year	7,939,201	(5,943,538)
Movement in unrealised gains / (losses)	(1,432,394)	1,995,663
Realised gains based on historical cost	1,642,602	1,183,628
<b>Net investment gains / (losses)</b>	<b>210,208</b>	<b>3,179,291</b>

**HEDLEY FOUNDATION LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**
**13b. Fixed Asset Investments (continued)**

<b>Reconciliation</b>	<b>Group and Company 2018 £</b>	<b>Group and Company 2017 £</b>
<b>Listed Investments</b>		
Opening market value of investments	20,165,709	15,047,888
Closing market value of investments - excl cash	20,749,732	20,165,709
	<u>584,023</u>	<u>5,117,821</u>
Cash proceeds from sales	5,389,990	6,405,137
Cash utilised in investment purchases	(5,763,805)	(8,343,667)
	<u>210,208</u>	<u>3,179,291</u>
<b>Listed Investments</b>		
	<b>2018 £</b>	<b>2017 £</b>
UK equity shares	1,575,006	1,229,942
Overseas equities	19,174,726	18,935,767
	<u>20,749,732</u>	<u>20,165,709</u>

The fair value of listed investments is determined by reference to the quoted price for identical assets in an active market at the balance sheet date. No individual holding accounts for more than 5% of the portfolio.

<b>14. Debtors</b>	<b>2018 £</b>	<b>2017 £</b>	<b>2018 £</b>	<b>2017 £</b>
	<b>Group</b>		<b>Company</b>	
Amounts owed by subsidiary undertakings - deeds of covenant/gift aid	-	-	102,683	118,630
Amounts owed by subsidiary undertakings - other	-	-	212,777	202,682
Prepayments and accrued income	47,042	80,916	34,445	59,376
Trade debtors	870	642	-	-
	<u>47,912</u>	<u>81,558</u>	<u>349,905</u>	<u>380,688</u>
<b>15. Cash at Bank and in Hand</b>				
	<b>2018 £</b>	<b>2017 £</b>	<b>2018 £</b>	<b>2017 £</b>
	<b>Group</b>		<b>Company</b>	
Deposit accounts	313,695	43,695	313,695	43,695
Current accounts	223,434	59,971	144,897	49,403
Cash at Investment Managers	586,622	1,219,771	586,622	1,219,771
	<u>1,123,751</u>	<u>1,323,437</u>	<u>1,045,214</u>	<u>1,312,869</u>

**HEDLEY FOUNDATION LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

16. Creditors: amounts falling due within one year	2018 £ Group	2017 £	2018 £ Company	2017 £
Amounts owed to subsidiary undertakings	-	-	2,411,170	2,320,781
Taxation and social security costs	488	87	88	87
Accruals and deferred income (see note 17)	264,200	191,170	222,956	165,202
Other creditors	1,314	8,269	3	7,040
	<u>266,002</u>	<u>199,526</u>	<u>2,634,217</u>	<u>2,493,110</u>

The amounts owed to subsidiary undertakings are unsecured and repayable on demand. Interest is charged at the same rate of interest as that received by the Foundation for funds held in COIF.

17. Deferred Income	2018 £ Group	2017 £	2018 £ Company	2017 £
At 1 April 2017	114,035	102,011	105,803	88,126
Additions during the year	405,762	387,511	386,186	370,182
Amounts released	(403,610)	(375,487)	(394,514)	(352,505)
	<u>116,187</u>	<u>114,035</u>	<u>97,475</u>	<u>105,803</u>
At 31 March 2018				

Income has been deferred in relation to rents received quarterly in advance. All deferred income relates to a period of less than one year.

**18. Fund Reconciliation**

	Balance at beginning of year £	Income £	Expenditure £	Net Investment gains/ (losses) £	Balance at end of year £
<b>Company Funds</b>	36,081,178	1,239,262	(1,284,989)	94,942	36,130,393
Subsidiary companies' funds	5,290,022	210,168	(230,434)	200,000	5,469,756
Consolidation adjustments	(5,290,022)	(122,647)	122,647	(179,734)	(5,469,756)
	<u>36,081,178</u>	<u>1,326,783</u>	<u>(1,392,776)</u>	<u>115,208</u>	<u>36,130,393</u>
<b>Group Funds</b>					

The Company's net outgoing resources before gains/(losses) for the year ended 31 March 2018 amounted to £49,215. Details of the consolidation adjustments can be found in note 25.



**19. Minority Interest - Merewood Properties Limited**

The "A" ordinary shares are valued at nominal value as they have dividend rights but no voting rights or rights to a distribution in the event of the Company being wound up. These were transferred back to The Hedley Foundation in March 2017.

**20. Operating Lease Commitments – Company and Group**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Land and buildings	Others	Land and buildings	Others
Not later than one year	-		41,426	2,795
Later than one but not later than five years			-	801
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-		41,426	3,596
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**21. Reconciliation of net (expenditure) / income to net cash flow from Operating Activities**

	2018	2017
	£	£
Net income / (expenditure) for year	49,215	3,821,138
Losses / (gains) on investment portfolio	(210,208)	(3,179,291)
Losses / (gains) on revaluation of investment property	95,000	(660,000)
(Increase) / decrease in debtors	33,646	(4,532)
(Decrease) / Increase in creditors	66,475	(7,965)
	<u>          </u>	<u>          </u>
<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	<b>34,128</b>	<b>(30,650)</b>
	<u>          </u>	<u>          </u>

**22. Pensions and other post-retirement benefits****a) Defined contribution pension - Employer pension plan**

The Foundation operates a defined contribution employer pension plan for its employees. The amount of contributions recognised as an expense during the year was £852 (2017 - £545).

**b) Defined contribution pension - money purchase scheme**

The Foundation operates a money purchase scheme for its employees. The amount of contributions recognised as an expense during the year was £4,000 (2017 - £5,000).

**23. Related Party Transactions**

During the year the Foundation made grant payments of £54,600 (2017 - £46,800) to 7 (2017 - 6) charities where one or more of the Foundation's Trustees also served as Trustees of the beneficiary charities.

	Income £	Expenditure £
<b>The Drove Trust</b>		
Trustee : Peter Chamberlin and Christopher Parish		
At 31 <sup>st</sup> Mar 2017	7,800	7,050
At 31 <sup>st</sup> Mar 2018	7,800	4,800
<b>The Lockie Trust</b>		
Trustee : Angus Fanshawe and John Rodwell		
At 31 <sup>st</sup> Mar 2017	7,800	7,300
At 31 <sup>st</sup> Mar 2018	7,800	4,000
<b>The Phoenix Cottage Trust</b>		
Trustee : David Byam-Cook		
At 31 <sup>st</sup> Mar 2017	7,800	8,300
At 31 <sup>st</sup> Mar 2018	7,800	7,400
<b>The Ravensword Trust</b>		
Trustee : Patrick Holcroft and John Rodwell		
At 31 <sup>st</sup> Mar 2017	7,800	7,000
At 31 <sup>st</sup> Mar 2018	7,800	9,200
<b>The Sant Trust</b>		
Trustee : Lorna Stuttford		
At 31 <sup>st</sup> Mar 2017	7,800	11,300
At 31 <sup>st</sup> Mar 2018	7,800	11,050
<b>The Straton Thornhill Trust</b>		
Trustee; Mr Robin Broke		
At 31 <sup>st</sup> Mar 2017	7,800	7,400
At 31 <sup>st</sup> Mar 2018	7,800	7,034
<b>The Tristenagh Trust</b>		
Trustee: Andrew Ford		
At 31 <sup>st</sup> Mar 2017	7,800	5,411
At 31 <sup>st</sup> Mar 2018	7,800	3,084

Provisions for doubtful related party debtors amounted to £ nil at the balance sheet date (2017 - £nil). The charity recognised £ nil (2017 - £nil) as an expense during the year in respect of bad or doubtful related party debts. There were no outstanding balances or commitments at 31 March 2018 or 2017 with related parties.

Each Trustee manages a charitable Trust as disclosed above. Each Trust receives an annual donation from the Foundation which can be used by the Trust to make discretionary donations to any registered charity.

**24. Results of Subsidiary Companies**

The following companies are wholly owned subsidiaries of the Foundation:

<b>Company</b>	<b>Company Number</b>
Fairhood Properties Limited	00712408
Merewood Properties Limited	01539486
Mountbarrow Properties Limited	00591626
Middlerigg Nominees Limited	02298673
Middlerigg Services Limited	00431334

The management company and the property companies transfer 100% of their taxable profits to the Foundation under the Gift Aid arrangements.

The results of the Foundation's subsidiaries are shown in Note 25 on page 26. These results include intragroup transactions of £12,264 (2017 - £12,765) for management services provided by Middlerigg Services Limited to fellow subsidiaries, and £4,309 (2017 - £4,857) interest arising on loans with fellow group entities.

All subsidiaries covenant or transfer by means of Gift Aid 100% of their taxable profits to the Foundation. The subsidiaries are involved in the management of investment properties, except Middlerigg Nominees Limited which is a nominee company and Middlerigg Services Limited which is a management services company.

No deferred tax is provided on investment properties held by Fairhood Properties Limited as the availability of indexation reduces any gains to nil. In Mountbarrow Properties Limited no deferred tax is provided on the investment properties. There is a potential deferred tax liability of £101,987 which has not been recognised in the Financial Statements of this Company as there is an enduring Deed of Covenant in place which requires the entire Company's annual taxable profit to be donated to the Foundation and therefore any capital gain on the eventual disposal of the investment properties will not crystallise a corporation tax liability.

All companies are registered and incorporated in England and Wales.

HEDLEY FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 March 2018

	Merewood Properties Limited		Fairhood Properties Limited		Middlerigg Services Limited		Mountbarrow Properties Limited		Total	
25. Results of Subsidiary Companies	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
Gross income from investment Properties	17,626	-	42,637	114,050	42,383	38,538	98,594	79,933	201,240	232,521
Management fees / commission	-	-	-	-	4,619	4,102	-	-	4,619	4,102
Other income	-	-	-	-	-	-	-	35,000	-	35,000
Interest receivable	-	-	-	-	-	-	4,309	4,857	4,309	4,856
<b>Total income of subsidiaries</b>	<b>17,626</b>	<b>-</b>	<b>42,637</b>	<b>114,050</b>	<b>47,002</b>	<b>42,640</b>	<b>102,903</b>	<b>119,790</b>	<b>210,168</b>	<b>276,479</b>
Property outgoings	3,800	-	-	-	-	-	1,200	12,505	5,000	12,506
Administrative expenses	14,063	14,284	52,161	34,561	17,583	25,871	31,030	77,646	114,837	152,361
Interest payable	963	173	3,330	4,662	16	22	649	908	4,958	5,765
Loss on disposal of investment Property	-	-	-	-	-	-	-	-	-	-
Deeds of Covenant/Gift Aid	-	-	9,009	74,827	29,403	16,747	67,227	28,731	105,639	120,305
<b>Total expenses of subsidiaries</b>	<b>18,826</b>	<b>14,457</b>	<b>64,500</b>	<b>114,050</b>	<b>47,002</b>	<b>42,640</b>	<b>100,106</b>	<b>119,790</b>	<b>230,434</b>	<b>290,937</b>
Retained profit/(losses)	(1,200)	(14,457)	(21,863)	-	-	-	2,797	-	(20,266)	(14,457)
Revaluation of freehold property	50,000	-	-	35,000	-	-	150,000	250,000	200,000	285,000
Release of realised loss on - disposal of investment property	-	-	-	-	-	-	-	-	-	-
Reserves at beginning of year	363,885	378,342	1,327,865	1,292,865	7,392	7,392	3,590,880	3,340,880	5,290,022	5,019,479
<b>Reserves at end of year</b>	<b>412,685</b>	<b>363,885</b>	<b>1,306,002</b>	<b>1,327,865</b>	<b>7,392</b>	<b>7,392</b>	<b>3,743,677</b>	<b>3,590,880</b>	<b>5,469,756</b>	<b>5,290,022</b>

The Charitable Company also holds 100% of the share capital in a nominee company, Middlerigg Nominees Limited. This investment has been written down to £ nil (2017 - £ nil).

25. (cont'd) **Subsidiary Companies – total income and expenditure reconciliation note**

	2018 £	2017 £
(i) Total income of subsidiary companies	193,160	258,857
Plus: Group transactions -		
• Management fee income	12,264	12,765
• Interest earned	4,744	4,857
	<hr/>	<hr/>
Total income of subsidiary companies before consolidation	210,168	276,479
	<hr/>	<hr/>
(ii) Total expenses of subsidiary companies	107,787	153,010
Plus: Group transactions - deed of covenant/gift aid	105,639	120,305
• Management fee expenses	12,264	12,765
• Interest paid	4,744	4,857
	<hr/>	<hr/>
Total expenses of subsidiary companies before consolidation	230,434	290,937
	<hr/>	<hr/>

26. **Post Balance Sheet Events**

There are no post balance sheet events.

27. **Financial instruments**

The charity holds a number of financial assets (for example investments, debtors and cash) and financial liabilities (for example creditors) which meet the definition of basic financial instruments under the FRS 102 SORP. Details of the measurement bases, accounting policies and carrying values for these financial assets and liabilities are disclosed in notes 12 to 17 above.

All investments are carried at their fair value. Investments in equities and fixed interest securities are all traded in quoted public markets. Property and equity investments are reviewed regularly to optimise the best financial outcome for The Foundation and its property companies.