Registered Number: 02004021 (England and Wales)

HAREWOOD HOUSE TRUST LIMITED

(A Company Limited by Guarantee)

Annual Report

and

Financial Statements

For the Year Ended 31 December 2018



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COMPANY INFORMATION

Trustees	David Lascelles, Earl of Harewood Diane Lascelles, Countess of Harewood Iwona Blazwick Jeremy Burton Paul Dolan Sir Hugh Roberts Charles Sebag-Montefiore Emily Shard Rachel Mapplebeck (appointed 1 December 2018) Andrea Nixon (appointed 1 December 2018) Nima Poovaya-Smith (appointed 1 December 2018)
Chairman	David Lascelles, Earl of Harewood
Trust Director	Jane Marriott
Company Secretary	Damian Clements (resigned 29 May 2019) Martin Horbury (appointed 29 May 2019)
Registered Office & Principal Office	Harewood House, Harewood, Leeds, LS17 9LG
Registered Company Number	02004021
Charity Registration Number	517753
Bankers	NatWest Bank Plc Leeds City Office 8 Park Row, Leeds, LS1 1QS
Solicitors	Wrigleys Solicitors LLP 19 Cookridge Street, Leeds LS2 3AG
Auditors	Saffery Champness LLP Statutory Auditors Mitre House, North Park Road Harrogate HG1 5RX

The Trustees submit their annual report and accounts for the Harewood House Trust Limited (the Trust) for the year ended 31 December 2018.

Directors and Trustees

The Trustees, who are also the directors of the Charity and who served during the financial period were:

	Committee Membership at 31 December 2018	
Iwona Blazwick		
Jeremy Burton	A F C	
Paul Dolan	A F	(Deputy Chairman of the Board of Trustees, Chairman of Finance & General Purposes Committee, Chairman of Audit Committee)
David Lascelles, Earl of Harewood	N	
Diane Lascelles, Countess of Harewood		
Sir Hugh Roberts	N C	
Emily Shard	F	
Charles Sebag-Montefiore	A F C	(Chairman of Collections Committee)
Rachel Mapplebeck		
Nima Poovaya-Smith		
Andrea Nixon		

A = member of Audit Committee
F = member of Finance & General Purposes Committee
N = member of Nominations Committee
C= member of Collections Committee

The Trustees who are also members of the Charity are Paul Dolan, Sir Hugh Roberts, Iwona Blazwick, David Lascelles, Earl of Harewood and Diane Lascelles, Countess of Harewood.

Governing Document

Harewood House Trust Limited is a registered Charity and a company limited by guarantee with each member's liability limited to £1,000. The Charity's governing document is contained in its Memorandum and Articles of Association dated 25 March 1986, last amended 15 January 2018. The Charity's principal legal advisers and auditors are shown on page 2.

Structure, Governance and Management

The Trustees may appoint any person as a Trustee provided that the maximum of twelve is not exceeded. Any Trustee so appointed shall retire at the next annual general meeting but shall be eligible for re-election. Trustees will then retire by rotation every three years but will be eligible for re-election.

The Trustees meet at least biannually; in addition, there are four committees of Trustees, being the Finance and General Purposes Committee, the Audit Committee, the Collections Committee and the Nominations Committee.

The Finance and General Purposes Committee meets at least biannually and its role is to supervise the assets, investments and all financial and administrative affairs of the Charity. It supervises budgetary matters and recommends approval of the annual budget to the Trustees, as well as reviewing the pay and remuneration of the Charity's key management personnel. The Audit Committee meets biannually; its role is to review the annual reports, accounts, auditors' reports and to report on them to the Trustees. It is also responsible for reviewing the

effectiveness of internal controls and for the identification and management of risk. The Collections Committee manages any conflicts of interest arising in relation to the loan of collections to the Charity by the 7th Earl of Harewood's Will Trust, the Lascelles family or other family trusts. The Nominations Committee meets when required. The Trust Director is responsible for day-to-day management and implementing decisions of the Trustees.

The Charity owns all of the share capital of Harewood House Trading Limited, the activities and results of which are shown at note 22 on page 37. During the year ended 31 December 2018, Harewood House Trading delivered the non-primary purpose trading activities of the group. Harewood House Trading is fully consolidated within the group accounts, where applicable, which increases the level of turnover, assets and liabilities.

Recruitment, Induction and Training of Trustees

The Trust regularly reviews the balance of skills and experience of its Trustees. When required, due to Trustee retirements or the identification of skills and experience gaps, it seeks to identify and recruit suitable new Trustees through the Nominations Committee, from a diverse background.

On appointment, Trustees are given an induction to the work of the Charity and provided with the information necessary for them to perform their role successfully, including a copy of the governing document of the Charity, a copy of recent Annual Reports and the Charity Commission's guidance, "CC3a – The Essential Trustee: What you need to know" and its guidance on operating for the public benefit.

Objectives and Activities

In setting the objectives and planning activities, the Trustees have given careful consideration to the Charity Commission's guidance on public benefit. The Charity holds a lease for Harewood House and surrounding lands. The objectives of the Charity are:

- to preserve for the public benefit Harewood House, its ancillary buildings, gardens, arboreta, woodlands and park, which the Charity holds on long lease; and works of art that have been acquired by the Charity, or donated or loaned by the Earl of Harewood, the late 7th Earl of Harewood's estate or other family trusts;
- to promote the study of Harewood as a place of historic and cultural interest and natural beauty;
- to provide facilities for recreation and leisure time occupations;
- to advance the education of the public in the arts and sciences.

In order to achieve its objectives in the year ended 31 December 2018, the Charity undertook the following:

- maintaining the historic buildings and gardens and continuing to conserve and interpret the collections;
- maximising access and quality service to all visitors, including those with disabilities;
- developing exhibitions, programmes, publications and educational activities to promote engagement with the collections;
- providing a range of events which are in sympathy with the inherent qualities of Harewood;
- encouraging public funding, corporate partnerships through sponsorship and fundraising activities to support the charity;
- Invested in development of membership.

Strategic Report

A - Achievements and Performance

General

After a successful 2017, 2018 was a more challenging year, with poor performance on visitor numbers during the bad weather of the first two months and numbers consistently tracking below target. This led to a 14% underperformance on day admissions at year-end. We also had a difficult year with external events, which were 27% under target. However, the excellent performance on membership and fundraising, including charity tax relief claims on donations and the exhibitions, coupled with strong trading activities driven by group day visitors, the ice cream kiosk/horsebox, bird garden and venue hire, have mitigated this. Therefore, the total income recovered is just 2% under target.

The table below summarises the number of visitors welcomed to Harewood during the past six years. These figures exclude visitors attending events that are restricted to limited areas of the site:

	2013	2014	2015	2016	2017	2018
Member Visits	58,158	48,873	49,074	62,473	64,947	66,989
Day Visitors & Groups	91,892	81,496	91,413	90,209	125,211	118,960
School Visitors	4,094	4,051	3,824	5,426	7,579	4,436
Totals	154,144	134,420	144,311	158,108	197,737	190,385

Note that the Trust was closed for the Christmas period from 2013 to 2016 and reopened in 2017.

Christmas was a success with growth across all areas compared to 2017 and a stronger performance on the budgeted number of visitors. We were delighted with the presentation in the house, the profile gained through Mary Berry's Country House Christmas on BBC Two, and the engagement with our Members.
Looking forward, the Trust has secured a significant grant from Arts Council England towards our inaugural Harewood Biennial; 'Useful/Beautiful: Why Craft Matters' opening at the end of March 2019. Their feedback was extremely positive and encouraging:

"Harewood House have galvanised a wide pool of high calibre international artists from the design and craft sector. A national media campaign in partnership with The Crafts Council supports ambitions for the programme, to be the most significant platform for craft and design showcase and debate outside London ... Harewood House have designed the activity within a long term artistic and learning strategy and present a highly experienced and sophisticated understanding of contemporary art delivery within historic house/ heritage context".

We have also been successful in securing funding for a National Gallery Collaborative Doctoral Partnership, with the National Gallery, London and The University of Leeds, on the 6th Earl's Renaissance Art collection. This will be the most significant piece of research on our Renaissance collection that we will have ever embarked on. It should lead hopefully to a number of outcomes, including an exhibition in 2021/22.

It was an encouraging year for memberships with an increase in renewals income retention and gross income and an overall increase in memberships from 6,996 to 7,554 (8%). Key performance indicators are reviewed regularly by the senior management team, and quarterly reforecasting to budget is being undertaken.

Volunteers continue to play a pivotal role in the success of Harewood and their involvement and contributions are greatly valued. Volunteers provided 3,250 days (19,500 hours) of support.

Repairing and maintaining the Trust's assets, opening the property to the public and conserving its collections remain a strong focus. Our total investment across these areas in 2018 was £908,443 (2017: £1,450,739). This investment includes capital works, such as the fire precautions works and new electrical infrastructure; much remedial work has been carried out, which will significantly reduce ongoing running costs.

Capital works are progressing in earnest with the fire precautions work on the State Floor and Below Stairs continuing, alongside renovation of the East Wing Flats. To develop the Masterplan, and in response to findings from audience research, a business case has been carried out for the appointment of a specialist consultant to advise on site-wide capital investments. This will address our poor infrastructure, to ensure the visitor journey improves, in order to increase engagement leading to a growth in the number of visitors and memberships, whilst strengthening the Charity's public engagement.

Trading Activities

A new Head of Trading was recruited by the Trust, starting January 2018. Rachel Crewes joined from the Hepworth Wakefield, where she previously headed up retail, catering, events and courses.

The contribution from commercial activities was £317k in 2018, down on 2017 by £79k. The reduced income was primarily attributable to fewer outdoor events, although this is set to improve in 2019. Filming was not as strong as previous years due to the loss of the ITV Victoria series, but the filming of Downton Abbey: The Movie was a welcome replacement. Relationships have been built with Screen Yorkshire and Creative England, with the hope of increasing our reach to the industry.

Revenue from venue hire increased in the year, which was aided by the addition of makers markets in the autumn and Christmas, children's parties and the opening of the Billiard Room for afternoon tea, which was particularly successful.

The Trust has continued to partner with the Yorkshire Party Company to deliver its main catering offer to visitors. Improved contract commission terms and better performance meant that, despite the slow start to the season, the contract yielded £60k in commission, a 14% improvement on 2017.

A new mobile 'Horsebox' catering offer was introduced in the summer, selling cream teas, grilled cheese sandwiches and Harewood Gin & Tonics. Located by the Walled Garden, it was well placed to cater for the higher number of visitors in this area as a result of the new chain ferry and Seeds of Hope exhibition, contributing an additional £8k profit.

Retail continued to be operated by external contractor, Seaton Gifts. They had a disappointing year with sales down 10% on 2017. Following a successfully Harewood-run Christmas shop, the decision was taken to return retail in-house in 2019, enabling greater parity with the brand.

Income generating workshops showed a positive increase in uptake from last year, with the profit target overachieved by 18%. In 2018, the focus had been on developing a diverse programme of workshops, working with successful freelance practitioners, whilst maximising the use of in-house skills to create events with high profit margins.

House and Collections

A priority list of conservation projects was agreed with the Collections Committee and a rolling programme of condition surveys began with key watercolours completed by an external conservator, Richard Hawkes. Harewood volunteers were trained in book dusting and checking for insect activity as part of a rolling programme in the three libraries on the visitor route.

A project to implement a Collection Management System is under way with Zetcom appointed after a tender process. An inventory of textiles has been completed by the Collections Care team with support of volunteers prior to a rolling loan of textile collections to the trust in line with Accreditation targets.

During the year five loans were made to Leeds City Museum as part of the celebrations to mark Thomas Chippendale's 300th Birthday.

An external researcher, Anne Mealia, undertook research in The Princess Mary Archive in preparation for a documentary to be aired in August 2019. She was supported by Harewood Volunteers who numbered and listed 500 items in the archive.

Gifts

A gift acceptance procedure was agreed by the Collections Committee and is available online.

Harewood House Trust was generously gifted by Simon Philipps a 1755 copy of Thomas Chippendale's *The Gentleman and Cabinet-Maker's Director – Being a Large Collection of the Most Elegant and Useful Designs of House Furniture in the Gothic, Chinese and Modern Taste*, 2nd edition. This copy had been owned by the Lascelles family until sold through Christie's in 1965. This was the first significant gift to the Trust by a non-family member. Max Lamb gifted 'White Crockery Jug' to Harewood House Trust in November 2018. These items have not been recognised within the Financial Statements as there is no readily ascertainable market value, in accordance with the Charity's accounting policy for heritage assets.

Social history items including archival documents on Harewood village, photographs, handkerchiefs commemorating the wedding of the 6th Earl and Princess Mary, and gardening equipment were also gifted by members of the public in line with the Trust's accession policy.

Bird Garden and Farm

The Bird Garden Advisory Committee worked with Bernadette O'Sullivan on the Masterplan preparation (see Page 10). In particular discussions were held on locations and designs of new enclosures and an overall collection plan.

The Bird Garden Advisory Group, formed in 2017, continues to meet regularly. Laura Gardener, formerly curator of birds at Leeds Castle Aviary, as well as working at ZSL London Zoo, has joined this committee. She currently works at the Wildwood Trust and has a wealth of avian management knowledge, as well as experience in new projects, something that is highly beneficial as Harewood works towards the Masterplan development. We are currently working toward recruiting individuals with zoo specialist knowledge in fundraising and education to add to the skillset on the advisory board.

In November 2018 Harewood Bird Garden received its Zoo Licensing renewal inspection. This had been brought forward from June 2019 and involved Trust Director Jane Marriott, Bird Garden Manager Nick Dowling and representatives from Leeds City Council and DEFRA. The local authority is the governing body that issues the zoo license and its compliance conditions. The DEFRA representative is an expert in the field of zoos and their welfare, conservation and education strategies. It is they who recommend to the local authority whether a zoo license should be granted. Harewood Bird Garden was granted with a zoo license renewal which will come into effect in June 2019.

The smaller farm animals were included in the children's parties offer in 2018, allowing them to handle rabbits and guinea pigs and feed the goats.

Looking ahead discussions have been held on the 50th anniversary programme which takes place in 2020. Ideas have included the creation of a new native species area, including a bird hide looking out onto the lake, potential new aviaries to mark the occasion and a research project focused on the Bird Garden collection.

The Seeds of Hope programme during the summer of 2018 saw the addition of heritage chicken and goat breeds into the Walled Garden. This collaborative project with other departments in the Trust was well received by visitors and events such as egg collecting and goat feeding proved to be popular.

We have been hosting a PhD student from Leeds University over 2018 while she carried out a project on social learning in our zebra finch flock.

Two brown lory chicks were successfully hand reared by Lisa Bath and breeding successes were also recorded with collared hill partridge, silver pheasant, Pekin robin and Luzon bleeding heart dove.

Exhibitions & Programming

2018 was a pilot year for a new approach to programming in line with research in 2017 by Morris Hargreaves McIntyre. Exhibitions were devised for three target audience segments, programmed across the site, and began to link Harewood's collections (House, Botanic, Birds) and assessed in Autumn 2018.

The exhibition programme attracted £39,500 support from Arts Council England and Christie's in 2018.

Harewood celebrated the Chippendale tercentenary with the exhibition 'Chippendale: Designer, Maker, Decorator' including contemporary responses by artists Kate Whiteford and in the Courtyard and Terrace Gallery, Geraldine Pilgrim's 'Their Obedient Servant'. A 'Tree to Table' trail in the West Garden linked the House and Courtyard and illustrated the types of timber Chippendale used to create his furniture (also discussed on the State Floor). A conservation display around the original Chippendale commission raised the profile of the Trust's charitable status. Weekly Conservation in Action took place on gilded wall decorative elements from store.

Seeds of Hope opened in the Bothy and Walled Garden. A work of imagination, it was based on events at Harewood at the end of World War One. This immersive experience was a collaboration with Leeds-based creative team Lord Whitney and successfully captured the imagination of visitors, introducing many to this part of the site for the first time.

In the Terrace Gallery, illustrator Kate McGuire exhibited a series of works on paper 'Seed to Table', largely produced during a residency in the Walled Garden at Harewood in 2013-2014. Harewood House Trust successfully launched new product for retail based on the drawings.

The bicentenary of the birth of Humphry Repton was marked with an in-house display 'Remembering Repton'. This included his original designs, work by the artist, poet and gardener, Ian Hamilton Finlay, with Gary Hincks, and a film by artist Simon Warner.

In celebration of the marriage of Prince Harry and Meghan Markle, a small display of archival material looked back to Harewood's own royal wedding between Princess Mary and the 6th Earl of Harewood in 1922.

Learning

Kathryn Welford, who had previously worked at Yorkshire Sculpture Park was recruited as Learning Manager in June 2018. She led on the development of a new Learning Vision and Strategy following a local and national benchmarking exercise and industry networking.

We also successfully achieved the prestigious Sandford Award for Museum & Heritage Education and hosted a Treasure Houses Education Forum, sharing best practice with our colleagues across the forum.

Activity income was 9% down against 2017 and 43% down against budget for 2018, reflecting the handover of staff to the new Learning Manager and a permanent Marketing & PR team. A saving of 7.35% was made on costs including payroll.

Notable projects included practical gardening sessions with boys from Springwell Academy, Leeds (a Centre for children with Social, Emotional and Mental Health needs). The project was hugely successful in terms of the impact on the boys' well-being, relationship development with Springwell and as a model for future partnerships.

Three new school offers were developed to accompany the temporary exhibitions programme over autumn half-term. A half-day seminar for university students based on the work of Geraldine Pilgrim and Lord Whitney took place in October. A new Early Years offer around Christmas was successfully piloted in the grounds and House.

Grounds and Gardens

A Tree Management Policy for the Trust has been drafted, which includes an overall strategy for managing safety whilst at the same time conserving trees and preserving as many of the benefits of trees as possible. This coincided with the publication of a new paper in September 2018 on the Economic Value of Trees in Stately Home Estates, based on research undertaken at Harewood by Hok Nam Joey Ting, a student from the University of Alberta, Canada, working with Dr. Julie Peacock at the School of Geography, University of Leeds. Ting measured a number of tree species growing at Harewood using iTrees Eco software to calculate the value of the ecosystem services provided by the trees. Ting calculated that the Ecosystem Service Benefits provided by the trees at Harewood is valued at approx. £29,000,000. This is the first study to analyse the economic benefits of trees in the grounds of a Stately Home. The paper can be viewed at https://peerj.com/articles/5411/

A strategy to promote increased footfall and visitor focus on the Walled Garden, which began at the end of 2017, clearly worked. The commissioning of the Lord Whitney team on the installation of the 'Seeds of Hope' exhibition based inside the Bothy and outside in the Kitchen Garden had visitors flocking to the Walled Garden, with dwell time in the garden reaching an all-time high. The Bothy was opened to the public for the first time and used in a creative and authentic way to depict Bothy life at the end of World War One, whilst the garden displayed heritage vegetables from the period, cultivated by the gardens team. A sound installation in the orchard provided a contemplative background to a walk through the 'Peace Meadow' planted with 12,000 white cosmos. A journal was produced to provide a fictional narrative based on historical fact revealing the story of a 15-year-old 'Bothy Boy' gardener at Harewood 100 years ago.

Greatly facilitated by a 'master stroke' decision to commission the construction of a new Chain Ferry across the Lake, over 77,000 people chose to visit Harewood during the exhibition between July and October, with a great many of these visiting the exhibition. The response from visitors to the 'Seeds of Hope' experience through notes and comment cards was overwhelming. Feedback showed that 99% of visitors to the exhibition said they wanted to visit more exhibitions like this in the future. Part of the downstairs area of the Bothy was reused after the exhibition for a display of fruit and vegetable storage methods as part of the 1920's Christmas at Harewood.
To promote the collaboration of professional gardeners on addressing common issues affecting gardens open to the public, meetings between the head gardeners of the Treasure Houses of England were reinstated after many years. The inaugural meeting took place at Harewood, organised and chaired by Trevor Nicholson and joined by head gardeners from 6 other properties, including Chatsworth, Blenheim, Hatfield, Burghley and Leeds Castle. The sharing of information, contacts, knowledge and experience across many subjects, including conservation, sustainability, Health & Safety, technology and staffing, through keynote discussions and focused tours at each property provides a valuable forum for head gardeners. Further meetings are being planned at Hatfield (April 2019), Chatsworth (October 2019), Burghley (April 2020) and Holkham (Sept/Oct 2020).

Masterplan

During 2018 we undertook a feasibility study on a potential Masterplan for the trust. This involved assessing all current assets, a benchmarking exercise against competitors in the region and nationally as well as interrogating the Morris Hargreaves McIntyre visitor research which had identified areas of the site that needed investment in order to meet visitors' expectations and make Harewood a thriving relevant organisation.

We identified six key projects across the site that require significant investment including the creation of a new visitor centre and car park, a new learning space, a new contemporary arts space to replace the Terrace Gallery, a new bird garden, and restoration of the Walled Garden and wider landscape and a new events space.

All with a focus on sustainability and transforming the site and our positive environment contribution. Outline plans and preliminary costs were presented to the trustees at the September 2018 board meeting. Approval was given to seek and appoint a firm of architects to undertake a full masterplan study with detailed costings and timeline.

Five Architectural firms were identified and asked to tender for the feasibility study (too sensitive to publish). After a thorough selection process involving three stages the trust appointed Haworth Tompkins who started work on the project in December 2018.

B - Financial Review

The results for the year ended 31 December 2018 are shown on page 19 in the consolidated statement of financial activity (incorporating the income and expenditure account). Net assets have decreased to £17,505,749 from £17,725,346 a movement of £219,597, inclusive of all donations and unrealised losses on investments. (Unrestricted operations ran at a deficit of £454k, but were offset by restricted donations of £360k which were used for projects that created unrestricted assets and allowed for a transfer between reserves.) The results for the year and the balance sheet of Harewood House Trading Limited is shown at note 22 (page 37), and the results are consolidated within these accounts.

Overall income from day visitor and membership admissions fell by 1.5% from the prior year to a total of £1,558,192 (2017- £1,575,281). Within this number, visitor and membership admissions under gift aid were down on prior year at £688,358 (2017- £708,913). Costs of generating voluntary income increased to £1,097,741 (2017- £711,620). Fundraising and trading costs increased to £498,658 (2017- £299,584). Expenditure on charitable activities increased to £1,838,219 (2017 - £1,808,380).

The Trust's trading activities (events, retail, catering and film work) continue to provide a positive contribution, being £316,800 for the year (2017- £333,137).

Following a restricted donation, used to establish a new Endowment Fund in December 2015, the Trust placed £2,500,000 with investment managers during the year ended December 2016. This has since been invested in listed investments and is shown within fixed assets on the balance sheet. The investments are subject to the Trust's investment policy.

The overall deficit of the charity for the year was £219,597 (2017- surplus £89,533), which included non-admissions related donations of £1,143,180 (2017 - £491,144).

The unrestricted endowment fund (comprised of Heritage Assets) at 31 December 2018 was valued at £10,088,916 (2017- £10,088,916). The Endowment Fund, established in 2015 was valued at £2,579,082 at 31/12/18 (2017- £2,771,418). £790,092 has been used from the restricted Capital & Projects fund during the year leaving a zero balance at 31 December 2018 (2017- £430,092).

There are £11,501,050 (2017 - £11,501,050) of heritage works of art which are maintained and displayed for the public benefit. These were valued during 2016 and an unrealised gain of £851,250 was reflected in the 2016 accounts. These assets represent a small proportion of the works of art made available by the Trust for the public benefit, the rest of which are loaned to the Trust from the estate of the 7th Earl of Harewood, other Lascelles family trusts and family members.

C – Investment Policy & Investment Performance

The power to appoint investment managers is reserved to the Board of Trustees on the recommendation of the Finance & General Purposes Committee. The latter has responsibility for monitoring investment managers and for conducting a review of investment performance.

Following the creation of the Endowment Fund in December 2015, Cazenove Capital Limited were appointed investment managers in 2016 and the funds were invested in accordance with the investment policy and objectives.

The investment objective for the Trust's Endowment Fund is to maximise income to support the ongoing activities of the Trust whilst maintaining the value of the capital. This involves an acceptance of medium to high risk and is likely to mean that the capital value will fluctuate.

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The investment objective for the Trust's Capital & Projects fund is to ensure assets are readily available to meet planned, and any emergency, capital and project costs.

The investment objective for the Trust's short term reserves is to preserve the capital value with a minimum level of risk. Assets should be readily available to meet unanticipated cash flow requirements.

The investment policy does not include specific restrictions concerning social, environmental or ethical considerations and this aspect remains under review by the Trustees.

The Finance & General Purposes Committee regularly review performance with the investment managers. The Committee was satisfied overall with the performance of the investment portfolio during the year, taking account of the general market uncertainties.

In 2018 Dividends and interest were received from the fund of £91,516 (2017 - £87,644). The Unrealised loss of £192k was consistent with the fall in the markets in the fourth quarter of 2018. This value had been restored by the end of June 2019.

D – Reserves policy

Harewood House Trust Limited is reliant on the following sources of income:

- Donations and admissions income from visitors and from Harewood members
- Investment income generated from the Endowment Fund (which currently has a capital value of £2.77m)
- Profits generated by Harewood House Trading through events facility fees, catering, retail and other non-primary purpose income.
- Other sponsorship, grant and donation income.

As at 31 December 2018, the Trust had total funds of £17,705,749. This includes a restricted Endowment Fund of £2,579,082 The reserves shown as an unrestricted endowment fund of £10,088,916 could only be realised by disposing of the Trust's tangible fixed assets (including heritage assets).

The Trustees have reviewed the circumstances of the Trust and consider that it has access to adequate resources to be able to fund its operations for the foreseeable future. However, to reduce reliance on related party support, the Trustees have a target to maintain free reserves of at least one fifth of budgeted visitor admissions income to enable the Trust to deal with fluctuations in income levels. At 31 December 2018, the Trust no free reserves (2017- £575,488), against a target of £395,300. The Charity plans to return to target through improved income generation and introducing robust budgetary controls.

E – Principal Risks and Uncertainties

The Trustees continually assess the risks to which the charity is exposed and are satisfied that systems are in place to mitigate those risks and also to minimise or manage any potential impact on the Trust should those risks materialise. The principal risks and uncertainties identified are shown below, with actions to address those risks. The Trust's Risk Register is reviewed as an ongoing agenda point for Senior Management Meetings and Trustee Committee meetings.

Risk of damage or loss to the House & Collections

The Trust has put in place and regularly reviews and updates: comprehensive security systems; systems designed to prevent and detect potential damage in particular to the House and its collections by fire, flood or other peril; emergency disaster and evacuation plans; expert advised care, maintenance and restoration plans. Insurance cover is in place and regularly reviewed to ensure that it remains appropriate.

Reputational and public liability risks

There are potentially serious reputational impacts (including reduced visitor numbers or event bookings; disruption to opening; prosecutions or fines) resulting from an incident, accident or general poor performance concerning either the Trust's own operations or a third party hosted event. The Trust's approach to addressing these risks includes: health & safety systems and procedures; staff training; a focus on the management and maintenance of the physical areas open to visitors; close monitoring of the outsourced catering partners; careful management of third party event contracts; proactive public relations plans in the event of an incident; seeking and monitoring feedback from visitors: and maintaining public liability insurance.

Economic risks

Income levels are strongly impacted by visitor and membership numbers, which in turn are affected by weather. The Trust will develop and improve the visitor offer and to seek ways to mitigate the risk of reliance on visitors by diversifying income streams from Trading and Fundraising. Financial risks from running events have been effectively transferred to third parties as the Trust receives a facility fee for externally organised events at Harewood. The establishment of the Endowment Fund in 2015 is helping to provide additional income to contribute towards the Trust's operational revenue. The Trust will increasingly seek opportunities for grant or loan funding in order to reduce reliance on support from the Harewood Estate and/or family members.

The Trust is also exposed to price or liquidity risk through changes in interest rates and to the credit risk of the securities it holds. Equity holdings within the investment portfolio are subject to market volatilities. The Trustees have appointed qualified investment managers to manage these risks.

Conflicts of interest risks

The necessarily close relationship of the Trust with the Harewood Estate and related family members brings risks of conflict of interest with family Trustees. Actions taken to address these risks include: formal agreements to govern the relationship and transactions between the Trust and Estate; maintaining a conflicts of interest register; maintaining detailed records of transactions between the Trust, Estate and family members which are reviewed by independent Trustees on the Finance & General Purposes Committee; an employee Whistleblowing Policy; ensuring independent Trustees take decisions on any matters with a potential conflict; and receiving ongoing guidance from legal advisers.

In order to indemnify the Trustees against the consequences of neglect or default on their part, the Charity has purchased indemnity insurance. The cost is shown on page 31, note 15.

F – Plans for future periods

The Trust's core strategies remain consistent:

- maintaining the historic buildings and gardens;
- continuing to conserve and interpret the collections;
- maximising access and quality visitor experience for all, including those with disabilities;
- developing exhibitions, programmes, publications and learning programmes to promote engagement with the collections;
- providing a range of events which are in sympathy with the inherent qualities of Harewood;
- encouraging corporate partnerships through sponsorship and fundraising activities to support the charity;
- to develop and maintain a capital works programme across the full site to include all areas and buildings.

A staff restructure which included the formation of an Executive Management Team was approved in late 2018 and formally implemented in February 2019. The team will focus on improving the charity's brand and profile, improving the visitor experience, and greater visibility and investment in the Trust's cultural and charitable impact. The Trust will strengthen and diversify income generation, so that any future donations can be used to invest in new projects rather than solely covering running costs.

The Trust has also embarked on a comprehensive review of its sustainability and environmental ambitions.

TRUSTEES' REPORT TO THE MEMBERS OF HAREWOOD HOUSE TRUST LIMITED (CONTINUED)

Statement of Trustees' Responsibility

The Trustees, who are also directors of Harewood House Trust Limited for the purposes of company law, are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and regulations.

Company 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company 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 company and of the income and expenditure of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in Charities SORP (FRS102);
- make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to Disclosure of Information to Auditors

So far as the Trustees are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware, and each Trustee has taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Trustees' report, including a strategic report, were approved by order of the Board of Trustees on 11 September 2019 and signed on their behalf by:

Chairman and Trustee .....

DAVID LASCELLES, EARL OF HAREWOOD
11 September 2019

HAREWOOD HOUSE TRUST LIMITED

AUDITOR'S REPORT TO THE MEMBERS OF HAREWOOD HOUSE TRUST LIMITED

Opinion

We have audited the financial statements of Harewood House Trust Limited for the year ended 31 December 2018 which comprise the Consolidated statement of financial activities incorporating income and expenditure account, the Consolidated balance sheet, the Charity balance sheet, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 December 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.

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 group and the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 group's or the parent 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 trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

AUDITOR'S REPORT TO THE MEMBERS OF HAREWOOD HOUSE TRUST LIMITED (CONTINUED)

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.

Other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Annual Report which includes the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- the group or parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibility set out on page 15, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S REPORT TO THE MEMBERS OF HAREWOOD HOUSE TRUST LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act.

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

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

Use of Our Report

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

Saffery Champness LLP

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Sally Appleton
For and on behalf of Saffery Champness LLP

Saffery Champness LLP
Chartered Accountants
Mitre House
North Park Road
Harrogate
HG1 5RX

Statutory Auditors

Date: 27/9/19

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

HAREWOOD HOUSE TRUST LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY
(INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES		Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Total 31.12.18 £	Total 31.12.17 £
	Income and endowments from:					
	Donations and legacies					
4	Admissions under gift aid, donations and grants	1,404,288	427,250	-	1,831,538	1,200,057
	Income from charitable activities					
5	Conservation and education	890,058	-	-	890,058	898,129
	Other trading activities					
6	Retail, events and catering	607,046	-	-	607,046	632,722
7	Income from investments	91,864	-	-	91,864	87,762
	Total income and endowments	2,993,256	427,250	-	3,420,506	2,818,670
	Expenditure on:					
	Raising funds					
8	Costs of generating voluntary income	1,030,491	67,250	-	1,097,741	711,620
9	Fundraising trading costs	498,651	-	-	498,651	299,584
10	Investment management costs	13,156	-	-	13,156	13,003
11	Charitable activities	1,838,219	-	-	1,838,219	1,808,380
	Total expenditure	3,380,517	67,250	-	3,447,767	2,832,587
	Net (expenditure)/income before minority interest	(387,261)	360,000	-	(27,261)	(13,917)
	Net gains/(losses) on investments					
18	Unrealised (losses)/gains on revaluation of investment assets	-	-	(192,336)	(192,336)	103,471
	Net income after gains/(losses) on investments	(387,261)	360,000	(192,336)	(219,597)	89,554
	Transfers	790,092	(790,092)	-	-	-
	Net movement in funds	402,831	(430,092)	(192,336)	(219,597)	89,554
	Reconciliation of funds					
	Funds brought forward on January 1st	4,434,920	430,092	12,860,334	17,725,346	17,635,793
	Funds carried forward on December 31st	4,837,751	-	12,667,998	17,505,749	17,725,347

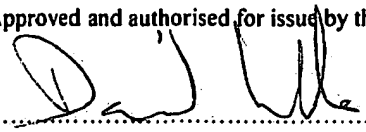
The statement of financial activity includes all gains and losses recognised in the year.

The notes at pages 24 - 42 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	NOTES	31.12.18	31.12.17
		£	£
Fixed assets			
Tangible assets	17	1,670,956	948,849
Heritage assets	17	13,269,210	13,318,305
Investments	18	2,579,082	2,771,418
		17,519,248	17,038,572
Current assets			
Stocks	19	18,828	15,179
Debtors	20	690,301	228,482
Cash at bank and in hand		4,341	855,686
		713,470	1,099,347
Liabilities			
Bank Overdraft		(177,560)	-
Creditors - amounts falling due within one year	21	(549,409)	(412,573)
		(726,969)	(412,573)
Net current assets/(liabilities)		(13,499)	686,774
Total assets less current liabilities		17,505,749	17,725,346
Net assets		17,505,749	17,725,346
Financed by:			
Funds of the charity			
Endowment funds	23	12,667,998	12,860,334
Restricted funds	23	-	430,092
Unrestricted funds	23	4,837,751	4,434,920
Total funds		17,505,749	17,725,346

Approved and authorised for issue by the Trustees on 11 September 2019 and signed on their behalf by:



.....

DAVID LASCELLES - DIRECTOR

Company registration number 02004021

The notes at pages 24-42 form part of these financial statements.

CHARITY BALANCE SHEET
AS AT 31 DECEMBER 2018

	NOTES	31.12.18	31.12.17
		£	£
Fixed assets			
Tangible assets	17	1,667,081	947,779
Heritage assets	17	13,269,210	13,318,305
Investments	18	2,579,182	2,771,518
		17,515,473	17,037,602
Current assets			
Stocks	19	12,277	15,179
Debtors	20	549,014	198,061
Cash at bank and in hand		-	839,425
		561,291	1,052,665
Liabilities			
Bank Overdraft		(208,209)	-
Creditors - amounts falling due within one year	21	(417,938)	(1,024,728)
		(626,147)	(1,024,728)
Net current (liabilities) / assetts		(64,856)	27,937
Total assets less current liabilities		17,450,617	17,065,539
Net assets		17,450,617	17,065,539
Financed by:			
Funds			
Endowment fund	23	12,116,350	12,308,686
Restricted funds	23	-	430,092
Unrestricted funds	23	5,334,267	4,326,761
Total funds		17,450,617	17,065,539

Approved and authorised for issue by the Trustees on 11 September 2019 and signed on their behalf by:

.....

DAVID LASCELLES - DIRECTOR

The notes at pages 24-42 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	31.12.18		31.12.17	
		£	£	£	£
Cash flows from operating activities	1		(183,873)		197,438
Cash flows from investing activities					
Investment income received		91,864		87,762	
Interest received		348		389	
Payments to acquire tangible fixed assets		(937,244)		(448,447)	
Net cash used in investing activities			(845,032)		(360,296)
Net decrease in cash and cash equivalents	2		(1,028,905)		(162,858)

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

NOTES

1 **Reconciliation of cash generated from operations**

	31.12.18	31.12.17
	£	£
Net incoming / (outgoing) resources	(27,261)	(13,918)
Investment income	(91,864)	(87,762)
Interest payable and similar charges	(348)	(389)
	(119,473)	(102,069)
Depreciation	264,234	186,823
Increase in stocks	(3,649)	(7,529)
Increase in debtors	(461,819)	(12,280)
Increase in creditors	136,834	132,493
Net cash (outflow)/inflow from operating activities	(183,873)	197,438

2 **Analysis of cash and cash equivalents and changes during the year**

a) **Analysis of cash and cash equivalents**

	31.12.18	31.12.17
	£	£
Cash at bank and in hand	(173,219)	855,686
Cash and cash equivalents held as current asset investments	-	-
	(173,219)	855,686

b) **Analysis of change in cash and cash equivalents**

Balance at 1 January 2018	855,686	1,018,544
Increase/(decrease) in net cash and funds	(1,028,905)	(162,858)
Balance at 31 December 2018	(173,219)	855,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Company information

The company is a registered charity, number 517753 and a company limited by guarantee (registered number 02004021) which is incorporated and domiciled in the UK. The address of the registered office is Harewood House, Harewood, Leeds, LS17 9LG.

2 Accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and 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 (FRS102) (effective 1 January 2015) - (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006 as modified by the inclusion of fixed assets at market value.

Harewood House Trust Limited meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

These financial statements consolidate the statement of financial activity and the balance sheet of the charity and its group undertakings. The results are consolidated on a line-by-line basis. No separate statement of financial activity has been presented for the charity alone as permitted by section 408 Companies Act 2006. The group accounts comply with the Charities Act 2011.

(b) Going concern

The financial statements have been prepared on the going concern basis. The Trustees do not consider that any material uncertainties exist regarding the charity's ability to continue its operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2 **Accounting policies continued**

(c) Income

Income represents income receivable in the period comprising admissions, donations, special events, retail sales and catering income along with other income arising from the charity's principal activities.

Income from commercial trading is recognised on an accruals basis.

Investment income and income tax recovered on gift aid donations is recognised on a receivable basis.

Voluntary income including donations and grants are recognised where there is entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred. Grant income is deferred when the donor specifies that the grant can only be used in a future accounting period or has imposed conditions to be met before unconditional entitlement.

(d) Volunteers

The value of services provided by volunteers has not been incorporated in the financial statements.

(e) Tangible fixed assets and heritage assets

Expenditure on assets less than £500 is not capitalised.

Heritage assets are recognised in the Financial Statements where reliable cost or valuation information is available.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Motor vehicles and tractors	-	20% reducing balance
Plant and machinery	-	10% - 20% reducing balance
Playground equipment	-	10% reducing balance
Heritage works of art	-	not depreciated
Heritage buildings & refurbishment	-	2% - 5% straight line
Biomass and other site improvements	-	4% - 10% reducing balance

(f) Stocks

Stocks are valued at the lower of cost or net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2 **Accounting policies continued**

(g) Investments

Realised and unrealised surpluses and deficits on any investments are recognised in the statement of financial activities. Any income from investments is accounted for on a receivable basis. Where held, investments are stated at market value.

Cash and cash equivalents held on deposit with a maturity date of less than one year which are held for investment purposes rather than to meet short term cash commitments are classified as current asset investments. Such investments are measured at the value of the deposit at the balance sheet date.

(h) Pensions

The charity operates a defined contribution scheme under auto-enrolment, the assets of which are held separately to those of the charity. Contributions are charged in the income and expenditure account in the year in which they are paid.

(i) Expenditure and allocation of support costs

All expenditure is accounted for on an accruals basis inclusive of any VAT which cannot be recovered and classified under activity headings that aggregate all costs related to the category.

Costs of generating voluntary funds are the costs incurred in attracting voluntary income and the costs of the commercial trading operation.

Charitable activity costs include expenditure on repairs and maintenance of Harewood House, grounds and gardens, conservation of the bird collection, curatorial and conservation costs relating to works of art, and costs associated with exhibitions and educational programmes intended to advance public knowledge and enhance scholarly use of the collections. Governance costs are included in charitable activity costs, as are those associated with the statutory and constitutional requirements of the charity.

Support costs comprise the costs of management, the finance office, depreciation, site management and finance costs which cannot be directly attributed to an activity of the charity but nevertheless support those activities. Support costs are allocated to the activity costs on a basis which is consistent with the use of resources.

(j) Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

3 **Lease of Harewood House**

On 4 June 1986, the charity took an assignment of a short lease of Harewood House and surrounding land and on 12 December 1996 took a further assignment of a lease of the same property for a period of 99 years from December 1996. This lease was further extended on 30 November 2016 to run for 99 years and two days from that date.

4 **Donations and legacies**

Admissions under gift aid, donations and grants	31.12.18	31.12.17
	£	£
Admissions and Harewood Card and gift aid	688,358	708,913
Donation from Executors of the 7th Earl of Harewood and subsequent will trust	715,000	417,960
Donation from the Earl of Harewood	350,000	65,000
Other donations	10,930	4,184
Other grant income	67,250	4,000
	1,831,538	1,200,057

Income from donations and legacies amounted to £1,831,538 (2017- £1,200,057) of which £1,404,288 (2017- £814,057) was unrestricted. £427,250 (2017- £386,000) was restricted.

The restricted funds donated in the year ended 31 December 2018 included £360,000 donated by the Trustees of the 7th Earl of Harewood Will Trust. These were restricted for the 'Capital Works & Special Projects Fund' to fund special projects including capital works, maintenance projects, exhibitions, education programmes and other similar projects.

The Trust benefits greatly from the involvment and contributions of volunteers. In accordance with FRS102 and the Charities SORP (FRS102), the economic contribution of volunteers is not recognised in the accounts.

5 **Income from charitable activities**

Conservation and education	31.12.18	31.12.17
	£	£
Admissions and Harewood Card (non-gift aid)	869,834	866,368
Guide books and education	10,655	21,708
Bird adoption	9,569	10,053
	890,058	898,129

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

6 **Other trading activities**

Retail, events and catering	31.12.18	31.12.17
	£	£
Retail shops and cafes	138,217	124,658
Catering and courtyard events	89,453	76,351
Other events	167,939	210,782
Rents and filming income	146,684	178,398
Sundry	64,753	42,533
	607,046	632,722

7 **Income from investments**

	31.12.18	31.12.17
	£	£
Dividends	91,516	87,644
Interest	348	118
	91,864	87,762

Costs of raising funds (notes 8, 9 & 10)

8 **Costs of generating voluntary income**

	31.12.18	31.12.17
	£	£
Marketing and promotion	120,440	63,334
Events	-	7,301
Operating costs	454,597	263,696
Support (see note 12)	517,336	377,289
Governance Costs (see note 13)	5,368	-
	1,097,741	711,620

All prior year costs were unrestricted for comparative purposes.

9 **Fundraising trading costs**

	31.12.18	31.12.17
	£	£
Commercial trading operation	156,103	86,790
House and event operation	90,072	53,053
Development	30,997	-
Support (see note 12)	219,209	159,741
Governance Costs (see note 13)	2,270	-
	498,651	299,584

10 **Investment Management Costs**

	31.12.18	31.12.17
	£	£
Investment management fees	13,156	13,003
	13,156	13,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

11 Analysis of expenditure on charitable activities

	Conservation of Harewood House and gardens £	Conservation of Bird Garden and collection £	Conservation of art and educational projects £	Total 2018 £	Total 2017 £
Maintaining property open to the public	352,620	-	-	352,620	265,565
Exhibitions and educational programmes	-	-	212,498	212,498	107,061
Conserving collections	234,265	182,892	-	417,157	448,671
Marketing and events	40,147	20,073	20,073	80,293	42,223
Support (see note 12)	458,625	142,922	166,058	767,605	926,383
Governance costs (see note 13)	4,807	1,498	1,741	8,046	18,477
Total 2018	1,090,464	347,385	400,370	1,838,219	1,808,380
Total 2017	1,194,120	314,694	299,566		

All of the above expenditure relates to unrestricted funds and is for the purpose of conservation of the House, gardens and collections which generate voluntary income and income from charitable activities

12 Analysis of support costs

	Security & Site Services £	Head office and Finance Office £	Depreciation £	Bank charges and interest £	Total 2018 £	Total 2017 £
Costs of voluntary income	214,739	207,032	90,341	5,223	517,335	377,289
Fundraising trading costs	90,824	87,564	38,210	2,612	219,210	159,741
Charitable activities:						
Harewood House and Gardens	192,311	185,409	80,905	-	458,625	664,200
Bird Garden conservation	59,930	57,779	25,213	-	142,922	152,333
Art conservation and education	69,632	67,133	29,294	-	166,058	109,850
	321,873	310,321	135,412	-	767,605	926,383
Total 2018	627,436	604,917	263,962	7,835	1,504,150	1,463,413
Total 2017	633,694	638,240	186,823	4,656		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

13 **Governance costs**

	31.12.18	31.12.17
	£	£
Trustees' meeting expenditure	1,850	6,527
Trustees' indemnity insurance	1,858	1,550
Auditor's remuneration	11,976	11,950
	15,684	20,027

14 **Staff costs**

	31.12.18	31.12.17
	£	£
Wages and salaries	1,299,936	1,040,439
National insurance	106,808	72,448
Pension costs	26,759	26,628
	1,433,503	1,139,515

Number of employees with benefits in excess of £60,000 2018- One (2017- One), which fell within the £60,000 to £70,000 banding.

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds

The trustees receive no remuneration for their services. Meeting expenses are shown in note 13 above.

The key management personnel of the parent charity, the Harewood House Trust Limited, and the group comprise the Trustees, Trust Director, Head of Finance, Head of Operations, Head of Marketing, Head of Trading and Head of House & Collections.

The total employee benefits of the key management personnel of the Trust were £318,324 (2017- £230,982)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

14 Staff costs (continued)

The average monthly headcount was 73 staff, 46 permanent and 27 casual (2017- 58) with and the average monthly number of full time equivalent employees (including casual and part time staff) during the year were as follows:

	31.12.18	31.12.17
	No	No
House & admissions	22	19
Bird Garden	5	5
Gardens	9	10
Retail & catering	2	1
Events	2	2
Support & management	13	6
Full time and full-time equivalents	53	43

15 Operating surplus/deficit

The operating surplus/deficit is stated after charging:	31.12.18	31.12.17
	£	£
Auditor's remuneration	11,976	11,950
Depreciation	264,234	186,823
Trustees' meeting expenses	1,850	6,527
Trustees' indemnity insurance	1,550	1,550

16 Taxation

(a) Charity - The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

(b) Subsidiary undertakings - No liability to UK corporation tax arose on ordinary activities for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

17 **Group tangible fixed assets**

	Heritage works of art (note 17 (a))	Heritage buildings & refurbishment (note 17 (a))	Biomass installation	Plant and machinery	Playground equipment	Tractors & Grounds Equipment	Assets under construction	Total
	£	£	£	£	£	£	£	£
Cost								
As at 1 January 2018	11,501,050	2,633,512	352,047	2,510,836	185,059	209,014	53,990	17,445,508
Additions	-	-	-	861,035	-	-	76,210	937,245
Disposals	-	-	-	(144,556)	-	-	-	(144,556)
Revaluation	-	-	-	-	-	-	-	-
As at 31 December 2018	11,501,050	2,633,512	352,047	3,227,315	185,059	209,014	130,200	18,238,197
Depreciation								
As at 1 January 2018	-	816,257	26,252	2,041,639	164,991	129,214	-	3,178,353
Disposals	-	-	-	(144,556)	-	-	-	(144,556)
Charge for the year	-	49,095	16,217	180,955	2,007	15,960	-	264,234
As at 31 December 2018	-	865,352	42,469	2,078,038	166,998	145,174	-	3,298,031
Net book value								
As at 31 December 2018	11,501,050	1,768,160	309,578	1,149,277	18,061	63,840	130,200	14,940,166
As at 31 December 2017	11,501,050	1,817,255	325,795	469,197	20,068	79,800	53,990	14,267,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

17 Cont'd **Charity tangible fixed assets**

	Heritage works of art (note 17 (a))	Heritage buildings & refurbishment (note 17 (a))	Biomass installation	Plant and machinery	Playground equipment	Tractors & Grounds Equipment	Assets under construction	Total
	£	£	£	£	£	£	£	£
Cost								
As at 1 January 2018	11,501,050	2,633,512	352,047	2,167,767	185,059	209,014	53,990	17,102,439
Additions	-	-	-	857,261	-	-	76,210	933,471
Disposals	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
As at 31 December 2018	11,501,050	2,633,512	352,047	3,025,028	185,059	209,014	130,200	18,035,910
Depreciation								
As at 1 January 2018	-	816,257	26,252	1,699,640	164,991	129,214	-	2,836,354
Disposals	-	-	-	-	-	-	-	-
Charge for the year	-	49,095	16,217	179,986	2,007	15,960	-	263,265
As at 31 December 2018	-	865,352	42,469	1,879,626	166,998	145,174	-	3,099,619
Net book value								
As at 31 December 2018	11,501,050	1,768,160	309,578	1,145,402	18,061	63,840	130,200	14,936,291
As at 31 December 2017	11,501,050	1,817,255	325,795	468,127	20,067	79,800	53,990	14,266,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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17 (a) Heritage Assets

The charity holds two categories of heritage assets in support of its charitable objectives, to preserve Harewood House, its ancillary buildings, surroundings and collections for the public benefit.

Heritage building refurbishment

Costs of £2,633,511 are held, largely relating to the refurbishment of the "Courtyard" stables block in 2005 and 2006. These are recorded at the cost incurred by the charity and are depreciated over periods of 20 and 50 years. The Courtyard is open to visitors to Harewood House, as a café and retail outlet, with an education facility and with function rooms which are available to hire.

All buildings managed by the charity are subject to regular inspection and assessment of maintenance requirements.

The charity was assigned a 99 year lease of Harewood House and the surrounding land from December 1996 which was extended until 2115 in November 2016, but the value of this lease has not been capitalised because of the difficulty in providing a reliable valuation.

Works of art

These consist of certain works of art, furniture and mirrors, most of which were donated to the charity by the 7th Earl of Harewood. The charity also made some purchases. These items are of national significance due to their association with Harewood House.

There have been no Trust purchases or disposals in the last five years however during the year ended 31 December 2015 a Turner watercolour was donated. This watercolour has been included in the accounts at the value on the date of donation.

The works of art held by the Charity at 1 January 2015 are included at a mid-auction estimate of £10,444,800, reported as at January 2012 by Christie's. This valuation was obtained in order to meet the requirements of FRS30 which required donated assets to be shown in the balance sheet. A Turner watercolour was donated to the Charity in the year ended 31 December 2015 and was included in the accounts at the value on the date of donation of £205,000. An updated valuation was obtained during the year which valued the works of art at £11,501,050 also using a mid-auction estimate. This valuation has been reflected in the accounts resulting in a revaluation gain of £851,250. The items are deemed to have indeterminate lives and a high residual value so the Trustees do not consider it appropriate to charge depreciation.

The Charity's works of art are displayed within the collections in Harewood House, which are open to the public, and are cared for by the Charity's curatorial team.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

18 **Group Investments**

At 31 December 2018 the Charity held external investments with a valuation of £2,579,082.

During the year ended 31 December 2018, no additions or disposals were made to the externally managed portfolio. Movements shown below represent afair value movement as reported by the fund manager.

Charity investments

Non listed investments held by the Charity relate to £100 investment in the wholly owned subsidiary company, Harewood Harewood House Trading Ltd, at market value (2017: £100).

	Charity 31.12.18 £	Charity 31.12.17 £
Investment in subsidiary	100	100

Listed investments	Charity 31.12.18	Charity 31.12.17
Cost or valuation	£	£
At 1 January 2018	2,771,418	2,667,947
Additions	-	-
Disposals	-	-
Fair value movements	(192,336)	103,471
At 31 December 2018	2,579,082	2,771,418
Carrying amount		
At 31 December 2018	2,579,082	2,771,418
At 31 December 2017	2,771,418	2,667,947

All investments shown above are held at valuation. Investments at fair value comprise:

Equities	1,373,784	1,533,779
Bonds	399,228	416,115
Multi asset funds	213,110	220,702
Alternatives	579,842	574,459
Cash held within the investment portfolio	13,118	26,363
	2,579,082	2,771,418

All investments are carried at their fair value. Investment in equities and fixed interest securities are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are on a net asset value basis. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

The significance of financial instruments to the ongoing financial sustainability of the Charity is considered in the financial review and investment policy and performance sections of the Trustees' Annual Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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19 Stocks	Group 31.12.18 £	Group 31.12.17 £	Charity 31.12.18 £	Charity 31.12.17 £
Retail, catering and guide books	18,828	15,179	12,277	15,179
	18,828	15,179	12,277	15,179

20 Debtors	Group 31.12.18 £	Group 31.12.17 £	Charity 31.12.18 £	Charity 31.12.17 £
Trade debtors	118,597	50,452	10,107	20,030
Other Debtors	355,000	-	355,000	-
Prepayments	216,704	178,031	183,907	178,031
	690,301	228,483	549,014	198,061

21 Creditors: amounts falling due within one year	Group 31.12.18 £	Group 31.12.17 £	Charity 31.12.18 £	Charity 31.12.17 £
Trade creditors	224,013	232,382	216,062	231,728
Other creditors including social security and other taxes	63,813	39,641	20,380	39,641
Amounts owed to trading subsidiary	-	-	9,194	662,851
Accruals	172,592	90,136	172,302	90,108
Event deposits in advance	88,991	50,415	-	400
	549,409	412,573	417,938	1,024,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES

22 **Subsidiary Company - Harewood House Trading Limited**

The charity owns the whole of the issued ordinary share capital (100 shares of £1 each) of Harewood House Trading Limited, a company registered in England and Wales. The subsidiary is used for non-primary purpose trading activities.

All activities have been consolidated on a line by line basis in the statement of financial activity.

A summary of the results of the subsidiary is shown below.

Summary profit & loss account

	31.12.18	31.12.17
	£	£
Turnover	494,446	511,121
Expenditure	(177,646)	(115,145)
Other income	-	-
Net profit/(loss)	316,800	395,976
Gift aid donation	(316,800)	(395,976)
Profit/(loss) after gift aid to parent company	-	-

Summary balance sheet	31.12.18	31.12.17
	£	£
Fixed assets	3,875	1,070
Current assets	192,022	104,858
Current liabilities	(140,665)	(50,696)
Liabilities due after more than one year	-	-
Net assets	55,232	55,232
Shareholders' funds	55,232	55,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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23 Group funds

Reconciliation and analysis of movement in funds

	Unrestricted Fund	Restricted Fund	Permanent Endowment Fund	Unrestricted Endowment Fund	Total 31.12.18	Total 31.12.17
	£	£	£	£	£	£
Opening value of funds	4,434,920	430,092	2,771,418	10,088,916	17,725,346	17,635,793
Income for the year	2,993,256	427,250	-	-	3,420,506	2,818,669
Expenditure for the year	(3,447,767)	-	-	-	(3,447,767)	(2,832,587)
Investment (losses) / gains	-	-	(192,336)	-	(192,336)	103,471
Transfer	857,342	(857,342)	-	-	-	-
Closing value of funds	4,837,751	-	2,579,082	10,088,916	17,505,749	17,725,346

The permanent endowment fund of £2,500,000 was donated by the Trustees of the 7th Earl of Harewood Will Trust in the year ended 31 December 2015 and must be invested with the aim of generating the greatest possible income return, without unduly putting the capital at risk. Any income generated from the permanent endowment fund may be used for the general purposes of Harewood House Trust Limited, including to cover general running costs, and as such has been shown as unrestricted income. Capital must be invested with the aim of maximising income whilst maintaining the value of the capital.

The Restricted fund primarily relates to the 'Capital Works & Special Projects Fund' to fund special projects including capital works, maintenance projects, exhibitions, education programmes and other similar projects. A donation of £954,700 was received in the year ended 31 December 2015 and a further donation of £360,000 received in the year ended 31 December 2018. At the end of 2018 all these projects have been complete and there are no restricted funds remaining. As there are no formal restrictions over the use of the assets and projects funded by this project the amount spent on eligible items has been transferred from restricted to unreserved reserves.

Restricted Fund income also includes £67,250 of grants and donation for specific purposes. This included £35,000 from the Arts Council for the Seeds of Hope exhibition and £25,000 including Gift Aid from Diane Lascelles towards exhibition costs.

Analysis of group net assets between funds

	Unrestricted Fund	Restricted Fund	Permanent Endowment Fund	Unrestricted Endowment Fund	Total 31.12.18	Total 31.12.17
	£	£	£	£	£	£
Fixed assets	-	-	2,579,082	14,940,166	17,519,248	17,038,572
Net current assets	4,837,751	-	-	(4,851,250)	(13,499)	686,774
	4,837,751	-	2,579,082	10,088,916	17,505,749	17,725,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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24 Financial instruments	31.12.18	31.12.17
	£	£
Financial assets measured at amortised cost	122,938	906,138
Financial liabilities measured at amortised cost	485,596	372,932

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Total interest expense for financial liabilities held at amortised cost	(348)	(389)

NOTES

25 **Transactions with trustees and connected persons**

David Lascelles, Earl of Harewood, entered into transactions with the Trust during the year, through the following businesses in which he had a direct interest:

Harewood Estate
Harewood Energy Supply Co Limited
Harewood Provisions Company Limited, t/a Harewood Food and Drink Project

Diane Lascelles, Countess of Harewood also has a direct interest in the Harewood Provisions Company. The late Patricia Lascelles, The Dowager Countess of Harewood also had a direct interest in Harewood Energy Supply Co.

Details of transactions with David Lascelles, Earl of Harewood, and businesses in which he had an interest:

(a) Transactions with Harewood Estate £4,743 (2017- £52,295)

The Charity was reimbursed by the Harewood Estate for recharges of office expenses and for the provision of grounds staff.

(b) Transactions with the Earl and Countess of Harewood £5,449 (2017- £8,841)

The Charity recharged the Earl and Countess of Harewood with office and admin expenses.

(c) Purchases from Harewood Estate £222,270 (2017- £231,080)

Harewood Estate recharged the Charity, at cost of £136,657 (2017- £131,963) for its share of security services provided to the Charity by a third party specialist security organisation. Charges were also made at cost for storage, winter maintenance, fuel and repairs provided by the Estate.

(d) Purchases from Harewood Energy Supply Co Limited £48,558 (2017- £60,873)

Harewood Energy Supply Co Limited charged the Trust £48,558 (2017- £60,873) for biomass running costs. The charge per unit was based on cost, as assessed by an independent report.

(e) Purchases from Harewood Provisions Company Limited £5,064 (2017- £1,950)

Harewood Provisions Company Limited sells a range of drinks to the Charity at an approved commercial rate which is permitted by the Charity's Articles and charity law.

(f) Donations from the Earl of Harewood £280,000 (2017: £65,000)

The Charity received donations totalling £280,000 (2017: £65,000) from the Earl during the year.

David Lascelles, Earl of Harewood and Diane Lascelles, Countess of Harewood, are trustees of the late 7th Earl of Harewood's estate, which made donations to the Charity during the year of £715,000.

The lease of Harewood House and its surrounding lands was assigned at a peppercorn rent by David Lascelles, Earl of Harewood, and Diane Lascelles, Countess of Harewood.

NOTES

25 Transactions with trustees and connected persons (continued)

Patricia Lascelles, The Dowager Countess of Harewood entered into transactions with the Charity as follows:

Rent and other charges £45,090 (2017- £44,373)

The Charity charged rent in respect of the apartments within Harewood House used by Patricia Lascelles, The Dowager Countess of Harewood. The rents were reviewed in 2011 and are charged at market rates established by Messrs Carter Jonas, a third party firm of surveyors. In addition, amounts were recharged at cost for the use of utilities, insurance, gardener and office expenses.

In May 2018, the Dowager Countess passed away. The transactions carried out between the Late Dowager Countess and the Trust are continuing throughout 2018, under the remit of her executors.

Diane Lascelles, Countess of Harewood is a Trustee of The Hepworth Wakefield

(a) Transactions with The Hepworth Wakefield £95 (2017- £125)

The Charity provided visitor services to representatives of The Hepworth Wakefield on an arm's length basis, with a nil balance owed at the year end.

Donations from the Countess of Harewood £20,000 (2017: £nil)

The Charity received donations totalling £20,000 (2017: £nil) from the Countess during the year.

Donations from the Executors of the 7th Earl of Harewood £715,000 (2017- £417,960)

The Charity received donations totalling £360,000 from the Executors of the 7th Earl and subsequent will trust during the year towards restricted Capital & Projects and a further £355,000 towards Operating deficit (2017- £417,960).

The 7th Earl's Will Trust also has a direct interest in Harewood Energy Supply Co.

Trustee expenses

In addition to the foregoing, meeting and travel expenses of £5,607 (2017- £6,527) were incurred by the Board of Trustees in carrying out their duties. These items represent a reimbursement of expenses at cost.

NOTES

25 Transactions with trustees and connected persons (continued)

At 31 December 2018 balances were as follows:

Owed to the Charity by:

Harewood Estate	£nil	(2017- £2,845)
Harewood Energy Supply Co Limited	£nil	(2017- £nil)
The Dowager Countess of Harewood	£nil	(2017- £236)
The Earl and Countess of Harewood	£2,183	(2017- £4,211)
Harewood Provisions Company Limited	£nil	(2017- £962)

As the Charity re-invoices other parties for services as described above, some invoices rendered near to the end of the Charity's financial year remain outstanding. These do not represent loans but are simply amounts outstanding as at 31 December 2018. In practice invoices are paid promptly to the Charity, and these amounts were repaid shortly after the year end.

The Trust held a creditor balance of £28,818 at the Year-end for Transactions that will be recharged to Harewood Estate and The Earl and Countess of Harewood.

Owed by the Charity to:

Harewood Estate	£28,317	(2017- £8,934)
Harewood Energy Supply Co Limited	£17,303	(2017- £21,115)
The Earl and Countess of Harewood	£nil	(2017- £1,751)
Harewood Provisions Company Limited	£208	(2017- £2,521)