

City and Guilds Art School Property Trust

Annual Report and Financial statements

31 August 2019

Company Limited by Guarantee
Registration Number
992490 (England and Wales)

Charity Registration Number
312871

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Reference and administrative information

| | |
|------------------------------------|--|
| Trustees | John Taylor MBE (Chairman) Humphrey Carey Aidan Crawshaw Janey Elliott (resigned 12 June 2019) Heather Hilburn Brendan Finucane QC William Parente CBE Sir Alan Yarrow (appointed 12 June 2019) |
| Secretary | Magnus von Wistinghausen |
| Registered office | Fishmongers' Hall London Bridge London EC4R 9EL |
| Telephone | 020 7626 3531 |
| Principal office | 124 Kennington Park Road London SE11 4DJ |
| Telephone | 020 7735 2306 |
| Facsimile | 020 7582 5361 |
| Auditor | Buzzacott LLP 130 Wood Street London EC2V 6DL |
| Bankers | Barclays Bank plc Southwark Branch 29 Borough High Street London SE1 1LY |
| Company registration number | 992490 (England and Wales) |
| Charity registration number | 312871 |

Trustees' report Year to 31 August 2019

The Board of Trustees ("the Board") of City & Guilds Art School Property Trust ("the Charity") presents its annual report and the audited financial statements for the year ended 31 August 2019.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and is also the report of the directors for the purposes of the Companies Act 2006.

The financial statements have been prepared under the accounting policies set out therein and comply with applicable law and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

Constitution

The Charity is registered as a company and has the status of a company limited by guarantee, not having a share capital. Its governing document is its Memorandum and Articles of Association dated 30 September 1970 and amended to allow for current governance arrangements on 7 March 2006.

Principal aims and activities

The principal aim of the Charity, which was founded in 1879, is to support the teaching and training of students in the arts, crafts and sciences of the Fine Arts. This activity is consistent with the objects contained within the Memorandum of Association of the Charity.

On 31 March 2012, the educational activities of the City & Guilds of London Art School Ltd ("the Art School") were transferred to CGLAS Trust (Company No: 07817519) under a business transfer agreement. CGLAS subsequently changed its name to the City & Guilds of London Art School Limited and is continuing the educational activities of the Art School. The Charity changed its name on 17 April 2012 from the City and Guilds of London Art School to the City & Guilds Art School Property Trust. The objects of the Charity have not changed.

The Art School's land and buildings at 114 – 124 Kennington Park Road were retained by the Charity whose principal activity today is to maintain and develop these properties for the ongoing benefit of the Art School, in accordance with a phased masterplan established in 2008/09. This also includes the renting of additional property, such as the Old Vauxhall Telephone Exchange Building in adjacent Kennings Way, as required to deliver the masterplan and to support the Art School's development in other ways.

Governance, structure and management

Organisation

The Trustees are directors of the Charity for the purposes of the Companies Act 2006 and are Trustees of the Charity for the purposes of Charity legislation.

The Board is the policy-making body of the Charity. It is assisted by the Secretary, who is appointed by the Board.

Governance, structure and management (continued)

Organisation (continued)

The Charity did not employ staff between 31 March 2012 and 1 April 2019. On 1 April 2019 the salaried post of Director was created. Other administrative, fundraising and other tasks are performed by staff employed by the City & Guilds of London Art School. An annual charge is levied by the Art School in consideration of this.

Risk management

The Trustees have assessed the major risks to which the Charity is exposed. In particular, these relate to the Charity's finances, buildings and health and safety matters.

All areas of risk are monitored through the Charity's governance structure which identifies the lines of responsibility and decision making – administrative and financial, and in particular those relating to the planning and execution of major building refurbishment projects.

The Trustees ensure that the Charity's operations are protected against significant risk through an annual monitoring cycle and risk assessment. The Charity has a comprehensive insurance cover against key areas of risk; in addition to Public Liability Insurance cover up to £10m and Director's Liability of cover of up to £2m. The Charity's buildings are insured at their full re-build value.

The Board is satisfied that systems are in place to mitigate, or control where possible, the Charity's exposure to these risks.

Key management personnel

The key management personnel of the Charity are the Trustees and the Director. The Trustees do not receive remuneration from the Charity.

Statement of Trustees' responsibilities

The Trustees (who are also directors of the Property Trust for the purposes of company law) are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and 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 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);
- ♦ make judgements and estimates that are reasonable and prudent;

Governance, structure and management (continued)

Statement of Trustees' responsibilities (continued)

- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- ◆ so far as the Trustee is aware, there is no relevant audit information of which the Charity's auditors are unaware; and
- ◆ the Trustee has taken all the steps that he or she ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Board of Trustees

The members who are in office at the date of this report are listed on page 1.

No Trustee received any remuneration for services as a member of the Board (2018 – none) and no Trustee was reimbursed for travelling expenses (2018 – none).

Objectives and relevant policies

The Charity's objectives are set to reflect its educational aims and ethos. In setting these, the Trustees have given due consideration to the Charity Commission's general guidance on public benefit.

The Charity's key objectives for the year included:

- ◆ Completing the renovation and extension of the Art School's studio and workshop facilities for stone carving and woodcarving;
- ◆ Securing Planning Permission and Listed Building Consent for the final Phase of the masterplan, the renovation and partial redevelopment of Victorian studio buildings at the rear of 118-124 Kennington Park Road;

Objectives and relevant policies (continued)

- ◆ Maintaining the Charity's property in good order for the benefit of the Art School;
- ◆ To continue to support the Art School in its work in any other ways appropriate, in line with the Charity's stated objects.

Grant-giving policy

The Property Trust does not actively solicit grant applications, however from time to time may award grants to institutions. In previous years the Property Trust has made grants to the City and Guilds of London Art School, in order to further the Trust's objective to support the Art School. The grant amounts are discussed and approved by the Board of Trustees.

Activities and achievements

Development project and other refurbishments

During the year, the Property Trust was able to complete a further phase of the masterplan for the Art School's site: the refurbishment and extension of the studio, workshop and related facilities serving the Art School's courses in architectural stone carving and ornamental wood carving. The works, phased over a period of two summers, started in July 2018 with the creation of a new woodcarving studio and a sound insulated stone cutting chamber, as well as the re-organisation of storage facilities. The project was completed in Summer 2019 with the refurbishment and extension of the stone carving studios. In this financial year, the project received further funding through additional grants and donations provided by the Wolfson Foundation, HB Allen Charitable Trust, Band Trust, Drapers' Company, Goldsmiths' Company, a gift in memory of John Robinson Sculptor and the Sheepdrove Trust.

Work also progressed on the development of plans for the final phase of the Property Trust's masterplan, the full refurbishment and partial redevelopment of the Victorian studio buildings at the rear of 118-124 Kennington Park Road, working closely with Alan Higgs Architects. During the year the scheme was finalised and submitted to Lambeth Borough Council for Planning and Listed Building Consent. This received the formal support of the Cleaver Square Residents Association. Consent was received in October 2019.

Financial Review

Results for the year

The Charity's funds structure is made up of two unrestricted funds, the general fund and the designated fixed asset fund, as well as restricted funds that are held for specific purposes. In order to separate the impact of the property development within the financial statements, the Charity established a designated fund to represent the value of its tangible fixed assets. When the Charity incurs expenditure on tangible fixed assets, which is capitalised, the amounts are transferred from other revenue funds to the designated fund.

The restricted funds of the Charity relate to funds received for the development of the properties. These funds are either expended during the year on the properties or transferred to the designated fixed asset fund when costs are incurred for work on the properties which is capitalised. The Charity recorded an operating surplus on unrestricted funds of £25,691 (2018 – a surplus of £51,602 after making a donation of £40,000 to the Art School and before utilisation of £61,987 of funds on tangible fixed assets).

The Charity raised £475,000 of restricted donations during the year for the development of the Charity's building (2018 – £420,195).

The Charity expended £118,710 (2018 – £79,950) in relation to the development of its buildings during the year. This included fees related to the development of the Phase 3 scheme for planning. In addition, the Charity capitalised a total of £316,402 of fixed asset additions (2018 – £339,355). All of these were freehold property improvements being mainly works connected with the Stoneyard renovation project.

Reserves policy and going concern

The Board has examined the requirement for free reserves i.e. those funds not invested in tangible fixed assets, not designated for specific purposes, not restricted and not otherwise committed. The Board intends to achieve, as circumstances permit, an increase in the free reserves from present levels in order to provide liquidity to meet any future temporary shortfalls in income and to provide adequate working capital. At present a loan facility with the Charity Bank is addressing these requirements. As at 31 August 2019, the loan facility had a total value of £46,754 (2018 – £75,842) with £16,030 payable in more than one year (2018 – £48,307). An additional loan facility was agreed with the Charity Bank in November 2019. As a result of the working capital provided by the combined facilities, the Board is satisfied that there are no material uncertainties about the Property Trust's ability to continue as a going concern.

Impact of COVID-19

The outbreak of the COVID-19 pandemic occurred after the financial year end, however before these accounts were signed in April 2020.

The Trustees have considered the predictable short to medium term effects on the Charity's business for the 12 months ahead, as follows:

As landlord to City & Guilds of London Art School (the Art School), which accounts for substantially all of the Charity's unrestricted income in rent, the Charity could be affected by an adverse financial impact on the Art School such that it would no longer be in a position to meet its rental payments (in part or in full). For the 2019/20 financial year, this represents a maximum of 5 months of rent payments as yet to be received. Information provided by the Art School indicates that, while adversely impacted, the Art School has put in place measures to safeguard its own core operating income for the current financial year and therefore it will be in a position to meet its payment obligations, albeit requesting such payments to be deferred to assist with its cash flow. The Charity is in a position to offer this if required by drawing on the additional loan facility arranged with the Charity Bank in 2019. The position for the period from September 2020 will be determined by the adverse impact on student recruitment for its 2020/21 and therefore core income for the Art School. This may require either further deferrals or a (temporary) rent reduction. The combination of the existing loan facility and the reduction/deferral of non-essential expenditure would allow the Charity to consider this should this be required.

The Charity has reviewed the timetable for the planned capital and studio refurbishment works scheduled for 2020, in consultation with the Art School and the principal contractors involved. As with all property works of the past years, these are dependent on the full project costs being funded from external grants. Confirmation of full funding was obtained by the end of April 2020. Due to the nature of the works planned in the present year, and the likelihood of a prolonged period of closure of the Art School during the Summer term, a number of options are available to adapt the programme of works to meet Covid-19 related restrictions on construction site and related activities. All planning requirements have been met and the principal contractors have to date confirmed their ability to proceed, with principal supply chains intact.

In light of the above, the Trustees have concluded that with the Charity Bank loan facility the Property Trust is in a position to continue to operate as a going concern for the foreseeable future.

Financial position

The balance sheet shows total funds of £1,822,060 (2018 – £1,569,216) of which £42,765 is restricted (2018 – £32,877). Restricted funds either raised for, and their use restricted to, specific purposes or comprising donations subject to donor imposed conditions, have been fully used in accordance with these restrictions.

Unrestricted funds of the Charity at 31 August 2019 total £1,779,295 (2018 – £1,536,339). These funds are represented by general fund tangible fixed assets of £1,789,562 (2018 – £1,572,297) and a free reserves deficit of £10,267 (2018 – deficit of £35,958) due to capitalised expenditure connected with securing occupation of a further floor in the Old Vauxhall Telephone Exchange.

Future plans

The Property Trust will continue to work with the Art School on progressing with works to undertake specific improvements to buildings and facilities on the Kennington site, and to proceed with planning for completing the final phases of the masterplan. This will include the refurbishment of studios for the creation of new conservation facilities in Summer 2020, in view of the expansion of the Art School Conservation Department to include books & paper conservation in Autumn 2020. All capital works will remain subject to the raising of funds from a wide range of philanthropic sources, to cover their full costs. In view of the significant scale of the final phase of the masterplan, encompassing the renovation and partial redevelopment of Victorian studio buildings, the Property Trust will work alongside the Art School on the scoping of an integrated fundraising campaign. The timeline for these plans may need to be reviewed as a result of the COVID-19 pandemic.

The Charity's assets

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the financial statements.

Approved by the Board on 18 May 2020 and signed on its behalf by:



John Taylor MBE (Chairman)

Independent auditor's report to the members of City and Guilds London Art School Property Trust

Opinion

We have audited the financial statements of City and Guilds Art School Property Trust (the 'charitable company') for the year ended 31 August 2019 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. 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 charitable company's affairs as at 31 August 2019 and of 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 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.

Emphasis of matter – Effects of COVID-19

We draw attention to the trustees' report on pages 6 and 7, which describes the economic and social disruption the charity is facing as a result of COVID-19 which is impacting personnel and beneficiaries. Our opinion is not modified in respect of this matter.

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 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.

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 trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ◆ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in

preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

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

In preparing the financial statements, the trustees are responsible for assessing the 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. 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. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Hugh Swainson, Senior Statutory Auditor
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

20 May 2020

Statement of financial activities Year to 31 August 2019

| | Notes | Unrestricted funds | | | 2019 Total funds £ | 2018 Total funds £ |
|--|-------|----------------------|--------------------------|--------------------------|-----------------------------|-----------------------------|
| | | General fund £ | Designated funds £ | Restricted funds £ | | |
| Income from: | | | | | | |
| Donations | | — | — | 475,000 | 475,000 | 420,195 |
| Charitable activities | | | | | | |
| . Rent receivable | 16 | 176,947 | — | — | 176,947 | 201,224 |
| Total income | | 176,947 | — | 475,000 | 651,947 | 621,419 |
| Expenditure on: | | | | | | |
| Charitable activities | | | | | | |
| . Costs of operating the Charity | | | | | | |
| .. Premises | | 82,134 | 99,137 | 118,710 | 299,981 | 209,415 |
| .. Support costs | 2 | 69,122 | — | 30,000 | 99,122 | 93,698 |
| . Grant-giving | 3 | — | — | — | — | 40,000 |
| Total expenditure | | 151,256 | 99,137 | 148,710 | 399,103 | 343,113 |
| Net income (expenditure) | 1 | 25,691 | (99,137) | 326,290 | 252,844 | 278,306 |
| Transfers between funds | 10,11 | — | 316,402 | (316,402) | — | — |
| Net movement in funds | | 25,691 | 217,265 | 9,888 | 252,844 | 278,306 |
| Fund balances brought forward at 1 September 2018 | | (35,958) | 1,572,297 | 32,877 | 1,569,216 | 1,290,910 |
| Fund balances carried forward at 31 August 2019 | | (10,267) | 1,789,562 | 42,765 | 1,822,060 | 1,569,216 |

All of the Charity's activities derived from continuing operations during the above two financial years.

The Charity has no recognised gains and losses other than those shown above.

Balance Sheet 31 August 2019

| | Notes | 2019 £ | 2019 £ | 2018 £ | 2018 £ |
|--|-------|------------------|------------------|-----------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 1,789,562 | | 1,572,297 |
| | | | 1,789,562 | | 1,572,297 |
| Current assets | | | | | |
| Debtors | 7 | 146,046 | | 111,241 | |
| Cash at bank and in hand | | 235,515 | | 290,266 | |
| | | 381,561 | | 401,507 | |
| Creditors: amounts falling due within one year | 8 | (333,033) | | (356,281) | |
| Net current assets | | | 48,528 | | 45,226 |
| Total assets less current liabilities | | | 1,838,090 | | 1,617,523 |
| Creditors: falling due after more than one year | 9 | | (16,030) | | (48,307) |
| Total net assets | | | 1,822,060 | | 1,569,216 |
| The funds of the charity: | | | | | |
| Income funds: | | | | | |
| Restricted funds | 10 | | 42,765 | | 32,877 |
| Unrestricted funds: | | | | | |
| General fund | 11 | | (10,267) | | (35,958) |
| Designated funds | 12 | | 1,789,562 | | 1,572,297 |
| | | | 1,822,060 | | 1,569,216 |

Approved by the Board on 18 May 2020 and signed on its behalf by:



John Taylor MBE (Chairman)

City and Guilds Art School Property Trust: A company limited by guarantee, Company Registration No. 992490 (England and Wales)

Statement of cash flows 31 August 2019

| | Notes | Year to 31 August 2019 £ | Year to 31 August 2018 £ |
|--|-------|-----------------------------------|-----------------------------------|
| Net cash flows from operating activities | A | 293,928 | 492,344 |
| Net cash flows from investing activities | B | (316,402) | (339,355) |
| Net cash flows from financing activities | C | (32,277) | (27,535) |
| Change in cash and cash equivalents in the year | | (54,751) | 125,454 |
| Cash and cash equivalents at the beginning of the year | | 290,266 | 164,812 |
| Cash and cash equivalents at the end of the year | D | 235,515 | 290,266 |

Notes to the cash flow statement for the year to 31 August 2019

A Reconciliation of net income to net cash provided by operating activities

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Net income | 252,844 | 278,306 |
| Depreciation charge | 99,137 | 83,541 |
| Decrease in debtors | (34,805) | (60,098) |
| (Decrease) increase in creditors | (23,248) | 190,595 |
| Net cash provided by operating activities | 293,928 | 492,344 |

B Cash flows from investing activities:

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Purchase of tangible fixed assets | (316,402) | (339,355) |
| Net cash used in investing activities | (316,402) | (339,355) |

C Cash flows from financing activities:

| | 2019 £ | 2018 £ |
|--|-----------------|-----------------|
| Repayments of borrowing | (32,277) | (27,535) |
| Net cash used in financing activities | (32,277) | (27,535) |

D Analysis of cash and cash equivalents

| | 31 August 2019 £ | 31 August 2018 £ |
|--------------------------|------------------------|------------------------|
| Cash at bank and in hand | 235,515 | 290,266 |
| | 235,515 | 290,266 |

Basis of accounting

The financial statements have been prepared under the historical cost convention with items initially recognised at cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('Charities FRS 102 SORP 2015'), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the Trustees and management to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- ◆ the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge; and
- ◆ estimates in respect to accrued expenditure.

In addition to the above, the full impact following the recent emergence of the global coronavirus pandemic is still unknown. It is therefore not currently possible to evaluate all the potential implications for the charity's activities, beneficiaries, funders, suppliers and the wider economy.

As set out in the going concern accounting policy, the trustees have considered the impact of the pandemic on the charity and have concluded that although there may be some negative consequences, it is appropriate for the charity to continue to prepare its accounts on the going concern basis.

Going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Trustees have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The Trustees have previously considered the Charity's working capital position in relation to its ongoing building development activity. In order to address this, a bank borrowing facility was put in place with the Charity Bank Ltd. This facility is available

Going concern (continued)

for a period of up to seven years until 2020 with interest and principal repayment able to be met out of the Charity's core rental income. As at 31 August 2019, a balance of £46,754 (2018 – £75,842) remains on the facility and the deficit on unrestricted funds was £10,267 (2018 – £35,958). An additional facility was agreed with the Charity Bank in November 2019 in order to provide adequate working capital to allow progress with the next phase of masterplan works. The Trustees consider that the Charity has sufficient working capital to meet the Charity's liabilities as they fall due and the financial statements have been prepared on the going concern basis. In making this decision, the trustees have taken into consideration the risks and uncertainties arising from the Coronavirus pandemic (as highlighted on pages 6 and 7).

Income

Income is recognised in the period in which the Charity is entitled to its receipt and the amount can be measured with reasonable certainty.

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided.

Expenditure

Expenditure is included in the statement of financial activities when incurred. Expenditure comprises the costs of charitable activities on the Charity's primary charitable purpose, i.e. the operation of the Charity. The costs of operating the Charity include the costs of premises and governance costs.

Grants payable are included in the statement of financial activities when approved by the trustees and when the intended recipient has either received all the funds, or has been informed of the decision to make the grants and has satisfied all relevant and due terms and conditions.

Tangible fixed assets

Assets are included in these financial statements at cost at the date of acquisition together with the cost of additions and improvements to date.

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

- | | |
|----------------------------------|--------------------------------|
| ♦ Freehold property | 2% on cost; |
| ♦ Freehold property improvements | 4% on cost; |
| ♦ Leasehold property | The minimum life of the lease. |

Debtors

Debtors are recognised at the settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Financial instruments

The Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the Trust and their measurement basis are as follows:

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 7. Prepayments are not financial instruments.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 8. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Fund accounting

The general fund comprises those monies which may be used towards meeting the charitable objectives of the Charity at the discretion of the Board.

Within unrestricted funds, the designated fund represents the net book value of the Charity's tangible fixed assets.

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to conditions imposed by the donor.

1 Net expenditure

This is stated after charging:

| | General fund £ | Designated funds £ | Restricted funds £ | Total 2019 £ |
|----------------------------|-------------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Auditor's remuneration: | | | | |
| . Statutory audit services | 3,850 | — | — | 3,850 |
| Depreciation | — | 99,137 | — | 99,137 |
| Operating lease rentals | 48,014 | — | — | 48,014 |
| | <i>General fund £</i> | <i>Designated funds £</i> | <i>Restricted funds £</i> | <i>Total 2018 £</i> |
| Auditor's remuneration: | | | | |
| . Statutory audit services | 3,490 | — | — | 3,490 |
| Depreciation | — | 83,541 | — | 83,541 |
| Operating lease rentals | 25,969 | — | — | 25,969 |

2 Support costs

| | 2019 £ | 2018 £ |
|---|---------------|-----------|
| Salaries and management charges from the City & Guilds of London Art School | 69,773 | 67,951 |
| Insurance | 14,880 | 14,605 |
| Legal and professional fees | 7,206 | 2,587 |
| Governance costs | 3,750 | 3,490 |
| Interest on loans and bank charges | 3,515 | 5,065 |
| | 99,123 | 93,698 |

3 Grant-giving

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Donation to the City & Guilds of London Art School | — | 40,000 |

4 Staff costs and Trustees' remuneration

The average number of staff employed by the charity in the year was 0.4, starting April 2019 (2018 – 0.0). The Charity's total staff costs in the year were £14,879, of which £1,291 and £647 was in respect of employer's NI and pension contributions respectively, for the period April to August 2019.

Management services were provided to the Charity by the City and Guilds of London Art School costing £54,894 (2018 – £67,951).

No Trustee received any remuneration or other emoluments in respect of their services as a member of the Board during the year (2018 – none). No Trustees were reimbursed for travelling expenses during the year (2018 – none).

The Charity has purchased insurance to protect itself from any loss arising from the neglect or defaults of its Trustees, employees and agents and to indemnify the Trustees or other officers against the consequences of any neglect or default on their part. The insurance premium provided cover of up to a maximum of £2 million (2018 – £2 million).

The aggregate remuneration of key management personnel was £14,879 (2018 – £nil). In the year ended 31 August 2019, key management personnel consisted of the Trustees and the Director/Secretary.

5 Taxation

City & Guilds Art School Property Trust is a registered Charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

6 Tangible fixed assets

| | Leasehold property £ | Freehold land and property £ | Freehold property improvements £ | Total £ |
|------------------------|----------------------------|---------------------------------------|---|-------------------------|
| Cost | | | | |
| At 1 September 2018 | 382,169 | 595,872 | 1,097,704 | 2,075,744 |
| Additions | — | — | 316,402 | 316,402 |
| At 31 August 2019 | <u>382,169</u> | <u>595,872</u> | <u>1,414,106</u> | <u>2,392,146</u> |
| Depreciation | | | | |
| At 1 September 2018 | 257,059 | 192,177 | 54,211 | 503,447 |
| Charge for year | <u>41,648</u> | <u>8,036</u> | <u>49,453</u> | <u>99,137</u> |
| At 31 August 2019 | <u>298,707</u> | <u>200,213</u> | <u>103,664</u> | <u>602,584</u> |
| Net book values | | | | |
| At 31 August 2019 | <u>83,462</u> | <u>395,660</u> | <u>1,310,442</u> | <u>1,789,562</u> |
| At 31 August 2018 | <u>125,110</u> | <u>403,695</u> | <u>1,043,492</u> | <u>1,572,297</u> |

No formal valuation of Freehold land and property has been conducted during the year, but in the opinion of the Trustees, the market value of the freehold property is well in excess of the figure shown above.

7 Debtors

| | 2019 £ | 2018 £ |
|---|-----------------------|----------------|
| Grants receivable | 100,000 | 70,000 |
| VAT reclaimable on premises expenditure | 46,046 | 41,241 |
| | <u>146,046</u> | <u>111,241</u> |

8 Creditors: amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------|----------------|----------------|
| Trade creditors | 206,149 | 4,814 |
| Loan (note 9) | 30,724 | 27,535 |
| Other creditors | 18,573 | 62,567 |
| Accruals and deferred income | 77,587 | 261,365 |
| | 333,033 | 356,281 |

Included within creditors is the following deferred income, analysed as follows:

| | 2019 £ | 2018 £ |
|----------------------|---------------|---------------|
| At 1 September | 11,792 | 11,540 |
| Deferred in the year | 16,029 | 11,792 |
| Released in the year | (11,792) | (11,540) |
| At 31 August | 16,029 | 11,792 |

9 Creditors: amounts falling after more than one year

| | 2019 £ | 2018 £ |
|------|-----------|-----------|
| Loan | 16,030 | 48,307 |

This relates to a bank borrowing facility with Charity Bank, secured against part of the Charity's property assets. This facility is available for a period of seven years with £30,724 repayable within one year.

10 Restricted funds

The income funds include restricted funds comprising the following donations and grants held on trusts to be applied for specific purposes:

| | Balance at 1 September 2018 £ | Donations £ | Expenditure £ | Transfers £ | Balance at 31 August 2019 £ |
|------------------|---|----------------|------------------|----------------|---|
| Development Fund | 32,877 | 475,000 | (148,710) | (316,402) | 42,765 |

The Development Fund represents funds donated for the specific purpose of funding the Charity's Masterplan development. Expenditure on work which is capital in nature is transferred to a designated fixed asset fund, as explained in note 11 below. Expenditure relating to professional fees for design and other planning work on current and future masterplan phases are expended.

11 Unrestricted Funds

| | Balance at 1 September 2018 £ | Income £ | Expenditure £ | Transfers £ | Balance at 1 September 2019 £ |
|-----------------|---|----------------|------------------|----------------|---|
| General Fund | (35,958) | 176,947 | (151,256) | — | (10,267) |
| Designated Fund | 1,572,297 | — | (99,137) | 316,402 | 1,789,562 |
| | <u>1,536,339</u> | <u>176,947</u> | <u>(250,393)</u> | <u>316,402</u> | <u>1,779,295</u> |

Designated fixed assets funds: In order to separate the impact of the property development within the financial statements, the Charity established a designated fund to represent the value of its tangible fixed assets. When the Charity incurs expenditure on tangible fixed assets, the amounts are transferred from other revenue funds to the designated fund.

A total of £316,402 (2018 – £339,355) was transferred to the designated fund during the year, representing the capital additions. £316,402 (2018 – £277,368) of this capital work was funded from restricted revenue funds raised. This year, £nil capital work was funded from the general fund (2018 – £61,987 of capital work funded from the general fund). The general fund showed a deficit of £10,267 (2018 – deficit of 35,958) at the end of the financial year.

12 Analysis of net assets between funds

| | General fund £ | Designated funds £ | Restricted funds £ | Total 2019 £ |
|--|----------------------|--------------------------|--------------------------|--------------------|
| Fund balances at 31 August 2019 are represented by: | | | | |
| Tangible fixed assets | — | 1,789,562 | — | 1,789,562 |
| Current assets | 138,558 | — | 243,003 | 381,561 |
| Creditors: amounts falling due within one year | (132,795) | — | (200,238) | (333,033) |
| Creditors: amount falling due in more than one year | (16,030) | — | — | (16,030) |
| Total net assets | <u>(10,267)</u> | <u>1,789,562</u> | <u>42,765</u> | <u>1,822,060</u> |
| | General fund £ | Designated funds £ | Restricted funds £ | Total 2018 £ |
| Fund balances at 31 August 2018 are represented by: | | | | |
| Tangible fixed assets | — | 1,572,297 | — | 1,572,297 |
| Current assets | 145,798 | — | 255,709 | 401,507 |
| Creditors: amounts falling due within one year | (133,449) | — | (222,832) | (356,281) |
| Creditors: amount falling due in more than one year | (48,307) | — | — | (48,307) |
| Total net assets | <u>(35,958)</u> | <u>1,572,297</u> | <u>32,877</u> | <u>1,569,216</u> |

13 Liability of members

The Charity is constituted as a company limited by guarantee. In the event of the Charity being wound up members are required to contribute an amount not exceeding £1 each.

14 Leasing commitments

Operating leases

At 31 August 2019 the total of the Charity's future minimum payments under non-cancellable operating leases was:

| | Buildings | |
|--|-----------|-----------|
| | 2019 £ | 2018 £ |
| Amounts due within one year | 48,014 | 48,014 |
| Amounts due between one and five years | 149,881 | 149,881 |

15 Capital commitments

As at 31 August 2019, the Charity had capital commitments of £58,066 (2018 – £nil).

16 Related party transactions

During the year, two Trustees of The City & Guilds of London Art School served on the Board of the City and Guilds Art School Property Trust – B Finucane, and J Taylor (until April 2019). The City & Guilds of London Art School is therefore considered a related party.

The Trust recognised rental income from the Art School of £176,947 plus VAT in rent during the year (2018 – £201,224 plus VAT). The figure was lower this year than last due to an adjustment to correct a prior year over-statement in rental income of £9,725.

The Art School charged the Charity a management fee for services provided of £54,894 (2018 – £67,951). The Charity made £nil grants to the Art School in the year (2018 – one grant of £40,000).

17 Post Balance Sheet Events

Since the year end, the worldwide outbreak of the coronavirus pandemic (Covid-19) has caused extensive disruptions to organisations globally with major implications for operations as well finances. The trustees acknowledge and recognise the impact of the Covid-19 pandemic on the operations of the charity, its beneficiaries, partners, stakeholders and on the wider society, and they have ensured that both resources and processes are in place to mitigate any disruption to the Trust. As a result the impact of Covid-19 pandemic does not warrant any adjustments to these financial statements.

18 Comparative statement of financial activities

| | | Unrestricted funds | | | 2018 |
|--|-------|--------------------|------------------|------------------|------------------|
| | | General fund | Designated funds | Restricted funds | Total funds |
| | Notes | £ | £ | £ | £ |
| Income from: | | | | | |
| Donations | | — | — | 420,195 | 420,195 |
| Charitable activities | | | | | |
| . Rent receivable | | 201,224 | — | — | 201,224 |
| Total income | | 201,224 | — | 420,195 | 621,419 |
| Expenditure on: | | | | | |
| Charitable activities | | | | | |
| . Costs of operating the Charity | | | | | |
| .. Premises | | 45,924 | 83,541 | 79,950 | 209,415 |
| .. Support costs | 2 | 63,698 | — | 30,000 | 93,698 |
| . Grant-giving | 3 | 40,000 | — | — | 40,000 |
| Total expenditure | | 149,622 | 83,541 | 109,950 | 343,113 |
| Net income (expenditure) | 1 | 51,602 | (83,541) | 310,245 | 278,306 |
| Transfers between funds | 10,11 | (61,987) | 339,355 | (277,368) | — |
| Net movement in funds | | (10,385) | 255,814 | 32,877 | 278,306 |
| Fund balances brought forward at 1 September 2017 | | (25,573) | 1,316,483 | — | 1,290,910 |
| Fund balances carried forward at 31 August 2018 | | (35,958) | 1,572,297 | 32,877 | 1,569,216 |