

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**REPORT AND FINANCIAL STATEMENTS**  
**31 MARCH 2017**

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**GENERAL INFORMATION**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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<b>Patron</b>	The Lord Mayor	
<b>Trustees</b>	Mr C Arding <sup>2, 4</sup> Mr K Bottomley <sup>1</sup> Mr J E Cruse <sup>2, 4, 5</sup> Mr N Fletcher <sup>1</sup> Mr W B Fraser OBE <sup>1</sup> Mr B Gooden The Rev The Lord Griffiths of Pembrey and Burry Port <sup>2</sup> Mr C Gurney <sup>1, 3</sup> Mr T Hollingsworth <sup>1</sup> Mr R Howard <sup>1</sup> Mr D Jenner <sup>4</sup> Ms D Khambata <sup>3-2</sup> Ms M Moore Mr S Malik Mr P Seaton <sup>1</sup> Mr D A Sizer Mr F Sumner <sup>2</sup> Mr J Wilson	
		Appointed 13 September 2016
		Resigned August 2016
		Appointed 20 October 2016
		Chairman
		Resigned September 2016
		Resigned August 2016
		Resigned February 2017
<b>Clerk to the Trustees</b>	Mr John Clark	
<b>Registered Charity Number</b>	312695	
<b>Address</b>	Cowper Street London EC2A 4SH	
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL	
<b>Bankers</b>	National Westminster Bank Plc City of London Office P O Box 12258 1 Princes Street London EC2R 8PA	Barclays Bank PLC Level 27 1 Churchill Place London E14 5HP
<b>Solicitors</b>	Bates Wells & Braithwaite LLP 10 Queen Street Place London EC4R 1BE	
<b>Investment Managers</b>	Rathbone Investment Management Limited 8 Finsbury Circus London EC2M 7AZ	J M Finn & Co 4 Coleman Street London EC2R 5TA

<sup>1</sup> Member of Finance & Investment Committee

<sup>2</sup> Member of Compliance, Audit & Risk Assessment Committee

<sup>3</sup> Governor of the Boys School

<sup>4</sup> Governor of the Girls School

<sup>5</sup> Trustee Dulwich Estate

# **THE CENTRAL FOUNDATION SCHOOLS OF LONDON**

## **TRUSTEES' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2017**

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The financial statements have been prepared in accordance with the accounting policies set out on pages 13 to 21 therein and comply with the charity's Scheme, the Charities Act 2011 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.

#### **STATUS AND ADMINISTRATION**

The Foundation is a Charity founded by a Trust Deed in February 1891 which has been amended over subsequent years and now operates under a Scheme of the Charity Commissioners dated 21 May 2010.

#### **STRUCTURE GOVERNANCE AND MANAGEMENT**

##### **Managing Body**

The Foundation is managed by a Board of Trustees which comprises up to 18 individuals - 8 appointed by the following bodies: The University of London (2), The London Chamber of Commerce (1), The City of London Corporation (1), The Wardmote of the Ward of Bishopsgate (1), The Bank of England (1), The Dulwich Estate (1), The Vestry of the Parish of St Botolph's Bishopsgate (1) and 10 appointed by the Board as co-opted Trustees. There are currently two vacancies for co-opted trustees to be appointed by the Board.

The Trustees have the responsibility for managing the finances, the properties and the investments of the Foundation.

The Trustees consider that they comprise the key management personnel of the Foundation in charge of directing and controlling, running and operating the Foundation on a day to day basis.

The Trustees receive no remuneration in respect of their duties.

##### **Recruitment and Training of Trustees**

Trustees are either appointed by nominating bodies or invited to become co-opted Trustees. Those who are co-opted are selected for their specific knowledge to keep a balance of skills within the Board. On occasions they are former students of one of the Central Foundation Schools who have achieved highly in their business lives. All Trustees have opportunities throughout the year to attend training courses provided by advisers or recommended by Trustees.

##### **Organisational Management**

The Board of Trustees meets six times per annum. The work of implementing its policies is carried out by the members of the Finance & Investment Committee and the Compliance, Audit & Risk Assessment Committee. The Finance & Investment Committee meets two weeks before each meeting of the full Board of Trustees. The Compliance, Audit & Risk Assessment Committee meets once per term, with additional meetings if this is found to be necessary. The Finance & Investment Committee works under the Chairmanship of Mr N Fletcher and the Compliance, Audit & Risk Assessment Committee meets under the Chairmanship of Mr F Sumner.

##### **Structure and Relationships with Schools**

The Foundation supports two schools in London – the Central Foundation Boys' School in Islington and the Central Foundation Girls' School in Tower Hamlets. Both schools are voluntary aided. Each school has its own Governing Body to which some Trustees of the Foundation are appointed as Governors.

The Trustees employ a Clerk/Bursar and an Administration Officer. They also pay the costs of part-time Clerks at the Boys' and Girls' Schools.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**Risk Management**

The Trustees have examined the principal areas of the Foundation's operations and considered the major risks which could arise in each of these areas. In the opinion of the Trustees, the Foundation has established resources and review systems which, under normal conditions, should allow the risks identified by them to be mitigated to an acceptable level in its day to day operations.

The Foundation's principal asset comprises listed investments, the value of which is dependent on movements in the UK and overseas stock markets. The investments are managed by reputable professional investment managers who adhere to a policy agreed by the trustees and the Finance & Investment Committee. Regular meetings are held with the investment managers and their performance and that of the portfolio are monitored by the Foundation.

The Trustees retain a Risk Assessment Register to which they add items which they consider significant, as and when they may arise. Annually, all Trustees are given a copy of the register and asked to consider whether there are additional items and whether the methods outlined for addressing risks are still suitable.

**OBJECTIVES AND ACTIVITIES**

**Charitable Objects and Aims**

The object of the Foundation is to advance the education (including the social and physical education) of persons under the age of 25 who are, or have been, students at one of the two Central Foundation Schools through:

- a) the provision of items, services and facilities for the Schools; and
- b) furthering the education of persons under the age of 25 who are, or have been, students attending the Schools by the award of prizes (or other suitable reward); and
- c) giving grants, bursaries or other payments to persons under the age of 25 who are, or have been, students at one of the two Central Foundation Schools who are in financial need:
  - (i) to enable them to continue their education in any manner approved by the Trustees (including attendance at any school, college, university or other place of learning); and
  - (ii) in providing financial or other assistance to them to assist their entry into a profession, trade or calling or to enable them to travel abroad to pursue their education.

**Objectives for the year**

The objectives for the year were:

1. To continue to provide professional and financial assistance to the Central Foundation Boys' School (CFBS) with regard to staff professional achievement, curriculum development, sports, school journeys, extended schools, the social mobility project and support to a specialised employment agency (Central Futures) to find employment for students leaving the school and not proceeding to university.
2. To continue to provide professional and financial assistance to the Central Foundation Girls' School (CFGs) including the raising of the achievement agenda through targeted intervention and support, broadening students' horizons and cultural capital by enabling them to participate in a range of experiences outside of the curriculum.
3. The Trustees and the Boys' School Governors are working together on a project to enable the refurbishment and partial redevelopment of the Boys' School site. The planning application has been submitted and a planning approval is expected in autumn 2017. The Trustees have reserved £20m in respect of the Foundation's prospective contribution towards the costs of the project, which is scheduled to commence in the first half of 2018.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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**Strategies to achieve the year's objectives**

To have the necessary resources to fund the professional services and assistance to the Boys' and Girls' Schools to achieve the objectives stated in the paragraph above.

**Grant Making Policy**

The Trustees have paid due regard to the Charity Commission's guidance on public benefit. The Foundation provides public benefit by giving grants to the two voluntary aided schools in inner London and providing grants and assistance to individual students from time to time.

Grants totalling £1,813,000 were made in the year to the two schools. This amount includes a £290,000 grant to CFGS to fund the capital element of a PFI contract.

**REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR**

**FINANCIAL REVIEW**

**Review of Activities, Financial Review and Future Developments**

The results for the year to 31 March 2017 were in line with management accounts and formal budgets.

The Foundation's excess of expenditure over income was £697,000 after deducting the depreciation charge of £735,000 but before taking into account the profits on investments. The Foundation made realised and unrealised profits totalling £6,609,000 on its investments in the year to 31 March 2017.

The expenditure in direct support to the Schools is summarised below:

<b>Support to schools</b>	<b>£'000 Boys' School</b>	<b>£'000 Girls' School</b>	<b>£'000 Total</b>
<b>Grants to schools</b>	<b>607</b>	<b>1,206</b>	<b>1,813</b>
<b>Boys' School premises costs</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Awards &amp; prizes</b>	<b>8</b>	<b>3</b>	<b>11</b>
<b>Support costs</b>	<b>9</b>	<b>2</b>	<b>11</b>
<b>Other costs</b>	<b>25</b>	<b>4</b>	<b>29</b>
<b>Total</b>	<b>653</b>	<b>1,215</b>	<b>1,868</b>

Further details are shown in Note 6 page 17.

The Boys' School has challenged the Trustees' interpretation of the trusts which apply to the proceeds of the sale in 2007 of the property bordering City Road, arguing that the proceeds should be held by the Foundation exclusively for the Boys' School. The Trustees have sought legal advice which contradicts the Boys' School's challenge and argument. Discussions with the Boys' School in relation to this matter are ongoing.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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**Future Developments**

The Trustees have continued to spend considerable time during the past year considering how best they are able to place the resources of the Foundation to enhance the educational development of both schools and in particular to facilitate the Boys' School refurbishment and partial redevelopment project. Commencement of Phase 1 of this project is scheduled to commence in the first half of 2018. Phase 2 and its funding will be reviewed in Q4 2017 and early 2018. As part of the planning application submitted for the project the Trustees are seeking planning permission for offices on the Cowper Street and Tabernacle Street corner site. The proceeds of sale of this site would be available for the funding of the Boys' School project. The current estimated refurbishment cost of the Boys' School refurbishment and partial redevelopment project is £42m. The Boys' School governors are currently working with the Trustees, the Education Skills and Funding Agency (ESFA) and Islington Local Authority on identifying the funding necessary to deliver the project. The methods and sources of funding for this redevelopment are yet to be determined.

**Fixed Assets**

Details of the Foundation's tangible fixed assets are disclosed in note 10 to the accounts.

**Investment Policy**

The past year has been one of surprising strength for both equity markets and other investment asset classes as markets put the shocks of Brexit and the US Election behind them to rise sharply as global economic data improved.

Over the year to 31 March 2017, the Rathbone portfolio returned 18.9%, however there was a 2.5% drag on performance during the year due to cash raised and held in the portfolio pending capital expenditure by the Foundation.

For the year in question, the 3 portfolios at JM Finn & Co made good progress, all outperforming the bespoke benchmark. The main portfolio added +18.6%, as did the Bendy I portfolio, whilst the Bendy II portfolio added +19.4%. The bespoke benchmark returned +18.2%.

As at 31 March 2017, the Rathbone portfolio is valued at £23,319,765 and is producing an income of £350,272, equivalent to a yield of 1.50%.

As at 31 March 2017, the main JM Finn portfolio is valued at £27,230,022 and is producing an income of £546,802, equivalent to a yield of 2.01%.

During the period, £10,000,000 was moved out of the main JM Finn portfolio into a low risk portfolio.

The Trustees met with the fund managers during the course of the year to discuss and monitor performance, current positioning and outlook.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**TRUSTEES' REPORT (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**Reserves Policy and Financial position**

At 31 March 2017 the Foundation had total reserves of £128,663,000, which were made up as follows:

		£'000
Total reserves		128,663
Less: unrestricted fixed assets		(66,383)
Less: permanent endowment funds	A	(51,154)
Less: restricted funds	B	(994)
Less: designated funds	C	(3,000)
Free reserves	D	7,132
 Add back: uncommitted permanent endowment funds	 A(iii)	 20,558
Available reserves	E	27,690

**A** *Endowment funds*

Endowment funds are made up as follows:

		£'000
Endowment funds held as fixed assets		6,596
Funds held for redevelopment of Boys' School	(i)	23,000
Funds held for bursaries and prizes	(ii)	1,000
Uncommitted permanent endowment funds	(iii)	20,558
		<u>51,154</u>

- (i) The trustees intend to use up to £23,000,000 to facilitate the Boys' School refurbishment and partial redevelopment project. The trustees will be applying to the Charity Commission for permission to release these funds from the permanent endowment.
- (i) £1,000,000 of the endowment fund has been set aside to provide grants and bursaries to assist former pupils of the school entering further education in addition to the restricted funds referred to below.
- (ii) The remaining undesignated balance of the endowment fund is £20,558,000, which includes the Dulwich Estate permanent endowment of £10,167,000.

**B** *Restricted funds*

Restricted funds of £994,000 comprise monies restricted to particular purposes, particularly the award of bursaries, prizes, grants and scholarships. Further details are given in note 14 to the accounts.

**C** *Designated funds*

The trustees have designated a reserve of £3 million representing the present value of the Foundation's commitment to the Girls' School's PFI contract.

**D** *Free reserves*

After deducting fixed assets, designated, restricted and endowed funds, the free reserves of the charity are £7,132,000.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**TRUSTEES' REPORT (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

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**E**      *Available reserves*

In formulating their reserves policy the trustees have taken account of the free reserves (**D**) together with the undesignated element of the endowment fund (**A(iii)**). At 31 March 2017 these reserves totalled £27,690,000. At the present income return of 3.5% this would produce an income of approximately £1,000,000 per annum. It is the trustees' intention to seek to maintain a reserve fund which continues to produce this level of annual income (adjusted for inflation). As regards this income it will be the trustees' policy, after taking account of the reserves position and after paying or providing for the Foundation's costs, expenses and liabilities, to regard it as available for distribution to the beneficiaries.

The trustees would like to designate further reserves to establish a sinking fund or maintenance reserve to maintain the Foundation's freehold property in good repair. They have not been able to make any proposal at present because of changes to the provision of public money for capital expenditure in schools. Should one or both beneficiaries become academies, the present arrangement whereby the Foundation "tops up" monies received from the local authorities would no longer operate; academies must apply to the EFA for capital grants. When the position becomes clearer the committee would wish to review this matter with the intention of broadly replicating or improving on the current position.

#### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The Trustees 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).

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- 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 charity 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 charity and enable them to ensure that the financial statements comply with the Charities Act 2011, applicable Charity (Accounts and Reports) Regulations and the provisions of the Charity Commission Scheme. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Trustees on 19 October 2017  
and signed on its behalf by

Lord Griffiths



**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES**  
**YEAR ENDED 31 MARCH 2017**

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We have audited the financial statements of The Central Foundation Schools of London for the year ended 31 March 2017, which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

This report is made solely to the Trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out in the Trustees' Report, the Trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES (CONT)**  
**YEAR ENDED 31 MARCH 2017**

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**Opinion on the financial statements**

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the charity's affairs as at 31 March 2017 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 Charities Act 2011.

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

The Charities Act 2011 requires us to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Buzzacott LLP  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

8 December 2017

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

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**YEAR ENDED 31 MARCH 2017**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds 2017 £'000	Total Funds 2016 £'000
<b>INCOME</b>						
<b>Donations and legacies</b>	2					
Dulwich Estate		714	-	-	714	761
<b>Investment income</b>	3					
Rental income		6	-	-	6	6
Bank and other interest		20	-	-	20	29
Dividend income		1,435	24	-	1,459	1,493
<b>Total income</b>		<u>2,175</u>	<u>24</u>	<u>-</u>	<u>2,199</u>	<u>2,289</u>
<b>EXPENDITURE</b>						
<b>Cost of raising funds</b>						
Investment management fees	4	26	3	211	240	202
<b>Charitable activities</b>						
Support to schools	5, 6	2,577	11	68	2,656	2,413
<b>Total expenditure</b>		<u>2,603</u>	<u>14</u>	<u>279</u>	<u>2,896</u>	<u>2,615</u>
<b>Net (expenditure) income before gains (losses) on investments</b>		(428)	10	(279)	(697)	(326)
Net gains (losses) on investments	11	526	88	5,995	6,609	(2,716)
<b>Net income (expenditure) and net movement in funds</b>		<u>98</u>	<u>98</u>	<u>5,716</u>	<u>5,912</u>	<u>(3,042)</u>
<b>Reconciliation of funds</b>						
Balances brought forward at 1 April 2016		76,417	896	45,438	122,751	125,793
Balances carried forward At 31 March 2017		<u>76,515</u>	<u>994</u>	<u>51,154</u>	<u>128,663</u>	<u>122,751</u>

The notes on pages 13 to 21 form part of these accounts.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**BALANCE SHEET**  
**31 MARCH 2017**

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds 2017 £'000	Total Funds 2016 £'000
<b>FIXED ASSETS</b>						
Tangible assets	10	66,383	-	6,596	<b>72,979</b>	72,030
Investments	11	2,908	641	47,922	<b>51,471</b>	44,939
Total Fixed Assets		<u>69,291</u>	<u>641</u>	<u>54,518</u>	<b><u>124,450</u></b>	<u>116,969</u>
<b>CURRENT ASSETS</b>						
Debtors	12	56	-	-	<b>56</b>	90
Cash at bank and in hand		<u>8,164</u>	<u>353</u>	<u>(3,364)</u>	<b><u>5,153</u></b>	<u>6,103</u>
Total Current Assets		8,220	353	(3,364)	<b>5,209</b>	6,193
<b>CURRENT LIABILITIES</b>						
Creditors	13	<u>(996)</u>	<u>-</u>	<u>-</u>	<b><u>(996)</u></b>	<u>(411)</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<u>7,224</u>	<u>353</u>	<u>(3,364)</u>	<b><u>4,213</u></b>	<u>5,782</u>
<b>TOTAL NET ASSETS</b>		<u>76,515</u>	<u>994</u>	<u>51,154</u>	<b><u>128,663</u></b>	<u>122,751</u>
<i>THE FUNDS OF THE CHARITY:</i>						
<b>PERMANENT ENDOWMENT FUNDS</b>	14	-	-	51,154	<b>51,154</b>	45,438
<b>RESTRICTED FUNDS</b>	14	-	994	-	<b>994</b>	896
<b>UNRESTRICTED FUNDS</b>	14					
General operational fund		10,714	-	-	<b>10,714</b>	12,949
Designated fund		3,000	-	-	<b>3,000</b>	
Revaluation reserve		<u>62,801</u>	<u>-</u>	<u>-</u>	<b><u>62,801</u></b>	<u>63,468</u>
<b>TOTAL FUNDS</b>		<u>76,515</u>	<u>994</u>	<u>51,154</u>	<b><u>128,663</u></b>	<u>122,751</u>

Approved by the Board of Trustees on 19 October 2017  
and signed on its behalf by

Lord Griffiths

Trustee

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**STATEMENT OF CASH FLOWS**  
**31 MARCH 2017**

	Notes	2017 £'000	2016 £'000
<b>Cash flows from operating activities:</b>			
Net cash used in operating activities		(856)	(802)
<b>Cash flows from investing activities:</b>			
Dividends and interest from investments		1,513	1,626
Proceeds from the disposal of investments		24,330	41,250
Purchase of investments		(5,226)	(44,690)
Purchase of fixed assets		(1,684)	-
<b>Net cash provided by (used in) investing activities</b>		<u>18,933</u>	<u>(1,814)</u>
<b>Change in cash and cash equivalents in the year</b>		<b>18,077</b>	<b>(2,616)</b>
<b>Cash and cash equivalents at 1 April 2016</b>		<b>7,093</b>	<b>9,709</b>
<b>Cash and cash equivalents at 31 March 2017</b>		<u><b>25,170</b></u>	<u><b>7,093</b></u>

**Notes to the statement of cash flows for the year to 31 March 2017:**

**A Reconciliation of net movement in funds to net cash used in operating activities**

	2017 £'000	2016 £'000
<b>Net movement in funds (as per the statement of financial activities)</b>	<b>5,912</b>	<b>(3,042)</b>
<b>Adjustments for:</b>		
Depreciation charge	735	735
(Gains) losses on investments	(6,609)	2,716
Dividends and interest from investments	(1,479)	(1,522)
Decrease in debtors	-	23
Increase in creditors	585	288
<b>Net cash used in operating activities</b>	<u><b>(856)</b></u>	<u><b>(802)</b></u>

**B Analysis of cash and cash equivalents**

	2017 £'000	2016 £'000
Cash and cash equivalents as at 31 March 2016	6,103	8,455
Cash with investment advisors	990	1,254
	<u><b>7,093</b></u>	<u><b>9,709</b></u>
Cash at bank and in hand	5,153	6,103
Cash held by investment advisors	20,017	990
<b>Total cash and cash equivalents</b>	<u><b>25,170</b></u>	<u><b>7,093</b></u>

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS**  
**YEAR ENDED 31 MARCH 2017**

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**1. ACCOUNTING POLICIES**

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

**a) Basis of preparation**

These accounts have been prepared for the year to 31 March 2017.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The accounts 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 United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

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

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

**b) Critical accounting estimates and areas of judgement**

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

The items in the accounts where these judgements and estimates have been made include estimating the useful economic life of tangible fixed assets.

**c) Assessment of going concern**

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

The trustees of the charity 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 are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above. With regard to the next accounting period, the year ending 31 March 2018, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy and the risk management sections of the trustees' report for more information).

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS**  
**YEAR ENDED 31 MARCH 2017**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**d) Income recognition**

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations, investment income and other income including the surplus on the disposal of tangible fixed assets.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

**e) Expenditure recognition**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and is stated inclusive of irrecoverable VAT. The classification between activities is as follows:

- ♦ Cost of raising funds comprises investment management fees incurred in generating investment income and capital appreciation.
- ♦ Expenditure on charitable activities includes all costs associated with the provision of support to the schools and where appropriate individual students and former students and include both the direct costs and governance costs relating to these activities.

Grants payable are included in the financial statements once a constructive or legal obligation exists.

**f) Tangible Fixed Assets and Depreciation**

Functional freehold properties were revalued on the basis of Fair Value as at 31 March 2016 and the revaluation has been adopted as at the transition date of 1 April 2014. As permitted by the transitional provisions of FRS 102 this valuation has been deemed to be cost.

Subsequent additions costing more than £1,000 are included at cost. The Foundation is responsible for contributing towards the upkeep of the original buildings at the Boys' School and Girls' School in a fit and useful condition, and such costs are written off as incurred.

Freehold buildings are depreciated at a rate of 2% per annum on a straight line basis. No depreciation is charged in respect of freehold land.

Office equipment costing more than £1,000 is included at cost and depreciated at a rate of 25% per annum on a straight line basis.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS**  
**YEAR ENDED 31 MARCH 2017**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**g) Investments**

Listed investments are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

**h) Debtors**

Debtors are recognised at their 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.

**i) 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.

**j) 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.

**k) Fund structure**

Endowment funds comprise monies which must be held indefinitely as capital. Income therefrom is credited to general funds and applied for general purposes unless under the terms of the endowment such income must be used for specific purposes in which case it is credited to restricted funds.

Unrestricted funds represent those monies which are freely available for application towards achieving any charitable purpose that falls within the charity's charitable objects.

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

**l) Pensions**

The Foundation makes contributions to employees' personal pension plans. Contributions are charged to the SOFA when payable.



**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS (Continued)**  
**YEAR ENDED 31 MARCH 2017**

**2. DONATIONS AND LEGACIES**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2017 £'000	Total funds 2016 £'000
<b>2017 Total funds:</b> Dulwich estate	<b>714</b>	-	-	<b>714</b>	761
2016 Total funds	761	-	-	761	

**3. INVESTMENT INCOME**

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment funds £'000	Total funds 2017 £'000	Total funds 2016 £'000
Rental income	6	-	-	6	6
Bank and other interest	20	-	-	20	29
Dividend income	1,435	24	-	1,459	1,493
<b>2017 Total funds</b>	<b>1,461</b>	<b>24</b>	-	<b>1,485</b>	1,528
2016 Total funds	1,502	26	-	1,528	

**4. COST OF RAISING FUNDS**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2017 £'000	Total funds 2016 £'000
<b>2017 Total funds:</b> Investment management fees	<b>26</b>	<b>3</b>	<b>211</b>	<b>240</b>	202
2016 Total funds	25	2	175	202	

**5. CHARITABLE ACTIVITIES**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds 2017 £'000	Total funds 2016 £'000
Support to schools (note 6)	1,857	11	-	1,868	1,624
Depreciation charge (note 10)	667	-	68	735	735
Governance costs (note 7)	53	-	-	53	54
<b>2017 Total funds</b>	<b>2,577</b>	<b>11</b>	<b>68</b>	<b>2,656</b>	2,413
2016 Total funds	2,334	11	68	2,413	

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS (Continued)**  
**YEAR ENDED 31 MARCH 2017**

6. SUPPORT TO SCHOOLS	Boys' School £'000	2017 Girls' School £'000	Total £'000	2016
				Total £'000
<b>Grants to Schools</b>				
Staff costs	16	15	31	25
Grants	591	901	1,492	746
Girls' School PFI payment	-	290	290	290
<b>Total</b>	<b>607</b>	<b>1,206</b>	<b>1,813</b>	<b>1,061</b>
<b>School Premises Costs</b>				
Boys' school professional fees	-	-	-	423
Other costs	4	-	4	4
<b>Total</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>427</b>
<b>Awards and Prizes</b>	<b>8</b>	<b>3</b>	<b>11</b>	<b>11</b>
<b>Support costs</b>				
Staff costs	9	2	11	10
<b>Other costs</b>				
Printing and stationery	4	1	5	9
Postage and telephone	1	-	1	1
Computer support	5	1	6	6
150 year celebration	6	1	7	
Legal and professional	7	-	7	90
Repairs and renewals	1	-	1	6
Insurance	1	1	2	3
<b>Total</b>	<b>25</b>	<b>4</b>	<b>29</b>	<b>115</b>
<b>2017 Total funds</b>	<b>653</b>	<b>1,215</b>	<b>1,868</b>	<b>1,624</b>
<b>7. GOVERNANCE COSTS</b>			<b>2017 £'000</b>	<b>2016 £'000</b>
Auditor's remuneration for audit			11	11
Trustee indemnity insurance			3	2
Other governance expenses			7	9
Staff costs			32	32
<b>2017 Total funds</b>			<b>53</b>	<b>54</b>
<b>8. TOTAL STAFF COSTS</b>			<b>2017 £'000</b>	<b>2016 £'000</b>
Salaries			76	67
Social security costs			4	5
Pension costs			3	3
			<b>83</b>	<b>75</b>

The average number of employees in the year was 2 (2016 - 2), neither of whose emoluments exceeded £60,000. The Foundation also pay the costs of part-time clerks to the Boys' and Girls' School.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS (Continued)**  
**YEAR ENDED 31 MARCH 2017**

**9. REMUNERATION OF TRUSTEES AND KEY MANAGEMENT PERSONNEL**

The Trustees consider that they comprise the key management personnel of the Foundation in charge of directing and controlling, running and operating the Foundation on a day to day basis.

No Trustees received any remuneration during either the current or preceding financial year. No Trustee received travel expenses during the current or preceding financial year.

**10. TANGIBLE FIXED ASSETS**

	Office Equipment £'000	Freehold Property £'000	2017 Total £'000
Cost or valuation As at 1 April 2016	-	73,500	73,500
Additions	2	1,682	1,684
Cost or valuation As at 31 March 2017	<u>2</u>	<u>75,182</u>	<u>75,184</u>
Depreciation As at 1 April 2016	-	1,470	1,470
Charge for year	-	735	735
As at 31 March 2017	<u>-</u>	<u>2,205</u>	<u>2,205</u>
Net book value As at 31 March 2017	2	72,977	72,979
As at 31 March 2016	<u>-</u>	<u>72,030</u>	<u>72,030</u>

Functional freehold properties were revalued on the basis of Fair Value as at 31 March 2016 and the revaluation has been adopted as at the transition date of 1 April 2014. As permitted by the transitional provisions of FRS 102 this valuation has been deemed to be cost.

**11. INVESTMENTS AT MARKET VALUE**

	Endowment Funds £'000	Unrestricted Funds £'000	Restricted Funds £'000	2017 Total £'000	2016 Total £'000
Listed Investments	27,925	2,907	622	31,454	43,949
Dealing Account	<u>19,997</u>	<u>1</u>	<u>19</u>	<u>20,017</u>	<u>990</u>
	<u>47,922</u>	<u>2,908</u>	<u>641</u>	<u>51,471</u>	<u>44,939</u>

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS (Continued)**  
**YEAR ENDED 31 MARCH 2017**

**11. INVESTMENTS AT MARKET VALUE (CONTINUED)**

**SUMMARY OF SHARES AND OTHER SECURITIES**

	Endowment Funds £'000	Unrestricted Funds £'000	Restricted Funds £'000	2017 Total £'000
As at 1 April 2016	39,685	3,680	584	43,949
Additions	4,919	265	42	5,226
Disposals	(22,674)	(1,564)	(92)	(24,330)
Realised and unrealised gains	5,995	526	88	6,609
As at 31 March 2017	<u>27,925</u>	<u>2,907</u>	<u>622</u>	<u>31,454</u>

**COST OF INVESTMENTS**

<b>31 March 2017</b>	<b><u>22,627</u></b>	<b><u>2,216</u></b>	<b><u>475</u></b>	<b><u>25,318</u></b>
<i>31 March 2016</i>	<i><u>37,473</u></i>	<i><u>3,254</u></i>	<i><u>508</u></i>	<i><u>41,235</u></i>

**12. DEBTORS**

	<b>2017 £'000</b>	<b>2016 £'000</b>
Prepayments	1	2
Accrued income	<u>55</u>	<u>88</u>
	<b><u>56</u></b>	<b><u>90</u></b>

**13. CREDITORS**

	<b>2017 £'000</b>	<b>2016 £'000</b>
Trade creditors	120	215
Other creditors	701	1
Accruals	<u>175</u>	<u>195</u>
	<b><u>996</u></b>	<b><u>411</u></b>

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS (Continued)**  
**YEAR ENDED 31 MARCH 2017**

**14. ANALYSIS OF CHARITABLE FUNDS**

	At 1 April 2016	Income	Resources expended	Gains on investments	Transfers between funds	At 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Permanent endowments</b>						
Dulwich Estate	9,011	-	(41)	1,197	-	10,167
Newman Trust	2	-	-	-	-	2
Mrs Irene Buckman	19	-	-	3	-	22
Investment property Fund						
City Road	29,572	-	(208)	3,926	-	33,290
College Terrace	6,834	-	(30)	869	-	7,673
<b>Total</b>	<b>45,438</b>	<b>-</b>	<b>(279)</b>	<b>5,995</b>	<b>-</b>	<b>51,154</b>
<b>Restricted funds</b>						
Prizes and grants	148	5	(5)	18	-	166
Bendy	744	18	(9)	70	-	823
Newman Trust	3	-	-	-	-	3
Mrs Irene Buckman	1	1	-	-	-	2
<b>Total</b>	<b>896</b>	<b>24</b>	<b>(14)</b>	<b>88</b>	<b>-</b>	<b>994</b>
<b>General operational Fund</b>	<b>12,949</b>	<b>2,175</b>	<b>(1,936)</b>	<b>526</b>	<b>(3,000)</b>	<b>10,714</b>
<b>Designated fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>3,000</b>
<b>Revaluation reserve</b>	<b>63,468</b>	<b>-</b>	<b>(667)</b>	<b>-</b>	<b>-</b>	<b>62,801</b>
<b>Total</b>	<b>76,417</b>	<b>2,175</b>	<b>(2,603)</b>	<b>526</b>	<b>-</b>	<b>76,515</b>
<b>Total</b>	<b>122,751</b>	<b>2,199</b>	<b>(2,896)</b>	<b>6,609</b>	<b>-</b>	<b>128,663</b>

**ENDOWMENT FUNDS**

The Dulwich Estate permanent endowment was created by capital distributions from the Dulwich Estate totalling £5,705,600 received in 1996, 2000, 2012, 2013 and 2014. The income can be used for the general purpose of the Foundation.

Newman Trust was established in 1998 from a transfer of funds from The Bishopsgate Foundation. The fund is for the provision of prizes and to help and support needy pupils.

Mrs Irene Buckman, a former pupil of the Girls' School and a former governor and trustee, donated £16,667 in the year ended 31 March 2005, the income from which is to be used for girls who go on to higher education.

The Investment property fund represents the net proceeds from the sale of land bordering City Road, and land at College Terrace in Tower Hamlets. The Charity Commissioners have directed that the net proceeds be included as part of the permanent endowment funds. The income can be used for the general purposes of the Foundation.

The trustees intend to use approximately £23,000,000 of the endowment fund to allow the Boys' School to move ahead with phase 1 of their development project. The trustees are in the process of applying to the Charity Commission for permission to release these funds from the endowment.

**THE CENTRAL FOUNDATION SCHOOLS OF LONDON**  
**NOTES TO THE ACCOUNTS (Continued)**  
**YEAR ENDED 31 MARCH 2017**

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**14. ANALYSIS OF CHARITABLE FUNDS (cont.)**

**RESTRICTED FUNDS**

The separate prizes and grants funds were merged with the Foundation under S74 of the Charities Act 1993 in 1996. The income and any accumulation of income is to be applied in promoting the education of the pupils attending the Boys' and Girls' Schools.

The Bendy fund was created in November 1999 by a legacy from a former pupil of the Central Foundation Boys' School, Mr Wilfred Bendy and Mrs Bendy. A Trustees Resolution under Section 275 of the Charities Act 2011 dated 18 June 2012 amended the purposes of the legacy to read as follows:

To advance education in engineering, science, technology and mathematics by:

- 1) the provision of grants, bursaries, scholarships, prizes, financial assistance and provisions of equipment to students at the Central Foundation Boys' School (the "School") and to persons who have been students at the School (in relation to the latter, in order to assist them to continue their education at University or other place of learning or to undertake training with a preference for those who go on to study or undertake training in engineering or related subjects);
- 2) the provision of facilities, equipment and services at the School;
- 3) the establishment and provision for the benefit of students at the school of after school, or other out of hours, clubs, courses and extra-curricular activities;
- 4) the provision and facilitation for the benefit of students at the School of careers advice, work experience, mentoring and related activities with the aim of assisting and encouraging students to undertake further education or training in engineering, science, technology and mathematics.

The Newman Trust and Mrs Irene Buckman funds represent income from the endowments described above.

**UNRESTRICTED FUNDS**

The General operational fund represents the free funds of the Foundation which are not designated for particular purposes.

The designated fund represents reserves set aside by the trustees to cover the present value of the Foundation's commitment to the Girls' School PFI contract.

The Revaluation Reserve arose from the revaluation of Functional Properties, carried out in 1998 and 2016.