

THE ROYAL FOUNDATION OF ST. KATHARINE
REPORT AND ACCOUNTS
YEAR ENDED 31 MARCH 2017

Registered Charity No. 223849



**The Royal Foundation
of St Katharine**

THE ROYAL FOUNDATION OF ST. KATHARINE

CONTENTS	PAGE
Legal and Administrative Details	3
Report of the Trustees	4 - 9
Independent Auditors' Report	10 - 11
Statement of Financial Activities	12
Balance Sheet	13
Statement of Cash Flows	14
Notes to the Accounts	15 - 24

THE ROYAL FOUNDATION OF ST. KATHARINE

LEGAL AND ADMINISTRATIVE DETAILS

PATRON

Her Majesty Queen Elizabeth II

MEMBERS OF THE COURT

The Rev. John H Tattersall FCA - Chairman

(Appointed by the Court – 9 July 2009 – current term expires 11 July 2018)

The Rev. Mark Aitken - Master

(Ex-officio – appointed 1 February 2013)

Mr Scott Furssedonn-Wood

(Appointed by the Patron – 29 March 2017 – current term expires 29 March 2020)

Mr Ian Graham FCA

(Appointed by the Court – 12 September 2012- current term expires 11 September 2018)

Mr Andrew Grigson

(Appointed by the Court - 31 January 2014 – current term expires 1 February 2020)

Dr Joy Hinson

(Appointed by the Court – 24 September 2016 – current term expires 24 September 2019)

Sir Stephen Lamport KCVO

(Appointed by the Patron – 7 July 2004)

Mrs Elizabeth A. Marshall

(Appointed by the Patron – 14 December 2006 - current term expires 30 November 2018)

Mr Geoffrey W Richards - Vice-Chairman

(Appointed by the Lord Chancellor - 12 December 2007)

Mr David Swanney CA - Treasurer

(Appointed by the Court – 5 December 2012 – current term expires 30 November 2018)

Dame Annabel Whitehead DCVO

(Appointed by the Court – 21 March 2016 – current term expires 20 March 2019)

MASTER

The Rev. Mark Aitken

The Royal Foundation of St Katharine
2 Butcher Row
London
E14 8DS

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Email info@rfsk.org.uk
Website www.rfsk.org.uk

SECRETARY

Mr Michael Miller

SOLICITORS

Farrer & Co.
66 Lincoln's Inn Fields
London
WC2A 3LH

AUDITORS

Saffery Champness LLP
71 Queen Victoria Street
London
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BANKERS

Lloyds Bank plc
210 Commercial Road
London
E1 2JR

THE ROYAL FOUNDATION OF ST. KATHARINE

REPORT OF THE TRUSTEES

The Governing Instrument

The Governing Instrument of the Charity is the Ordinances dated 30 March 1993 of Her late Majesty Queen Elizabeth, The Queen Mother as amended by Warrants dated 11 September 2007 and 21 November 2012.

The Object of the Charity

The object of the Charity is the advancement of the Christian religion by the provision and maintenance of a Christian Conference and Retreat Centre in East London, with extensions elsewhere if the work so requires, in connection with the Church of England for the purpose of developing and co-ordinating Christian activities of every description for the public benefit.

The Patron

Her Majesty Queen Elizabeth II is the Patron of The Royal Foundation of St. Katharine. Under Queen Eleanor's Charter of 1273, the Patronage of the Foundation was reserved unto the Queens of England.

The Court

The governing body of the Royal Foundation is its Court, which currently consists of eleven members.

Her Majesty The Queen as Patron was pleased on 24 September 2016 to approve the appointment as a member of the Court of Dr Joy Hinson.

Mr Jamie N G Bowden CMG, OBE resigned as a member of the Court on 19 January 2017 in anticipation of his resignation as Deputy Private Secretary to Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall. Her Majesty The Queen as Patron was pleased on 29 March 2017 to approve the appointment of his successor in that role, Mr Scott Furssedonn-Wood, to the Court.

The Rt. Hon. and Rt. Rev. Richard Chartres KCVO DD FSA who was an ex-officio member of the Court, ceased to be a trustee on his retirement as Bishop of London on 28 February 2017.

The Court has two principal committees, the Finance and Planning Committee, to which detailed oversight of the Foundation's operations and finances is delegated, and the Northern Site Steering Committee, which makes recommendations to the Court in respect of the development of the Northern Site. The Court ensures that appropriate training is available to its members, and provides an induction process for new members. Day to day operational responsibility for the Foundation is delegated to the Master.

Organisation

The Charity's work is principally to operate and manage a Conference and Retreat Centre at Butcher Row in Limehouse in East London, for use by a wide range of local, national and overseas church and charitable bodies, with the emphasis on those having links to the Christian religion. Individuals associated with them are also most welcome to make use of the Foundation. It offers an attractive, tranquil setting around a garden for meetings, seminars, receptions, quiet days and overnight stays, in the centre of London between the City and Canary Wharf, particularly valuable in today's hectic and highly-pressured world. Residential accommodation is provided for up to 66 guests; there are meeting rooms for up to 100 people and full catering services. Audio-visual, internet and conference support facilities are provided.

Public benefit

The Court confirms that it has complied with the duty set out in Section 17 of the Charities Act 2011, to have due regard to Public Benefit guidance published by the Charity Commission, in determining the activities

THE ROYAL FOUNDATION OF ST. KATHARINE

REPORT OF THE TRUSTEES (continued)

undertaken by the Royal Foundation, and that it has also taken account of Charity Commission guidance. The Court reviews the activities of the Charity against its aims on an on-going basis and is satisfied that all activities continue to be related to the aims, which are set in such a way as to benefit society as a whole. The benefits are set out in the review of activities shown below.

Review of Activities

The Foundation has had another successful year as a retreat and conference centre, with hospitality revenues increasing since the previous financial year by 13.8%, reflecting increased use of the Foundation's principal premises, particularly for retreats. These revenues also include income from the operation of various projects on the land to the north of the Foundation's principal premises at Butcher Row, now referred to as the Northern Site, or St Katharine's Precinct, which are a key element of the Foundation's engagement strategy with local communities. The Precinct includes two yurts, which were acquired during the previous year, and a number of converted containers, some of which are used by local artists through the Bow Arts Trust. These projects represent an interim use of the Northern Site pending its longer term development, the plans for which are described further below. The facilities provided by the Foundation are used extensively by Christian groups, as well as a wide variety of other customers.

Hospitality and other related services are provided to organisations and individuals associated with the Church and other charitable bodies at subsidised rates. In the year to 31 March 2017 the value of these subsidies, compared to the charges to other customer groups, was calculated to be in excess of £261k.

The Foundation does not, at present, have an active fundraising campaign. There is no relationship with any professional fundraisers. We do, however, encourage and welcome donations and benefactions, which are routinely recorded in the accounts. Discussions are taking place with a number of organisations about possible contributions to the construction costs of the new retreat centre.

Future Plans

The Court has spent much time during the year on plans for the longer term use of the Northern Site, and continues to be advised by Matthew Lloyd Architects, as well as by Cushman & Wakefield, Chartered Surveyors, who are leading the search for and selection of a suitable developer with whom the Foundation will work on the development of that site. The Court intends to enter into arrangements with a developer during the course of 2017 with a view to the development of further retreat and conference facilities for the Foundation. This will include increased numbers of bedrooms and residential accommodation for the use of certain of the Foundation's staff and members of a community which will form a spiritual core for the Foundation. Such facilities will be funded by the development of further residential accommodation to be let or sold on long leases under the development partnership. These plans for expanded hospitality and retreat operation, wellbeing and enterprise facilities, new links into the community, integrated with residential accommodation - all underpinned by a residential spiritual core - form an exciting vision to which the Court is strongly committed. There are inevitably challenges to be overcome before this vision can be turned into a reality over the next few years.

Progress has been made with part of that vision since the year end with commencement of construction work on a new building on the Foundation's existing site to increase the number of bedrooms available for retreat activities. Planning permission for this work was granted during the year by the London Borough of Tower Hamlets. This new building will be at the heart of a quiet corner of the site set aside principally for retreats.

The Foundation continues to negotiate with developers in respect of the sale of the 8.2 hectares of land at Sellindge in Kent which belongs to the Foundation. Planning permission has been granted for the development of the site, and the Foundation anticipates receiving at least the £2.3 million at which the land is valued in the Foundation's accounts over the next 12 months. These funds will be important in funding the expansion of the Foundation's operations at Butcher Row.

THE ROYAL FOUNDATION OF ST. KATHARINE

REPORT OF THE TRUSTEES (continued)

These plans indicate the way in which the Court intends to fulfil the objects of the Foundation in rapidly changing times.

Financial Review

Operating Income and Expenditure

The Foundation's Income and Expenditure is shown in the Statement of Financial Activities on page 12.

The Foundation's Operating Income rose by 14.3% in the year to 31 March 2017 to £1,931,344 (2015/16: £1,688,983), reflecting increases in income both from guests and donations, offset by a decline in investment income. The increase in hospitality income reflects our continuing efforts to market the Foundation's facilities more widely, and increased revenue from retreats and other services operated by the Foundation itself, as well as revenue from the interim projects on the Northern Site. Investment income has been reduced principally as a result of the realisation of £500,000 of investments during the year ended 31 March 2017, in addition to a further £275,768 at the end of the previous financial year, to fund professional fees in relation to the development of the Northern Site, as well as the absence of rental income from the land at Sellindge.

Operating costs before depreciation of buildings and expenditure on development of the Northern Site increased by 14.9% to £2,018,919 (2015/16: £1,756,359), reflecting the increased level of activity. We continue to be of the opinion that, although depreciation of freehold buildings is required by Financial Reporting Standards, operating costs before depreciation of buildings is a better measure of the cost of operating the Foundation, given the regular maintenance and refurbishment of the buildings that we undertake, and the historic increase in the value of the buildings.

The net operating result for the year before depreciation of buildings was a deficit of £94,114 compared with a deficit of £73,868 in 2015/16, reflecting the cost of continued improvement work on the site as well as losses arising from the interim use of the Northern Site. After depreciation of buildings, there was a deficit of £256,798 compared to a deficit of £263,351 for 2015/16. These results are stated before professional fees in relation to the development of the Northern Site amounting to £277,422 (2015/16: £256,637); these have been charged to the Endowment Fund. Realised and unrealised gains on the investment funds of the Foundation amounted in total to £656,362 (2015/16: net losses of £268,397) which led to an overall increase in the funds of the Foundation during the year.

The Foundation's Assets

The Foundation has wide investment powers contained in its Ordinances. The Endowment Fund consists of its functional assets, being its buildings and Chapel in Butcher Row, the majority of its portfolio investments, the 0.7 hectares between the Foundation's principal site and the Docklands Light Railway viaduct, known as the Northern Site, and 8.2 hectares of land in Kent.

The Foundation's portfolio investments are held in a range of investment funds set up for charities under Charity Commission schemes, managed by professional investment managers and regularly reviewed by the Trustees.

The net book value of the Foundation's Tangible Fixed Assets at year-end was £5,763,838 (2015/16: £5,917,408), reflecting continued improvements to the facilities on the principal site, less depreciation, and the value of investments at year-end was £6,878,155 (2015/16: £6,721,693), reflecting the increases in value of the Foundation's equity investments, less investment disposals of £450,000 during the year to fund expenditure on the Northern Site. The Net Current Assets amounted to £95,415 (2015/16: Net Current Liabilities of £18,835) including cash at bank of £358,076 (2015/16: £298,151). The decrease in Creditors from £375,091 (2015/16) to £341,077 this year is due largely to completion of the technical evaluation phase of the Northern Site development.

THE ROYAL FOUNDATION OF ST. KATHARINE

REPORT OF THE TRUSTEES (continued)

Risk Management

The trustees recognise their responsibility for ensuring adequate risk management and internal control. A risk management policy was approved in September 2015 and a comprehensive risk register, incorporating control and mitigating measures, is maintained. This is subject to regular review by management, and the major risks to which the Foundation is exposed, in particular those related to strategic developments, finances and hospitality operations such as health and safety, food hygiene and security, are reviewed by the Court each quarter.

Independent customer satisfaction statistics are regularly reviewed at management meetings. All investment decisions are authorised by the Chairman and Treasurer, and a business contingency plan is maintained. The most significant risks identified in June 2017 were:

- Loss of key staff resulting in operational failures
- The selection of an inappropriate partner for the Northern Site project
- Loss of control over the design or the residential policy for the Northern Site project
- Disruption to the hospitality operations resulting from construction works
- Breaches of data protection, Health & Safety or employment law
- Unforeseen ground conditions giving rise to delays or additional costs on the Retreat building project

The Trustees have considered the mitigation put in place and are satisfied that adequate measures are in hand to manage and minimise all significant risks.

Reserves

A large proportion of the hospitality services are paid for in advance, at the time of booking, and in view of this, the Court considers that one month's average operating costs provide an adequate level of reserves. At the year-end, the target level was £159k. At the year end, the balance of Unrestricted Funds, or 'free reserves' was £6,149 compared to £100,339 at the start of the year. This is considerably lower than the target level.

This reduction in reserves is due to three main factors:

First, the Foundation stepped in and took over a failing community centre being operated from an adjacent building. Trustees decided on this course of action in the belief that it was entirely consistent with the Charity's objects but this exposed the Foundation to operating deficits until the activities could be restructured and the drain on resources reduced. This remedial action has brought income and expenditure back into balance and no further significant shortfalls are anticipated in the immediate future.

Secondly, the introduction of new community engagement facilities in St. Katharine's Precinct and the Yurt Café has taken time to establish and this too, was initially a further pressure on resources. The Yurt Café, in particular, is now operating on a sounder financial basis and is no longer incurring significant deficits.

Thirdly, the disposal of investments to help fund the expenditure on the future development of the Northern Site has resulted in a reduction of investment income.

The Court considers the impact of these negative factors to be short-term and meanwhile, the principal revenue-generating activity, the provision of hospitality and conference facilities, has continued to operate at a modest but reasonable surplus.

THE ROYAL FOUNDATION OF ST. KATHARINE

REPORT OF THE TRUSTEES (continued)

Trustees will closely monitor the level of reserves during the current year but remain confident that the remedial action already taken plus the additional revenue to be generated from the new Victor Churchill Retreat Building, due to open in the spring of 2018, and the planned expansion of capacity resulting from the Northern Site development once it is complete, will allow reserves to be restored to the target level.

The professional fees incurred in evaluating the Northern Site development have been more than offset by gains in the value of investments. The increase in the value of freehold land and buildings anticipated from this development is believed to be sufficient to maintain the value of the endowment fund at a satisfactory level.

Staffing

During the year the Court supported a strengthening of the Foundation's senior staff team, needed to manage and develop the increasingly complex range of activities.

The Court also approved a new remuneration policy in December 2016. This confirmed the long-standing practice whereby the Finance and Planning Committee sets and annually reviews the salaries of senior managers in the light of an assessment of their roles, responsibilities and performance. This is part of the annual pay review for all staff. The salary of the Master is now set by relation to the remuneration of cathedral deans in the Church of England.

THE ROYAL FOUNDATION OF ST. KATHARINE

REPORT OF THE TRUSTEES (continued)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Trustees' Report and the 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 & 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 Charities SORP (FRS 102);
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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, the Charity (Accounts and Reports) Regulations 2008 and with the Royal Foundation of St Katharine's Ordinances dated 30 March 1993 as amended by Warrants dated 11 September 2007 and 21 November 2012. 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 Court on 20 September 2017 and signed on its behalf by:



Rev. John H. Tattersall FCA (Chairman)



Mr. W. David Swanney CA (Treasurer)

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF
THE ROYAL FOUNDATION OF ST. KATHARINE**

We have audited the financial statements of The Royal Foundation of St Katharine for the year ended 31 March 2017 set out on pages 12 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under the Charities Act 2011 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 misstatements or inconsistencies we consider the implications for our report.

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.

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF
THE ROYAL FOUNDATION OF ST. KATHARINE (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Report of the Trustees 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.

Saffery Champness LLP

Saffery Champness LLP, Chartered Accountants and Statutory Auditor

71 Queen Victoria Street, London, EC4V 4BE

Date: *6 November 2017*

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

THE ROYAL FOUNDATION OF ST. KATHARINE

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Endowment Fund £	Ardingly Fund £	Unrestricted Fund £	Total 2017 £	Total 2016 £
Income and endowments from:						
Donations and legacies		-	-	59,808	59,808	1,178
Charitable activities		-	-	1,697,372	1,697,372	1,491,361
Investments		-	6,691	167,473	174,164	196,444
Total income	2	-	6,691	1,924,653	1,931,344	1,688,983
Expenditure on:						
Charitable activities						
Provision and maintenance of the Christian Centre:						
- Operating costs and maintenance		-	76	1,908,062	1,908,138	1,713,727
- Depreciation		169,223	-	84,469	253,692	232,115
Other						
- Professional fees		277,422	-	26,312	303,734	256,637
Total expenditure	3	446,645	76	2,018,843	2,465,564	2,202,479
Gains/(losses) on investments						
Revaluation of investment property		-	-	-	-	2,216,800
(Losses)/gains on common investment funds:						
- Unrealised	5	579,296	25,459	-	604,755	(242,629)
- Realised		51,607	-	-	51,607	(25,768)
Net income/ (expenditure) and net movement in funds for the year		184,258	32,074	(94,190)	122,142	1,434,907
Balances brought forward at 1 April 2016		12,294,547	197,380	100,339	12,592,266	11,157,359
Balances carried forward at 31 March 2017		12,478,805	229,454	6,149	12,714,408	12,592,266

The notes on pages 15 to 24 form part of these financial statements.

The Charity has no recognised gains or losses other than the net income for the year.

A comparative statement of financial activities is provided in Note 10.

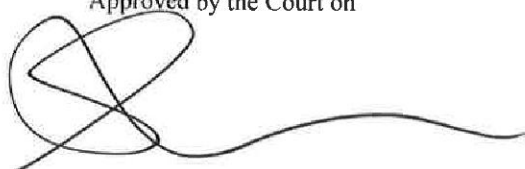
THE ROYAL FOUNDATION OF ST. KATHARINE

BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible fixed assets	4		5,763,838		5,917,408
Investments	5		6,878,155		6,721,693
			<u>12,641,993</u>		<u>12,639,101</u>
CURRENT ASSETS					
Debtors	6	78,416		58,105	
Cash at bank and in hand		358,076		298,151	
		<u>436,492</u>		<u>356,256</u>	
CREDITORS: Amounts falling due within one year	7	(341,077)		(375,091)	
NET CURRENT (LIABILITIES)/ ASSETS			95,415		(18,835)
Defined benefit pension scheme liability	9		(23,000)		(28,000)
NET ASSETS			<u>12,714,408</u>		<u>12,592,266</u>
RESTRICTED FUNDS					
Permanent Endowment Fund			12,478,805		12,294,547
Ardingly Mission Fund			229,454		197,380
UNRESTRICTED FUNDS					
General Funds			<u>6,149</u>		<u>100,339</u>
TOTAL FUNDS	8		<u>12,714,408</u>		<u>12,592,266</u>

Approved by the Court on



Rev. John H. Tattersall FCA (Chairman)

and signed on its behalf by:



Mr W. David Swanney CA (Treasurer)

The notes on pages 15 to 24 form part of these financial statements.

THE ROYAL FOUNDATION OF ST. KATHARINE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities				
Net income / (expenditure)	122,142		1,434,907	
Adjustments for:				
Depreciation	253,692		232,115	
(Gain) / loss on investments	(656,362)		268,397	
Revaluation of investment property	-		(2,216,800)	
Investment income	(174,164)		(196,444)	
Trade and other receivables	(20,311)		14,477	
Trade and other payables	(39,014)		114,358	
	<hr/>		<hr/>	
Net cash used in operating activities		(514,017)		(348,990)
Cash flows from investing activities				
Purchase of property plant and equipment	(100,122)		(264,163)	
Proceeds on disposal of investments	500,000		250,000	
Investment income	174,164		196,444	
Acquisition of subsidiary	(100)		-	
	<hr/>		<hr/>	
Net cash provided by investing activities		573,942		182,281
		<hr/>		<hr/>
Net decrease in cash and cash equivalents		59,925		(166,709)
Cash and equivalents brought forward		298,151		464,860
		<hr/>		<hr/>
Cash and equivalents carried forward		358,076		298,151
		<hr/>		<hr/>

Cash and equivalents are all represented by cash at bank and in hand.

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES

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) (effective 1 January 2016) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The Charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

(a) Going Concern

The financial statements have been prepared on the basis that the Charity is a going concern. The trustees consider that there are no material uncertainties that would affect the Charity's ability to continue as a going concern. The professional fees incurred in respect of the potential development of the Northern Site will be funded from the disposal of investment units pending receipt of the anticipated proceeds from the sale of land at Sellindge, Kent. The trustees therefore consider that the Charity has adequate resources to sustain its activities for the foreseeable future.

(b) Income

All income is included in the Statement of Financial Activities when the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

(c) Expenditure

All expenditure is accounted for on an accruals basis and, where possible, directly allocated to the related activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources.

Charitable expenditure consists of all expenditure directly relating to the objects of the Charity. Governance costs include expenditure on compliance with statutory requirements. Irrecoverable VAT is included with the category of expense to which it relates.

(d) Tangible Fixed Assets and Investment Properties

Prior to 31 March 1996 expenditure on fixtures and fittings was written off as incurred. As at that date the trustees estimated the current value required to be shown in the balance sheet. Subsequent acquisitions or improvements are capitalised at cost when their purchase price exceeds £1,000. Depreciation of tangible fixed assets held for charitable use is calculated by the straight line method to write off the cost/value over the expected useful lives of the assets as follows:

Freehold buildings	25 to 50 years
Furniture, equipment and temporary buildings	3 to 10 years
Assets in the course of construction are not depreciated until brought into use.	

Investment property consists of land at Sellindge, Kent. This land is carried at trustees' valuation.

(e) Investments

Investments are stated at market value.

Surpluses or deficits (realised or unrealised) are allocated to the appropriate Fund.

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

(f) Funds

The various Funds represent the following:

Endowment Fund

This fund consists of the original endowment to provide income for the aims of the Charity.

Ardingly Mission Fund

This fund consists of investments and cash transferred to the Foundation as Endowment Funds for administration on 1 April 2007 under the terms of a Charity Commission Letter of Concurrence (dated 5 January 2007) with the former trustees of the fund deciding that the Foundation was better able to fulfil the intentions of the original trustees of the Ardingly College Mission. The income derived is available for educational purposes.

(g) Subsidiary

A wholly owned subsidiary company, Ratcliffe Hospitality Limited, was formed on 25 July 2016 to carry out certain operations on behalf of the Charity, but did not trade during the year. The charity holds 100 ordinary £1 shares in the subsidiary which were valued at cost. The relevant trading activities of the charity were transferred to Ratcliffe Hospitality Limited from 1 April 2017.

(h) Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method. At present the Charity does not have any bank loans.

(i) Key judgements and uncertainties

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

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

The trustees consider there to be two main areas of judgement:

First, the depreciation of freehold land and buildings. Depreciation on buildings involves an estimation of the useful economic life of the building and its residual value.

Secondly, the value of the investment property. This was revalued in the year ended 31 March 2016. The trustees do not consider the valuation at 31 March 2017 to have changed materially based on professional advice.

(j) Taxation

The Foundation is a registered charity and as such is not liable to tax on its income derived wholly from charitable activities.

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

2. INCOME

	Endowment Fund £	Ardingly Mission Fund £	Unrestricted Funds £	Total 2017 £	Total 2016 £
Donations and legacies					
Gifts and donations	-	-	2,812	2,812	1,178
Grant income	-	-	56,996	56,996	-
	<u>-</u>	<u>-</u>	<u>59,808</u>	<u>59,808</u>	<u>1,178</u>
Charitable activities					
Overnight accommodation	-	-	849,545	849,545	827,162
Conference income and equipment hire	-	-	162,894	162,894	164,664
Food and beverages	-	-	447,033	447,033	441,060
Rental income	-	-	21,259	21,259	9,600
Yurt cafe	-	-	188,459	188,459	33,176
Other	-	-	28,180	28,180	15,699
	<u>-</u>	<u>-</u>	<u>1,697,372</u>	<u>1,697,372</u>	<u>1,491,361</u>
Investment income					
Dividend income	-	6,691	167,282	173,973	195,107
Interest income	-	-	192	191	1,337
	<u>-</u>	<u>6,691</u>	<u>174,164</u>	<u>174,164</u>	<u>196,444</u>

3. EXPENDITURE

	Depreciation £	Staff Costs £	Other Costs £	Total 2017 £	Total 2016 £
The Christian Centre					
- Endowment funds	169,223	-	-	169,223	189,416
- Restricted funds	-	-	76	76	67
- Unrestricted funds	84,469	1,000,460	907,602	1,992,531	1,756,359
	<u>253,692</u>	<u>1,000,460</u>	<u>907,678</u>	<u>2,161,830</u>	<u>1,945,842</u>
Professional fees	-	-	303,734	303,734	256,637
	<u>253,692</u>	<u>1,000,460</u>	<u>1,211,412</u>	<u>2,465,564</u>	<u>2,202,479</u>

Professional fees include £277,422 costs incurred in progressing the development of the Foundation's freehold premises in Limehouse, a principal asset of the Endowment Fund.

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

3. EXPENDITURE (CONTINUED)

	2017	2016
	£	£
Staff Costs		
Wages and salaries	890,892	681,318
Social security costs	72,587	57,517
Pension costs	36,982	28,147
	<u>1,000,460</u>	<u>766,982</u>
Other Costs		
Visitor catering	216,465	226,171
Housekeeping	79,948	117,399
Property costs	216,742	227,573
Centre administration	93,927	111,968
Consultancy costs	111,334	43,574
Sales commission	94,257	85,809
General costs	69,775	64,853
Grants	292	3,249
Projects	12,946	58,816
Governance – auditors’ remuneration	11,992	7,333
Professional fees	303,734	256,637
	<u>1,211,412</u>	<u>1,203,382</u>
	Number	Number
The average number of employees was	<u>45</u>	<u>31</u>

No employee earned £60,000 per annum or more in either year.

The Reverend CM Aitken received £44,477 (2015/16: £39,322) salary, expenses, and pension contributions in connection with his service as Master to the Foundation. No other trustees received any benefits, remuneration or reimbursements in either year.

Total remuneration paid to key management personnel was £194,168 (2015/16: £174,866).

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

4. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Furniture, equipment and Temporary buildings £	Assets under Construction £	Total £
Cost				
At 1 April 2016	8,311,619	427,438	-	8,739,057
Additions	-	48,561	51,561	100,122
Reclassification of temporary buildings	(201,926)	201,926	-	-
At 31 March 2017	8,109,693	677,925	51,561	8,838,179
Depreciation				
At 1 April 2016	2,482,334	339,315	-	2,821,649
Charge for year	169,223	84,469	-	253,692
Reclassification of temporary buildings	(20,193)	20,193	-	-
At 31 March 2017	2,631,364	443,977	-	3,075,341
Net book value				
At 31 March 2017	5,478,329	233,948	51,561	5,763,838
At 31 March 2016	5,829,285	88,123	-	5,917,408

All fixed assets are held for charitable use.

5. INVESTMENTS

	Investment property £	Common investment funds £	Investment in subsidiary £	Total 2017 £	Total 2016 £
a) Valuation at 1 April 2016	2,311,800	4,409,893	-	6,721,693	5,023,290
Additions	-	-	100	100	-
Disposals	-	(448,393)	-	(448,393)	(275,768)
Revaluation	-	604,755	-	604,755	1,974,171
Valuation at 31 March 2017	2,311,800	4,566,255	100	6,878,155	6,721,693
Common Investment Funds				4,566,255	4,409,893
Investment properties				2,311,800	2,311,800
Investments in subsidiary				100	-
				6,878,155	6,721,693

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

5. INVESTMENTS (continued)

	2017	2016
	£	£
b) The market value of the Common Investment Funds held are:		
<u>Restricted endowment fund</u>		
COIF Charities Investment Fund – Income Units	2,065,913	2,021,425
COIF Charities Property Fund	311,436	320,382
COIF Charities Global Equity Fund – Income Units	500,808	438,309
COIF Charities Deposit	331	331
Schroders Charity Equity Fund Income	1,494,474	1,461,612
	<u>4,372,962</u>	<u>4,242,059</u>
<u>Ardingly Fund</u>		
COIF Charities Investment Fund - Income Units	<u>193,293</u>	<u>167,834</u>
Total	<u><u>4,566,255</u></u>	<u><u>4,409,893</u></u>

The historic cost of the Common Investment Funds was £2,290,731 (2015/16: £2,529,661).

Investment property

	2017	2016
	£	£
Valuation at 31 March	<u>2,311,800</u>	<u>2,311,800</u>

Investment property is stated at trustees' valuation, reflecting a Price Notice which has been received for the property from developers in accordance with an option agreement entered into in May 2012. No figure for the cost of the investment property is available.

Investment in subsidiary

On 25 July 2016, a new company, Ratcliffe Hospitality Limited was incorporated in England & Wales to carry out certain aspects of the Charity's operations.

The Foundation was allotted the whole of the issued share capital of 100 £1 shares. As the company has not yet traded, dormant accounts have been prepared for the year ended 31 March 2017 and no consolidation is required.

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

6.	DEBTORS	2017 £	2016 £		
	Other debtors	59,727	48,541		
	Prepayments	18,689	9,564		
		<u>78,416</u>	<u>58,105</u>		
7.	CREDITORS: Amounts falling due within one year	2017 £	2016 £		
	Deposits in advance of bookings	134,771	101,327		
	Creditors and accrued expenses	161,404	226,218		
	Other taxation and social security	44,902	47,546		
		<u>341,077</u>	<u>375,091</u>		
8.	ANALYSIS OF NET ASSETS BETWEEN FUNDS	Endowment Fund £	Ardingly Fund £	Unrestricted Fund £	Total £
	Fund Balances at 31 March 2017 are represented by:				
	Tangible fixed assets	5,529,890	-	233,948	5,763,838
	Investments	6,684,862	193,293	-	6,878,155
	Net current (liabilities)/assets	264,053	36,160	(227,799)	72,415
	Total Net Assets	<u>12,478,805</u>	<u>229,454</u>	<u>6,149</u>	<u>12,714,408</u>

9. PENSION LIABILITY - Church of England Funded Pension Scheme (CEFPS)

The Foundation participates in the Church of England Funded Pension Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS102. This means it is not possible to attribute the scheme's assets and liabilities to specific employers and that contributions are accounted for as if the scheme were a defined contribution scheme. The pension costs charged in the year are contributions payable towards benefits and expenses accrued in that year plus any impact of deficit contributions (see below).

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

9. PENSION LIABILITY - Church of England Funded Pension Scheme (CEFPS) (continued)

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out at 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- An investment strategy of:
 - o For investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and
 - o A 100% allocation to return - seeking assets for investments backing liabilities prior to retirement;
- Investments returns of 2.6% p.a. on gilts and 4.6.% p.a. on return-seeking assets;
- RPI inflation of 3.2% p.a (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a;
- Mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are as set out in the table below. Contributions since 2015 are shown for reference.

% of pensionable stipends	January 2015 to December 2017	January 2018 to December 2025
Deficit repair contributions	14.1%	11.9%

As at December 2014 and December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

Section 28.11A of FRS102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2016 £	2015 £
Balance sheet liability at 1 January	28,000	31,000
Deficit contributions paid	(3,000)	(3,000)
Interest cost (recognised in SoFA)	1,000	1,000
Remaining change to the balance sheet liability * (recognised in SoFA)	(3,000)	(1,000)
Balance sheet liability at 31 December	23,000	28,000

*Comprises change in agreed deficit recovery plan and change in discount rate and assumptions between year-ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2016	December 2015	December 2014
Discount rate	1.5% pa	2.5% pa	2.3% pa
Price inflation	3.1% pa	2.4% pa	2.7% pa
Increase to total pensionable payroll	1.6% pa	0.9% pa	1.2% pa

The legal structure of the scheme is such that if another employer fails, the Foundation could become responsible for paying a share of that other employer's pension liabilities.

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

10. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

	Endowment Fund £	Ardingly Fund £	Unrestricted Funds £	Total 2016 £
Income and endowments from:				
Donations and legacies	-	-	1,178	1,178
Charitable activities	-	-	1,491,361	1,491,361
Investments	-	6,559	189,885	196,444
Total income	<u>-</u>	<u>6,559</u>	<u>1,682,424</u>	<u>1,688,983</u>
Expenditure on:				
Charitable activities				
Provision and maintenance of The Christian Centre:				
- Operating costs and maintenance	-	67	1,713,660	1,713,727
- Depreciation	189,416	-	42,699	232,115
Other				
- Professional fees in relation to the development of the Northern site	256,637	-	-	256,637
Total expenditure	<u>446,053</u>	<u>67</u>	<u>1,756,359</u>	<u>2,202,479</u>
Gains/(losses) on investments				
Revaluation of investment property	2,216,800	-	-	2,216,800
Gains on Common Investment Funds				
- Unrealised	(235,419)	(7,210)	-	(242,629)
- Realised	(25,768)	-	-	(25,768)
Net income / (expenditure)	<u>1,509,560</u>	<u>(718)</u>	<u>(73,935)</u>	<u>1,434,907</u>
Balances brought forward at 1 April 2015	10,784,987	198,098	174,274	11,157,359
Balances carried forward at 31 March 2016	<u>12,294,547</u>	<u>197,380</u>	<u>100,339</u>	<u>12,592,266</u>

11. OPERATING LEASE COMMITMENTS

At the reporting end date the Foundation had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	6,965	6,965
Between two and five years	8,181	15,145
Over five years	-	-
	<u>15,146</u>	<u>22,110</u>

THE ROYAL FOUNDATION OF ST. KATHARINE

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

12. FINANCIAL INSTRUMENTS

	2017	2016
	£	£
Financial assets measured at amortised cost		
Trade debtors	57,250	48,752
Other debtors, excluding prepayments	2,478	(212)
Cash and cash equivalents	358,076	298,151
Financial assets measured at fair value		
Investments	6,878,155	6,721,693
Total financial assets	<u>7,295,958</u>	<u>7,068,384</u>
 Financial liabilities measured at amortised cost		
Trade creditors	86,982	93,225
Other creditors and accruals (excluding deferred income)	119,323	180,539
Financial liabilities measured at fair value		
Provision for defined benefit pension scheme	23,000	28,000
Total financial liabilities	<u>229,305</u>	<u>301,764</u>