

City and Guilds Art School Property Trust

Annual Report and Financial statements

31 August 2017

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

Charity Registration Number
312871

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Reference and administrative information

Trustees	William Parente CBE (Chairman) Aidan Crawshaw Janey Elliott Brendan Finucane QC John Taylor MBE
Secretary	Magnus von Wistinghausen
Registered office	124 Kennington Road London SE11 4DJ
Telephone	020 7626 3531
Principal office	124 Kennington Park Road London SE11 4DJ
Telephone	020 7735 2306
Facsimile	020 7582 5361
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank plc Southwark Branch 29 Borough High Street London SE1 1LY
Company registration number	992490 (England and Wales)
Charity registration number	312871

Trustees' report Year to 31 August 2017

The Board of Trustees ("the Board") of City & Guilds Art School Property Trust ("the Charity") presents its annual report and the audited financial statements for the year ended 31 August 2017.

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

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

Constitution

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

Principal aims and activities

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

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

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

Governance, structure and management

Organisation

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

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

Governance, structure and management (continued)

Organisation (continued)

The Charity does not employ staff since 31 March 2012. Administrative, fundraising and other tasks are performed by staff employed by the City & Guilds of London Art School. An annual charge is levied by the Art School in consideration of this.

Risk management

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

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

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

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

Key management personnel

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

Statement of Trustees' responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the charitable company for that period.

In preparing these financial statements, the Trustees are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- ♦ make judgements and estimates that are reasonable and prudent;

Governance, structure and management (continued)

Statement of Trustees' responsibilities (continued)

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

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

Each of the Trustees confirms that:

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

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

Board of Trustees

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

No Trustee received any remuneration for services as a member of the Board (2016 – none) and no Trustee was reimbursed for travelling expenses (2016 – none).

No changes occurred during the year.

Objectives and relevant policies

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

The Charity's key objectives for the year included:

- ◆ Successfully complete the delivery of Phase 2 of the masterplan;
- ◆ Progress with detailed planning for Phase 3, the renovation and partial redevelopment of Victorian studio buildings at the rear of the Art School site;
- ◆ Maintaining the Charity's property in good order for the benefit of the Art School;
- ◆ To continue to support the Art School in its work in any other ways appropriate, in line with the Charity's stated objects.

Activities and achievements

Development project and other refurbishments

During the year, the Property Trust was able to complete Phase 2 of the masterplan for the Art School site – the creation of a new covered entrance area between the Georgian terrace and the rear studio buildings. The new entrance has been in operation for the Art School since January 2017 and has transformed the sense of arrival, as well as creating a new public space at the heart of the Art School site and level access from street level to the front and rear buildings. In Summer 2017 the Charity was able to proceed with the re-landscaping of the Art School's garden area adjoining the new entrance, with funding from a private charitable trust. This work expanded the communal areas and also laid the ground for the forthcoming refurbishment of the carving studios in the stone yard in 2018-19, plans for which were developed during the year. The Charity was also able to advance significantly with its plans for the final stage of the masterplan – the refurbishment and partial redevelopment of the Victorian Studio buildings at the rear of the site – thanks to a grant from the Sackler Trust. Furthermore, the Charity entered into discussion with British Telecom to secure occupation of a further floor in the adjacent Vauxhall Old Telephone Exchange building as of the 2017/18 academic year, in order to provide additional space for studios and other facilities to support expanding activity at the Art School and provide spaces for temporary relocation during periods of major buildings works on the main site.

Financial Review

Results for the year

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

The restricted funds of the Charity relate to funds received for the development of the properties. These funds are either expended during the year on the properties or transferred to the designated fixed asset fund when costs are incurred for work on the properties which is capitalised.

The Charity recorded an operating deficit on unrestricted funds of £4,101 after making a donation of £30,000 to the Art School (2016 – surplus of £8,845 excluding the 2016 VAT adjustment of £272,503).

The Charity raised £200,000 of restricted donations during the year for the development of the Charity's building (2016 – £619,500).

Financial Review (continued)

Results for the year (continued)

The Charity expended £215,388 (2016 - £30,000) on the development of its buildings during the year. In addition, the Charity capitalised £285,689 of additions to the building during the year (2016 – 555,726). In total £501,077 was expended on development fund activity during the year (2016 - £585,726).

A total of £285,689 was transferred to the designated fund during the year, representing the capital additions. £192,180 of this work was funded from restricted revenue funds raised. The remaining £93,509 was funded from the general fund, which was required due to a backlog of project spend from past years being realised in this financial year. This arose due to the level of disallowed VAT recovery on works of earlier periods conceded as part of the settlement agreed with HMRC in February 2017. As a result, the general fund showed a deficit of £25,573 at the end of the financial year. Aside from the deficit arising as a result of the dispute with HMRC, the Charity has successfully budgeted each phase of its property development work in order to manage expenditure within the limits of the Charity's income sources.

Following the settlement with HMRC in the prior financial year, the Charity's working capital requirements have reduced significantly. As a result, the Charity has reduced the level of borrowing from £194,973 in 2016 to £103,377 in 2017, £75,842 of which is due in more than one year (2016 - £144,978). The Trustees plan to reduce the general fund deficit and the borrowing requirement by achieving general fund surpluses in the future.

Reserves policy and going concern

The Board has examined the requirement for free reserves i.e. those funds not invested in tangible fixed assets, not designated for specific purposes, not restricted and not otherwise committed. The Board intends to achieve, as circumstances permit, an increase in the free reserves from present levels in order to provide liquidity to meet any future temporary shortfalls in income and to provide adequate working capital. At present a loan facility with the Charity Bank, put in place in 2013 as a result of the protracted dispute with HMRC with regard to VAT recovery, is addressing these requirements. As at 31 August 2017, the loan facility had a total value of £103,377 (2016 - £194,973) with £75,842 payable in more than one year (2016 - £144,978). As a result of the working capital provided by this loan facility, the Board is satisfied that there are no material uncertainties about the Property Trust's ability to continue as a going concern.

Financial position

The balance sheet shows total funds of £1,290,910 (2016 - £1,384,542) of which none is restricted (2016 - £207,568). Restricted funds either raised for, and their use restricted to, specific purposes or comprising donations subject to donor imposed conditions, have been fully used in accordance with these restrictions.

Unrestricted funds of the Charity at 31 August 2017 total £1,290,910 (2016 – £1,176,974). These funds are represented by general fund tangible fixed assets of £1,316,483 (2016 – £1,104,937) and a free reserves deficit of £25,573 (2016 – surplus of £72,037) due to factors set out in the financial review.

Future plans

The Property Trust will continue to work with the Art School on the development of plans for Phase 3 of the masterplan for the Kennington site. This will include the full refurbishment of carving studios in the stone yard area in 2018/19 and preparations for the refurbishment and partial redevelopment of the Victorian studio buildings in the years thereafter. The latter will provide substantial additions and improvements to important workshop, studio and other facilities. This will continue to enhance the quality of the working environment for teaching and learning, as well as furthering creativity. All capital works will remain subject to the raising of funds from a wide range of philanthropic sources, to cover the full costs of the proposed works.

The Charity's assets

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

Approved by the Board on 2 May 2018 and signed on its behalf by:

William Parente CBE, Chairman of the Trustees

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

Opinion

We have audited the financial statements of City & Guilds London Art School Property Trust (the 'charitable company') for the year ended 31 August 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 August 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 Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

Matters on which we are required to report by exception (continued)

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

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

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report Year to 31 August 2017

Auditor's responsibilities for the audit of the financial statements (continued)

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

Avnish Savjani, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

14 May 2018

Statement of financial activities Year to 31 August 2017

	Notes	Unrestricted funds			2017 Total funds £	2016 Total funds £
		General fund £	Designated funds £	Restricted funds £		
Income from:						
Donations		—	—	200,000	200,000	619,500
Charitable activities						
. Rent receivable		175,584	—	—	175,584	171,656
Total income		175,584	—	200,000	375,584	791,156
Expenditure on:						
Charitable activities						
. Costs of operating the Charity						
.. Premises		29,845	74,143	215,388	319,376	108,282
.. Provision for VAT debtors	6	—	—	—	—	(272,503)
.. Support costs	2	149,840	—	—	149,840	135,556
Total expenditure		179,685	74,143	215,388	469,216	28,665
Net (expenditure) income	1	(4,101)	(74,143)	(15,388)	(93,632)	819,821
Transfers between funds	9,10	(93,509)	285,689	(192,180)	—	—
Net movement in funds		(97,610)	211,546	(207,568)	(93,632)	819,821
Fund balances brought forward at 1 September 2016		72,037	1,104,937	207,568	1,384,542	564,721
Fund balances carried forward at 31 August 2017		(25,573)	1,316,483	—	1,290,910	1,384,542

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

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

Balance Sheet 31 August 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	5		1,316,483		1,104,937
			1,316,483		1,104,937
Current assets					
Debtors	6	51,143		488,418	
Cash at bank and in hand		164,812		203,241	
		215,955		691,659	
Creditors: amounts falling due within one year	7	(165,686)		(267,076)	
Net current assets			50,269		424,583
Total assets less current liabilities			1,366,752		1,529,520
Creditors: falling due after more than one year	8		(75,842)		(144,978)
Total net assets			1,290,910		1,384,542
The funds of the charity:					
Income funds:					
Restricted funds	9		—		207,568
Unrestricted funds:					
General fund	10		(25,573)		72,037
Designated funds	11		1,316,483		1,104,937
			1,290,910		1,384,542

Approved by the Board on 2 May 2018 and signed on its behalf by:

William Parente CBE, Chairman of the Trustees

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

Statement of cash flows 31 August 2017

	Notes	Year to 31 August 2017 £	Year to 31 August 2016 £
Net cash inflow from operating activities	A	338,856	379,595
Net cash used in investing activities	B	(285,689)	(555,726)
Net cash used in financing activities	C	(91,596)	(37,103)
Change in cash and cash equivalents in the year		(38,429)	(213,234)
Cash and cash equivalents at the beginning of the year		203,241	416,475
	D	164,812	203,241

Notes to the cash flow statement for the year to 31 August 2017

A Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2017 £	2016 £
Net (expenditure) income	(93,632)	819,821
Depreciation charge	74,143	51,027
Decrease (increase) in debtors	437,275	(487,037)
Decrease in creditors	(78,930)	(4,216)
Net cash inflow from operating activities	338,856	379,595

B Cash flows from investing activities:

	2017 £	2016 £
Purchase of tangible fixed assets	(285,689)	(555,726)
Net cash used in investing activities	(285,689)	(555,726)

C Cash flows from financing activities:

	2017 £	2016 £
Repayments of borrowing	(91,596)	(37,103)
Net cash used in financing activities	(91,596)	(37,103)

D Analysis of cash and cash equivalents

	31 August 2017 £	31 August 2016 £
Cash at bank and in hand	164,812	203,241
	164,812	203,241

Basis of accounting

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

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

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

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

Critical accounting estimates and areas of judgement

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

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

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

Going concern

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

The Trustees have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The Trustees have previously considered the impact of the dispute with HMRC on the Charity's working capital position. In order to address this, a bank borrowing facility was put in place with the Charity Bank Ltd. The facility is available for a period of up to seven years until 2020 with interest and principal repayment able to be met out of the Charity's core rental income. The settlement with HMRC achieved in December 2016 has subsequently led to the release of a significant amount of VAT reclaimed but previously withheld, allowing an accelerated repayment of the facility. As at 31 August 2017, a balance of £103,377 remains on the facility and the deficit on unrestricted funds was £25,573. As a result, the Trustees consider that the Charity has sufficient working capital to meet the Charity's liabilities as they fall due and the financial statements have been prepared on the going concern basis.

Income

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

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

Expenditure

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

Tangible fixed assets

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

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

- ◆ Freehold property 2% on cost
- ◆ Freehold property improvements 4% on cost
- ◆ Leasehold property 14% on cost (The minimum life of the lease)

Debtors

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

Cash at bank and in hand

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

Creditors and provisions

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

Principal accounting policies 31 August 2017

Fund accounting

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

Within the general fund is contained the freehold property which represents the net book value of the Charity's freehold property.

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

1 Net expenditure

This is stated after charging:

	General fund £	Designated funds £	Restricted funds £	Total 2017 £	Total 2016 £
Auditor's remuneration:					
Statutory audit services	4,400	—	—	4,400	5,270
Depreciation	—	74,143	—	74,143	51,027
Operating lease rentals	25,148	—	—	25,148	27,374

2 Support costs

	2017 £	2016 £
Management charges from the City & Guilds of London Art School	68,834	72,000
Insurance	14,260	12,024
Legal and professional fees	21,901	33,428
Governance costs	4,400	5,270
Donation paid to the City & Guilds of London Art School	30,000	—
Interest on loans and bank charges	10,445	12,834
	149,840	135,556

3 Staff costs and Trustees' remuneration

No staff were employed by the Charity during the year. Management services were provided to the Charity by the City and Guilds of London Art School costing £68,834 (2016 - £72,000).

No Trustee received any remuneration or other emoluments in respect of their services as a member of the Board during the year (2016 – none). No Trustees were reimbursed for travelling expenses during the year (2016 – none).

The Charity has purchased insurance to protect itself from any loss arising from the neglect or defaults of its Trustees, employees and agents and to indemnify the Trustees or other officers against the consequences of any neglect or default on their part. The insurance premium provided cover of up to a maximum of £2 million (2016 – £2 million).

The aggregate remuneration of key management personnel was £nil (2016 - £nil). The Trustees, who are the key management personnel, are not remunerated.

4 Taxation

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

5 Tangible fixed assets

	Leasehold property £	Assets under construction £	Freehold land and property £	Freehold property improve- ments £	Total £
Cost					
At 1 September 2016	320,182	534,646	595,872	—	1,450,700
Additions	—	285,689	—	—	285,689
Transfers	—	(820,335)	—	820,335	—
At 31 August 2017	<u>320,182</u>	<u>—</u>	<u>595,872</u>	<u>820,335</u>	<u>1,736,389</u>
Depreciation					
At 1 September 2016	169,659	—	176,104	—	345,763
Charge for year	45,752	—	8,037	20,354	74,143
At 31 August 2017	<u>215,411</u>	<u>—</u>	<u>184,141</u>	<u>20,354</u>	<u>419,906</u>
Net book values					
At 31 August 2017	<u>104,771</u>	<u>—</u>	<u>411,731</u>	<u>799,981</u>	<u>1,316,483</u>
At 31 August 2016	<u>150,523</u>	<u>534,646</u>	<u>419,768</u>	<u>—</u>	<u>1,104,937</u>

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

6 Debtors

	2017 £	2016 £
VAT reclaimable on premises expenditure	51,143	373,587
Amount owed by City & Guilds of London Art School	—	39,831
Amount owed by the Linbury Trust	—	75,000
	<u>51,143</u>	<u>488,418</u>

In February 2017, the Charity reached a settlement with HMRC for £301,062 of the VAT in dispute, relating to the period from January 2012 to December 2015. All VAT relating to the periods thereafter has been successfully reclaimed.

7 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	2,640	45,428
Loan (note 8)	27,535	49,995
VAT payable	—	39
Other creditors	4,210	—
Accruals and deferred income	<u>131,301</u>	<u>171,614</u>
	<u>165,686</u>	<u>267,076</u>

8 Creditors: amounts falling after more than one year

	2017 £	2016 £
Loan	75,842	144,978

This relates to a bank borrowing facility with Charity Bank, secured against the Charity's property assets. This facility is available for a period of seven years with £27,535 repayable within one year.

9 Restricted funds

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

	Balance at 1 September 2016 £	Donations £	Expenditure £	Transfers £	Balance at 31 August 2017 £
Development Fund	207,568	200,000	(215,388)	(192,180)	—

The Development Fund represents funds donated for the specific purpose of funding the Charity's development. Works on Phases 1 and 2 of the masterplan for the site occupied by the Art School completed between 2010 and 2015 were fully expended in the year that the expenditure was incurred. Phase 2 related work completed in 2016 was mostly capital in nature. Once the capital expenditure was incurred, the restricted fund balances were transferred to a designated fixed asset fund, as explained in note 10 below. Landscaping related work conducted in 2017 was fully expended, as was planning related work on future masterplan phases.

10 Unrestricted Funds

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers £	Balance at 1 September 2017 £
General Fund	72,037	175,584	(179,685)	(93,509)	(25,573)
Designated Fund	1,104,937	—	(74,143)	285,689	1,316,483
	1,176,974	175,584	(253,828)	192,180	1,290,910

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

Notes to the financial statements 31 August 2017

A total of £285,689 was transferred to the designated fund during the year, representing the capital additions. £192,180 of this capital work was funded from restricted revenue funds raised. The remaining £93,509 of capital work was funded from the general fund, which was required due to a backlog of project spend from past years being realised in this financial year. This arose due to the level of disallowed VAT recovery on works of earlier periods conceded as part of the settlement agreed with HMRC in February 2017. As a result the general fund showed a deficit of £25,573 at the end of the financial year. Aside from the deficit arising as a result of the dispute with HMRC, the Charity has successfully budgeted each phase of its property development work in order to manage expenditure within the limits of the Charity's income sources.

11 Analysis of net assets between funds

	General fund £	Designated funds £	Restricted funds £	Total 2017 £
Fund balances at 31 August 2017 are represented by:				
Tangible fixed assets	—	1,316,483	—	1,316,483
Current assets	215,955	—	—	215,955
Creditors: amounts falling due within one year	(165,686)	—	—	(165,686)
Creditors: amount falling due in more than one year	(75,842)	—	—	(75,842)
Total net assets	(25,573)	1,316,483	—	1,290,910

12 Liability of members

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

13 Leasing commitments

Operating leases

At 31 August 2017 the total of the Charity's future minimum payments under non-cancellable operating leases was:

	Buildings	
	2017 £	2016 £
Amounts due within one year	39,400	39,400
Amounts due between one and five years	39,400	118,200

14 Capital commitments

As at 31 August 2017, the Charity had capital commitments of £nil (2016 - £100,000).

15 Related party transactions

The City & Guilds of London Art School has two Trustees (B Finucane and J Taylor) in common with the City and Guilds Art School Property Trust and is a related party. The Trust charged the Art School £175,584 plus VAT in rent during the year (2016 – £171,656 plus VAT) and the Art School charged the Charity a management fee for services provided of £68,234 (2016 – £72,000). The Charity made a grant of £30,000 during the year to the Art School (2016 - £nil).