

Company registration number 03659214
Charity number: 1079796

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

KABBALAH CENTRE

(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES, AND ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2020

Trustees

Marcus Weston
Gladys Obadiah
Lady Homa Alliance
Rabbi Yarom Yardeni
Michael Berg
Yael Green – appointed on the 18th September 2020

Company registered number

03659214

Charity registered number

1079796

Registered office

12 Stratford Place, London, W1C 1BB

Company secretary

Gladys Obadiah

Independent auditors

Sayer Vincent LLP, Invicta House, 108 – 114 Golden Lane, London, EC1Y 0TL

Fund Managers

1. Barclays Bank PLC, 1 Churchill Place, Canary Wharf, London, E15 5HP
2. Axentia Wealth Management Limited, 1 David Hameleh, Tel Aviv-Jaffa, Israel
3. Union Bancaire Privee, UBP SA Bahnhofstrasse 1 CH -8027 Zurich, Switzerland

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Trustees present their annual report together with the audited financial statements of the Kabbalah Centre for the year 1 January 2020 to 31 December 2020.

Since the charity and the group qualifies as small under section 383, the strategic report required of medium and large companies under The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 is not required.

Objectives and Activities

POLICIES AND OBJECTIVES

The charities objective is to make the ancient spiritual wisdom of Kabbalah more readily available to people of all backgrounds, and in turn to build global consciousness around the primary Kabbalah principles of tolerance, sharing, proactive behaviour, and human dignity.

The Kabbalah Centre achieves the above by:

- Delivering a wide range of educational Kabbalah courses that are open to all, regardless of religious, ethnic, or economic backgrounds. Educational resources include seminars, workshop experiences, online study material, virtual classrooms, and other special events. The ongoing development and delivery of the educational programs are carried out by a dedicated and committed team of qualified Kabbalah teachers who are also available to provide one on one support to students.
- Promoting and organising a series of spiritual events aligned to the Kabbalah calendar throughout the year. The events are open to all and provide an opportunity for ongoing spiritual development and learning while also assisting the Centre to raise funds to continue its charitable mission.
- Working with the wider community to deliver a range of charitable programmes. The Kabbalah Centre has created several community-focused programmes that provide direct physical support and assistance to people living in less fortunate conditions.

STRATEGIES FOR ACHIEVING OBJECTIVES

The key overall strategy for the Kabbalah Centre is to continually expand its reach into communities across Europe.

The objective is to continually grow student registrations, across the main cities in Europe and deliver high-quality spiritual education and instill community practices that are relevant to the world we live in today. The ultimate aim is to provide the students with practical life skills and spiritual tools to create a better quality of life for all of humanity – the students, their families, and the wider community within which they live.

We initially set out this year's operational strategy with the above in mind at the start of the year, however, changes were necessary as a result of the COVID pandemic, limiting travel and opportunities for class-based training. During the first quarter of 2020, the focus was on growing student registrations across all the Centres in Europe.

Following the COVID 19 travel and other restrictions, the strategy and focus from Q2 onwards was changed from a location-based educational model (with physical Centres and class attendance) to a virtual model. The change required further in-depth and urgent research into understanding the needs of the community in the midst of the global chaos and disruption brought about by the pandemic, adapting the model, and finding ways to stay relevant, stabilise and expand the online offering.

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ACTIVITIES FOR ACHIEVING OBJECTIVES

The key activities aligned to the strategic objectives in this financial year were:

- The increased investment and focus in social media and digital marketing strategies to attract a worldwide audience. The Centre opted to invest in higher quality social media advertising and marketing activities to identify and attract a larger cross-section of spiritually hungry students.
- that the Centre managed to significantly enhance its online material by featuring over 100 new topical subjects in multiple European languages. This initiative contributed to the significant increase in student enrolments and registration of new members in 2020.
- Adapting the range of membership programs to be more inclusive and fit for the present circumstances.

MAIN ACTIVITIES UNDERTAKEN TO FURTHER THE CHARITY'S PURPOSES FOR PUBLIC BENEFIT

The Trustees ensure that the activities of the charity are consistent with its charitable objects and aims. In setting and agreeing on the annual plans, the Trustees take the public benefit aims into account as set out in the Charity Commission's general guidance on public benefit. The Trustees continue to believe that there is a clear public benefit derived from the activities of the Kabbalah Centre.

We continued to provide Kabbalah courses in person and online, one on one spiritual support, and mentorship by trained and experienced teachers during 2020. The Kabbalah Centre specifically adapted its model to incorporate a series of online spiritual activities reaching a global audience, during the year. The focus of the Kabbalah Centre's charitable purpose is to reach more students from all walks of life who have an interest or desire to learn about spirituality and how to practically understand and apply the ancient wisdom of Kabbalah.

The Kabbalah teaching staff has developed a range of spiritual courses for the public to access. The courses start from a foundation or beginner level (Kabbalah 1) and gradually move into the more spiritually advanced or deeper levels of spiritual understanding as the student progresses from Kabbalah 1 to Kabbalah 4. In addition to the courses outlined above the offering includes more advanced courses beyond Kabbalah 4. The classes, seminars, and events offered by the Kabbalah Centre are available throughout the year to existing community members and the general public, the purpose is to continuously strengthen the student's spiritual growth and consciousness providing them with the day to day tools and skills to achieve their life goals and contribute positively to the wider society and community including serving as a volunteer on specific community projects.

The demand for scholarships and subsidised course fees increased in 2020 as more students struggled to pay the standard course fee due to the COVID pandemic. The Centre granted 121 (valued at £72,600) full scholarships to students committed to long-term study during this financial year.

In 2020, we grew the Onehouse Community Membership globally adding a further 1,000 new members. The membership program was launched in 2019 and provides an all-in-one spiritual learning program that gives members access to all digital content as well as in-person events and classes. The Onehouse membership scheme gives students the power to instantly connect with Kabbalistic tools and wisdom from anywhere in the world at any time. The student support department exists to help students chart a personal plan of study tailored to their specific needs, interests, and schedule. Teachers connect one on one with students from anywhere in the world to advise, listen to, and support the students on their spiritual path.

The Zohar Project provides the foundation and an integral component of the Centre's charitable activities. The Zohar is written in the ancient language of Aramaic containing universal wisdom that predates religion, to inspire and unify millions of people of all nationalities, faiths, and backgrounds. The Zohar promotes universal principles, emphasising the profound importance of human dignity and respect, thereby fostering peace and unity amongst all people. The Zohar project activities were negatively impacted by the COVID restrictions, however, the charity did manage to distribute 3,343 large Zohar volumes and 10,000 pocket-size Zohars during the year.

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Giving Water is another key global project within the Kabbalah Centre. The Trustees identified that approximately 1 in 10 people across the globe lack access to clean water, which is one of life's most basic necessities. The Kabbalah Centre's new Giving Water initiative is named for its sharing capacity: For every bottle of water sold, The Kabbalah Centre provides 10 litres of clean drinking water to those in need.

The Kabbalah Centre is involved in several outreach projects together with Action4London, including providing toys and gifts at Christmas for homeless organisations and sandwich making throughout the year for homeless shelters

The Kabbalah Centre continued to push ahead with the planned publishing activities following on from the purchase of the digital writings in 2019, the inability to travel and meet with prospective publishing and distribution companies restricted the amount of progress that could be made during the year.

Plans for future periods

The Charity continues to review its operational plan on an ongoing basis to assess how it can grow and better utilise its assets and facilities across London and Europe to achieve a more sustainable and impactful business model whilst delivering its mission and charitable objectives. The primary goal is to continue to increase student enrolment numbers and to expand into more communities in a sensible, organised, and financially sustainable manner.

It is envisaged that the desired growth will be achieved by:

- The investment in a new global communications and marketing strategy – expanding the global team, investment in technology, software, and more regionally focused marketing.
- Further investment in upgrading and developing our IT systems, governance processes, and internal procedures.
- Ongoing training and development of the teaching staff, recruiting and training mentors from the pool of volunteers that work with the Centre
- Developing the vacant land (Bourne Mews) and upgrading the existing building at 12 Stratford Place.
- The commercialisation and effective internal use of the digital writings purchased in 2019.

The Charity continued to deliver online training courses throughout 2020 despite the challenges brought about by the COVID 19 pandemic. We managed to adapt the course content and teaching model from the normal classroom environment to an online offering, allowing students to register and join the course from anywhere in the world and giving them the option to only pay what they could afford. This increased student enrolments and course participation during the second half of the year.

The Teachers continued to engage with their students and connect with them online for their personal one-on-one sessions throughout the year. The management team and teaching staff will continue to reassess and adapt the operating model incorporating learning from the 2020 experience.

Specific Plans for the future

1. Building extension and property refurbishment.

The project to develop the vacant land (estimated investment of £8.1m) and refurbish 12 Stratford Place (estimated at £2m) picked up steam in the early part of 2020 but slowed down once again from April onwards due to COVID restrictions. The demolition package started and was completed by the end of the year. The cumulative expenditure on the above project at year-end amounted to £759k.

The Trustees continued to consult with a range of property experts to evaluate and reassess the building plans and the long-term viability of the project in light of COVID 19 and the expected decline for rental space in Central London over the next few years.

In addition to the above, the Centre also embarked on a building project to change the use of 29 Conway Street to an

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HMO (house in multiple occupation) which the Trustees believe will deliver a higher and more stable return in the long term. The project was driven by the desire to generate rental income from the property and diversify the charity's source of income, approximately 70% of the work at a cost of £116k was completed by year-end.

2. Publishing Activities

In 2019, the Centre invested in the purchase of sacred Kabbalistic writings by a renowned student of Kabbalah. The writings are considered to be the central textbooks for students of Kabbalah. We anticipate that these rare and historical writings will significantly enhance the Centre's unique content offering over many years.

The writings are in digital format and comprise more than 10,000 pages that have never been published.

The Centre has started working on the business plan, collaborating with independent publishing companies to translate, print, and distribute special leather-bound books from various extracts of the writings.

3. Europe & Africa Operations

In order to improve operational efficiency, create cost savings and enhance internal controls across the organisation the Trustees decided to reorganise the charity's management structure at the start of 2020. The reorganisation included the transfer of the group of teachers and other staff based in Israel from Kabbalah Learning Center Publications (registered in Israel) to the UK charity. The support departments and overall leadership were centralised and managed from the UK.

The above-mentioned reorganisation delivered cost savings of £808k and increased revenue of £263k in the first year, ongoing cost savings will be achieved as we continue to improve the systems and operating processes. The 2020 operating loss of £611k (2019: 2.1m) for the European division (KCE) represents a significant turnaround for the first time since 2016 (Average loss of £1.1m per year). The first-year results are positive and lay the foundation for the organisation to achieve its goal of breaking even within the next two years.

The Centre proceeded to register an independent legal entity in Italy during the year. We have a dedicated management team in place to oversee the operations, supported by the UK management team.

The Trustees are considering registering a charity in Spain during the year ahead.

Achievements and performance

KEY FINANCIAL PERFORMANCE INDICATORS

The Centre ended the financial year with an operating loss of £1,011,848 (2019: £2,839,335 profit) and an overall reduction in accumulated reserves of £935,349 (2019: £2,831,583 increase) after adjusting for foreign exchange gains and losses.

Total income decreased from £7.6m in 2019 to £2.9m this year. The major reason for the decline is due to the one-off restricted donation of £5m for the Bourne Mews building project received in 2019. Unrestricted income increased by 6% from £2.6m in 2019 to £2.7m this year despite the challenges and disruption brought about by COVID 19.

The charity has experienced a trend of declining unrestricted donations over the last five years. The increase in unrestricted income during this financial year is a positive turnaround from the last five year's performance

The current year's operational loss will be funded from the charities unrestricted reserves, the current level of reserves provides the foundation for the charity to continue to deliver its charitable activities and achieve its objectives without undue financial pressure.

Expenditure on charitable activities decreased by 24% from £5,158,882 last year to £3,997,095 in 2020.

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The following factors contributed to the significant decrease in charitable expenditure during 2020:

- The wide range of savings achieved from the reorganisation of the KCE structure and management team.
- Limited travel and hire of venues for courses and events.
- Reduced level of operational expenditure realised during the lockdown period.
- Reduced headcount.

The organisation's investments were valued at £24,956,056 (2018: £18,692,131) at the close of the financial year. £23m of the above-mentioned investments are managed by Barclays UK and invested in listed and therefore liquid assets. The investment portfolio managed by Barclays delivered a return of 11.97% in 2020 (7.45% over 3 years and 6.42% since inception). The Investment Committee formally started work this year. The Committee focused its efforts (a) on liquidating and transitioning the portfolio previously held with UBP & Axentia Wealth to Barclays Bank and (b) engaging with a range of UK fund managers to find a suitable fund manager as an alternative to Barclays Bank.

The UBP & Axentia portfolios did not perform favourably in 2020, the uncertainty and disruption from the COVID pandemic had a negative impact on the value of certain holdings held in the portfolio, this coincided with the Investment Committee's decision to liquidate and transfer a large portion of the investments to Barclays. The gains achieved from the Barclays portfolio were offset by the losses incurred from the above.

Cash on hand decreased from £9.2m in 2019 to £1.3m, £5m of the cash on hand at the close of last year was invested with Barclays.

REVIEW OF ACTIVITIES

We continue to measure the organisations progress against the following key indicators:

- The net financial results for the year and contribution towards unrestricted funds.
- The % growth in student numbers in London & Europe compared against the worldwide growth across all locations.
- The number of Kabbalah classes delivered during the year, attendance, and student participation in the wider activities offered at the Centre.
- The increase in the number of people attending the spiritual connections and other events held at the Centre.

2020 proved to be both a challenging but positive year and a difficult period for the Centre as a result of the political and economic instability across Europe, the Centre focused on delivering the revised marketing strategy, investing in new marketing channels in support of its growth strategy and ambition to reach a wider audience.

The importance of strengthening the governance processes was highlighted and recognised at the start of the year. The Trustees continued to focus on implementing the necessary improvements to the governance processes and procedures across the organisation. We now have the procedures in place to monitor and track related party transactions, the disclosure requirements thereof, and the management of any conflict of interests. We continue to update and report back to the charity commission in 2020 as the procedures and controls are implemented.

INVESTMENT POLICY AND PERFORMANCE

The charity has adopted a total return policy for the investment portfolio. The Centre's investment funds are placed with and managed by three qualified fund managers, who are provided with the organisations risk profile and investment policy for overall guidance. A new Investment Committee was put in place during the year which assumed the task of managing the Fund Managers performance and setting the investment strategy.

The Investment Committee continued to meet with the Fund Managers quarterly to review the performance and agree on the strategy for the next quarter.

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FACTORS RELEVANT TO ACHIEVE OBJECTIVES

Financial review

A summary of the financial performance for 2020 is set out in the statement of financial activities and the balance sheet on pages 10, to 14.

The organisation's consolidated Income for the year decreased from £7.6m in 2019 to £2.9m this year.

The Centre generates its income from the following sources

- Donations – 46% (2019: 80%). 2019 was an abnormal year as it included the one-off restricted donation of £5m representing 66% of the total income in that year. The current years 46% contribution brings the donation income in line with previous years
- Course fees – 16% (2019:10%)
- Trading activities – 2% (2019:2%)
- Investments – 13% (2019: 6%)
- Other income – 23%(2019:2%). Other income in this year includes £72k received from the UK Government job retention scheme and a further £315k building claim settled by TfL.

This year's results continue to highlight the unpredictability and over-reliance on donor income. The Trustees continue to be aware of the historical performance and the need to diversify and generate more income from trading activities, the investment portfolio, and rental income from the investment properties.

Total group expenditure decreased by 31% (2019:9% increase) in 2020, from £6.1m in 2019 to £4.2m this year. The charity managed to achieve significant cost savings mainly due to the restructuring and consolidation of the KCE operations previously based in Israel to the UK, additional cost savings were achieved in other areas such as travel, events, catering, building maintenance, utilities, and lower headcount as the organisation adapted its business model to work around the restrictions and limitations brought about by the COVID 19 pandemic.

The prior year's expenditure also included a one-off bad debt provision of £383k.

94% (2019:87%)of the total annual expenditure in the year was channeled towards the organisation's charitable activities and the balance spent on fundraising and governance-related activities.

GOING CONCERN

The Trustees are confident that the charity has adequate resources to continue its operational activities for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

Total funds decreased from £58.6million last year to £57.4 million. The Trustees continue to assess the impact of the COVID 19 pandemic on the charity and wider society at large on an ongoing basis. The Trustees are regularly reassessing the operational strategy and in particular, the long-term viability of the planned building works. The Trustees will continue to take specialist advice throughout the initial construction phase.

The investment portfolio has continued to perform well throughout 2020 achieving growth of 11.97 (2019: 11.67%) despite the market volatility we have seen since March 2020.

The Trustees review the level of resources annually and despite the challenges brought about by COVID 19 continue to believe that the charity is in a sound financial position with the appropriate level of unrestricted funds necessary to achieve the charities growth objectives and plans for the future.

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MATERIAL INVESTMENTS POLICY

The Trustees continue to consult widely, with a range of investment specialists to assess and understand the changing investment landscape. The investment policy is reviewed and updated as is considered necessary for the Charity, given the prevailing circumstances at the time.

The Centre's investment portfolio is managed by a team of reputable and professional investment managers who report directly to the Investment Committee on a quarterly basis.

Structure, governance, and management

GOVERNING DOCUMENT

Kabbalah Centre (the charity) is a company limited by guarantee, governed by its Memorandum and Articles of Association dated 29 October 1998. It is also registered as a charity (charity number: 1079796) with the Charity Commission of England and Wales.

The principal object of the charity and the group is to advance the understanding and ancient spiritual wisdom of the Kabbalah, to make the Kabbalah teachings more readily available to people of all backgrounds, and in turn to build global consciousness around the primary Kabbalah principles of tolerance, sharing, proactive behaviour, and human dignity.

ORGANISATIONAL STRUCTURE

The Kabbalah Centre was founded by Rav Yehuda Ashlag in 1992 and now has locations in more than 40 cities across the globe.

Kabbalah Centre International (KCI) serves as the global Head Office or reporting Centre for Europe & South America. KCI provides ongoing strategic support to the UK charity, the UK charity, in turn, has created two operating divisions (KCL & KCE) to implement and manage the activities across the United Kingdom and other European countries. The divisional operations are consolidated for accounting and reporting purposes, reporting to the UK Board. The UK Board of Trustees consists of six members, two of which also serve on the KCI Board.

KCL (the division) focuses solely on the charitable activities within the United Kingdom, whereas KCE (the division) has oversight over the operations across Europe and Africa. KCE provides the necessary operational support and guidance to the registered entities and study groups in Poland, France, Italy, Spain, Portugal, South Africa & Ivory Coast.

In order to meet local governance requirements, we have registered independent legal entities in Poland, France, Italy, South Africa, and the Ivory Coast, each of the mentioned countries has a Board and local management team who report to the Trustees via the UK based management team. The accounts for the above mentioned entities are not consolidated into the UK results .

The Trustees continue to recognise the potential conflict of interest issues that may arise as a result of the organisational structure outlined above. The charity has implemented further measures to strengthen the governance procedures to meet the required standard.

METHOD OF APPOINTMENT OR ELECTION OF TRUSTEES

The Charity appoints new Trustees by firstly assessing the functional skills and expertise required for the development and governance of the Kabbalah Centre and thereafter selects Trustees on that basis. The nominated new Trustee will be presented to the full Board for approval and acceptance before any appointment is made. The appointment of Trustees is governed by the Memorandum and Articles of Association. Trustee nominations are solicited internally from other current and past Trustees within the charity and its supporters. The new trustee is

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proposed, seconded, and voted in at a Board meeting.

Each new trustee is taken through an induction programme. The programme includes briefings on their legal and ethical responsibilities as trustees, the ethos and values of Kabbalah, and a historical overview of the organisation. The Trustees also receive the charity commission guidance documents and are required to read and sign the conflicts of interest and code of ethics documents.

ORGANISATIONAL STRUCTURE AND DECISION MAKING

The Board of Trustees, which must have at least three members, provides the governance, oversight, and strategic leadership of the Charity. The Board meets every three months.

REMUNERATION POLICY

The Centre aims to set remuneration levels for each position within the scale set by comparable charities, whilst being mindful of the specific range of business skills, spiritual knowledge, and commitment required to run an organisation of this nature.

RISK MANAGEMENT

The Trustees have assessed the major risks to which the charity and the group is exposed to, in particular those related to the operations and finances of the charity and the group, and are satisfied that adequate systems and procedures are in place to mitigate any exposure to the major risks identified. The Trustees and management assess the level of risk on an ongoing basis by looking at both the local UK charity sector and global trends, the charities financial performance, how global markets are responding to changing events, and other indicators within other Kabbalah Centres across the globe.

The Trustees have identified two principal risks which are (1) IT security; and (2) Investment Returns. Management is tasked with ensuring that the necessary measures are in place to ensure that all IT systems are protected and regular monitoring of the investments is carried out by the Investment Committee to ensure that the long-term investment returns are achieved and sustained. The investment strategy is reviewed annually to ensure that it is still realistic, relevant, and appropriate to achieve the required returns. Key organisational policies and procedures are reviewed annually to ensure that we reassess and continue to strengthen and enhance internal controls, reporting, and governance standards.

Reserves and reserves policy

The Trustees believe that the Charity should hold adequate unrestricted financial reserves to meet the identified risks. In assessing the level of risk, the Trustees agreed on the following

- Twelve months operating costs (£5.1m) covered by unrestricted reserves.
- An allocation of £3m from unrestricted funds to cover the planned building works over the next two years.
- An allocation of £1.2m to cover the cost of refurbishing 12 Stratford Place.
- Grants of £1m to be provided to support the start-up and expand Kabbalah operations in selected countries in Europe and Africa.

The Centre held unrestricted reserves of £52.5m (2019: £53.6) at the close of the financial year. The unrestricted reserves include land & buildings valued at £30.2m (2019:£30.1m), the remaining cash or liquid reserves of £22.3m (2019:£23.6m) is available to cover the targeted level of reserves mentioned below.

The targeted level of unrestricted reserves as at 31 December 2020 is £10.3m. The excess reserves are being held for future projects yet to be formalised and approved by the Trustees.

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TRUSTEES' RESPONSIBILITIES STATEMENT

The Trustees (who are also directors of Kabbalah Centre for the purposes of company law) 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).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditors are aware of that information.

This report was approved by the Trustees on 24 June 2021 and signed on their behalf by:

Gladys Obadiah
Trustee

Date 24 July 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

KABBALAH CENTRE

OPINION

We have audited the financial statements of Kabbalah Centre (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2020 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011

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

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Kabbalah Centre's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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OTHER INFORMATION

The other information comprises the information included in the trustees' annual report, other than the group financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the group 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the group financial statements themselves. 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' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements
- The trustees' annual 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 group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Act 2011 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The directors 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' annual report and from the requirement to prepare a strategic report.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

KABBALAH CENTRE

(A company limited by guarantee)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We enquired of management, which included obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
 - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
 - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the group from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

KABBALAH CENTRE

(A company limited by guarantee)

USE OF OUR REPORT

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. 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.

Jonathan Orchard (Senior statutory auditor)
27 July 2021
for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

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

Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 December 2020

				2020	Restated		Restated
	Note	Unrestricted £	Restricted £	Total £	Unrestricted £	Restricted £	2019 Total £
Income from:							
Donations and legacies	3	1,235,691	117,507	1,353,198	1,111,402	5,054,355	6,165,757
Charitable activities – Kabbalistic Education		456,769	–	456,769	792,936	–	792,936
Other trading activities		57,065	–	57,065	120,510	–	120,510
Investments	3	369,954	–	369,954	390,251	–	390,251
Other		684,307	–	684,307	173,107	–	173,107
Total income		2,803,786	117,507	2,921,293	2,588,205	5,054,355	7,642,561
Expenditure on:							
Raising funds	4a	239,400	–	239,400	980,770	–	980,770
Charitable activities		3,980,371	–	3,980,371	5,158,882	–	5,158,882
Total expenditure		4,219,770	–	4,219,770	6,139,652	–	6,139,652
Net income / (expenditure) before net gains / (losses) on investments		(1,415,984)	117,507	(1,298,477)	(3,551,447)	5,054,355	1,502,909
Net gains on investments		286,629	–	286,629	1,336,426	–	1,336,426
Net income / (expenditure) for the year	9	(1,129,355)	117,507	(1,011,848)	(2,215,021)	5,054,355	2,839,335
Transfers between funds			–	–	–	–	–
Net income / (expenditure) before other recognised gains and losses		(1,129,355)	117,507	(1,011,848)	(2,215,021)	5,054,355	2,839,335
Losses on foreign exchange translation		(5,182)	–	(5,182)	(7,751)	–	(7,751)
Gains / (losses) on revaluation of fixed assets		(770,000)	–	(770,000)	–	–	–
Gains / (losses) due to change in accounting estimate for fixed assets		637,369	–	637,369	–	–	–
Other gains / (losses)		214,312	–	214,312	–	–	–
Net movement in funds		(1,052,856)	117,507	(935,349)	(2,222,772)	5,054,355	2,831,583
Reconciliation of funds:							
Total funds brought forward		53,602,814	5,054,355	58,657,169	55,825,586	–	55,825,586
Total funds carried forward		52,549,958	5,171,862	57,721,819	53,602,814	5,054,355	58,657,169

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 29a to the financial statements.

As at 31 December 2020

	Note	The group		The charity	
		2020 £	2019 £	2020 £	2019 £
Fixed assets:					
Tangible assets	10a	23,439,253	22,404,643	23,439,253	22,404,643
Intangible assets	10b	2,144,507	2,352,224	2,144,507	2,352,224
Investment properties	11	7,046,202	7,700,000	7,046,202	7,700,000
Investments	12	24,956,056	18,692,131	24,956,056	18,692,131
		57,586,018	51,148,998	57,586,018	51,148,998
Current assets:					
Stock	15	89,409	60,505	89,409	60,505
Debtors	16	320,258	198,397	320,258	198,397
Cash at bank and in hand		1,281,791	9,200,994	1,281,791	9,200,994
		1,691,457	9,459,896	1,691,457	9,459,896
Liabilities:					
Creditors: amounts falling due within one year	17	(548,279)	(1,253,465)	(548,279)	(1,253,465)
Net current assets		1,143,178	8,206,431	1,143,178	8,206,431
Total assets less current liabilities		58,729,195	59,355,429	58,729,195	59,355,429
Creditors: amounts falling due after one year	18	(1,007,377)	(698,260)	(1,007,377)	(698,260)
Total net assets		57,721,819	58,657,169	57,721,819	58,657,169
Funds:	21a				
Restricted funds		5,171,862	5,054,355	5,171,862	5,054,355
Unrestricted income funds:					
Unrestricted funds		39,640,475	40,775,012	39,640,475	40,775,012
Revaluation reserve		12,909,482	12,827,802	12,909,482	12,827,802
Total unrestricted funds		52,549,957	53,602,814	52,549,957	53,602,814
Total funds		57,721,819	58,657,169	57,721,819	58,657,169

Approved by the trustees on 24 June 2021 and signed on their behalf by

Gladys Obadiah
Trustee

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	2020 £	£	2019 £	£
Cash flows from operating activities					
Net income / (expenditure) for the reporting period (as per the statement of financial activities)		(1,011,848)		2,839,335	
Depreciation and amortisation charges		679,636		541,562	
Bad debt expense		21,108		–	
(Gains)/losses on investments		(1,263,925)		(1,336,426)	
Interest charge		8,928		11,245	
Tax paid		–		–	
Dividends, interest and rent from investments		(369,954)		(390,251)	
(Gains) / losses on foreign exchange		5,182		7,751	
(Increase)/decrease in stocks		(28,904)		246,802	
(Increase)/decrease in debtors		(121,861)		96,069	
Increase/(decrease) in creditors		(396,069)		1,286,857	
Net cash used in operating activities		(2,477,707)		3,302,944	
Cash flows from investing activities:					
Dividends, interest and rents from investments		369,954		390,251	
Purchase of fixed and intangible assets		(763,878)		(2,495,448)	
Proceeds from sale of investments		6,747		7,305,456	
Purchase of investments		(5,000,000)		–	
Increase in cash held by investment manager		–		(3,677,570)	
Net cash (used in) / provided by investing activities		(5,387,177)		1,522,689	
Cash flows from financing activities:					
Repayments of borrowing		(54,320)		(11,245)	
Net cash used in financing activities		(54,320)		(11,245)	
Change in cash and cash equivalents in the year		(7,919,204)		4,814,388	
Cash and cash equivalents at the beginning of the year		9,200,994		4,386,606	
Cash and cash equivalents at the end of the year	a	1,281,790		9,200,994	

Analysis of cash and cash equivalents and of net debt

	At 1 January 2020 £	Cash flows £	Other non- cash changes £	At 31 December 2020 £
Cash at bank and in hand	9,200,994	(7,919,204)		1,281,790
a Total cash and cash equivalents	9,200,994	(7,919,204)		1,281,790
Loans falling due within one year	375,518	(375,518)	–	–
Loans falling due after more than one year	403,427	330,103	–	733,530
Finance lease obligations	–	–	–	–
Total	778,945	(45,415)	–	733,530

1 Accounting policies

a) Statutory information

Kabbalah Centre is a charitable company limited by guarantee and is incorporated in England and Wales.

The registered office address and principal place of business is 12 Stratford Place, London, W1C 1BB.

b) Basis of preparation

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 SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

These financial statements consolidate the results of the charity and its wholly-owned subsidiary Kabbalah Limited on a line by line basis. Transactions and balances between the charity and its subsidiary have been eliminated from the consolidated financial statements. Balances between the two entities are disclosed in the notes of the charity's balance sheet. A separate statement of financial activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

c) Public benefit entity

The charity meets the definition of a public benefit entity under FRS 102.

d) Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

Key judgements that the charity has made during this financial year which have a significant effect on the accounts include the revaluation of the two investment properties owned by the charity.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

f) Interest receivable

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 or fund manager.

g) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. The existing restricted funds are specifically for (a) the Bourne Mews building project and (b) the free distribution of Zohar's across Europe and Africa. Expenditure which meets this criteria is charged to the relevant fund when the activity is completed.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

1 Accounting policies (continued)

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit 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. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Governance costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred on the charity's operations.

i) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity.

All support costs have been allocated to charitable activities. Governance costs are re-allocated to each of the activities on the basis of direct expenditure as follows:

● Raising voluntary income	16%
● Charitable activities	84%

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

j) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

● Freehold property	2% straight line
● Motor vehicles	33% straight line
● Fixtures and fittings	33% straight line
● Other fixed assets	33% straight line
● Sefer Torah	0%

The charity has adopted the revaluation model to revalue items of property, plant and equipment whose fair value can be measured reliably. The revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. The fair value of items of plant and machinery is usually their market value determined by appraisal.

The charity has reconsidered the accounting treatment of the Sefer Torah (scrolls) given the nature and use of the assets. The current years accounts were adjusted to reflect this change in accounting estimate. The Sefer Torah are held for their contribution to Kabbalah practices, knowledge and used in worship and no longer depreciated.

Revaluation gains and losses are recognised in the revaluation reserve.

1 Accounting policies (continued)

k) Intangible assets

Intangible assets are capitalised where the purchase price exceeds £500. These costs are amortised over the estimated useful life of 10 years.

l) Foreign currency translations

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the average rate of exchange for the year. Exchange differences are taken into account in arriving at the net incoming resources for the year.

m) Investment properties

Investment properties are measured initially at cost and subsequently included in the balance sheet at fair value. Investment properties are not depreciated. Any change in fair value is recognised in the statement of financial activities. The valuation method used to determine fair value will be stated in the notes to the accounts.

n) Listed investments

Investments are a form of basic financial instrument and 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. Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

o) Investments in subsidiaries

Investments in subsidiaries are at cost.

p) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks. Donated items of stock, held for distribution or resale, are recognised at fair value which is the amount the charity would have been willing to pay for the items on the open market. The charity retains a small amount of inventory of books (Zohars) some of which are distributed for free as part of the Zohar project.

q) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

r) Short term deposits

Short term deposits includes cash balances that are invested in accounts with a maturity date of between 3 and 12 months.

s) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

t) Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

u) Financial instruments

The charity only 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.

v) Pensions

The charity operates a defined contribution pension scheme and the pension charge represents the amounts payable by the charity to the fund in respect of the year.

2 Income from donations and legacies

	Unrestricted £	Restricted £	2020 Total £	Unrestricted £	Restricted £	2019 Total £
Donations	1,235,691	117,507	1,353,198	1,111,402	5,054,355	6,165,757
	<u>1,235,691</u>	<u>117,507</u>	<u>1,353,198</u>	<u>1,111,402</u>	<u>5,054,355</u>	<u>6,165,757</u>

3 Income from investments

	Unrestricted £	Restricted £	2020 Total £	Unrestricted £	Restricted £	2019 Total £
Bank and other interest receivable	112,351	–	112,351	210,206	–	210,206
Dividends received – listed investments	145,776	–	145,776	180,045	–	180,045
	<u>258,127</u>	<u>–</u>	<u>258,127</u>	<u>390,251</u>	<u>–</u>	<u>390,251</u>

Notes to the financial statements

For the year ended 31 December 2020

4a Analysis of expenditure (current year)

	Cost of raising funds £	Charitable activities £	Governance costs £	2020 Total £	2019 Total £
Staff costs (Note 6)	–	1,685,640	–	1,685,640	1,171,418
Depreciation and amortisation	–	616,893	–	616,893	541,563
Other direct costs	–	1,623,918	–	1,623,918	3,692,315
Investment manager fees	173,680	–	–	173,680	200,007
Fundraising trading	62,278	–	–	62,278	468,429
Audit costs	–	–	57,361	57,361	65,920
	<u>235,958</u>	<u>3,926,452</u>	<u>57,361</u>	<u>4,219,770</u>	<u>6,139,652</u>
Governance costs	<u>3,442</u>	<u>53,919</u>	<u>(57,361)</u>	<u>–</u>	<u>–</u>
Total expenditure 2020	<u>239,400</u>	<u>3,980,371</u>	<u>()</u>	<u>4,219,770</u>	
Total expenditure 2019	<u>980,770</u>	<u>5,158,882</u>	<u>–</u>		<u>6,139,652</u>

Notes to the financial statements

For the year ended 31 December 2020

4a Analysis of expenditure (prior year)

	Cost of raising funds £	Charitable activities £	Governance costs £	2019 Total £	2018 Total £
Staff costs (Note 6)	–	1,171,418	–	1,171,418	1,171,448
Depreciation and amortisation	–	541,563	–	541,563	485,784
Other direct costs	270,163	3,224,505	197,647	3,692,315	3,093,698
Investment manager fees	200,007	–	–	200,007	180,434
Fundraising trading	468,429	–	–	468,429	682,335
Audit costs	–	–	65,920	65,920	21,630
	938,599	4,937,486	263,567	6,139,652	5,635,329
Governance costs	42,171	221,396	(263,567)	–	–
Total expenditure 2019	980,770	5,158,882	–	6,139,652	
Total expenditure 2018	1,079,170	4,556,159	–		5,635,329

Notes to the financial statements

For the year ended 31 December 2020

5 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2020 £	2019 £
Depreciation and amortisation	616,893	526,317
Loss or profit on disposal of fixed assets	(3,423)	–
Interest payable	8,928	11,032
Operating lease rentals payable:		
Property	162,587	137,089
Operating lease rentals receivable:		
Property	(111,827)	(164,045)
Auditor's remuneration (excluding VAT):		
Audit	22,000	37,925
Under-accrual for audit in prior year	22,751	27,995
Other services	12,608	–
Foreign exchange gains or losses	5,182	7,751

6 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2020 £	2019 £
Salaries and wages	1,458,746	768,593
Social security costs	32,640	219,645
Employer's contribution to defined contribution pension schemes	19,228	13,335
Housing and other benefits	175,026	169,874
	1,685,640	1,171,448

The following number of employees received employee benefits (excluding employer pension costs and employer's national insurance) during the year between:

	2020 No.	2019 No.
£50,000 – £69,999	3	1
£70,000 – £79,999	4	–
£80,000 – £89,999	1	–
£90,000 – £99,999	–	1
£100,000 – £110,00	1	–
£170,000 – £180,000	–	1
£180,001 – £190,000	–	–
£190,001 – £200,000	1	–

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £362,502 (2019: £349,244). We have identified the following employees as key management : Chana Grinfeld, David Grinfeld, Avraham Nahmias & Meir Yeshurun due to the nature of thier role and seniority within the organisation as a whole. The teaching staff dedicate many years of study and spiritual practice to Kabbalah which generally extends to their entire family structure (wife & children), it is therefore common practice that a whole family unit may be involved with the charity in some capacity from time to time.

Osnat Yeshurun is related to Meir Yeshurun and she earned a salary of £13,019 (2019:£10,516) during the year. Ruth Nahmias is related to Avraham Nahmias and she earned a salary of £30,292(2019:£23,093) during the year.

The charity trustees were neither paid nor received any other benefits from employment with the charity during the year (2019: £nil). No charity trustee received payment for professional or other services supplied to the charity (2019: £nil).

Trustee expenses represent the payment or reimbursement of travel and subsistence expenses incurred by two of the three overseas based Trustees totalling £9,137 (2019: £15,986 for 2 Trustee). The overseas travel is necessary to provide ongoing high level operational and spiritual support to the London and European centres.The visits allow for face to face meetings with the Kabbalah community and key donors across Europe.

7 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 33 (2019: 36.5).

8 Related party transactions

The charity owed Kabbalah Centre International (KCI) a sum of £300,354 (2019: £294,833) at the close of the financial year. The loan is USD denominated and adjusted for any currency fluctuation at the close of the financial year. The loan is subject to 3.25% interest per annum as reflected in the updated loan agreement which also requires that the debt be repaid in full within six years (2027). KCI is deemed to be a related party by virtue of the two entities having common Trustees in the form of Michael Berg, Eliyahu Yardeni and Marcus Weston as a KCI employee.

The charity granted an interest free loan to Lifestream Technology for the Soul GmbH (a Company registered in Germany when the Kabbalah Centre was set up in Berlin) to support the establishment of a separate and independent charity in Germany. At the close of the financial the loan balance due from Lifestream for Technology amounted to £390,662 (2019: £383,481). The loan was fully provided against in 2019 pending further review of the the Berlin Centres financial position.

Kabbalah Centre International (KCI) manages the printing and publication of all Kabbalah books that are distributed globally. The charity purchased books from KCI for resale to the value of £24,316 during the year.

The Kabbalah Centre launched a global membership scheme and package in 2019, community members that sign up and join the scheme have access to the services and facilities provided across all the countries where there is a physical presence. The membership scheme is managed by Kabbalah Centre International (KCI) who in turn provide grant funding to the UK charity to cover the cost of providing the service to the members. The charity received a grant of £57,877 (2019: \$19,697) during the year.

We have identified the following as related parties by virtue of the charity having common Trustees with Kabbalah Centre International, a US registered non profit: Michael Berg, Elihayu Yardeni & Marcus Weston. The mentioned Trustees claimed travel expenses of £9,137 (2019: £12,630) during the year, all of which is business related travel. The breakdown of the expenses by Trustee is: Michael Berg £8,120 (2019: £5,157), Elihayu Yardeni £1,017 (2019: 7,473).

The related party disclosure extends to the spouses and family members of the Trustees mentioned and include the late Karen Berg, Monica Berg & Yael Yardeni who provide Teaching and other specialist services (astrology reading, publishing books etc) related to the Kabbalistic spiritual philosophy and practices in conjunction with their partners from time to time. The above incurred travel related expenses of £ Nil (2019: £13,214) during the year split as follows, the late Karen Berg £Nil (2019: £5,050) Monica Berg £Nil (2019: £5,273) & Yael Yardeni £Nil (2019: £2,891)

The Charity provides ongoing Teaching and marketing support to the independently registered entities across Europe & Africa, who may have common Trustees. The cost of the services provided are recovered as an administration fee, during 2020 the charity received administration fees of £225,202. The fees were received from the following Centres, France (£6,089), South Africa (£7,873), Ivory Coast (£26,096) Poland (£95,498).

The Trustees also have family members who are part of the Kabbalah community and participate in various activities on the same terms and basis as the general public. The aggregated voluntary donations and purchase of event tickets from the Trustees and family members during the year was £29,073 (2018: £11,371).

The Charity entered into a one year rental agreement with the Weston family to rent a property occupied by an employee. The annual rental for the property is £31,980.

9 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's trading subsidiary Kabbalah Limited distributes any available profits to the parent charity. Its charge to corporation tax in the year was:

	2020 £	2019 £
UK corporation tax at 19%	-	-

10a Tangible fixed assets

For the charity and the group	Freehold property £	Other fixed assets £	Total £
Cost or valuation			
At the start of the year –	24,100,000	849,335	24,949,335
Additions in year	759,128	4,750	763,878
Disposals in year	–	–	–
Increase/ (decrease) due to change in accounting estimate		386,676	386,676
Opening balance adjustment		(17,326)	(17,326)
At the end of the year	24,859,128	1,223,435	26,082,562
Depreciation			
At the start of the year –	1,748,127	796,565	2,544,692
Charge for the year	362,000	7,409	369,409
Increase/ (decrease) due to change in accounting estimate		(250,692)	
Opening balance adjustment	61,873	(81,972)	(20,099)
At the end of the year	2,172,000	471,310	2,643,310
Net book value			
At the end of the year	22,687,128	752,125	23,439,253
At the start of the year –	22,351,873	52,770	22,404,643

Land with a value of £6,000,000 (2019: £9,287,004) and building work in progress expenditure of £759,128 is included within freehold property and not depreciated.

Any properties held at valuation were last valued in 2015. The properties are currently undergoing significant structural changes which will ultimately impact on the valuation. The Trustees have taken the decision to hold back on any further valuation until the construction work is completed. The additions to freehold property reflect the expenditure incurred on the construction work during the year.

Other fixed assets include items (valued at £728,436) reclassified as heritage assets which are used in worship and not depreciated. The accounting adjustments are reflected above as a change in accounting estimate.

All of the above assets are solely used for charitable purposes.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

Group	2020 £	2019 £
Cost	9,824,198	9,824,198
Accumulated depreciation	–	(2,253,861)
Net book value	9,824,198	7,570,337

10b Intangible assets

	The group 2020 £	2019 £	The charity 2020 £	2019 £
Digital Kabbalistic writings by scholar Rav Ashlag				
Cost	2,474,834	2,429,343	2,474,834	2,429,343
Amortisation	(330,327)	(77,119)	(330,327)	(77,119)
	2,144,507	2,352,224	2,144,507	2,352,224

11 Investment properties

	The group		The charity	
	2020	restated 2019	2020	restated 2019
	£	£	£	£
Fair value at the start of the year	7,700,000	7,700,000	7,700,000	7,700,000
Additions –building work in progress	116,202	–	116,202	–
Revaluation during the year	(770,000)	–	(770,000)	–
Fair value at the end of the year	7,046,202	7,700,000	7,046,202	7,700,000

The properties mentioned above are Harley House and Conway Street properties, that were last valued on 25 March 2020 and 7 April 2020 respectively by an independent professional valuer. The trustees have since reviewed the property market in Central London and decided to adjust the property values by 10% as a result of the lower property prices after COVID 19.

The Trustees did recognise when preparing the prior year accounts, that as a result of COVID 19, property values in Central London would most likely decrease in 2020. The 2020 accounts have taken the decreased property values into account in this financial year. The Trustees will continue to monitor property values on an annual basis.

12 Listed investments

	The group		The charity	
	2020	2019	2020	2019
	£	£	£	£
Fair value at the start of the year	18,692,131	20,954,557	18,692,131	20,954,557
Additions at cost	5,000,000	–	5,000,000	–
Interest & Dividends earned	176,319	–	176,319	–
Management fees paid	(71,716)	–	(71,716)	–
Funds withdrawn	(429,359)	–	(429,359)	–
Disposal proceeds	1,302,052	(7,305,456)	1,302,052	(7,305,456)
Net gain / (loss) on change in fair value	286,629	1,365,460	286,629	1,365,460
	24,956,056	15,014,561	24,956,056	15,014,561
Cash held by investment broker pending reinvestment	–	3,677,570	–	3,677,570
Fair value at the end of the year	24,956,056	18,692,131	24,956,056	18,692,131

Investments comprise:

	The group		The charity	
	2020	2019	2020	2019
	£	£	£	£
Listed on various Stock Exchanges	23,055,242	9,505,358	23,055,242	9,505,358
Unlisted shares and loan notes	1,900,813	5,509,203	1,900,813	5,509,203
Investments in UK subsidiary	–	–	–	2
	24,956,056	15,014,561	24,956,056	15,014,563

13 Subsidiary undertaking

The charity owns the whole of the issued ordinary share capital of Kabbalah Limited, a company registered in England. The company number is 03795511. The registered office address is 12 Stratford Place, London, England, W1C L88.

The subsidiary discontinued its trading activities completely in 2020.

The trustees Marcus Weston and Gladys Obadiah are also directors of the subsidiary.

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

	2020 £	2019 £
Turnover	–	42,559
Cost of sales	–	–
Gross profit	–	42,559
Administrative expenses	–	(516,447)
Loss on ordinary activities before interest and taxation	–	(473,888)
Interest receivable and similar income	–	–
Interest payable	–	–
Loss on ordinary activities before taxation	–	(473,888)
Taxation on profit on ordinary activities	–	–
Loss for the financial year	–	(473,888)
Other comprehensive income for the year		
Currency translation differences	–	–
Total comprehensive loss for the year	–	(473,888)
Retained earnings		
Total retained earnings brought forward	(838,648)	(364,760)
Loss for the financial year	–	(473,888)
Total retained earnings carried forward	(838,648)	(838,648)
The aggregate of the assets, liabilities and reserves was:		
Assets	–	1,192
Liabilities	–	(839,840)
Reserves	–	(838,648)

Amounts owed to/from the parent undertaking are shown in note 8.

14 Parent charity

The parent charity's gross income and the results for the year are disclosed as follows:

	2020 £	2019 £
Gross income	2,921,293	7,648,002
Result for the year	(2,222,772)	2,831,583

15 Stock

	The group 2020 £	2019 £	The charity 2020 £	2019 £
Finished goods	89,409	60,505	89,409	60,505
	89,409	60,505	89,409	60,505

16 Debtors

	The group 2020 £	2019 £	The charity 2020 £	2019 £
Trade debtors	17,375	19,915	–	19,915
Other debtors	78,088	87,889	–	87,889
Amounts due from group undertakings	(291)	113	–	113
Prepayments and accrued income	225,086	90,480	–	90,480
	320,258	198,397	–	198,397

17 Creditors: amounts falling due within one year

	The group 2020 £	2019 £	The charity 2020 £	2019 £
RBS Bank loans	–	375,518	–	375,518
Other loan – KCI	26,508	–	26,508	–
Trade creditors	235,602	507,718	235,602	507,718
Taxation and social security	156,488	153,611	156,488	153,611
Other creditors	39,264	68,743	39,264	68,743
Amounts due to associated undertakings	1,128	43,294	1,128	43,294
Amounts due to group undertakings	–	–	–	–
Accruals and deferred income	89,290	104,581	89,290	104,581
	548,279	1,253,465	548,279	1,253,465

18 Creditors: amounts falling due after one year

	The group 2020 £	2019 £	The charity 2020 £	2019 £
Barclays Bank loan – security backed lending	733,530	403,427	733,530	403,427
Other long term loan – KCI	273,847	294,833	273,847	294,833
	1,007,377	698,260	1,007,377	698,260

The loan from RBS was paid back in full during the year. The security backed lending facility (which provides a rolling loan facility to the charity of a maximum of 50% of the value of the investment portfolio) is secured by the value of the investment portfolio under the direct management of Barclays Bank. The value of the portfolio at year end was £23,055,242.

The other long term loan with Kabbalah Centre International (KCI) is to be repaid within six years.

19 Pension scheme

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from this of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund, these are allocated against unrestricted funds. At the year end the contributions amounted to £19,228 (2019: £13,335).

20a Analysis of group net assets between funds (current year)

	General unrestricted £	Restricted funds £	Total funds £
Tangible fixed assets	23,439,253	–	23,439,253
Investment properties	7,046,202	–	7,046,202
Investments	24,956,056	–	24,956,056
Intangible fixed assets	2,144,507	–	2,144,507
Net current assets	(4,028,684)	5,171,862	1,143,178
Long term liabilities	(1,007,377)	–	(1,007,377)
Net assets at 31 December 2020	52,549,957	5,171,862	57,721,819

20b Analysis of group net assets between funds (prior year)

	General unrestricted £	Restricted funds £	Total funds £
Tangible fixed assets	22,404,643	–	22,404,643
Investment properties	7,700,000	–	7,700,000
Investments	18,692,131	–	18,692,131
Intangible fixed assets	2,352,224	–	2,352,224
Net current assets	3,152,076	5,054,355	8,206,431
Long term liabilities	(698,260)	–	(698,260)
Net assets at 31 December 2019	53,602,814	5,054,355	58,657,169

21a Movements in funds (current year)

	At 1 January 2020 £	Income & gains £	Expenditure & losses £	Other Gains & Losses £	At 31 December 2020 £
Restricted funds:					
Zohar project funds	54,355	117,507	–	–	171,862
12 Stratford Place Building	5,000,000	–	–	–	5,000,000
Total restricted funds	5,054,355	117,507	–	–	5,171,862
Unrestricted funds:					
Fair value reserve	–	–	–	–	–
Revaluation reserve	12,827,802	–	–	81,680	12,909,482
General funds	40,775,012	2,803,786	(3,938,323)	–	39,640,475
Total unrestricted funds	53,602,814	2,803,786	(3,938,323)	81,680	52,549,957
Total funds	58,657,169	2,921,293	(3,938,323)	81,680	57,721,819

The narrative to explain the purpose of each fund is given at the foot of the note below.

21b Movements in funds (prior year)

	At 1 January 2019	Income & gains	Expenditure & losses	Gains / (losses)	At 31 December 2019
	£	£	£	£	£
Restricted funds:					
Zohar project funds	–	54,355	–	–	54,355
12 Stratford Place Building	–	5,000,000	–	–	5,000,000
Total restricted funds	–	5,054,355	–	–	5,054,355
Unrestricted funds:					
Fair value reserve	–	–	–	–	–
Revaluation reserve	12,827,802	–	–	–	12,827,802
General funds	42,997,784	3,916,880	(6,139,652)	–	40,775,012
Total unrestricted funds	55,825,586	3,916,880	(6,139,652)	–	53,602,814
Total funds	55,825,586	8,971,235	(6,139,652)	–	58,657,169

Purposes of restricted funds

The purpose of the restricted funds are to primarily develop the vacant land (known as Bourne Mews) situated alongside 12 Stratford Place. The vacant land was purchased by the charity in 2011 and the Trustees have retained a long standing desire to develop the mentioned land and refurbish the existing property occupied by the charity in order to reduce the dependency on donor income and have a more secure and consistent revenue stream in the future.

The remaining restricted funds are used for the Zohar project which involves the distribution of small Zohar's across the UK, Europe and Africa.

22 Operating lease commitments payable as a lessee

The group's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Property 2020	2019	Equipment 2020	2019
	£	£	£	£
Less than one year	101,400	127,196	7,919	14,115
One to five years	94,683	–	16,645	28,230
Over five years	–	–	–	–
	196,083	127,196	24,564	42,345

23 Operating lease commitments receivable as a lessor

Amounts receivable by the group under non-cancellable operating leases are as follows for each of the following periods

	Property 2020	2019
	£	£
Less than one year	–	124,800
One to five years	–	–
Over five years	–	–
	–	124,800

24 Capital commitments

At the balance sheet date, the charity had committed to spend £8,100,000 (2019: £7,200,000) towards the construction of an extension to 12 Stratford Place (Bourne Mews development) including the refurbishment of the existing premises used by the charity. The main objective for the development is to create rental space that will generate further income for the charity in the future. The charity has incurred project expenditure of £769,127 on the Bourne Mews / Stratford Place project during this year and a further £116,202 on the Conway Street development, the purpose of which is to change the use of the property to an HMO.

25 Legal status of the charity

The charity is a company limited by guarantee and has no share capital.