# LUTHER KING HOUSE EDUCATIONAL TRUST

England & Wales · Charity number 1082375

## Details

| | |
|---|---|
| **Other names** | PARTNERSHIP FOR THEOLOGICAL EDUCATION |
| **Status** | Registered |
| **Legal form** | Charitable company |
| **Company number** | 04065581 |
| **Registered** | 2000-09-12 |
| **Register** | View on the Charity Commission register |

## Contact

| | |
|---|---|
| **Address** | Luther King House<br>Brighton Grove<br>Manchester<br>M14 5JP |
| **Phone** | 01612246404 |
| **Email** | graham.sparkes@lutherking.ac.uk |
| **Website** | www.lutherking.ac.uk |

## Activities

**Objects:** 3.1 The Charity's Objects are:The advancement of education in the areas of Christian faith, practice and dialogue and the advancement of the Christian religion including, but without limitation, through: 3.1.1 the provision of learning opportunities for members of churches and other interested persons;3.1.2 the sharing of theological resources with and among churches and communities;3.1.3 the preparation of persons for accredited and non-accredited forms of ministry; and3.1.4 such other ways as the Directors from time to time think fit.3.2 The doctrines and principles that shall be taught in pursuance of Article 3.1 shall include, but not be limited to:3.2.1 the beliefs and practices maintained by Baptist churches as set out in the Declaration of Principle adopted from time to time in the constitution of the Baptist Union; and 3.2.2 the beliefs and practices of the United Reformed Church as set out in the Statement concerning the Nature, Faith and Order of the United Reformed Church.3.3 The Board must apply the income and may apply the capital of the Charity in promoting the Objects.

**Activities:** The provision of learning opportunities for members of churches and other interested parties.The sharing of theological resources with and among local churches and communities.The preparation of persons for accredited forms of ministry.The provision of opportunities for post-graduate research.To advance education generally.

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## Classification

- **How:** Makes Grants To Individuals, Provides Services, Sponsors Or Undertakes Research
- **What:** Education/training, Religious Activities
- **Who:** The General Public/mankind

## Geography

- **Area of benefit:** UK
- Throughout England And Wales

## Finances

| Period end | Income | Expenditure | Assets | Employees |
|---|---|---|---|---|
| 2025-08-31 | £1,508,616 | £1,554,435 | £620,322 | 31 |
| 2024-08-31 | £1,282,326 | £1,434,242 | £666,140 | 28 |
| 2023-08-31 | £1,290,070 | £1,246,052 | £818,057 | 24 |
| 2022-08-31 | £1,168,411 | £1,167,373 | £774,039 | 27 |
| 2021-08-31 | £706,329 | £870,568 | £778,852 | 34 |

## Trustees

| Name | Role | Appointed |
|---|---|---|
| Erica Margaret Louise Dunmow | | 2026-03-20 |
| Helen Mason | | 2026-03-20 |
| Karen Averil Martindale | | 2026-03-20 |
| Lesley Ann Coote | | 2026-03-20 |
| Rev John Russell Grundy | | 2026-03-20 |
| Rev NICOLA JAYNE FURLEY-SMITH | | 2026-03-20 |
| Rev Neil John Brighton | | 2026-03-20 |

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## Linked charities

- LUTHER KING HOUSE PROPERTY TRUST (1082375-1)
- NORTHERN COLLEGE (UNITED REFORMED AND CONGREGATIONAL) BURSARY AND PRIZE FUND (1082375-2)
- THE NORTHERN BAPTIST COLLEGE PROPERTY TRUST (1082375-3)
- THE NORTHERN BAPTIST COLLEGE SCHOLARSHIP AND PRIZE FUND (1082375-4)

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**LUTHER KING HOUSE EDUCATIONAL TRUST**

England & Wales - Charity number 1082375

# Accounts

# Luther King House Educational Trust

(A company limited by guarantee)

## Report and Financial Statements

## 31 August 2025

Charity number: 1082375

Company number: 04065581

LUTHER KING HOUSE EDUCATIONAL TRUST

FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2025

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**Luther King House Educational Trust**

**Report of the trustees for the year ending 31 August 2025**

The directors, who are also trustees for the purposes of the Charities Act, present their report together with the audited financial statements for the year ending 31 August 2025.

**Chair's report**

This has been another momentous year for the Luther King House Educational Trust, in which it has been a pleasure to Chair the Shadow Board and now the Transitional Board.

The decision was taken by ourselves and our principal stakeholders, Northern College (URC) and Northern Baptist College, to amalgamate, and this coming together has been a core focus during the year. The initial intention of creating a new single organisation into which the educational programme, assets, staff, reserves and facilities would transfer has now been superseded by a more effective and efficient approach. The entity currently known as Luther King House Educational Trust will become the vehicle by which the new organisation moves forward, under a clear identity as 'Luther King'.

The initial target date by which the amalgamation was to have been completed and fully functional was 1st September 2025. From the educational perspective of the project, this date has been achieved, with educational pathways clearly defined and students commencing and continuing their journey together under the single identity of Luther King Theological College.

Slightly disappointingly, from a governance perspective, the very challenging 1st September deadline proved unachievable. However, following immense pieces of work by both the internal teams and stakeholders' legal teams, new organisational documents have been drawn together to reflect the wishes and objectives of all stakeholders. These have been agreed internally, and the process of obtaining Charity Commission approval has been successfully completed. With this in mind, it has been agreed by all stakeholders that the amalgamation project will be completed by the 28th February 2026, Luther King formally being recognised from 1st March 2026.

During the year the 'Shadow Board', made up of representatives from the three main constituent parties with an independent Chair, oversaw the progress of the amalgamation project. They provided guidance and support to our staff, and the staff of other participant Colleges, as a communication channel between each of the governing bodies and the Shadow Board. The Shadow Board received regular, detailed progress updates from the team which were then shared with individual governing bodies.

Following the positive decision to use the entity known as Luther King House Educational Trust as the vehicle through which to achieve the amalgamation, the majority of the members and directors of this trust board agreed to formally resign. Their responsibilities were passed to the Shadow Board, which was established as the Transitional Board for the organisation. With the exception of Helen Mason and Erica Dunmow, who agreed to join the Transitional Board, all board members / directors resigned on 8th October 2025. It would be remiss to not thank all the outgoing board members at this point for their years of service and support to the organisation through some globally exceptional times; through the challenges of delivering successful theological education in a rapidly changing market; and through the decisions to commence this amalgamation journey.

The amalgamation project has provided an opportunity to review the estates portfolio of all the stakeholders; the major asset in the portfolio being the Brighton Grove site. With the support of all the stakeholder boards, work has commenced with architects and designers to develop an estates master plan, which will see a major redevelopment and modernisation project delivered across the whole Brighton Grove site. The project will look to enhance the environmental and accessibility credentials

of the organisation and at the same time improve the learner, conference centre user and guest experience.

Throughout this period of great change we have continued to meet our core educational objectives: delivering high quality educational study programmes. We have also planned, delivered, and reviewed the delivery models and method during this period, identifying and developing clearer study pathways, which will form part of the long-term educational portfolio and development plan.

The summer of 2025 saw the unfortunate closure of Spurgeon's College, leaving a number of students in the unfortunate position of being part way through studies, but without a college at which to study. Thanks to the commitment and support of our academic staff, we have been able to support some students through these difficult times and in a number of cases enrol them on to Luther King study programmes.

At all times we have been cognisant of advice from the Charity Commission and the Office for Students. We have continued our regime of weekly review of cash flow and the Board, through the Chair of the Finance and Monitoring Committee, has been in regular contact with our President and Company Secretary to monitor the situation and consult with our principal stakeholders.

The Board has continued to meet regularly, and we have operated hybrid meetings, with facilities for joining the meeting by Zoom. The Finance and Monitoring Committee have continued to meet by Zoom.

The longstanding Luther King House Educational Trust Board has continued to be vigilant in overseeing all the activities of the Luther King House Educational Trust. We congratulate all the staff and our key educational partners in their continued endeavours to maintain our vision and hold fast to our values and standards in a fast-moving and challenging environment. These responsibilities have now passed in full to the Transitional Luther King House Educational Trust Board. It is a pleasure for me to chair a hard-working Board supporting the President, Company Secretary and a quality staff team as we seek to serve, in an inclusive way, the Christian community in the United Kingdom.

Karen A Martindale

Chair

**Aims and objectives.**
The objects of the Trust are:

The advancement of education in areas of Christian faith, practice, and dialogue and in particular but without limitation:

- The provision of learning opportunities for members of churches and other interested parties.
- The sharing of theological resources with and among local churches and communities.
- The preparation of persons for accredited forms of ministry.
- The provision of opportunities for post graduate research.
- The provision of an educational establishment together with ancillary services; and
- To advance education generally.

The vision of the Trust may be summarised as to provide a learning resource and a flexible residential facility to enable the Partnership to:

- Be concerned with theological education to help all live responsibly and creatively in a plural society.
- Encourage people to shape their personal and communal futures through responsible citizenship.
- Be a centre of excellence at all levels of its work.
- Have a particular concern for Christian mission in an urban society, by building an ecumenical network of support and shared resources.
- Create communities of learning, worship, justice, and liberation.
- Express belief in one God, one world and one people.
- Be open to learning with people from a wide range of understandings, insights, and commitments.
- Develop international links for mutual learning with the world church.
- Integrate learning from different disciplines, faiths, personal and reported experience in church and political life; and
- Engage with scriptures, past and present Christian traditions, the world church, other faith communities and contemporary experience and thinking.

The facilities at Luther King House include:

- Study and office facilities for the academic and administrative staff of those Member Bodies based at Luther King Centre.
- Residential accommodation and study facilities for students of Member Bodies as required.
- A dining room providing breakfasts, lunches, and evening meals.
- Social provision including student kitchen & laundry facilities and a large lounge.
- A learning resources facility including books, periodicals, and internet access; and
- A chapel for community worship on an ecumenical basis.

When the facilities of the House are not being fully utilised in pursuit of the Trust's core activities, spare capacity is marketed to other persons and bodies. Any surpluses arising from this activity are re-invested in the Trust's core activities.

The educational activities of the Trust continue to be delivered under the branding Luther King Centre for Theology and Ministry (LKC) and this terminology will be used in the appropriate sections of this report.

## Public Benefit Statement

The Trust provides university validated courses of theological education for the benefit of any who are academically qualified, not only for those training for accredited ministries in the church. Fees are charged, though these do not cover the full cost of providing the service. Steps are taken to ensure the fees do not exclude the socioeconomically disadvantaged bursaries are available, and the Trust works within a general environment of government provision designed to support poorer students and widen access. British residents of foreign nationality are charged only at the domestic rate. The Trust has, in fact, a significant number of non-traditional learners amongst its students, and a growing number from minority ethnic groups. Through the development of flexible and distributed learning, the Trust is also seeking to overcome further barriers to learning. The Trust's academic staff also contribute to the delivery of similar courses by other associated theological institutions.

The Trust works with churches in equipping them and their leadership for their roles in the community. Among those it trains, for instance, are church related community workers, whose whole purpose is community development. Those training for accredited ministries are seldom able to use their education to advance their own material interests; their sole reason for entering training is to serve the needs of local congregations and communities. Many do so in training placements throughout their course of education.

The Trust's facilities are of benefit to a wide range of the public. Membership of the library is available to all for an easily affordable annual charge. A wide variety of groups use the teaching rooms for learning and training events; the Trust makes a point of making its educationally equipped meeting rooms widely available when not needed for its own courses and does so for charities and churches at reduced rates.

We have complied with the duty under the Charities Act to have regard to the public benefit guidance published by the Charity Commission.

## Achievements and performance

The Trust's charitable objective is the advancement of education in areas of Christian faith, practice and dialogue and the challenge to this objective from factors outside the organisation continues. Both full and part time courses of study are offered at undergraduate and postgraduate levels alongside a Diploma of Higher Education and Certificate of Higher Education.

Despite the ongoing challenges, student numbers have remained generally stable with early signs of positive impacts on student number at both undergraduate and postgraduate level. Our student body continues to reflect a broad ethical and cultural diversity, and many do not have English as their first language. Students are supported by our academic staff and through the learning and resource centre. The latter offers support through study skills and proof-reading.

We have been able to offer much face-to-face teaching through the past year, though some elements continue to be offered through e-learning. The experience gained in the use of online learning during the height of the pandemic has provided opportunities to explore new ways of engaging with our students, and so continues for certain sessions and programmes, and it has been the focus of our academic team to ensure that all students are able to take full advantage of the resources provided.

The President and staff have worked hard to achieve, as best as possible, a sense of community and to promote collaborative working amongst the student community.

In the academic year 2024 – 25 48% of students registered on academic programmes left with academic awards. A further 41% of students registered on academic programmes successfully

achieved progression requirements and continued on their academic programmes in the academic year 2025 – 26.

Luther King Centre for Theology and Ministry (LKC) is registered in the 'Approved (fee cap)' category of the Office for Students.

The continuing requirements of GDPR are recognised and embodied with our processes, policies, and procedures.

Lower student numbers and economic challenges have, once again, allowed only limited upgrading of our bedroom stock and all but essential capital projects have been shelved until our revenue stream has consolidated.

The following key educational objectives were established for 2024-25, together with indicators of how these have been met:

| Objective | Indicators of Achievement |
|---|---|
| **Academic courses review** | A complete mapping exercise has been undertaken of all modules, along with a full consultation exercise with all denominational partners. New pathways have been constructed in line with university accreditation and denominational formation criteria and are ready for implementation in the 25/26 academic year. |
| **Develop use of technology to enhance teaching quality and broaden student reach** | A successful grant funding bid has enabled us to install modern interactive panels in 4 teaching rooms, enabling high quality hybrid teaching and learning, opening our courses to those learning remotely as well as onsite. Several sessions of staff training took place to ensure secure roll out. |
| **Implementation phase of planned merger project into a single institution** | Work throughout the 24/25 year has streamlined the way we operate in many areas across the three existing organisations, such that we stand ready to implement a 'soft' merger from September 25 in terms of how we operate as a single organisation for student facing operations. The final legal, financial and governance steps should be completed during the first half of the following academic year. |

**Financial review**

The group has faced a challenging financial year with continued cost management and income maximisation challenges. However, our Bed, Breakfast and Conference business was able to meet our expectations over the full year. Our focus continues to be managing cash flow on an almost day-to-day basis. This approach has typified our financial monitoring over the past year, whilst fully engaging and supporting the amalgamation process.

**The Statement of Financial Activities for the Group**

The focus of concern throughout the year has been to enable Luther King House Educational Trust to continue as a going concern. To this end, we have continued regular discussions with our principal stakeholders, Northern Baptist College, and the Northern College (United Reformed Church, Congregational Federation and Moravian Church) to provide support to ensure we could continue operating, and as we developed supporting income from accommodation, catering and conference services.
At the end of the year the profit (loss) before tax incurred were:

| | |
|---|---|
| Charity | (£45,819) |
| Subsidiary | £nil |

Resulting in an overall loss before tax of (£45,819)

The bank balance at the end of the year was £70,838.

**Reserves policy and going concern.**

The total level of reserves at year-end amounted to £620,322 (2024 - £66,141). The Trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. Although the Trust seeks to maintain sufficient reserves to meet 3 months' worth of running expenditure, currently approx. £200k, the current level of free reserves is calculated to be £nil (2024 £nil). However, the Trust will continue to work each year to increase the level of free reserves. The Trustees continue to review areas, particularly within the accommodation area of the group, where increased efficiencies can allow free reserves to increase to the target level.

The Colleges have expressed their support for our current business model and their conviction that we should continue to operate with our current model, whilst engaging in tripartite conversations to develop a strategy for ensuring viable operations in the medium term. Whilst the development of that strategy is refined and clarified, the two stakeholders have indicated their willingness to assist us through any temporary financial challenges on the journey to a medium-term viable operation.

The assistance includes facilitating deferral of interest payments on loans and loan capital on funds previously advanced for improvements to the premises at Brighton Grove. This provision is regularly monitored and specific meetings between officers of the two College governing bodies and the Chair and President of Luther King House Educational Trust ensures that cash flow and the operation of Luther King house continues in a sustained way.

The tripartite conversations have resulted in an agreement in principle for the three organisations to move forward with a plan to merge into a single new business. Thus, starting the journey of all three organisations towards medium / long term operating viability.

The Trust finances its operations through a mixture of retained profits and college loans. The management's objectives are to retain sufficient liquid funds to enable the company to meet its day-to-day obligations as they fall due. This policy has continued to be challenged during the year because of the global impact of regional conflicts and their impacts on the world economy and resource costs, the Trust has had to recourse to the governing bodies of the two major constituent colleges for relief provision on loan repayment and a commitment to potential further loan support.

The Trust makes little use of financial instruments other than an operational sterling bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position, and net incoming/outgoing resources.

The trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the continuing climate of economic recovery, the continuing regional conflicts and the impact on resource availability and pricing, the priority has continued to be regularly ensuring that the Trust has sufficient cash flow to meet obligations. With all these factors trading remains challenging though we work hard to maximise our room occupancy.
A significant income source for the Trust is through the bed and breakfast business of its subsidiary "Luther King Centre Conference and Accommodation Services Ltd". This business continues to recover, but the climate is still challenging with the on-going regional conflicts, resource availability and cost challenges. The opening of the new major event arena locally gives hope to have a positive impact on commercial ventures. The action taken in the last financial year has been necessary for a further year in the very challenging market:

- On the existing loans with the existing stakeholder colleges the Trust negotiated a further twelve months pause in repayments and interest instalments.
- All non-essential capital expenditure was stopped.
- Continuing strict monitoring of cash flow
- Staffing hours were reviewed and where necessary reduced.
- Conversations continue with the Trustees of the Northern College and the Northern Baptist College about the provision of loans as required and within agreed and clearly defined parameters.

In addition to these actions, the Trustees assessed several strategic options and concluded that the current model, depending upon the subsidiary generating a reasonable level of profitability, was still the most viable option for the future despite the current uncertainty.

We note the following regarding the operation of the LKCAS subsidiary.

- Manchester is a growing city with a range of entertainments and two Premier football clubs which means that the potential for new bookings is high.
- We have a good strong cohort of loyal customers and are well placed to access the city.
- The current model has shown a significant revenue growth over the years.
- We have been a successful venue for small conferences and, historically, we have shown that we have a strong presence in this field.
- We regularly review staffing to deliver the most cost-effective model.
- We have implemented an automated room pricing system that checks the local market in order to match supply and demand, maximising potential revenue.
- The opening of the Co-Op Live arena offers the potential for increased revenue through increased bookings.

**Plans for future years**

The trustees of Luther King House Educational Trust have continued to work with the counterparts at Northern Baptist College and Northern College to ensure the longevity of all three organisations. The decision was made on the 4th July 2024 to transfer the Trust and all staff to a new entity on 1st September 2025. All assets, liabilities and operations would transfer to the new entity for nil consideration. From the date of transfer, Luther King Educational Trust would cease operating. However, following consultation with legal representatives across all three organisations it has been agreed that a better course of action is for the three organisations to merge together into the legal entity known as Luther King House Educational Trust. The timeline for this final coming together has

been agreed to now be 1st March 2026, the new organisation being known as Luther King. At a Trust Board meeting of Luther King House Educational Trust on 8th October 2025, trustees approved their own replacement by the Shadow Board of the merged organisation. Luther King House Educational Trust has taken the opportunity to update their memorandum and articles of association, along with the objectives of the trust. These have been approved by each board and shared with the Charity Commission. Formal approval from the Charity Commission has been granted.

As part of the amalgamation project the trust have agreed to work with architects and designers to develop an estates master plan, which will see a major redevelopment and modernisation project be delivered across the whole Brighton Grove site. The project will look to enhance the environmental credentials of the organisation and at the same time improve the student, conferencing user, and guest experience.

Investments into the classroom facilities have commenced with implementation of hybrid-style classrooms, including the introduction of interactive panels. This has increased opportunities for conferences and classes to take place in a hybrid manner.

As part of the long term sustainability of the merged business a five year business plan has been developed. This plan has been developed and shared with all colleagues across the merged business. With team work, shared ideas and the commitment of all this plan will deliver a successful, profitable and sustainable business, meeting the objectives of the organisation.

We continue a strategy for the marketing of LKC Open College that admits students direct to LKC rather than through one of its constituent colleges. This includes continuing review of our website, our publicity, and on ways of promoting the LKC brand, particularly on social media.

**Reference and administrative details**

Charity number: 1082375
Company number: 04065581

**Registered Office:**

Luther King House, Brighton Grove, Rusholme, Manchester, M14 5JP

**Secretary:**

Mr David T Rudman

**Our advisers:**

**Auditors**

Crowe UK LLP, 3rd Floor, St George's House, 56 Peter Street, Manchester, M2 3NQ.

**Bankers**

CAF Bank, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ

## Directors and trustees

The directors of the charitable company (the charity) are its trustees for the purposes of charity law. The trustees and officers serving during the year and since the year end were as follows:

| | |
|---|---|
| The Revd Dr Keith G Jones | (resigned 8th October 2025) |
| The Revd Dr Clara N Rushbrook (F) | (resigned 8th October 2025) |
| The Revd Dr Simon J Oxley (F) | (resigned 8th October 2025) |
| Dr Jacqueline Suthren Hirst | (resigned 8th October 2025) |
| Ms. Erica M Dunmow | |
| The Revd Jenny Mills (F) | (resigned 8th October 2025) |
| Bishop Theo Oluwasegun Akano | (resigned 8th October 2025) |
| The Revd Dr Adam J Scott (F) | (resigned 8th October 2025) |
| Mrs. Helen Mason (F) | |
| The Revd Graham M Edwards (F) | (resigned 8th October 2025) |
| Ms. Karen Martindale | (appointed 8th October 2025) |
| The Revd Neil Brighton | (appointed 8th October 2025) |
| Mrs. Lesley Coote | (appointed 8th October 2025) |
| The Revd Nicola Furley-Smith | (appointed 8th October 2025) |
| The Revd John Grundy | (appointed 8th October 2025) |
| The Revd Romilly Janes | (appointed 8th October 2025) |

(F) = Directors appointed by a Founder Member according to its rights defined in the company's Articles of Association.

## Key management personnel

| | |
|---|---|
| President and Chief Executive Officer | The Revd Canon Dr Kim Wasey |
| Company Secretary | Mr. David Rudman |
| Finance Manager: | Mr. David Rudman |
| Operations Manager | Miss Beverley Bartram |
| Academic Registrar | Miss Clare Richardson |
| Librarian | Mrs. Katie Glover |

## Structure, Governance and Management

### Governing Document

The Trust is a charitable company limited by guarantee and was set up on 1 September 2000. It is governed by a Memorandum and Articles of Association. The charity was created to carry on and further develop the work of its two predecessor charities, the Manchester Christian Institute (charity number 515358) and the Northern Federation for Training in Ministry (charity number 517496). Both these charities transferred their net assets as at 31 August 2000 to the Trust and were then dissolved.

The Memorandum and Articles of Association were updated in April 2015.

Every member promises, if the Charity is wound up while he/she is a member or within 12 months after ceasing to be a member; to pay such amounts as is required up to £1 towards the costs of dissolution and the liabilities incurred by the Charity while the contributor was a member.

The concept of the Partnership for Theological Education was born in 1997, under the umbrella of the Manchester Christian Institute. In September 2000, the member bodies of the Partnership became the member bodies of the Trust. The Partnership for Theological Education continues to be the operational name under which the Trust carries out some of its educational activities.

The financial basis of the Trust was the agreement of the four Founder members to provide to the Trust the land and buildings of Luther King House valued at £700,000 and cash totalling £500,000.

The original land and buildings were transferred from Northern Baptist College to a charity called the Luther King House Property Trust under a Charity Commission Scheme (case number 180221) dated 27 June 2002. Luther King House Property Trust is a separate charity from the Trust, but the Trust is its only trustee. The Charity Commission has given permission for the two charities to be accounted for as if they were a single entity.

**Appointment of trustees**

Where a vacancy arises for a director appointed by a Founder Member organisation, the organisation concerned makes the appointment in accordance with its own internal processes.

When a vacancy arises for an independent director, the Board considers any gaps in its current expertise and experience and in the various constituencies represented. It also has concern for its gender and ethnic balance. It then identifies a person or persons who could fill some of those gaps. An invitation is issued. Training of new directors includes the provision of a comprehensive induction pack. The Board encourages and supports directors who wish to pursue opportunities that will help them fulfil their responsibilities as trustees.

A new protocol has been developed to cover the appointment and re-appointment for all members of the Board.

**Changes to the trustee body**

During the year there were no changes to the membership of the board.

**Trustee induction and training**

Induction is tailored for new Trustees due to the very different needs of Independent and Foundation Trustees.

**Organisation**

The Board of Trustees administers the charity. The Board meets on at least four occasions each year. Responsibility for governance remains with the Board of Directors and its Finance and Monitoring Committee, which meets quarterly and includes an internal audit function to check on not only financial and ethical matters, but also policies relating to equal opportunities, child protection and staff terms and conditions.

Responsibility for day-to-day management is entrusted to the Operations Committee, led by the President (a full-time salaried officer). The committee includes the Principals, or their representative, of the three Colleges that participate in the Trust's educational activity and provide most of its teaching staff. Operations focuses on implementation, co-ordination, staff management, staff development and deployment of resources as well as monitoring health and safety.

There are two academic committees to manage the academic programmes (Undergraduate and Postgraduate Management Committee and the Research Programme Committee), chaired by a member of the academic staff, and attended by the staff who teach on the programmes, student representatives and representatives of the University of Manchester and the University of Durham and Common Awards as appropriate. The Luther King Centre has an agreement with York St John University to co-supervise candidates on the doctoral programme of the University.

**Related parties and cooperation with other organisations**

The trustees do not receive remuneration in relation to their role on the board; however, the Board includes members who are employed by member organisations and who are members of the teaching team delivering educational services for the Charity. This aspect of their work is remunerated.

A new company, Luther King House Conference and Accommodation Services Limited, was set up on 27 July 2009. This company is a wholly controlled subsidiary of the Trust. Its purpose is to carry out the conference and accommodation business at Luther King House, and it operates under a licence granted by the Trust. It began trading on 1 September 2009. The directors of the main Trust are also directors of the subsidiary.

The directors' report and the accompanying financial statements concern the combined results of the Group for the year to 31 August 2025. Balance sheets for the Group and for the Charity are shown on page 22.

**Charity Governance**

In July 2018 the Board agreed to adopt the 'Charity Governance Code' with additional principles relating to Higher Education. Whilst this had been discussed in the past and generally reflected current practice, the Board recognised that it would be appropriate to formally adopt the code and put in place procedures for its implementation and regular monitoring. This latter activity would be achieved by an annual review in the Autumn at the same time as all other policies were reviewed. The Board agreed the following affirmations relating to its academic staff:

- That LKC affirms that its academic staff have freedom within the law:
  to question and test received wisdom; and
  to put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing the jobs or privileges they may have at LKC.
- That LKC affirms its commitment to freedom of speech and the encouragement of debate of all kinds as long as this takes place within the law and will take such steps as may be necessary to secure such freedom.

**Fundraising**
The Charity had no fundraising activities requiring disclosure under provision of the Charities (Protection and Social Investment) Act 2016.

**Pay policy for senior staff**
Staff pay is agreed by the Board on recommendation of the Finance and Monitoring Committee. Remuneration for senior staff is based on role, experience, and performance. It is reviewed annually and normally increased in accordance with average earnings.

**Risk Management**

The directors maintain a register of the major risks which the Trust faces, and they review this register regularly. Each risk is assessed for its severity and its likelihood and for the effectiveness of the steps taken to manage the risk. The Register is regularly reviewed by the Finance and Monitoring Committee, and risk management is now an annual standing item on the agenda of the LKHET Board meetings. In reviewing the Register, the directors considered the most serious risks facing the Trust, and the actions taken to mitigate them are:

- Failure to maintain income to sustain core activities.
  Annual budgets are prepared by key management personnel and comparisons to actual are carefully monitored throughout the year. Cash flow is monitored on a daily basis, and 3-year forecasts are now part of the annual budgeting process. Work is currently underway on a 5-year business plan. There are regular reviews of strategic policies.

- Lack of student numbers
  Student recruitment is monitored closely, and publicity and marketing initiatives are carried out. The Trust ensures that academic programmes are meeting the requirements of the respective Colleges and denominations. Over the last twelve months all existing programmes have been reviewed and revised to this end. Additional programmes, representing new diversification, have been developed to respond to new denominational needs.

- Volatile energy market
  The Trust agreed extensions to utility contracts. The gas contract was extended for 12 months until March 2026 whilst the electricity contract was extended for 24 months until July 2026. This was agreed at a significantly better value than initially anticipated. This was agreed via the use of energy brokers working on behalf of the Trust.

- Loss of confidence in the quality of the accommodation and conference facilities.
  Comments and feedback are regularly monitored and responded to as appropriate. A plan for the renovation of facilities has been developed over the last 12 months and approved by the Board.

- Failure to engage with and commit to the merger process.
  The trust board has been fully committed to the merger process, providing members with regular reports and updates, in addition to appointing board representatives to the shadow board of the new organisation. The trust has also appointed key members of staff to undertake merger specific roles.

- Failure to adequately maintain and improve the property.
  Regular maintenance and improvement works are budgeted for and carried out. The property is regularly inspected, and necessary work is carefully prioritised. In addition to this the trust board, along with the shadow board and constituent College boards have engaged with the detailed review of the site facilities, providing funds for the capital investments to sustain and enhance the property

**Trustees' responsibilities in relation to the financial statements**

The directors are responsible for preparing the Directors' 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 directors 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 group of the incoming resources and application of resources, including the income and expenditure of the group, for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition).
- Make judgments and estimates that are reasonable and prudent.

- State whether applicable UK 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 and group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement as to disclosure to our auditors**

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Small company provisions**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the trustees

Karen A Martindale
Director

28th January 2026

## Opinion

We have audited the consolidated financial statements of Luther King House Educational Trust for the year ended 31 August 2025 which comprise the Consolidated Statement of Financial Activities, Statement of Changes in Reserves, Consolidated and Charity Balance Sheet, Consolidated Cash Flow Statement, and notes to the financial statements, including 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) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 Edition).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and charitable company's affairs as of 31 August 2025 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.

## 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 group 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 related to going concern

In auditing the financial statements, we have concluded that the directors' 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 no identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company'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 directors with respect to going concern are described in the relevant sections of this report.

## Other information

The trustees are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the 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.

**Opinion on other matter prescribed by the Companies Act 2006**

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

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

**Opinion on other matters prescribed by the OfS accounts direction (issued October 2019)**

In our opinion, in all material respects:

- Funds from whatever source administered by the parent institute for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- Funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and any other terms and conditions attached to them; and
- The requirements of the OfS's accounts direction (issued October 2019) have been met.

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

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

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

- adequate accounting records have not been kept by the charitable company, 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 exemption 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 set out on page 14 to 15, 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.

**Extent to which the audit was considered capable of detecting irregularities, including fraud.**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, Charities Act 2011 and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and completeness of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing from student record documentation and sample testing of accommodation records to the consolidated financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

**Use of our report**

This report is made solely to the group and 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 group and 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 group and charitable company and the group and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vicky Szulist

Vicky Szulist
Senior Statutory Auditor
For and on behalf of
**Crowe U.K. LLP**
Statutory Auditor
3rd Floor
St George's House
56 Peter Street
Manchester
M2 3NQ

30th January 2026

LUTHER KING HOUSE EDUCATIONAL TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure account)

## YEAR ENDED 31 AUGUST 2025

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2025 £ | Total Funds 2024 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 565,068 | | 565,068 | 331,235 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 943,169 | | 943,169 | 950,458 |
| Investment income | 5 | 379 | | 379 | 633 |
| **Total income** | | **1,508,616** | | **1,508,616** | **1,282,326** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 684,829 | | 684,829 | 667,027 |
| *Expenditure on charitable activities:* | | | | | |
| Academic and housing activities | 6 | 869,606 | | 869,606 | 767,215 |
| **Total expenditure** | | **1,554,435** | | **1,554,435** | **1,434,242** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **(45,819)** | | **(45,819)** | **(151,916)** |
| Tax expense | 11 | - | | - | - |
| **Net income/(expenditure)** | | **(45,819)** | | **(45,819)** | **(151,916)** |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | (33,859) | 700,000 | 666,141 | 818,057 |
| **Total funds carried forward** | | **(79,678)** | **700,000** | **620,322** | **666,141** |

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.
The deficit in the year for the Charity was £45,819.

## LUTHER KING HOUSE EDUCATIONAL TRUST

## STATEMENT OF CHANGES IN RESERVES

## YEAR ENDED 31 AUGUST 2025

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2025 £ |
|---|---|---|---|
| **Income:** | | | |
| Balance at 1 September 2021 | 78,852 | 700,000 | 778,852 |
| Net Income for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| **Balance at 31 August 2022** | **74,039** | **700,000** | **774,039** |
| Net Income for the year ended 31 August 2023 | 44,018 | - | 44,018 |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2023 | 44,018 | - | 44,018 |
| **Balance at 31 August 2023** | **118,057** | **700,000** | **818,057** |
| Net Income for the year ended 31 August 2024 | (151,916) | - | (151,916) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2024 | (151,916) | - | (151,916) |
| **Balance at 31 August 2024** | **(33,859)** | **700,000** | **666,141** |
| Net Income for the year ended 31 August 2025 | (45,819) | - | (45,819) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2025 | (45,819) | - | (45,819) |
| **Balance at 31 August 2025** | **(79,678)** | **700,000** | **620,322** |

## LUTHER KING HOUSE EDUCATIONAL TRUST

## GROUP AND CHARITY BALANCE SHEETS
**Company No; 04065581**

## YEAR ENDED 31 AUGUST 2025

| | Note | Group 2025 £ | Group 2024 £ | Charity 2025 £ | Charity 2024 £ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Deferred Tax asset | 11 | - | - | - | - |
| Tangible assets | 12 | 1,265,522 | 1,257,853 | 1,265,522 | 1,257,853 |
| **Total Non-current Assets** | | **1,265,522** | **1,257,853** | **1,265,522** | **1,257,853** |
| **Current assets** | | | | | |
| Stock | 13 | 1,608 | 1,494 | - | - |
| Debtors | 14 | 36,135 | 46,815 | 97,972 | 159,402 |
| Cash at bank and in hand | | 70,838 | 145,868 | 16,709 | 29,748 |
| **Total Current Assets** | | **108,581** | **194,177** | **114,681** | **189,151** |
| **Liabilities** | | | | | |
| Creditors falling due within one year | 15 | (176,281) | (208,390) | (182,753) | (203,734) |
| **Net Current assets** | | **(67,700)** | **(14,213)** | **(68,072)** | **(14,583)** |
| **Total assets less current liabilities** | | 1,197,822 | 1,243,641 | 1,197,450 | 1,243,270 |
| Creditors falling due after more than 1 year | 16 | (577,500) | (577,500) | (577,500) | (577,500) |
| **Net assets** | | **620,322** | **666,141** | **619,950** | **665,770** |
| **The funds of the charity:** | | | | | |
| Unrestricted income funds | 19 | (79,678) | (33,859) | (80,050) | (34,230) |
| Restricted income funds | 19 | 700,000 | 700,000 | 700,000 | 700,000 |
| **Total charity funds** | | **620,322** | **666,141** | **619,950** | **665,770** |

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.
The company has not delivered a copy of the profit and loss account to Companies House.
Signed

Karen A Martindale
Trustee

The Revd Neil Brighton
Trustee

Approved by the trustees on 28th January 2026

The notes at pages 24 to 40 form part of these accounts.

LUTHER KING HOUSE EDUCATIONAL TRUST

CASH FLOW STATEMENT

YEAR ENDED 31 AUGUST 2025

| | Note | Group 2025 £ | Group 2024 £ |
|---|---|---|---|
| **Cash generated in operating activities** | **23** | **(25,040)** | **(93,379)** |
| **Cash flows from investing activities** | | | |
| Interest income | | 379 | 633 |
| Purchase of tangible fixed assets | | (50,370) | (24,260) |
| **Cash provided by (used in) investing activities** | | **(49,991)** | **(23,627)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowing | | - | - |
| Interest paid | | - | (28,351) |
| Loan taken out in the year | | - | - |
| **Cash used in financing activities** | | **-** | **(28,351)** |
| (Decrease) increase in cash and cash Equivalents in the year | | **(75,031)** | **(145,357)** |
| Cash and cash equivalents at the beginning of the year | | 145,868 | 291,225 |
| **Total cash and cash equivalents at the end of the year** | | **70,838** | **145,868** |

The charity has taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cash flow statement with the consolidated accounts.

The notes at pages 24 to 40 form part of these accounts.

**Notes on the accounts**

## 1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

Luther King House Educational Trust is a private company limited by guarantee, incorporated, and registered as a charitable company in England (Registered No. 1082375 (Company) & 04065581 (Charity)). Its registered office is listed on the reference and administration page.

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 Education) and in accordance with applicable accounting standards.

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

The Charity has taken advantage of the available exemption under s408 Companies Act and has not included a Charity only Statement of Financial Activities.

b) Preparation of the accounts on a going concern basis

These financial statements have been prepared on a going concern basis which the trust board considers to be appropriate.

The board of trustees and the finance committee receive and review future cashflows, management accounts, budgets, and forecast projections, as well as the steps taken to protect the Trust's liquidity on a regular basis. These are prepared in a prudent manner and forecast beyond the end of the current financial year, covering a minimum period of 12 months from the date of approval of these financial statements (the going concern period). The forecasts take into consideration the current economic environment, projected student applications / enrolments and the risks associated with these.

The Finance Committee and trust board review these and, combined with the letters of support from the main stakeholder Colleges and conclude that the trust will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

c) Group financial statements

The financial statements consolidate the results of the charity and its wholly owned trading subsidiary company, Luther King House Conference and Accommodation Services Limited. A separate statement of financial activities incorporating an income and expenditure account for the charity itself is not presented because advantage has been taken of the exemptions under the Companies Act 2006.

d) Income and expenditure

All incoming resources are included in the Statement of Financial Activities when the Trust is legally entitled to the income, and the amount can be quantified with reasonable accuracy.

Most course fees are invoiced at the beginning of each academic year and are receivable then.

College block charges are agreed in advance each year with the colleges. The total charges for the financial year are invoiced in September and received in instalments through the year.

Other income is recognised on a receivable basis.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

**Allocation of expenditure**

Governance costs are those incurred in connection with public accountability and the strategic planning process of the Trust. Governance costs represent the time spent by employees on these matters.

e) 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.

f) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objects of the Trust and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors, or which have been raised by the Trust for particular purposes. The cost of realising and administering all funds are charged against the general fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

g) VAT

Irrecoverable VAT is written off in the year except for where it relates to capital items, in which case it is added to the cost of additions of fixed assets.

h) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight-line basis over the period of the lease.

i) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|---|
| Office and computer equipment | 33% straight line |

| | |
|---|---|
| Furniture, fixtures, and fittings | 20% straight line |
| Building improvements | 5% straight line |
| Library development | 2% straight line |

As the residual value of land and long leasehold buildings is believed to be at least the carrying value of the asset no depreciation is provided.

j) Stock

Stocks consist of purchased goods for resale. Stocks are valued at the lower of cost and net realisable value.

k) Debtors

Trade debtors are recognised at the settlement amount after any trade discounts offered.

Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

Cash at bank and 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.

m) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

n) Financial instruments

The Charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activity.
For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the

asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date. Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of financial activities.

p) Capitalisation Policy

The company prepares the financial statements in accordance with the concept of materiality. Therefore, the company will capitalise costs that are greater than the following limits: individually have a cost of more than £1,000 or collectively have a cost of least £1,000 where the assets are functionally interdependent, have simultaneous purchase dates and are anticipated to have simultaneous disposal dates, and are under single managerial control.

**Judgements in applying accounting policies and key sources of estimation uncertainty.**

The charity makes estimates and assumptions concerning the future. The Finance Committee reviewed the worst-case scenario and combined with the College letters of financial support, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern and as such the disclosures in this area are appropriate. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation, and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment and note 1i for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors.

When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

## 2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.
The entity is a private charitable company, Charity number 1082375. The registered office is Luther King House, Brighton Grove, Rusholme, Manchester M14 5JP.

## 3. Incoming resources from charitable activities

| | 2025 £ | 2024 £ |
|---|---|---|
| **House income** | | |
| Rent | 24,005 | 24,330 |
| Sundry income | 152,300 | 22,282 |
| | 176,305 | 46,612 |
| **Academic activities** | | |
| College fees | 255,804 | 199,861 |
| College block charges | 121,500 | 71,500 |
| Sundry income (including grants) | 11,459 | 13,262 |
| | 388,763 | 284,623 |
| Total | 565,068 | 331,235 |

## 3a Disclosure on Grant and Fee income

| | 2025 £ | 2024 £ |
|---|---|---|
| **Grant income** | | |
| Grant income from OfS | 5,754 | 6,566 |
| Grant income from other Bodies | - | - |
| Total Grant income | 5,754 | 6,566 |
| **Fee income** | | |
| Fee income from taught awards | 228,118 | 170,997 |
| Fee income from research awards | 11,084 | 9,694 |
| Fee income from non-qualifying courses | 16,602 | 19,170 |
| Total fee income | 255,804 | 199,861 |

## 4 Trading operations and investment in trading company

The consolidated statement of financial activities includes the results of the Charity's wholly controlled subsidiary. The Charity is the sole member of Luther King House Conference and Accommodation Services Ltd, (company number 6973866, registered office same as the parent Charity), a supplier of bed and breakfast and conference facilities. It pays almost all of its profits to the charity by gift aid. Summaries of the trading result and balance sheet are as follows:

**Trading result for the year ended 31 August 2025**

| | 2025 | 2024 |
|---|---|---|
| | £ | £ |
| Turnover | 943,169 | 950,458 |
| Investment income | 268 | 513 |
| Cost of sales and administrative expenses Including internal rent of £180,000 | (864,828) | (847,027) |
| Profit (Loss) before tax | 78,609 | 103,944 |
| Tax expense | - | - |
| Profit (loss) for the year | 78,609 | 103,944 |
| Amount gifted to the Charity | 78,609 | 103,944 |
| Retained in the subsidiary | - | - |
| **Balance Sheet at 31 August 2025** | | |
| Non-Current assets | - | - |
| Current assets | 124,388 | 215,410 |
| Creditors (amounts falling due within one year) | (124,017) | (215,039) |
| Total net assets (liabilities) | 371 | 371 |
| Aggregate reserves | 371 | 371 |

## 5 Investment income

| | Unrestricted Funds | Total funds 2025 | Total funds 2024 |
|---|---|---|---|
| | £ | £ | £ |
| Bank interest receivable | 379 | 379 | 633 |

## 6 Analysis of expenditure of charitable activities

| | 2025 £ | 2024 £ |
|---|---|---|
| **Academic and house activities** | | |
| Staff costs | 351,118 | 302,009 |
| Teaching fees | 5,860 | 5,020 |
| University registration | 13,351 | 15,245 |
| Bursaries | 299 | 560 |
| Books and periodicals | 6,490 | 6,120 |
| Bad debts | (119) | (920) |
| Rates and water | 30,388 | 32,910 |
| Light and heat | 89,507 | 110,927 |
| Cleaning | 113,177 | 1,650 |
| Insurance | 9,962 | 8,260 |
| Repairs and maintenance | 17,850 | 34,263 |
| Telephone | 417 | 417 |
| Office supplies and postage | 12,574 | 9,830 |
| Photocopying rental | 558 | 744 |
| Photocopying charges | 1,619 | 1,434 |
| Travel | 1,568 | 1,475 |
| Meetings & sundry xps | 68,510 | 61,813 |
| Depreciation of fixed assets | 42,700 | 41,676 |
| Support costs (see note 7) | 88,205 | 100,405 |
| Governance costs (see note 8) | 15,572 | 33,377 |
| **Total academic and house activities costs** | **869,606** | **767,215** |

## 7. Support costs

| | Unrestricted funds £ | Total funds 2025 £ | Total funds 2024 £ |
|---|---|---|---|
| Loan interest | - | - | 28,350 |
| Bank charges | 2,095 | 2,095 | 1,847 |
| Irrecoverable VAT | 16,686 | 16,686 | 10,684 |
| President employment costs | 68,814 | 68,814 | 59,141 |
| Finance general costs | 610 | 610 | 383 |
| **Total** | **88,205** | **88,205** | **100,405** |

## 8. Governance costs

| | Unrestricted funds | Total funds 2025 | Total funds 2024 |
|---|---|---|---|
| | £ | £ | £ |
| Audit fees | 10,655 | 10,655 | 11,635 |
| Professional fees | 4,619 | 4,619 | 20,071 |
| Trust meetings and expenses | 298 | 298 | 1,671 |
| **Total** | **15,572** | **15,572** | **33,377** |

## 9. Net income/(expenditure) for the year

| | Total funds 2025 | Total funds 2024 |
|---|---|---|
| This is stated after charging | £ | £ |
| Operating lease - photocopier | 558 | 744 |
| Staff pension contributions | 62,628 | 56,965 |
| Depreciation | 42,700 | 41,676 |
| Auditor's fees | 10,655 | 11,635 |
| **Total** | **116,541** | **111,020** |

## 10. Staff costs and emoluments

| | 2025 | 2024 |
|---|---|---|
| | £ | £ |
| Total staff costs were as follows | | |
| Wages and salaries | 650,009 | 565,514 |
| Social security costs | 60,432 | 44,839 |
| Other pension costs | 62,628 | 56,965 |
| | 773,069 | 667,318 |

None of the Trust's employees received remuneration in excess of £60,000 in the year (2024: £nil).

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The key management personnel of the parent charity, the Trust, comprise the Trustees, the President, Academic Registrar, Librarian, Finance Manager and Open College Principal. During the year there was a period of time were there was overlap between Presidents, also during the year the role of Open College Principal was subsumed into the role of President. The total employee benefits of the key management personnel of the Trust were £183,375 (2024: £211,719).

The key management personnel of the group comprise those of the Trust and the key management personnel of its wholly owned subsidiary Luther King House Conference and Accommodation Services Ltd. The key management personnel of LKHCAS Ltd is the Operations Manager. Employee benefits in the role total £ 39,702 (2024: £38,046).
The employee benefits of key management personnel for the group was therefore £223,077 (2024: £249,765).

| | | 2025 | 2024 |
|---|---|---|---|
| | | £ | £ |
| Salary of President | Salary | 53,151 | 52,436 |
| Pension of President | Pension | 5,315 | 5,243 |
| Totals | | 58,466 | 57,679 |

i The President's basic salary is 2.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider for its staff.

ii The President's total remuneration is 2.6 times the median total remuneration of staff where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of its staff.

Directors received no remuneration (2024: nil) and were reimbursed expenses as follows:

| | 2025 | 2024 |
|---|---|---|
| | £ | £ |
| Reimbursement of expenses | | |
| Keith Jones (travel expenses) | 135 | 195 |

**Particulars of employees:**

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Academic | Admin/House | Academic | Admin/House |
| | No. | No. | No. | No. |
| Full time equivalent | 5 | 18 | 5 | 17 |
| Average | 6 | 25 | 5 | 23 |

Most of the teaching on the Trust's various courses is provided by employees of other bodies.

## 11. Taxation

| In respect of the year | 2025 | 2024 |
|---|---|---|
| | £ | £ |
| Taxation based on for the year at 20% (2024 20%): | - | - |

In the current year the trading subsidiary made a profit (loss) before tax of £78,980 (2024: £103,944)

## 12. Tangible fixed assets

| Group and charity | Office and Computer Equipment £ | Fixtures Fittings Plant & Equipment £ | Building Improvements £ | Land and Long Leasehold Property £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2024 | 177,766 | 296,755 | 1,340,660 | 700,000 | 2,515,180 |
| Additions | 5,832 | 18,657 | 25,881 | - | 50,370 |
| Disposals | - | - | - | - | - |
| At 31 August 2025 | 183,598 | 315,412 | 1,366,541 | 700,000 | 2,565,550 |
| **Depreciation** | | | | | |
| At 1 September 2024 | 166,608 | 291,321 | 799,399 | - | 1,257,328 |
| Charge for the year | 5,693 | 3,992 | 33,015 | - | 42,700 |
| On disposals | - | - | - | - | - |
| At 31 August 2025 | 172,301 | 295,313 | 832,414 | - | 1,300,028 |
| **Net Book Value** | | | | | |
| At 31 August 2025 | 11,297 | 20,099 | 534,127 | 700,000 | 1,265,522 |
| At 31 August 2024 | 11,159 | 5,434 | 541,260 | 700,000 | 1,257,853 |

## 13. Stock

| | Group | | Charity | |
|---|---|---|---|---|
| | 2025 £ | 2024 £ | 2025 £ | 2024 £ |
| Stock | 1,608 | 1,494 | - | - |

## 14. Debtors

| | Group | | Charity | |
|---|---|---|---|---|
| | 2025 £ | 2024 £ | 2025 £ | 2024 £ |
| Trade Debtors | 12,679 | 9,949 | 8,421 | 7,609 |
| Amounts owed by Subsidiary | - | - | 78,609 | 129,161 |
| Prepayments | 23,456 | 36,866 | 10,942 | 22,632 |
| | 36,135 | 46,815 | 97,972 | 159,402 |

Of the group trade debtors £ nil (2024: £nil) was due in over a year.

## 15. Creditors: Amounts falling due within a year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2025 £ | 2024 £ | 2025 £ | 2024 £ |
| Trade Creditors | 30,809 | 24,717 | 20,495 | 7,657 |
| PAYE & social security | 36,480 | 14,101 | 36,480 | 14,101 |
| VAT | 26,858 | 13,696 | 26,858 | 13,696 |
| Other creditors | 27,403 | 59,399 | 60,688 | 91,454 |
| Accruals and deferred Income | 54,731 | 96,477 | 38,232 | 76,826 |
| College loans | - | - | - | - |
| | 176,281 | 208,390 | 182,753 | 203,734 |

## 15a Deferred income movement.

| | | Group | Charity |
|---|---|---|---|
| Amount b/f 2024 | | 38,105 | 31,496 |
| Resources released in the year | | (38,105) | (31,496) |
| Resources deferred in the year | | 22,465 | 16,482 |
| Amount c/f 2025 | | 22,465 | 16,482 |

## 16. Creditors: Amounts falling due after more than one year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2025 £ | 2024 £ | 2025 £ | 2024 £ |
| College loans (i) | 410,000 | 410,000 | 410,000 | 410,000 |
| College loans (ii) | 67,500 | 67,500 | 67,500 | 67,500 |
| College loans (iii) | 100,000 | 100,000 | 100,000 | 100,000 |
| Accruals and deferred Income | - | - | - | - |
| | 577,500 | 577,500 | 577,500 | 577,500 |

College loans (i)
Included in creditors falling due after more than one year are loans of:
£60,000 (2024: £60,000) and £230,000 (2024: £230,000) from Northern Baptist College. This organisation is a founder member of the Trust. The loans are repayable when the Trust has funds available, or on the dissolution of the Trust. Interest is payable at 1% below base rate on the £60,000 loan. An agreement was reached in 2021 to reduce the interest rate for the £230,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £230,000 loan.

£70,000 (2024: £70,000) and £67,500 (2024: £67,500) from Northern College. This organisation is a founder member of the Trust. The £70,000 loan is repayable when the Trust has funds available or on the dissolution of the Trust. An agreement was reached in 2021 to reduce the interest rate for the £70,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £70,000 loan.

£50,000 (2024: £50,000) from Unitarian College. This organisation is a member of the Trust. The loan is repayable when the Trust has funds available or on the dissolution of the Trust. Interest is payable at 1% above base rate. It was previously the daily rate set by the Charities Aid Foundation for its COIF units, collared at 4%.
Total interest paid was £nil (2024: £2,614).

The Charity Commission has confirmed that it will be willing to authorise these loans to be repaid out of the proceeds of sale of Luther King House property if such a sale ever takes place and if the loans remain outstanding when it does.

College loans (ii)
Included in creditors falling due after more than one year is a loan of:
£67,500 (2024: £67,500) from Northern College. The outstanding loan was repayable by 2023 but a deferral to 2027 was agreed in order to assist cash flow during the Covid-19 crisis. Interest is payable at 2.5%. The original £60,000 loan was taken to convert offices into bedrooms. A further loan of £90,000 was taken to convert additional offices to bedrooms. The loans will be repaid as follows:

2026: £22,500 2027: £33,750

College loans (iii)
Included in creditors falling due after more than one year are loans that were granted in 2021 as emergency relief to a cashflow crisis at the height of the pandemic.

£75,000 (2024: £75,000) from Northern College. Interest is payable at 1% over base rate.

Total interest paid to Northern College was £nil (2024: £9,616)

£25,000 (2024: £25,000) from Northern Baptist College. Interest is payable at 1% over base rate.

Total interest paid to Northern Baptist College was £nil (2024: £16,121)

The College loans could be deemed concessionary loans.

At the time when the Trust and Constituent College's merge the balances outstanding will be resolved and extinguished at the time of merger.

## 17. Pensions

At the year end the outstanding pension commitment was £14,511 (2024: £4,309)

## 18. Commitments under operating leases

At 31 August 2025 the company had minimum lease payments of £nil.

| | Assets other than land And buildings | |
|---|---|---|
| | 2025 | 2024 |
| | £ | £ |
| Operating leases which will be paid: | | |
| < 1 year | - | - |

## 19. Analysis of charitable funds

**Analysis of movement in unrestricted funds**

| | Balance 1 September 2024 | Incoming resources | Resources expended | Transfers | Funds 31 August 2025 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| General fund | (33,859) | 1,508,616 | (1,554,435) | - | (79,678) |
| **Total** | **(33,859)** | **1,508,616** | **(1,554,435)** | **-** | **(79,678)** |

(Prior Year)

| | Balance 1 September 2023 | Incoming resources | Resources expended | Transfers | Funds 31 August 2024 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| General fund | 118,057 | 1,282,326 | (1,434,242) | - | (33,859) |
| Total | 118,057 | 1,282,326 | (1,434,242) | - | (33,859) |

| Name of unrestricted fund | Description, nature, and purpose of the fund |
|---|---|
| General fund | The 'free reserves' after allowing for designated funds. |

**Analysis of movement in restricted fund**

| | Balance 1 September 2024 | Incoming resources | Resources expended | Transfers | Funds 31 August 2025 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| **Total** | **700,000** | - | - | - | **700,000** |

(Prior Year)

| | Balance 1 September 2023 | Incoming resources | Resources expended | Transfers | Funds 31 August 2024 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| Total | 700,000 | - | - | - | 700,000 |

Restricted funds represent the value of assets acquired with money given for this specific purpose including the original gift of land and buildings to the Trust.
In 2008, substantial improvements were made to the buildings. The value of these have been reduced each year by depreciation. However, the Board decided to allocate the remaining balance on the improvements from restricted to unrestricted reserves during 2021.

## 20. Analysis of group net assets between funds

| | General Fund | Designated Fund | Restricted Fund | Total 2025 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 565,522 | - | 700,000 | 1,265,522 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 70,838 | - | - | 70,838 |
| Other net current assets/(liabilities) | (138,538) | - | - | (138,538) |
| Creditors of more than one year | (577,500) | - | - | (577,500) |
| | **(79,678)** | - | **700,000** | **620,322** |

(Prior Year)

| | General Fund | Designated Fund | Restricted Fund | Total 2024 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 557,853 | - | 700,000 | 1,257,853 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 145,868 | | - | 145,868 |
| Other net current assets/(liabilities) | (160,080) | | - | (160,080) |
| Creditors of more than one year | (577,500) | | | (577,500) |
| | **(33,859)** | - | 700,000 | **666,141** |

## 21. Related party transactions

Transactions between the parent and the wholly controlled trading subsidiary have not been disclosed due to the fact that the subsidiary is wholly owned. Advantage has been taken of the available exemption under Section 33 of FRS 102.

Luther King House Conference & Accommodation Services Ltd is exempt from audit by virtue of s477 of the Companies Act.

The three Colleges below are member bodies of the Trust, and have rights and responsibilities as set out in the Memorandum of Association.

The Trust made sales of £91,607 (2024: £81,023) to Northern Baptist College and at year end was owed £6,527 (2024: £42) by the College. Total interest paid on loans was £nil (2024: £16,121).

The Trust made sales of £161,615 (2024: £163,791) to Northern College and at year end was owed £1,279 (2024: £nil) by the College. Total interest paid on loans was £nil (2024: £9,616).

The Trust made sales of £4,734 (2024: £13,204) to Unitarian College and at year end was owed £nil (2024: £318) by the College. Total interest paid on a loan was £nil (2024: £2,614).

## 22. Financial Instruments

| **Financial assets that are measured at amortised cost:** | **2025** | **2024** |
|---|---|---|
| | **£** | **£** |
| Trade debtors | 12,769 | 10,159 |
| Cash | 70,838 | 145,868 |
| | **83,607** | **156,027** |

| **Financial liabilities that are measured at amortised cost:** | **2025** | **2024** |
|---|---|---|
| | **£** | **£** |
| Trade creditors | 30,809 | 24,717 |
| Other payables | 59,669 | 117,771 |
| Loans | 577,500 | 577,500 |
| | **667,978** | **719,988** |

## 23. Reconciliation of net (outgoing)/incoming resources to net cash outflow from operating activities

| | **2025** | **2024** |
|---|---|---|
| | **£** | **£** |
| Net incoming/(outgoing) resources | (45,819) | (151,916) |
| Depreciation | 42,700 | 41,676 |
| Investment income | (379) | (633) |
| Interest payable | - | 28,350 |
| (Increase)/Decrease in stock | (113) | 62 |
| Decrease/(Increase) in debtors | 10,680 | (9,322) |
| (Decrease)/Increase in creditors | (32,109) | (1,596) |
| Net cash outflow from operating activities | (25,040) | (93,379) |

**Reconciliation of net cash flow to movement in net debt**

| | 2025<br>£ | 2024<br>£ |
|---|---|---|
| Increase/(Decrease) in cash in the year | (75,030) | (145,357) |
| Cash outflow from other loans | - | - |
| Change in net debt resulting from cash flows | (75,030) | (145,357) |
| Movement in net debt in the period | (75,030) | (145,357) |
| Net debt brought forward | (431,632) | (286,275) |
| Net debt carried forward | (506,662) | (431,632) |

## 24. Analysis of reconciliation of net debt

| | Brought Forward<br>£ | Cash flow<br>£ | Carried Forward<br>£ |
|---|---|---|---|
| Net cash | | | |
| Cash at bank and in hand | 145,868 | (75,030) | 70,838 |
| Debt due after 1 year | (577,500) | - | (577,500) |
| Debt due within 1 year | - | - | - |
| Net debt | (431,632) | (75,030) | (506,662) |

## 25. Post Balance Sheet Event

The trustees of Luther King House Educational Trust have continued to work with the counterparts at Northern Baptist College and Northern College to ensure the longevity of all three organisations. The decision was made on the 4th July 2024 to transfer the Trust and all staff to a new entity on 1st September 2025. All assets, liabilities and operations would transfer to the new entity for nil consideration. From the date of transfer Luther King Educational Trust would cease operating. However, following consultation with legal representatives across all three organisations, it has been agreed that a better course of action is for the three organisations to merge together into the legal entity known as Luther King House Educational Trust. The timeline for this final coming together has been agreed to now be 1st March 2026, the new organisation being known as Luther King. Updated objectives, along with memorandum of association and articles of association have been lodged with the Charity Commission and approval of these amendments has been granted. At a trust board meeting of Luther King House Educational Trust on 8th October 2025, the trustees approved their own replacement by the Shadow Board of the merged organisation. This saw the resignation of eight trustee directors, two remaining in place and the appointment of four representative members and an independent chair.

## 26. Prior Year Consolidated Statement of Financial Activities

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2024 £ | Total Funds 2023 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* Academic and housing activities | 3 | 331,235 | - | 331,235 | 348,437 |
| *Income from other trading activities:* Commercial trading operations | 4 | 950,458 | - | 950,458 | 941,093 |
| Investment income | 5 | 633 | - | 633 | 540 |
| **Total income** | | **1,282,326** | **-** | **1,282,326** | **1,290,070** |
| **Expenditure** | | | | | |
| *Costs of raising funds* Commercial trading operations | | 667,027 | - | 667,027 | 607,512 |
| *Expenditure on charitable activities:* Academic and housing activities | 6 | 767,215 | - | 767,215 | 638,540 |
| **Total expenditure** | | **1,434,242** | **-** | **1,434,242** | **1,246,052** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **(151,916)** | **-** | **(151,916)** | **44,018** |
| Tax expense | 11 | - | - | - | - |
| Net income/(expenditure) | | (151,916) | - | (151,916) | 44,018 |
| **Reconciliation of funds** Total funds brought forward | | 118,057 | 700,000 | 818,057 | 774,039 |
| **Total funds carried forward** | | **(33,859)** | **700,000** | **666,141** | **818,057** |

**LUTHER KING HOUSE EDUCATIONAL TRUST**

England & Wales - Charity number 1082375

# Accounts

# Luther King House Educational Trust

**(A company limited by guarantee)**

## Report and Financial Statements

## 31 August 2024

**Charity number: 1082375**

**Company number: 04065581**

**LUTHER KING HOUSE EDUCATIONAL TRUST**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 AUGUST 2024**

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**Luther King House Educational Trust**

**Report of the trustees for the year ending 31 August 2024**

The directors, who are also trustees for the purposes of the Charities Act, present their report together with the audited financial statements for the year ending 31 August 2024.

**Chair's report**

This has been a momentous year for the Luther King House Educational Trust.

In the summer of 2024 our President, the Revd Canon Graham Sparkes, retired from this post. Graham has given exemplary leadership to the Trust and our constituent parts for more than a decade. He came to the work in Manchester after service within the Baptist Union of Great Britain and soon took hold of the whole range of our activities in succession to Dr David R. Goodbourn. In his time at the Luther King Centre, he has had to grapple with changes in validation (twice) and with a myriad of fresh demands made by the Government Office for Students. Alongside this Graham has led our staff team and enabled us to develop the work of the Open College. Nothing appears to have daunted him and he has honed these skills whilst maintaining a substantial input to the teaching and learning of the institution. Here, we thank him most sincerely for his devotion to the work and his commitment to the vision of our ecumenical task in the north, the midlands and beyond.

Graham has been succeeded by the Revd Dr Kim Wasey, the Principal of the LKHET Open College. Kim has taken on this role at a time of transition, not only in staffing, but in the very identity and shape of our inclusive ecumenical partnership. Through the last months of this reporting year, Kim has proven her worth in a whole variety of ways and we are so grateful to her for the leadership she is offering as we move through a season of change.

We have been pleased that our course on Chaplaincy has attracted students and is proving to be an important enhancement to the educational provision on offer. We have also addressed the advisability of continuing our offer of doctoral studies and have been delighted to enter into a team supervision arrangement with the University of York St John.

As we noted last year, the continuing effects of the Covid-19 Global Pandemic provide a backwash to our life and being. Our principal stakeholders, Northern College (URC) and Northern Baptist College began to discuss with us part way through the year, whether the moment had come for a review of our whole mode of operation and whether the creation of one single body was the point we had reached on our ecumenical journey which began in the 1970's. At a meeting of the three Boards in early summer we received a report from consultants, appointed earlier in the year, suggesting that the way ahead consisted of seeking to amalgamate into one body so as to deliver theological education and education in related disciplines to our constituency of Baptists, United Reformed, Congregationalists, Moravians, Unitarians, Open College, UTU and our other partners.

Our external consultants proposed that the "new College" should utilise our Brighton Grove site, but re-configure to address the needs of the churches of the north and midlands in a fresh and dynamic way. The outcome for the year has demonstrated the fact that in our current structure we do not anticipate being a going concern. However, with the decisions taken by the principal stakeholders and ourselves in early summer to develop a "new College", we anticipate a new structure and future which is viable. We, therefore, do not anticipate another full year of financial activity in our current format and with the encouragement of our partners and the support of our auditors we dare to believe the new body, which will emerge before the next financial year, will be in a viable position to continue free church educational and theological formation from our Manchester base. In all of this we have felt able to go forward with the assurance of support from the governing bodies of the Northern Baptist College and Northern College (URC/Congregational), whose Chairs have assured us of their support

and their commitment to see the emergence of our shared "new College" within the next twelve months.

We have given ourselves a year to bring to birth this "new College" and we recognise the additional strain this has placed on all our staff team and upon the staff of the other participant Colleges. In the summer a new "Shadow Board" was created with three members drawn from each of the principal stakeholders and this new entity is shaping our common future as we move into the next year. Our board appointed Ms Helen Mason, Dr Jacqui Suthren Hirst and our President, the Revd Dr Kim Wasey to be our members, with the Revd Dr Simon J Oxley as alternate.

Through this season of change we have continued, faithfully, to fulfil our core educational objectives with the help and support of our dedicated staff and in cooperation with our founder members, partner Colleges and the wider Christian community in England and Wales. Our target remains to bring the "new College" into being in the summer of 2025.

With that aim and with the prospect of future development that it offers, we are bound to note that our financial outcomes are not as we would wish. Our Auditors have given us a clean audit certificate and we are immensely thankful for the hard work of our dedicated finance and administration teams who have fully satisfied the requirements of the audit process. However, the current structure reveals the result that we are no longer an effective "going concern." Change must come, and with that change there is the hope of a viable and stable future. The reality is that there remains a continuing decline on the number of denominational theological college students enrolling for a first level theology degree from our constituent partners and that our future appears to rest on attracting more students to our Open College provision and our specialist programmes in areas such as Chaplaincy.

At all times we have been cognisant of advice from the Charity Commission and the Office for Students. We have continued our regime of weekly review of cash flow, and the Board, through the Chair of the Finance and Monitoring Committee, has been in regular contact with our President Company Secretary to monitor the situation and consult with our principal stakeholders.

The Board has continued to meet regularly, and we have operated hybrid meetings, with facilities for joining the meeting by Zoom. The Finance and Monitoring Committee have continued to meet by Zoom.

There has been one change to Board membership during this period, the Revd Graham M Edwards from the Methodist Church was appointed on 5 October 2023 in place of the Revd Andrew Lunn, whom we thank for his contribution to our deliberations.

The Board has continued to be vigilant in overseeing all the activities of the Luther King House Educational Trust and congratulates all the staff and our key educational partners in their continued endeavours to maintain our vision and hold fast to our values and standards in a fast-moving and challenging environment. It remains a pleasure for me to chair a hard-working Board supporting the President, Company Secretary and a quality staff team as we seek to serve, in an inclusive way, the Christian community in the United Kingdom.

Keith G Jones
Chair

21st January 2025

**Aims and objectives.**
The objects of the Trust are:

The advancement of education in areas of Christian faith, practice, and dialogue and in particular but without limitation:

- The provision of learning opportunities for members of churches and other interested parties.
- The sharing of theological resources with and among local churches and communities.
- The preparation of persons for accredited forms of ministry.
- The provision of opportunities for post graduate research.
- The provision of an educational establishment together with ancillary services; and
- To advance education generally

The vision of the Trust may be summarised as to provide a learning resource and a flexible residential facility to enable the Partnership to:

- Be concerned with theological education to help all live responsibly and creatively in a plural society.
- Encourage people to shape their personal and communal futures through responsible citizenship.
- Be a centre of excellence at all levels of its work.
- Have a particular concern for Christian mission in an urban society, by building an ecumenical network of support and shared resources.
- Create communities of learning, worship, justice, and liberation.
- Express belief in one God, one world and one people.
- Be open to learning with people from a wide range of understandings, insights, and commitments.
- Develop international links for mutual learning with the world church.
- Integrate learning from different disciplines, faiths, personal and reported experience in church and political life; and
- Engage with scriptures, past and present Christian traditions, the world church, other faith communities and contemporary experience and thinking.

The facilities at Luther King House include:

- Study and office facilities for the academic and administrative staff of those Member Bodies based at Luther King Centre.
- Residential accommodation and study facilities for students of Member Bodies as required.
- A dining room providing breakfasts, lunches, and evening meals.
- Social provision including student kitchen & laundry facilities and a large lounge.
- A learning resources facility including books, periodicals, and internet access; and
- A chapel for community worship on an ecumenical basis.

When the facilities of the House are not being fully utilised in pursuit of the Trust's core activities, spare capacity is marketed to other persons and bodies. Any surpluses arising from this activity are re-invested in the Trust's core activities.

The educational activities of the Trust continue to be delivered under the branding Luther King Centre for Theology and Ministry (LKC)and this terminology will be used in the appropriate sections of this report.

## Public Benefit Statement

The Trust provides university validated courses of theological education for the benefit of any who are academically qualified, not only for those training for accredited ministries in the church. Fees are charged, though these do not cover the full cost of providing the service. Steps are taken to ensure the fees do not exclude the poor; bursaries are available, and the Trust works within a general environment of government provision designed to support poorer students and widen access. British residents of foreign nationality are charged only at the domestic rate. The Trust has, in fact, a significant number of non-traditional learners amongst its students, and a growing number from minority ethnic groups. Through the development of flexible and distributed learning, the Trust is also seeking to overcome further barriers to learning. The Trust's academic staff also contribute to the delivery of similar courses by other associated theological institutions.

The Trust works with churches in equipping them and their leadership for their roles in the community. Among those it trains, for instance, are church related community workers, whose whole purpose is community development. Those training for accredited ministries are seldom able to use their education to advance their own material interests; their sole reason for entering training is to serve the needs of local congregations and communities. Many do so in training placements throughout their course of education.

The Trust's facilities are of benefit to a wide range of the public. Membership of the library is available to all for an easily affordable annual charge. A wide variety of groups use the teaching rooms for learning and training events; the Trust makes a point of making its educationally equipped meeting rooms widely available when not needed for its own courses and does so for charities and churches at reduced rates.

We have complied with the duty under the Charities Act to have regard to the public benefit guidance published by the Charity Commission.

## Achievements and performance

The Trust's charitable objective is the advancement of education in areas of Christian faith, practice and dialogue and the challenge to this objective from factors outside the organisation continues. Both full and part time courses of study are offered at undergraduate and postgraduate levels alongside a Diploma of Higher Education and Certificate of Higher Education.

Despite the ongoing challenges, student numbers have remained generally stable with early signs of positive impacts on student number at both undergraduate and postgraduate level. Our student body continues to reflect a broad ethical and cultural diversity, and many do not have English as their first language. Students are supported by our academic staff and through the learning and resource centre. This latter offers support through study skills and proof-reading.

We have been able to offer much face-to-face teaching through the past year, though some elements continue to be offered through e-learning. The experience gained in the use of online learning during the height of the pandemic has provided opportunities to explore new ways of engaging with our students, and so continues for certain sessions and programmes, and it has been the focus of our academic team to ensure that all students are able to take full advantage of the resources provided.

The President and staff have worked hard to achieve, as best as possible, a sense of community and to promote collaborative working amongst the student community.

Luther King Centre for Theology and Ministry (LKC) is registered in the 'Approved (fee cap)' category of the Office for Students.

The continuing requirements of GDPR are recognised and embodied with our processes, policies, and procedures.

Lower student numbers and economic challenges have, once again, allowed only limited upgrading of our bedroom stock and all but essential capital projects have been shelved until our revenue stream has consolidated.

The following key educational objectives were established for 2023-24, together with indicators of how these have been met:

| Objective | Indicators of Achievement |
|---|---|
| Increase student numbers | Significantly increased enquiries and applications were seen over the full academic year, in both TMM and Chaplaincy studies. New recruitment monitoring process instituted as a standing item throughout the year at Operations Committee. Anticipated conversion to new year intake was well above previous five year average and retention will continue to be monitored through the next academic year |
| Make better use of our combined resources within the three partner colleges, reducing duplication and ensuring we offer streamlined single offer to maximise our educational opportunities and the commercial offers which support these. | A merger project scoping exercise was undertaken and brought to the proposal stage where it was presented to all three Boards in July 2024. Agreement for a full merger into a single institution was reached and has now moved into the implementation stage. |
| Engage with rapid development of AI and impact on educational field in a way that facilitates and supports students | Field work of nationwide HEI responses was undertaken and an initial policy drafted, reviewed and adopted. We anticipate this being a rapidly developing area which we will continue to review and develop to support student's understanding and practice in collaboration with our partner validating institutions. |

**Financial review**

The group has faced a challenging financial year with continued cost management and income maximisation challenges. However, our Bed, Breakfast and Conference business was able to meet our expectations over the full year. Our focus continues to be managing cash flow on an almost day to day basis. This approach has typified our financial monitoring over the past year.

**The Statement of Financial Activities for the Group**

The focus of concern throughout the year has been to enable Luther King House Educational Trust to continue as a going concern and to this end we have continued regular discussions with our principal stakeholders, Northern Baptist College, and the Northern College (United Reformed Church, Congregational Federation and Moravian Church) to provide support to ensure we could continue operating and as we developed supporting income from accommodation, catering and conference services.

At the end of the year the profit (loss) before tax incurred were:

| | |
|---|---|
| Charity | (£151,916) |
| Subsidiary | £nil |

Resulting in an overall loss before tax of (£151,916)

The bank balance at the end of the year was £145,868.

**Reserves policy and going concern.**

The total level of reserves at year-end amounted to £666,141 (2023 - £818,057). The Trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. Although the Trust seeks to maintain sufficient reserves to meet 3 months' worth of running expenditure, currently approx.£200k, the current level of free reserves is calculated to be £nil (2023 £120,289). However, the Trust will continue to work each year to increase the level of free reserves. The Trustees continue to review areas, particularly within the accommodation area of the group, where increased efficiencies can allow free reserves to increase to the target level.

The Colleges have expressed their support for our current business model and their conviction that we should continue to operate with our current model, whilst engaging in tripartite conversations to develop a strategy for ensuring viable operations in the medium term. Whilst the development of that strategy is refined and clarified, the two stakeholders have indicated their willingness to assist us through any temporary financial challenges on the journey to a medium term viable operation.

The assistance includes facilitating deferral of interest payments on loans and loan capital on funds previously advanced for improvements to the premises at Brighton Grove. This provision is regularly monitored and specific meetings between officers of the two College governing bodies and the Chair and President of Luther King House Educational Trust ensures that cash flow and the operation of Luther King house continues in a sustained way. Both Colleges have issued letters of support for the Trust extending until the end of August 2025.

The tripartite conversations have resulted in an agreement in principle for the three organisations to move forward with a plan to merge into a single new business. Thus, starting the journey of all three organisations towards medium / long term operating viability.

The Trust finances its operations through a mixture of retained profits and college loans. The management's objectives are to retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due. This policy has continued to be challenged during the year because of the global impact of regional conflicts and their impacts on the world economy and resource costs, the Trust has had to recourse to the governing bodies of the two major constituent colleges for relief provision on loan repayment and a commitment to potential further loan support.

The Trust makes little use of financial instruments other than an operational sterling bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position, and net incoming/outgoing resources.

The trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the continuing climate of economic recovery, the continuing regional conflicts and the impact on resource availability and pricing, the priority has continued to be regularly ensuring that the Trust has sufficient cash flow to meet obligations. With all these factors trading remains challenging though we work hard to maximise our room occupancy.

A significant income source for the Trust is through the bed and breakfast business of its subsidiary "Luther King Centre Conference and Accommodation Services Ltd". This business continues to recover, but the climate is still challenging with the on-going regional conflicts, resource availability and cost challenges. The opening of the new major event arena locally gives hope to have a positive impact on commercial ventures. The action taken in the last financial year has been necessary for a further year in the very challenging market:

- On the existing loans with the existing stakeholder colleges the Trust negotiated a further twelve months pause in repayments. The trust did fulfil it interest payments obligations.
- All non-essential capital expenditure was stopped.
- Continuing strict monitoring of cash flow
- Staffing hours were reviewed and where necessary reduced.
- Conversations continue with the Trustees of the Northern College and the Northern Baptist College about the provision of loans as required and within agreed and clearly defined parameters.

In addition to these actions the Trustees assessed several strategic options and concluded that the current model depending upon the subsidiary generating a reasonable level of profitability was still the most viable option for the future despite the current uncertainty.

We note the following regarding the operation of the LKCAS subsidiary.

- Manchester is a growing city with a range of entertainments and two Premier football clubs which means that the potential for new bookings is high.
- We have a good strong cohort of loyal customers and are well placed to access the city.
- The current model has shown a significant revenue growth over the years.
- We have been a successful venue for small conferences and again, historically, we have shown that we have a strong presence in this field.
- We regular review staffing and accommodation prices to be the most cost effective.
- The opening of the Co-Op Live arena offers the potential for increased revenue through increased bookings.

**Plans for future years**

As noted earlier the Trustees have agreed to work with Northern Baptist College and Northern College to transfer the Trust and all staff to a new entity from 1st September 2025. All assets, liabilities and operations of the Trust will be transferred to the new entity for £nil consideration. From the date of transfer Luther King House Educational Trust will cease operating. Following the completion of the transfer the Trustees of Luther King House Educational Trust intend to dissolve the company.

We have reviewed the staff to minimise costs whilst continuing to provide a good standard of service to all our current and future clients. Once we have fully stabilised our income stream our current intention is to continue our bedroom upgrades.

We continue a strategy for the marketing of LKC Open College that admits students direct to LKC rather than through one of its constituent colleges. This includes continuing review of our website, our publicity, and on ways of promoting the LKC brand, particularly on social media.

**Reference and administrative details**

Charity number: 1082375
Company number: 04065581

**Registered Office:**

Luther King House, Brighton Grove, Rusholme, Manchester, M14 5JP

**Secretary:**

The Revd Graham R Sparkes – resigned 11 January 2024
Mr David T Rudman – appointed 11 January 2024

**Our advisers:**

**Auditors**

Crowe UK LLP, 3rd Floor, St George's House, 56 Peter Street, Manchester, M2 3NQ.

**Bankers**

CAF Bank, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ

## Directors and trustees

The directors of the charitable company (the charity) are its trustees for the purposes of charity law. The trustees and officers serving during the year and since the year end were as follows:

The Revd Dr Keith G Jones
The Revd Dr Andrew J Lunn (F) resigned 5 October 2023
The Revd Dr Clara N Rushbrook (F)
The Revd Dr Simon J Oxley (F)
Dr Jacqueline Suthren Hirst
Ms. Erica M Dunmow
The Revd Jenny Mills (F)
Bishop Theo Oluwasegun Akano
The Revd Dr Adam J Scott (F)
Mrs. Helen Mason (F)
The Revd Graham M Edwards (F) appointed 5 October 2023

(F) = Directors appointed by a Founder Member according to its rights defined in the company's Articles of Association.

## Key management personnel

| | |
|---|---|
| President | The Revd Canon Graham R Sparkes term ceased 30 June 2024 |
| President | The Revd Dr Kim Wasey term commenced 1 July 2024 |
| Company Secretary | The Revd Canon Graham R Sparkes resigned 11 January 2024 |
| Company Secretary | Mr. David Rudman appointed 11 January 2024 |
| Finance Manager: | Mr. David Rudman appointed 1 September 2023 |
| Operations Manager | Miss Beverley Bartram |
| Academic Registrar | Miss Clare Richardson |
| Librarian | Mrs. Katie Glover |
| Open College Principal | The Revd Dr Kim Wasey |

## Structure, Governance and Management

### Governing Document

The Trust is a charitable company limited by guarantee and was set up on 1 September 2000. It is governed by a Memorandum and Articles of Association. The charity was created to carry on and further develop the work of its two predecessor charities, the Manchester Christian Institute (charity number 515358) and the Northern Federation for Training in Ministry (charity number 517496). Both these charities transferred their net assets as at 31 August 2000 to the Trust and were then dissolved.

The Memorandum and Articles of Association were updated in April 2015.

Every member promises, if the Charity is wound up while he/she is a member or within 12 months after ceasing to be a member; to pay such amounts as is required up to £1 towards the costs of dissolution and the liabilities incurred by the Charity while the contributor was a member.

The concept of the Partnership for Theological Education was born in 1997, under the umbrella of the Manchester Christian Institute. In September 2000, the member bodies of the Partnership became the member bodies of the Trust. The Partnership for Theological Education continues to be the operational name under which the Trust carries out some of its educational activities.

The financial basis of the Trust was the agreement of the four Founder members to provide to the Trust the land and buildings of Luther King House valued at £700,000 and cash totalling£500,000.

The original land and buildings were transferred from Northern Baptist College to a charity called the Luther King House Property Trust under a Charity Commission Scheme (case number 180221) dated 27 June 2002. Luther King House Property Trust is a separate charity from the Trust, but the Trust is its only trustee. The Charity Commission has given permission for the two charities to be accounted for as if they were a single entity.

**Appointment of trustees**

Where a vacancy arises for a director appointed by a Founder Member organisation, the organisation concerned makes the appointment in accordance with its own internal processes.

When a vacancy arises for an independent director, the Board considers any gaps in its current expertise and experience and in the various constituencies represented. It also has concern for its gender and ethnic balance. It then identifies a person or persons who could fill some of those gaps. An invitation is issued. Training of new directors includes the provision of a comprehensive induction pack. The Board encourages and supports directors who wish to pursue opportunities that will help them fulfil their responsibilities as trustees.

A new protocol has been developed to cover the appointment and re-appointment for all members of the Board.

**Changes to the trustee body**

During the year we appointed one new member of the board and had one member resign during the year. The Revd Graham Edwards replaced The Revd Dr Andrew Lunn and is a Foundation Trustee.

**Trustee induction and training**

Induction is tailored for new Trustees due to the very different needs of Independent and Foundation Trustees.

**Organisation**

The Board of Trustees administers the charity. The Board meets on at least four occasions each year. Responsibility for governance remains with the Board of Directors and its Finance and Monitoring Committee, which meets quarterly and includes an internal audit function to check on not only financial and ethical matters, but also policies relating to equal opportunities, child protection and staff terms and conditions.

Responsibility for day to day management is entrusted to the Operations Committee, led by the President (a full time salaried officer). The committee includes the Principals, or their representative, of the three Colleges that participate in the Trust's educational activity and provide most of its teaching staff. Operations focuses on implementation, co-ordination, staff management, staff development and deployment ofresources as well as monitoring health and safety.

There are two academic committees to manage the undergraduate, postgraduate, and Research programmes, chaired by a member of the academic staff, and attended by the staff who teach on the programmes, student representatives and representatives of the University of Manchester and the University of Durham and Common Awards as appropriate. The Luther King Centre has an agreement with York St John University to co-supervise candidates on the doctoral programme of the University.

**Related parties and cooperation with other organisations**

The trustees do not receive remuneration in relation to their role on the board, however the Board includes members who are employed by member organisations and who are members of the teaching team delivering educational services for the Charity. This aspect of their work is remunerated.

A new company, Luther King House Conference and Accommodation Services Limited, was set up on 27 July 2009. This company is a wholly controlled subsidiary of the Trust. Its purpose is to carry on the conference and accommodation business at Luther King House and it operates under a licence granted by the Trust. It began trading on 1 September 2009. The directors of the main Trust are also directors of the subsidiary.

The directors' report and the accompanying financial statements concern the combined results of the Group for the year to 31 August 2024. Balance sheets for the Group and for the Charity are shown on page 22.

**Charity Governance**

In July 2018 the Board agreed to adopt the 'Charity Governance Code' with additional principles relating to Higher Education. Whilst this had been discussed in the past and generally reflected current practice, the Board recognised that it would be appropriate to formally adopt the code and put in place procedures for its implementation and regular monitoring. This latter activity would be achieved by an annual review in the Autumn at the same time as all other policies were reviewed. The Board agreed the following affirmations relating to its academic staff:

- That LKC affirms that its academic staff have freedom within the law:
  to question and test received wisdom; and
  to put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing the jobs or privileges they may have at LKC.
- That LKC affirms its commitment to freedom of speech and the encouragement of debate of all kinds as long as this takes place within the law and will take such steps as may be necessary to secure such freedom.

**Fundraising**
The Charity had no fundraising activities requiring disclosure under provision of the Charities (Protection and Social Investment) Act 2016.

**Pay policy for senior staff.**
Staff pay is agreed by the Board on recommendation of the Finance and Monitoring Committee. Remuneration for senior staff is based on role, experience, and performance. It is reviewed annually and normally increased in accordance with average earnings.

**Risk Management**

The directors maintain a register of the major risks which the Trust faces, and they review this register regularly. Each risk is assessed for its severity and its likelihood and for the effectiveness of the steps

taken to manage the risk. The Register is regularly reviewed by the Finance and Monitoring Committee and risk management is now an annual standing item on the agenda of the LKHET Board meetings. In reviewing the Register, the directors considered the most serious risks facing the Trust, and the actions taken to mitigate them are:

- Failure to maintain income to sustain core activities.
  Annual budgets are prepared by key management personnel and comparisons to actual are carefully monitored throughout the year. Cash flow is monitored on a daily basis and 3-year forecasts are now part of the annual budgeting process. There are regular reviews of strategic policies.

- Lack of student numbers
  Student recruitment is monitored closely, and publicity and marketing initiatives are carried out. The Trust ensures that academic programmes are meeting the requirements of the respective Colleges and denominations.

- Volatile energy market
  The Trust agreed extensions to utility contracts. The gas contract was extended for 12 months until March 2025 whilst the electricity contract was extended for 24 months until July 2026. This was agreed at a significantly better value than initially anticipated. This was agreed via the use of energy brokers working on behalf of the Trust.

- Loss of confidence in the quality of the accommodation and conference facilities.
  Comments and feedback are regularly monitored and responded to as appropriate.

- Failure to adequately maintain and improve the property.
  Regular maintenance and improvement work are budgeted for and carried out. The property is regularly inspected, and necessary work is carefully prioritised.

**Trustees' responsibilities in relation to the financial statements**

The directors are responsible for preparing the Directors' 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 directors 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 group of the incoming resources and application of resources including the income and expenditure, of the group for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable UK 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 and group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement as to disclosure to our auditors**

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Small company provisions**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the trustees

Keith G Jones
Director

21/1/25

## Opinion

We have audited the consolidated financial statements of Luther King House Educational Trust for the year ended 31 August 2024 which comprise the Consolidated Statement of Financial Activities, Statement of Changes in Reserves, Consolidated and Charity Balance Sheet, Consolidated Cash Flow Statement, and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and charitable company's affairs as of 31 August 2024 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.

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

## Emphasis of matter – financial statements prepared on a basis other than going concern

As described in note 1, the trustees have prepared the financial statements on a basis other than going concern. The charity is seeking to merge. This follows a formal agreement at a joint Governing Body meeting held in July 2024, where the Boards of Luther King Educational Trust, Northern Baptist College Limited and Northern College (URC and Congregational) agreed to merge the three organisations into one. Our opinion is not modified in this respect

## Other information

The trustees are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the 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.

**Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the trustees' report for the financial year for which the consolidated 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 group and the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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

- adequate accounting records have not been kept by the charitable company, 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 exemption 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 set out on page 14, 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.

**Extent to which the audit was considered capable of detecting irregularities, including fraud.**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, Charities Act 2011 and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and completeness of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing from student record documentation and sample testing of accommodation records to the consolidated financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the group and 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 group and 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 group and charitable company and the group and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vicky Szulist

Vicky Szulist
Senior Statutory Auditor
For and on behalf of
**Crowe U.K. LLP**
Statutory Auditor
3rd Floor
St George's House
56 Peter Street
Manchester
M2 3NQ

31st January 2025

## LUTHER KING HOUSE EDUCATIONAL TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure account)

## YEAR ENDED 31 AUGUST 2024

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2024 £ | Total Funds 2023 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 331,235 | | 331,235 | 348,437 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 950,458 | | 950,458 | 941,093 |
| Investment income | 5 | 633 | | 633 | 540 |
| **Total income** | | **1,282,326** | | **1,282,326** | **1,290,070** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 667,027 | | 667,027 | 607,512 |
| *Expenditure on charitable activities*: | | | | | |
| Academic and housing activities | 6 | 767,215 | | 767,215 | 638,540 |
| **Total expenditure** | | **1,434,242** | | **1,434,242** | **1,246,052** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **(151,916)** | | **(151,916)** | **44,018** |
| Tax expense | 11 | - | | - | - |
| **Net income/(expenditure)** | | **(151,916)** | | **(151,916)** | **44,018** |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 818,057 | | 818,057 | 774,039 |
| **Total funds carried forward** | | **666,141** | | **666,141** | **818,057** |

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.
The deficit in the year for the Charity was £151,916.

## LUTHER KING HOUSE EDUCATIONAL TRUST

## STATEMENT OF CHANGES IN RESERVES

## YEAR ENDED 31 AUGUST 2024

| Income: | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2024 £ |
|---|---|---|---|
| Balance at 1 September 2020 | 99,353 | 837,886 | 937,239 |
| Net Income for the year ended 31 August 2021 | (20,501) | (137,886) | (158,387) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2021 | (20,501) | (137,886) | (158,387) |
| **Balance at 31 August 2021** | **78,852** | **700,000** | **778,852** |
| Net Income for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| **Balance at 31 August 2022** | **74,039** | **700,000** | **774,039** |
| Net Income for the year ended 31 August 2023 | 44,018 | - | 44,018 |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2023 | 44,018 | - | 44,018 |
| Transfer | - | - | - |
| **Balance at 31 August 2023** | **118,057** | **700,000** | **818,057** |
| Net Income for the year ended 31 August 2024 | (151,916) | - | (151,916) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2024 | (151,916) | - | (151,916) |
| Transfer | - | - | - |
| **Balance at 31 August 2024** | **(33,859)** | **700,000** | **666,141** |

## LUTHER KING HOUSE EDUCATIONAL TRUST

## GROUP AND CHARITY BALANCE SHEETS
**Company No; 04065581**

## YEAR ENDED 31 AUGUST 2024

| | Note | Group 2024 £ | Group 2023 £ | Charity 2024 £ | Charity 2023 £ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Deferred Tax asset | 11 | - | - | - | - |
| Tangible assets | 12 | 1,257,853 | 1,275,269 | 1,257,853 | 1,275,269 |
| **Total Non-current Assets** | | **1,257,853** | **1,275,269** | **1,257,853** | **1,275,269** |
| **Current assets** | | | | | |
| Stock | 13 | 1,494 | 1,556 | - | - |
| Debtors | 14 | 46,815 | 37,493 | 159,402 | 178,316 |
| Cash at bank and in hand | | 145,868 | 291,225 | 29,748 | 73,979 |
| **Total Current Assets** | | **194,177** | **330,274** | **189,151** | **252,295** |
| **Liabilities** | | | | | |
| Creditors falling due within one year | 15 | (208,390) | (209,986) | (203,734) | (132,379) |
| **Net Current assets** | | **(14,213)** | **120,288** | **(14,583)** | **119,916** |
| **Total assets less current liabilities** | | 1,243,641 | 1,395,557 | 1,243,270 | 1,395,185 |
| Creditors falling due after more than 1 year | 16 | (577,500) | (577,500) | (577,500) | (577,500) |
| **Net assets** | | **666,141** | **818,057** | **665,770** | **817,685** |
| **The funds of the charity:** | | | | | |
| Unrestricted income funds | 19 | (33,859) | 118,057 | (34,230) | 117,685 |
| Restricted income funds | 19 | 700,000 | 700,000 | 700,000 | 700,000 |
| **Total charity funds** | | **666,141** | **818,057** | **665,770** | **817,685** |

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.
The company has not delivered a copy of the profit and loss account to Companies House.
Signed

**Keith Grant Jones**
Trustee

Helen Mason
Trustee

Approved by the trustees on 21/1/2025
The notes at pages 24 to 40 form part of these accounts.

## LUTHER KING HOUSE EDUCATIONAL TRUST

## CASH FLOW STATEMENT

## YEAR ENDED 31 AUGUST 2024

| | Note | Group 2024 £ | Group 2023 £ |
|---|---|---|---|
| **Cash generated in operating activities** | **23** | **(93,379)** | **160,836** |
| **Cash flows from investing activities** | | | |
| Interest income | | 633 | 540 |
| Purchase of tangible fixed assets | | (24,260) | (22,263) |
| **Cash provided by (used in) investing activities** | | **(23,627)** | **(21,723)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowing | | - | - |
| Interest paid | | (28,351) | (18,793) |
| Loan taken out in the year | | - | - |
| **Cash used in financing activities** | | **(28,351)** | **(18,793)** |
| (Decrease) increase in cash and cash Equivalents in the year | | **(145,357)** | **120,320** |
| Cash and cash equivalents at the beginning of the year | | 291,225 | 170,905 |
| **Total cash and cash equivalents at the end of the year** | | **145,868** | **291,225** |

The charity has taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cash flow statement with the consolidated accounts.

The notes at pages 24 to 40 form part of these accounts.

**Notes on the accounts**

## 1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

Luther King House Educational Trust is a private company limited by guarantee, incorporated, and registered as a charitable company in England (Registered No. 1082375 (Company) & 04065581 (Charity)). Its registered office is listed on the reference and administration page.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective October 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

The Charity has taken advantage of the available exemption under s408 Companies Act and has not included a Charity only Statement of Financial Activities.

b) Preparation of the accounts on a basis other than going concern

These financial statements have been prepared on a basis other than a going concern basis which the trust board considers to be appropriate.

The Trustees have agreed to work with Northern Baptist College and Northern College to transfer the Trust and all staff to a new entity from 1st September 2025. All assets, liabilities and operations of the Trust will be transferred to the new entity for £nil consideration. From the date of transfer Luther King House Educational Trust will cease operating. Following the completion of the transfer the Trustees of Luther King House Educational Trust intend to dissolve the company. For this reason, the financial statements have been prepared on a basis other than going concern.
The colleges have confirmed that none of the loans will be repayable within a year

c) Group financial statements

The financial statements consolidate the results of the charity and its wholly owned trading subsidiary company, Luther King House Conference and Accommodation Services Limited. A separate statement of financial activities incorporating an income and expenditure account for the charity itself is not presented because advantage has been taken of the exemptions under the Companies Act 2006.

d) Income and expenditure

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

Most course fees are invoiced at the beginning of each academic year and are receivable then.

College block charges are agreed in advance each year with the colleges. The total charges for the financial year are invoiced in September and received in instalments through the year.

Other income is recognised on a receivable basis.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

**Allocation of expenditure**

Governance costs are those incurred in connection with public accountability and the strategic planning process of the Trust. Governance costs represent the time spent by employees on these matters.

e) 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.

f) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objects of the Trust and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Trust for particular purposes. The cost of realising and administering all funds are charged against the general fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

g) VAT

Irrecoverable VAT is written off in the year except for where it relates to capital items, in which case it is added to the cost of additions of fixed assets.

h) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight-line basis over the period of the lease.

i) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

<u>Depreciation</u>

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|---|
| Office and computer equipment | 33% straight line |
| Furniture, fixtures, and fittings | 20% straight line |

| | |
|---|---|
| Building improvements | 5% straight line |
| Library development | 2% straight line |

As the residual value of land and long leasehold buildings is believed to be at least the carrying value of the asset no depreciation is provided.

j) Stock

Stocks consist of purchased goods for resale. Stocks are valued at the lower of cost and net realisable value.

k) Debtors

Trade debtors are recognised at the settlement amount after any trade discounts offered.

Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

Cash at bank and 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.

m) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

n) Financial instruments

The Charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activity.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the

asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.
Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of financial activities.

p) Capitalisation Policy

The company prepares the financial statements in accordance with the concept of materiality. Therefore, the company will capitalise costs that are greater than the following limits: individually have a cost of more than £1,000, or collectively have a cost of least £1,000 where the assets are functionally interdependent, have simultaneous purchase dates and are anticipated to have simultaneous disposal dates, and are under single managerial control.

**Judgements in applying accounting policies and key sources of estimation uncertainty.**

The charity makes estimates and assumptions concerning the future. The Finance Committee reviewed the worst-case scenario and combined with the College letters of financial support, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern and as such the disclosures in this area are appropriate. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation, and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment and note 1i for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors.
When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

## 2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being

wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.
The entity is a private charitable company, Charity number 1082375. The registered office is Luther King House, Brighton Grove, Rusholme, Manchester M14 5JP.

## 3. Incoming resources from charitable activities

| | 2024 | 2023 |
|---|---|---|
| **House income** | £ | £ |
| Rent | 24,330 | 21,519 |
| Sundry income | 22,282 | - |
| | 46,612 | 21,519 |
| **Academic activities** | | |
| College fees | 199,861 | 187,091 |
| College block charges | 71,500 | 121,500 |
| Sundry income (including grants) | 13,262 | 18,327 |
| | 284,623 | 326,918 |
| Total | 331,235 | 348,437 |

## 3a Disclosure on Grant and Fee income

| | 2024 | 2023 |
|---|---|---|
| **Grant income** | £ | £ |
| Grant income from OfS | 6,566 | 8,276 |
| Grant income from other Bodies | - | - |
| Total Grant income | 6,566 | 8,276 |
| **Fee income** | | |
| Fee income from taught awards | 170,997 | 163,085 |
| Fee income from research awards | 9,694 | 14,816 |
| Fee income from non-qualifying courses | 19,170 | 9,190 |
| Total fee income | 199,861 | 187,091 |

## 4 Trading operations and investment in trading company

The consolidated statement of financial activities includes the results of the Charity's wholly controlled subsidiary. The Charity is the sole member of Luther King House Conference and Accommodation Services Ltd, (company number 6973866, registered office same as the parent Charity), a supplier of bed and breakfast and conference facilities. It pays almost all of its profits to the charity by gift aid. Summaries of the trading result and balance sheet are as follows:

**Trading result for the year ended 31 August 2024**

| | 2024 £ | 2023 £ |
|---|---|---|
| Turnover | 950,458 | 941,093 |
| Investment income | 513 | 287 |
| Cost of sales and administrative expenses Including internal rent of £180,000 | (847,027) | (787,512) |
| Profit (Loss) before tax | 103,944 | 153,868 |
| Tax expense | - | - |
| Profit (loss) for the year | 103,944 | 153,868 |
| Amount gifted to the Charity | 103,944 | 153,868 |
| Retained in the subsidiary | - | - |

**Balance Sheet at 31 August 2024**

| | | |
|---|---|---|
| Non-Current assets | - | - |
| Current assets | 215,410 | 231,847 |
| Creditors (amounts falling due within one year) | (215,039) | (231,476) |
| Total net assets (liabilities) | 371 | 371 |
| Aggregate reserves | 371 | 371 |

## 5 Investment income

| | Unrestricted Funds | Total funds 2024 | Total funds 2023 |
|---|---|---|---|
| | £ | £ | £ |
| Bank interest receivable | 633 | 633 | 540 |

## 6 Analysis of expenditure of charitable activities

| | 2024 | 2023 |
|---|---|---|
| | £ | £ |
| **Academic and house activities** | | |
| Staff costs | 302,009 | 253,843 |
| Teaching fees | 5,020 | 22,269 |
| University registration | 15,245 | 19,523 |
| Bursaries | 560 | 1,589 |
| Books and periodicals | 6,120 | 6,870 |
| Bad debts | (920) | (2,231) |
| Rates and water | 32,910 | 24,682 |
| Light and heat | 110,927 | 65,510 |
| Cleaning | 1,650 | 1,250 |
| Insurance | 8,260 | 7,886 |
| Repairs and maintenance | 34,263 | 27,321 |
| Telephone | 417 | 1,139 |
| Office supplies and postage | 9,830 | 7,032 |
| Photocopying rental | 744 | 385 |
| Photocopying charges | 1,434 | 1,205 |
| Travel | 1,475 | 1,091 |
| Meetings & sundry xps | 61,813 | 49,345 |
| Depreciation of fixed assets | 41,676 | 43,960 |
| Support costs (see note 7) | 100,405 | 92,508 |
| Governance costs (see note 8) | 33,377 | 13,363 |
| **Total academic and house activities costs** | **767,215** | **638,540** |

## 7. Support costs

| | Unrestricted funds | Total funds 2024 | Total funds 2023 |
|---|---|---|---|
| | £ | £ | £ |
| Loan interest | 28,350 | 28,350 | 18,793 |
| Bank charges | 1,847 | 1,847 | 1,895 |
| Irrecoverable VAT | 10,684 | 10,684 | 14,495 |
| President employment costs | 59,141 | 59,141 | 56,179 |
| Finance general costs | 383 | 383 | 1,146 |
| **Total** | **100,405** | **100,405** | **92,508** |

## 8. Governance costs

| | Unrestricted funds | Total funds 2024 | Total funds 2023 |
|---|---|---|---|
| | £ | £ | £ |
| Audit fees | 11,635 | 11,635 | 9,515 |
| Professional fees | 20,071 | 20,071 | 2,566 |
| Trust meetings and expenses | 1,671 | 1,671 | 1,282 |
| **Total** | **33,377** | **33,377** | **13,363** |

## 9. Net income/(expenditure) for the year

| | Total funds 2024 | Total funds 2023 |
|---|---|---|
| This is stated after charging | £ | £ |
| Operating lease - photocopier | 744 | 385 |
| Staff pension contributions | 56,965 | 47,374 |
| Depreciation | 41,676 | 43,960 |
| Auditor's fees | 11,635 | 9,515 |
| **Total** | **111,020** | **101,234** |

## 10. Staff costs and emoluments

| | 2024 | 2023 |
|---|---|---|
| | £ | £ |
| Total staff costs were as follows | | |
| Wages and salaries | 565,514 | 510,022 |
| Social security costs | 44,839 | 38,746 |
| Other pension costs | 56,965 | 47,374 |
| | 667,318 | 596,142 |

None of the Trust's employees received remuneration in excess of £60,000 in the year (2023: £nil).

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The key management personnel of the parent charity, the Trust, comprise the Trustees, the President, Academic Registrar, Librarian, Finance Manager and Open College Principal. The total employee benefits of the key management personnel of the Trust were £211,719 (2023: £193,472).

The key management personnel of the group comprise those of the Trust and the key management personnel of its wholly owned subsidiary Luther King House Conference and Accommodation Services Ltd. The key management personnel of LKHCAS Ltd is the Operations Manager. Employee benefits in the role total £ 38,046 (2023: £34,650).
The employee benefits of key management personnel for the group was therefore £249,765 (2023: £228,122).

| | | **2024** | 2023 |
|---|---|---|---|
| | | **£** | £ |
| Salary of President | Salary | **52,436** | **46,330** |
| Pension of President | Pension | **5,243** | **4,633** |
| Totals | | **57,679** | **50,963** |

i The President's basic salary is 2.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider for its staff.

ii The President's total remuneration is 2.6 times the median total remuneration of staff where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of its staff.

Directors received no remuneration (2023: nil) and were reimbursed expenses as follows:

| | **2023** | **2023** |
|---|---|---|
| | **£** | **£** |
| Reimbursement of expenses | | |
| Keith Jones (travel expenses) | 195 | 84 |

**Particulars of employees:**

| | **2024** | | **2023** | |
|---|---|---|---|---|
| | Academic | Admin/House | Academic | Admin/House |
| | No. | No. | No. | No. |
| Full time equivalent | 5 | 17 | 5 | 16 |
| Average | 5 | 23 | 7 | 17 |

Most of the teaching on the Trust's various courses is provided by employees of other bodies.

## 11. Taxation

| In respect of the year | **2024** | **2023** |
|---|---|---|
| | **£** | **£** |
| Taxation based on for the year at 20% (2023 20%): | - | - |

In the current year the trading subsidiary made a profit (loss) before tax of £103,944 (2023: £153,581)

## 12. Tangible fixed assets

| Group and charity | Office and Computer Equipment £ | Fixtures Fittings Plant & Equipment £ | Building Improvements £ | Land and Long Leasehold Property £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2023 | 174,367 | 296,079 | 1,320,475 | 700,000 | 2,490,921 |
| Additions | 3,399 | 676 | 20,185 | - | 24,260 |
| Disposals | - | - | - | - | - |
| At 31 August 2024 | 177,766 | 296,755 | 1,340,660 | 700,000 | 2,515,181 |
| **Depreciation** | | | | | |
| At 1 September 2023 | 161,954 | 287,489 | 766,209 | - | 1,215,652 |
| Charge for the year | 4,654 | 3,832 | 33,190 | - | 41,676 |
| On disposals | - | - | - | - | - |
| At 31 August 2024 | 166,608 | 291,321 | 799,399 | - | 1,257,328 |
| **Net Book Value** | | | | | |
| At 31 August 2024 | 11,159 | 5,434 | 541,260 | 700,000 | 1,257,853 |
| At 31 August 2023 | 12,413 | 8,590 | 554,266 | 700,000 | 1,275,269 |

## 13. Stock

| | Group | | Charity | |
|---|---|---|---|---|
| | 2024 £ | 2023 £ | 2024 £ | 2023 £ |
| Stock | 1,494 | 1,556 | - | - |

## 14. Debtors

| | Group | | Charity | |
|---|---|---|---|---|
| | 2024 £ | 2023 £ | 2024 £ | 2023 £ |
| Trade Debtors | 9,949 | 6,257 | 7,609 | 1,741 |
| Amounts owed by Subsidiary | - | - | 129,161 | 153,868 |
| Prepayments | 36,866 | 31,236 | 22,632 | 22,707 |
| | 46,815 | 37,493 | 159,402 | 178,316 |

Of the group trade debtors £ nil (2023: £nil) was due in over a year.

## 15. Creditors: Amounts falling due within a year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2024 £ | 2023 £ | 2024 £ | 2023 £ |
| Trade Creditors | 24,717 | 34,965 | 7,657 | 26,349 |
| PAYE & social security | 14,101 | 12,676 | 14,101 | 12,676 |
| VAT | 13,696 | 35,633 | 13,696 | 35,633 |
| Other creditors | 59,399 | 59,996 | 91,454 | 11,462 |
| Accruals and deferred Income | 96,477 | 66,716 | 76,826 | 46,259 |
| College loans | - | - | - | - |
| | 208,390 | 209,986 | 203,734 | 132,379 |

## 15a Deferred income movement.

| | | Group | Charity |
|---|---|---|---|
| Amount b/f 2023 | | 26,178 | 19,094 |
| Resources released in the year | | (26,178) | (19,094) |
| Resources deferred in the year | | 38,105 | 31,496 |
| Amount c/f 2024 | | 38,105 | 31,496 |

## 16. Creditors: Amounts falling due after more than one year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2024 £ | 2023 £ | 2024 £ | 2023 £ |
| College loans (i) | 410,000 | 410,000 | 410,000 | 410,000 |
| College loans (ii) | 67,500 | 67,500 | 67,500 | 67,500 |
| College loans (iii) | 100,000 | 100,000 | 100,000 | 100,000 |
| Accruals and deferred Income | - | - | - | - |
| | 577,500 | 577,500 | 577,500 | 577,500 |

College loans (i)
Included in creditors falling due after more than one year are loans of:
£60,000 (2023: £60,000) and £230,000 (2023: £230,000) from Northern Baptist College. This organisation is a founder member of the Trust. The loans are repayable when the Trust has funds available, or on the dissolution of the Trust. Interest is payable at 1% below base rate on the £60,000 loan. An agreement was reached in 2021 to reduce the interest rate for the £230,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £230,000 loan.

£70,000 (2023: £70,000) and £67,500 (2023: £67,500) from Northern College. This organisation is a founder member of the Trust. The £70,000 loan is repayable when the Trust has funds available or on the dissolution of the Trust. An agreement was reached in 2021 to reduce the interest rate for the £70,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £70,000 loan.

£50,000 (2023: £50,000) from Unitarian College. This organisation is a member of the Trust. The loan is repayable when the Trust has funds available or on the dissolution of the Trust. Interest is payable at 1% above base rate. It was previously the daily rate set by the Charities Aid Foundation for its COIF units, collared at 4%.
Total interest paid was £2,614 (2023: £2,000).

The Charity Commission has confirmed that it will be willing to authorise these loans to be repaid out of the proceeds of sale of Luther King House property if such a sale ever takes place and if the loans remain outstanding when it does.

College loans (ii)
Included in creditors falling due after more than one year is a loan of:
£67,500 (2023: £67,500) from Northern College. The outstanding loan was repayable by 2023 but a deferral to 2027 was agreed in order to assist cash flow during the Covid-19 crisis. Interest is payable at 2.5%. The original £60,000 loan was taken to convert offices into bedrooms. A further loan of £90,000 was taken to convert additional offices to bedrooms. The loans will be repaid as follows:

2025: £22,500 2026: £22,500 2027: £11,250

College loans (iii)
Included in creditors falling due after more than one year are loans that were granted in 2021 as emergency relief to a cashflow crisis at the height of the pandemic.

£75,000 (2023: £75,000) from Northern College. Interest is payable at 1% over base rate.

Total interest paid to Northern College was £9,616 (2023: £3,594)

£25,000 (2023: £25,000) from Northern Baptist College. Interest is payable at 1% over base rate.

Total interest paid to Northern Baptist College was £16,121 (2023: £1,198)

The College loans could be deemed concessionary loans. The colleges have confirmed that none of the loans will be required to be repaid within a year.

## 17. Pensions

At the year end the outstanding pension commitment was £4,309 (2023: £3,482)

## 18. Commitments under operating leases

At 31 August 2024 the company had minimum lease payments of £nil.

| | Assets other than land And buildings 2024 £ | 2023 £ |
|---|---|---|
| Operating leases which will be paid: | | |
| < 1 year | - | - |

## 19. Analysis of charitable funds

**Analysis of movement in unrestricted funds**

| | Balance 1 September 2023 £ | Incoming resources £ | Resources expended £ | Transfers £ | Funds 31 August 2024 £ |
|---|---|---|---|---|---|
| General fund | 118,057 | 1,282,326 | (1,434,242) | - | (33,859) |
| **Total** | **118,057** | **1,282,326** | **(1,434,242)** | **-** | **(33,859)** |

(Prior Year)

| | Balance 1 September 2022 £ | Incoming resources £ | Resources expended £ | Transfers £ | Funds 31 August 2023 £ |
|---|---|---|---|---|---|
| General fund | 74,039 | 1,290,070 | (1,246,052) | - | 118,057 |
| Total | 74,039 | 1,290,070 | (1,246,052) | - | 118,057 |

| Name of unrestricted fund | Description, nature, and purpose of the fund |
|---|---|
| General fund | The 'free reserves' after allowing for designated funds. |

**Analysis of movement in restricted fund**

| | Balance 1 September 2023 | Incoming resources | Resources expended | Transfers | Funds 31 August 2024 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| **Total** | **700,000** | **-** | **-** | **-** | **700,000** |

(Prior Year)

| | Balance 1 September 2022 | Incoming resources | Resources expended | Transfers | Funds 31 August 2023 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| Total | 700,000 | - | - | - | 700,000 |

Restricted funds represent the value of assets acquired with money given for this specific purpose including the original gift of land and buildings to the Trust.
In 2008, substantial improvements were made to the buildings. The value of these have been reduced each year by depreciation. However, the Board decided to allocate the remaining balance on the improvements from restricted to unrestricted reserves during 2021.

## 20. Analysis of group net assets between funds

| | General Fund | Designated Fund | Restricted Fund | Total 2023 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 557,853 | - | 700,000 | 1,257,853 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 145,868 | - | - | 145,868 |
| Other net current assets/(liabilities) | (160,080) | - | - | (160,080) |
| Creditors of more than one year | (577,500) | - | - | (577,500) |
| | **(33,859)** | **-** | **700,000** | **666,141** |

| (Prior Year) | General Fund | Designated Fund | Restricted Fund | Total 2022 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 575,269 | - | 700,000 | 1,275,269 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 291,225 | | - | 291,225 |
| Other net current assets/(liabilities) | (170,937) | | - | (170,937) |
| Creditors of more than one year | (577,500) | | | (577,500) |
| | **118,057** | - | 700,000 | **818,057** |

## 21. Related party transactions

Transactions between the parent and the wholly controlled trading subsidiary have not been disclosed due to the fact that the subsidiary is wholly owned. Advantage has been taken of the available exemption under Section 33 of FRS 102.

Luther King House Conference & Accommodation Services Ltd is exempt from audit by virtue of s477 of the Companies Act.

The three Colleges below are member bodies of the Trust, and have rights and responsibilities as set out in the Memorandum of Association.

The Trust made sales of £81,023 (2023: £72,055) to Northern Baptist College and at year end was owed £42 (2023: £nil) by the College. Total interest paid on loans was £16,121 (2023: £10,398).

The Trust made sales of £163,791 (2023: £130,902) to Northern College and at year end was owed £nil (2023: £nil) by the College. Total interest paid on loans was £9,616 (2023: £6,394).

The Trust made sales of £13,204 (2023: £6,340) to Unitarian College and at year end was owed £318 (2023: £nil) by the College. Total interest paid on a loan was £2,614 (2023: £2,000).

## 22. Financial Instruments

| **Financial assets that are measured at amortised cost:** | **2024** | **2023** |
|---|---|---|
| | **£** | **£** |
| Trade debtors | 10,159 | 7,587 |
| Cash | 145,868 | 291,225 |
| | **156,027** | **298,812** |

| **Financial liabilities that are measured at amortised cost:** | **2024** | **2023** |
|---|---|---|
| | **£** | **£** |
| Trade creditors | 24,717 | 34,965 |
| Other payables | 117,771 | 100,536 |
| Loans | 577,500 | 577,500 |
| | **719,988** | **713,001** |

## 23. Reconciliation of net (outgoing)/incoming resources to net cash outflow from operating activities

| | **2024** | **2023** |
|---|---|---|
| | **£** | **£** |
| Net incoming/(outgoing) resources | (151,916) | 44,018 |
| Depreciation | 41,676 | 43,960 |
| Investment income | (633) | (540) |
| Interest payable | 28,350 | 18,792 |
| Decrease in stock | 62 | (69) |
| Decrease/(Increase) in debtors | (9,322) | (2,752) |
| (Decrease)/Increase in creditors | (1,596) | 57,427 |
| Net cash outflow from operating activities | (93,379) | 160,836 |

**Reconciliation of net cash flow to movement in net debt**

| | 2024 | 2023 |
|---|---|---|
| | £ | £ |
| Increase/(Decrease) in cash in the year | (145,357) | 120,320 |
| Cash outflow from other loans | - | - |
| Change in net debt resulting from cash flows | (145,357) | 120,320 |
| Movement in net debt in the period | (145,357) | 120,320 |
| Net debt brought forward | (286,275) | (406,595) |
| Net debt carried forward | (431,632) | (286,275) |

## 24. Analysis of reconciliation of net debt

| | Brought Forward | Cash flow | Carried Forward |
|---|---|---|---|
| | £ | £ | £ |
| Net cash | | | |
| Cash at bank and in hand | 291,225 | (145,357) | 145,868 |
| Debt due after 1 year | (577,500) | - | (577,500) |
| Debt due within 1 year | - | - | - |
| Net debt | (286,275) | (145,357) | (431,632) |

## 25. Post Balance Sheet Event

The trustees have been working with Northern Baptist College and Northern College to ensure the longevity of all three organisations. The decision has been made to transfer the Trust and all staff to a new entity on 1st September 2025. All assets, liabilities and operations will transfer to the new entity for nil consideration. From the date of transfer Luther King Educational Trust will cease operating. Following the completion of the transfer, the trustees of Luther King House intend to dissolve the company.

## 26. Prior Year Consolidated Statement of Financial Activities

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2023 £ | Total Funds 2022 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 348,437 | - | 348,437 | 308,595 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 941,093 | - | 941,093 | 859,800 |
| Investment income | 5 | 540 | - | 540 | 16 |
| **Total income** | | **1,290,070** | **-** | **1,290,070** | **1,168,411** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 607,512 | - | 607,512 | 523,198 |
| *Expenditure on charitable activities*: | | | | | |
| Academic and housing activities | 6 | 638,540 | - | 638,540 | 644,174 |
| **Total expenditure** | | **1,246,052** | **-** | **1,246,052** | **1,167,372** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **44,018** | **-** | **44,018** | **1,039** |
| Tax expense | 11 | - | - | - | (5,852) |
| Net income/(expenditure) | | 44,018 | - | 44,018 | (4,813) |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 74,039 | 700,000 | 774,039 | 778,852 |
| **Total funds carried forward** | | **118,057** | **700,000** | **818,057** | **774,039** |

**LUTHER KING HOUSE EDUCATIONAL TRUST**

England & Wales - Charity number 1082375

# Accounts

# Luther King House Educational Trust

**(A company limited by guarantee)**

## Report and Financial Statements

## 31 August 2023

**Charity number: 1082375**

**Company number: 04065581**

**LUTHER KING HOUSE EDUCATIONAL TRUST**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 AUGUST 2023**

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**Luther King House Educational Trust**

**Report of the trustees for the year ending 31 August 2023**

The directors, who are also trustees for the purposes of the Charities Act, present their report together with the audited financial statements for the year ending 31 August 2023.

**Chair's report**

For the past two years our report has addressed the many challenges we faced during the height of the Covid-19 Global Pandemic. These challenges have not been totally eliminated; however, we have been able to engage in face to face teaching and learning and to operate our accommodation services throughout this last financial year resulting in a better operational and financial outcome. Nevertheless, recovering from two very difficult years has not been without determined work by our staff team and we have not been able to invest in our on-going operations in ways that we might have wished. We have undertaken essential repair work and ensured our library and our facilities were available to our student community and our conference and accommodation clientele to the highest possible standards given the constraints from recovering from Government restrictions (lockdowns), Despite all the challenges we have faced, our staff team have risen to the occasion and we have emerged from a further volatile year in a better situation than we might have imagined. Our principal stakeholders, Northern College (URC) and Northern Baptist College have once again assisted us by early payments and by loans. The outcome for the year has been financially better than we predicted in our budget thanks to careful control of expenditure and an excellent performance by our conference and accommodations team.

During the year part of our educational provision was conducted on line, though increased face- to-face teaching was possible. For a second year we held our own in person Graduation service. We had a splendid occasion in the Chapel addressed by one of our directors, Dr Jacqueline Suthren Hirst, when we recognised and celebrated the achievements of those who had been awarded Certificates, Diplomas, Bachelor, Masters, and Doctoral degrees.

During this year, we have continued our transition from the programmes validated by Manchester University to programmes of the University of Durham Common Awards. We have also enrolled our second cohort of students for the new Master's degree in Chaplaincy work, again validated by Durham and we have reached an agreement with York St John University to provide a Doctoral programme.

Inevitably, these programme developments once again entailed much extra work for our staff team, ably led by our President and with the support of the academic staff of the constituent Colleges and our own registrar and library staff teams.

In all this we sought to continue to fulfil our core educational objectives with the help and support of our dedicated staff and in cooperation with our founder members, partner Colleges and the wider Christian community in the north of England. We have to note, again, the continued demands being made on us by the Office for Students, though some of the requirements made of us, particularly in providing statistical information, have caused us challenges as the parameters used by the Office for Students have been more appropriate to large public-sector Universities than to small specialist higher education institutions such as ourselves.

In educational terms, despite the challenges and restrictions created by the pandemic, we have continued to work within the parameters of our 2018 Vision document and to offer a range of courses from informal education through to doctoral studies. We remain delighted that our academic team at Luther King House are highly regarded in the field of delivering quality educational experiences in the discipline of theology.

At all times we have been cognisant of advice from the Charity Commission and the Office for Students. We have continued our regime of weekly review of cash flow, and the Board, through the Chair of the Finance and Monitoring Committee, has been in regular contact with our Company Secretary to monitor the situation and consult with our principal stakeholders.

It is our belief, as we have observed the recovery of income through our trading subsidiary during the past year, that Luther King House remains a viable concern and though we cannot predict any future restriction to our trading activities, we have no reason, at the present time, to believe there is an immediate challenge to our viability.

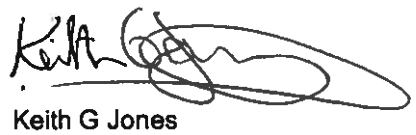
Nevertheless, we remain very conscious of the continued decline in the number of students signing up for our BA degree in theology. Therefore, we have invested in a public relations exercise to advertise and promote our key programmes and we continue to explore what methods might be employed to increase the number of students engaged in this level of study in the coming years, as well as to further develop our MA programme in Chaplaincy, which is proving popular. We remain fully committed to working together to seek a sustainable long-term future for our important work in the north and midlands of England.

In all this uncertain time we have valued the leadership of the President, Company Secretary, College Principals, the Principal of Open College, and their supporting staff, who have worked to the uttermost to enable us to fulfil our core objectives in a time of drama and uncertainty never previously experienced by the Luther King House Educational Trust. Our hard-working Company Secretary/Finance Manager, Claire McEwen retired in August after many years of devoted service, for which we thank her. We are delighted to welcome her successor, David Rudman, as Finance Manager.

The Board has continued to meet regularly, and we have operated hybrid meetings, with facilities for joining the meeting by Zoom. The Finance and Monitoring Committee have continued to meet by Zoom.

There have been several changes to Board membership during this period. The Revd Dr Rosalind Selby retired as Principal of Northern College, and we have welcomed the Revd Dr Adam Scott as the new Principal of Northern College. The Revd Charles Nevin resigned as a director after many years of faithful service. He served as Chair of the Finance and Monitoring Committee and as Vice Chair of the Board and we miss his wisdom and wise counsel. The Revd Anthony Howe resigned as a representative of the Unitarian Church, and we have welcomed Mrs Helen Mason in his place.

The Board has continued to be vigilant in overseeing all the activities of Luther King House and congratulates all the staff and our key educational partners in their continued endeavours to maintain our vision and hold fast to our values and standards in a fast-moving and challenging environment. It remains a pleasure for me to chair a hard-working Board supporting the President and a quality staff team as we seek to serve the Christian community of the North and Midlands.



Keith G Jones
Chair

**Aims and objectives.**
The objects of the Trust are:

The advancement of education in areas of Christian faith, practice, and dialogue and in particular but without limitation:

- The provision of learning opportunities for members of churches and other interested parties.
- The sharing of theological resources with and among local churches and communities.
- The preparation of persons for accredited forms of ministry.
- The provision of opportunities for post graduate research.
- The provision of an educational establishment together with ancillary services; and
- To advance education generally

The vision of the Trust may be summarised as to provide a learning resource and a flexible residential facility to enable the Partnership to:

- Be concerned with theological education to help all live responsibly and creatively in a plural society.
- Encourage people to shape their personal and communal futures through responsible citizenship.
- Be a centre of excellence at all levels of its work.
- Have a particular concern for Christian mission in an urban society, by building an ecumenical network of support and shared resources.
- Create communities of learning, worship, justice, and liberation.
- Express belief in one God, one world and one people.
- Be open to learning with people from a wide range of understandings, insights, and commitments.
- Develop international links for mutual learning with the world church.
- Integrate learning from different disciplines, faiths, personal and reported experience in church and political life; and
- Engage with scriptures, past and present Christian traditions, the world church, other faith communities and contemporary experience and thinking.

The facilities at Luther King House include:

- Study and office facilities for the academic and administrative staff of those Member Bodies based at Luther King Centre.
- Residential accommodation and study facilities for students of Member Bodies as required.
- A dining room providing breakfasts, lunches, and evening meals.
- Social provision including student kitchen & laundry facilities and a large lounge.
- A learning resources facility including books, periodicals, and internet access; and
- A chapel for community worship on an ecumenical basis.

When the facilities of the House are not being fully utilised in pursuit of the Trust's core activities, spare capacity is marketed to other persons and bodies. Any surpluses arising from this activity are re-invested in the Trust's core activities.

The educational activities of the Trust continue to be delivered under the branding Luther King Centre for Theology and Ministry (LKC)and this terminology will be used in the appropriate sections of this report.

## Public Benefit Statement

The Trust provides university validated courses of theological education for the benefit of any who are academically qualified, not only for those training for accredited ministries in the church. Fees are charged, though these do not cover the full cost of providing the service. Steps are taken to ensure the fees do not exclude the poor; bursaries are available, and the Trust works within a general environment of government provision designed to support poorer students and widen access. British residents of foreign nationality are charged only at the domestic rate. The Trust has, in fact, a significant number of non-traditional learners amongst its students, and a growing number from minority ethnic groups. Through the development of flexible and distributed learning, the Trust is also seeking to overcome further barriers to learning. The Trust's academic staff also contribute to the delivery of similar courses by other associated theological institutions.

The Trust works with churches in equipping them and their leadership for their roles in the community. Among those it trains, for instance, are church related community workers, whose whole purpose is community development. Those training for accredited ministries are seldom able to use their education to advance their own material interests; their sole reason for entering training is to serve the needs of local congregations and communities. Many do so in training placements throughout their course of education.

The Trust's facilities are of benefit to a wide range of the public. Membership of the library is available to all for an easily affordable annual charge. A wide variety of groups use the teaching rooms for learning and training events; the Trust makes a point of making its educationally equipped meeting rooms widely available when not needed for its own courses and does so for charities and churches at reduced rates.

We have complied with the duty under the Charities Act to have regard to the public benefit guidance published by the Charity Commission.

## Achievements and performance

The Trust's charitable objective is the advancement of education in areas of Christian faith, practice and dialogue and the challenge to this objective from factors outside the organisation continues. Both full and part time courses of study are offered at undergraduate and postgraduate levels alongside a Diploma of Higher Education and Certificate of Higher Education.

Despite the ongoing challenges and disruption of Covid, student numbers have remained generally stable but there has been a slow decline in the number of BA students. Our student body continues to reflect a broad ethical and cultural diversity, and many do not have English as their first language. Students are supported by our academic staff and through the learning and resource centre. This latter offers support through study skills and proof-reading.

We have been able to offer much face-to-face teaching through the past year, though some elements continue to be offered through e-learning. The experience gained in the use of online learning during the height of the pandemic has provided opportunities to explore new ways of engaging with our students, and so continues for certain sessions and programmes, and it has been the focus of our academic team to ensure that all students are able to take full advantage of the resources provided.

The President and staff have worked hard to achieve, as best as possible, a sense of community and to promote collaborative working amongst the student community.

Luther King Centre for Theology and Ministry (LKC) is registered in the 'Approved (fee cap)' category of the Office for Students.

The continuing requirements of GDPR are recognised and embodied with our processes, policies, and procedures.

The challenge of post-lockdown operations has, once again, allowed only limited upgrading of our bedroom stock and all but essential capital projects have been shelved until our revenue stream has consolidated.

The following key educational objectives were established for 2022-23, together with indicators of how these have been met:

| Objective | Indicators of Achievement |
|---|---|
| Broaden and deepen the experience and practice of e-learning | All academic staff have been developing their skills in designing and offering e-learning packages for their academic discipline. Student feedback has been very positive. |
| Find a partner for the LKC Research programme | Work on this has recently been completed. York St John University is now the validation provider. |
| To work with our partner colleges in predicting student numbers for the future. | This work continues but is essential as we seek to ensure future viability and financial stability. We continue to address future recruitment for the BA programme. |
| To broaden our student base. | We are continuing to look at ways in which we night attract a broader student base building on the experience of e-learning and further developing our online learning presence. |

**Financial review**

The year, free of lock-down events, ensured our Bed, Breakfast and Conference business was able to recover beyond our expectations over the full year. Our focus continues to be managing cash flow on an almost day to day basis. This approach has typified our financial monitoring over the past year.

**The Statement of Financial Activities for the Group**

The focus of concern throughout the year has been to enable Luther King House Educational Trust to continue as a going concern as we began to recover from lockdown and to this end we have continued regular discussions with our principal stakeholders, Northern Baptist College, and the Northern College (United Reformed Church, Congregational Federation and Moravian Church) to provide support to ensure we could continue operating and as we developed supporting income from accommodation, catering and conference services.

At the end of the year the profit (loss) before tax incurred were:

| | |
|---|---|
| Charity | £44,018 |
| Subsidiary | £nil |

Resulting in an overall profit before tax of £44,018

The bank balance at the end of the year was £291,225.

**Reserves policy and going concern.**

The total level of reserves at year-end amounted to £818,057 (2022- £774,039). The Trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. Although the Trust seeks to maintain sufficient reserves to meet 3 months' worth of running expenditure, currently approx.£200k, the current level of free reserves is calculated to be £120,289 (2022 £54,573). However, the Trust will continue to work each year to increase the level of free reserves. The Trustees continue to review areas, particularly within the accommodation area of the group, where increased efficiencies can allow free reserves to increase to the target level.

The Colleges have expressed their support for our current business model and their conviction that we should continue to operate with our current model, whilst engaging in tripartite conversations to develop a strategy for ensuring viable operations in the medium term. Whilst the development of that strategy is refined and clarified, the two stakeholders have indicated their willingness to assist us through any temporary financial challenges on the journey to a medium term viable operation.

The assistance includes facilitating deferral of interest payments on loans and loan capital on funds previously advanced for improvements to the premises at Brighton Grove. This provision is regularly monitored and specific meetings between officers of the two College governing bodies and the Chair and President of Luther King House Educational Trust ensures that cash flow and the operation of Luther King house continues in a sustained way. Both Colleges have issued letters of support for the Trust extending until 2026.

The Trust finances its operations through a mixture of retained profits and college loans. The management's objectives are to retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due. This policy has continued to be challenged during the year because of the Covid-19 global pandemic and the Trust has had to recourse to the governing bodies of the two major constituent colleges for relief provision on loan repayment and a commitment to further loan support.

The Trust makes little use of financial instruments other than an operational sterling bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position, and net incoming/outgoing resources.

The trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the continuing climate of partial recovery from the worst effects of the global pandemic – lockdowns, staff shortage due to illness and accommodation cancellations because of illness, the continuing illegal invasion of Ukraine by the Russian Federation and the impact on energy availability and pricing, the priority has continued to be regularly ensuring that the Trust has sufficient cash flow to meet obligations. With all these factors trading remains challenging though we work hard to maximise our room occupancy.

A significant income source for the Trust is through the bed and breakfast business of its subsidiary "Luther King Centre Conference and Accommodation Services Ltd". This business recovered with the relaxing of restrictions, but the climate is still challenging with the on-going war in Ukraine, inflation, and the reluctance of people to travel to events. The action taken in the last financial year has been necessary for a further year in the very challenging market:

- On the existing loans with the existing stakeholder colleges the Trust negotiated a further twelve months pause in repayments
- All non-essential capital expenditure was stopped.
- Continuing strict monitoring of cash flow

- Staffing hours were reviewed and where necessary reduced.
- Conversations continue with the Trustees of the Northern College and the Northern Baptist College about the provision of loans as required and within agreed and clearly defined parameters.

In addition to these actions the Trustees assessed several strategic options and concluded that the current model depending upon the subsidiary generating a reasonable level of profitability was still the most viable option for the future despite the current uncertainty.

We note the following regarding the operation of the LKCAS subsidiary.

- Only a relatively small percentage of our business is drawn from tourism and hence less affected by the lockdown.
- Manchester is a growing city with a range of entertainments and two Premier football clubs which means that the potential for new bookings is high.
- We have a good strong cohort of loyal customers and are well placed to access the city.
- The current model has shown a significant revenue growth over the years.
- We have been a successful venue for small conferences and again, historically, we have shown that we have a strong presence in this field.
- We regular review staffing and accommodation prices to be the most cost effective.

Based on this assessment the Trustees believe that the Trust is a going concern and that we can continue for the foreseeable future (a minimum twelve months from the date of the signing of these accounts). In addition, we are not aware of anything beyond that date which might cause a major interruption.

**Plans for future years**

We have reviewed the staff to minimise costs whilst continuing to provide a good standard of service to all our current and future clients. Once we have fully stabilised our income stream our current intention is to continue our bedroom upgrades.

We continue a strategy for the marketing of LKC Open College that admits students direct to LKC rather than through one of its constituent colleges. This includes continuing review of our website, our publicity, and on ways of promoting the LKC brand, particularly on social media.

## Reference and administrative details

Charity number: 1082375
Company number: 04065581

**Registered Office:**

Luther King House, Brighton Grove, Rusholme, Manchester, M14 5JP

**Secretary:**

Mrs Claire McEwen; resigned 13 April 2023
The Revd Graham R Sparkes; appointed 13 April 2023

**Our advisers:**

**Auditors**

Crowe UK LLP, 3rd Floor, The Lexicon, Mount Street, Manchester, M2 5NT.

**Bankers**

CAF Bank, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ

**Directors and trustees**

The directors of the charitable company (the charity) are its trustees for the purposes of charity law. The trustees and officers serving during the year and since the year end were as follows:

The Revd Dr Keith G Jones
The Revd Dr Andrew J Lunn (F)
The Revd Dr Clara N Rushbrook (F)
The Revd Charles J Nevin; resigned 31 March 2023
The Revd Dr Simon J Oxley (F)
The Revd Dr Rosalind M Selby (F); resigned 31 March 2023
Dr Jacqueline Suthren Hirst
Ms. Erica M Dunmow
The Revd Anthony Howe (F); resigned 6 July 2023
The Revd Jenny Mills (F)
Bishop Theo Oluwasegun Akano
The Revd Dr Adam J Scott (F); appointed 13 April 2023
Mrs. Helen Mason (F); appointed 6 July 2023

(F) = Directors appointed by a Founder Member according to its rights defined in the company's Articles of Association.

**Key management personnel**

| | |
|---|---|
| President | The Revd Canon Graham R Sparkes |
| Company Secretary | The Revd Canon Graham R Sparkes appointed 13 April 2023 |
| Company Secretary | Mrs. Claire McEwen resigned 13 April 2023 |
| Finance Manager | Mrs. Claire McEwen resigned 31 August 2023 |
| Finance Manager: | Mr. David Rudman appointed 1 September 2023 |
| Operations Manager | Miss Beverley Bartram |
| Academic Registrar | Miss Clare Richardson |
| Librarian | Miss Katie Paton |
| Open College Principal | The Revd Dr Kim Wasey |

**Structure, Governance and Management**

**Governing Document**

The Trust is a charitable company limited by guarantee and was set up on 1 September 2000. It is governed by a Memorandum and Articles of Association. The charity was created to carry on and further develop the work of its two predecessor charities, the Manchester Christian Institute (charity number 515358) and the Northern Federation for Training in Ministry (charity number 517496). Both these charities transferred their net assets as at 31 August 2000 to the Trust and were then dissolved.

The Memorandum and Articles of Association were updated in April 2015.

Every member promises, if the Charity is wound up while he/she is a member or within 12 months after ceasing to be a member; to pay such amounts as is required up to £1 towards the costs of dissolution and the liabilities incurred by the Charity while the contributor was a member.

The concept of the Partnership for Theological Education was born in 1997, under the umbrella of the Manchester Christian Institute. In September 2000, the member bodies of the Partnership became the member bodies of the Trust. The Partnership for Theological Education continues to be the operational name under which the Trust carries out some of its educational activities.

The financial basis of the Trust was the agreement of the four Founder members to provide to the Trust the land and buildings of Luther King House valued at £700,000 and cash totalling£500,000.

The original land and buildings were transferred from Northern Baptist College to a charity called the Luther King House Property Trust under a Charity Commission Scheme (case number 180221) dated 27 June 2002. Luther King House Property Trust is a separate charity from the Trust, but the Trust is its only trustee. The Charity Commission has given permission for the two charities to be accounted for as if they were a single entity.

**Appointment of trustees**

Where a vacancy arises for a director appointed by a Founder Member organisation, the organisation concerned makes the appointment in accordance with its own internal processes.

When a vacancy arises for an independent director, the Board considers any gaps in its current expertise and experience and in the various constituencies represented. It also has concern for its gender and ethnic balance. It then identifies a person or persons who could fill some of those gaps. An invitation is issued. Training of new directors includes the provision of a comprehensive induction pack. The Board encourages and supports directors who wish to pursue opportunities that will help them fulfil their responsibilities as trustees.

A new protocol has been developed to cover the appointment and re-appointment for all members of the Board.

**Changes to the trustee body**

During the year we appointed two new members of the board and had three members resign during the year. Mrs Helen Mason replaced the Revd Anthony Howe. The Revd Dr Adam Scott was appointed Principal of northern College succeeding the Revd Rosalind Selby and is a Foundation Trustee. The Revd Charles Nevin resigned as a Trustee. He was an independent member.

**Trustee induction and training**

Induction is tailored for new Trustees due to the very different needs of Independent and Foundation Trustees.

**Organisation**

The Board of Trustees administers the charity. The Board meets on at least four occasions each year. Responsibility for governance remains with the Board of Directors and its Finance and Monitoring Committee, which meets quarterly and includes an internal audit function to check on not only financial and ethical matters, but also policies relating to equal opportunities, child protection and staff terms and conditions. There is a separate Health and Safety committee which focuses on compliance and care of staff.

Responsibility for day to day management is entrusted to the Operations Committee, led by the President (a full time salaried officer). The committee includes the Principals of the three Colleges that participate in the Trust's educational activity and provide most of its teaching staff. Operations focuses on implementation, co-ordination, staff management, staff development and deployment of resources.

There are two academic committees to manage the BA, MA, and Research programmes, chaired by a member of the academic staff, and attended by the staff who teach on the programmes, student representatives and representatives of the University of Manchester and the University of Durham and Common Awards as appropriate. The Luther King Centre has an agreement with York St John University to co-supervise candidates on the doctoral programme of the University.

**Related parties and cooperation with other organisations**

The trustees do not receive remuneration in relation to their role on the board, however the Board includes members who are employed by member organisations and who are members of the teaching team delivering educational services for the Charity. This aspect of their work is remunerated.

A new company, Luther King House Conference and Accommodation Services Limited, was set up on 27 July 2009. This company is a wholly controlled subsidiary of the Trust. Its purpose is to carry on the conference and accommodation business at Luther King House and it operates under a licence granted by the Trust. It began trading on 1 September 2009. The directors of the main Trust are also directors of the subsidiary.

The directors' report and the accompanying financial statements concern the combined results of the Group for the year to 31 August 2023. Balance sheets for the Group and for the Charity are shown on page 22.

**Charity Governance**

In July 2018 the Board agreed to adopt the 'Charity Governance Code' with additional principles relating to Higher Education. Whilst this had been discussed in the past and generally reflected current practice, the Board recognised that it would be appropriate to formally adopt the code and put in place procedures for its implementation and regular monitoring. This latter activity would be achieved by an annual review in the Autumn at the same time as all other policies were reviewed. The Board agreed the following affirmations relating to its academic staff:

- That LKC affirms that its academic staff have freedom within the law:
  to question and test received wisdom; and
  to put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing the jobs or privileges they may have at LKC.
- That LKC affirms its commitment to freedom of speech and the encouragement of debate of all kinds as long as this takes place within the law and will take such steps as may be necessary to secure such freedom.

**Fundraising**
The Charity had no fundraising activities requiring disclosure under provision of the Charities (Protection and Social Investment) Act 2016.

**Pay policy for senior staff.**
Staff pay is agreed by the Board on recommendation of the Finance and Monitoring Committee. Remuneration for senior staff is based on role, experience, and performance. It is reviewed annually and normally increased in accordance with average earnings.

**Risk Management**

The directors maintain a register of the major risks which the Trust faces, and they review this register regularly. Each risk is assessed for its severity and its likelihood and for the effectiveness of the steps

taken to manage the risk. The Register is regularly reviewed by the Finance and Monitoring Committee and risk management is now a standing item on the agenda of the LKHET Board meetings. In reviewing the Register, the directors considered the most serious risks facing the Trust, and the actions taken to mitigate them are:

- Failure to maintain income to sustain core activities.
  Annual budgets are prepared by key management personnel and comparisons to actual are carefully monitored throughout the year. Since the pandemic cash flow is monitored on a daily basis and 3-year forecasts are now part of the annual budgeting process. There are regular reviews of strategic policies.

- Lack of student numbers
  Student recruitment is monitored closely, and publicity and marketing initiatives are carried out. The Trust ensures that academic programmes are meeting the requirements of the respective Colleges and denominations.

- Volatile energy market
  The Trust agreed a new 12-month contract signed to start April 2023. This was agreed at a significantly better value than initially anticipated. This was agreed via the use of energy brokers working on behalf of the Trust.

- Loss of confidence in the quality of the accommodation and conference facilities.
  Comments and feedback are regularly monitored and responded to as appropriate.

- Failure to adequately maintain and improve the property.
  Regular maintenance and improvement work are budgeted for and carried out. The property is regularly inspected, and necessary work is carefully prioritised.

**Trustees' responsibilities in relation to the financial statements**

The directors are responsible for preparing the Directors' 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 directors 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 group of the incoming resources and application of resources including the income and expenditure, of the group for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable UK 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 and group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement as to disclosure to our auditors**

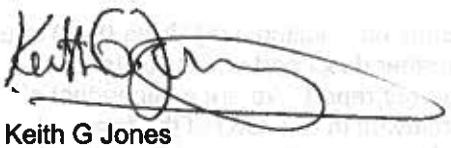
In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Small company provisions**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the trustees



Keith G Jones
Director
11th January 2024

## Opinion

We have audited the consolidated financial statements of Luther King House Educational Trust for the year ended 31 August 2023 which comprise the Consolidated Statement of Financial Activities, Statement of Changes in Reserves, Consolidated and Charity Balance Sheet, Consolidated Cash Flow Statement, and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and charitable company's affairs as of 31 August 2023 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.

## 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 group 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 related to going concern.

In auditing the financial statements, we have concluded that the directors' 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 the charitable company'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 directors with respect to going concern are described in the relevant sections of this report.

## Other information

The trustees are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the 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.

**Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the trustees' report for the financial year for which the consolidated 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 group and the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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

- adequate accounting records have not been kept by the charitable company, 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 exemption 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 set out on page 14, 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.

**Extent to which the audit was considered capable of detecting irregularities, including fraud.**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, Charities Act 2011 and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and completeness of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing from student record documentation and sample testing of accommodation records to the consolidated financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the group and 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 group and 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 group and charitable company and the group and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vicky Szulist

Vicky Szulist
Senior Statutory Auditor
For and on behalf of
**Crowe U.K. LLP**
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

7th February 2024

## LUTHER KING HOUSE EDUCATIONAL TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
## (including Income and Expenditure account)

## YEAR ENDED 31 AUGUST 2023

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2023 £ | Total Funds 2022 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 348,437 | - | 348,437 | 308,595 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 941,093 | - | 941,093 | 859,800 |
| Investment income | 5 | 540 | - | 540 | 16 |
| **Total income** | | **1,290,070** | **-** | **1,290,070** | **1,168,411** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 607,512 | - | 607,512 | 523,198 |
| *Expenditure on charitable activities:* | | | | | |
| Academic and housing activities | 6 | 638,540 | - | 638,540 | 644,175 |
| **Total expenditure** | | **1,246,052** | **-** | **1,246,052** | **1,167,373** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **44,018** | **-** | **44,018** | **1,039** |
| Tax expense | 11 | - | - | - | (5,852) |
| **Net income/(expenditure)** | | **44,018** | **-** | **44,018** | (4,813) |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 74,039 | 700,000 | 774,039 | 778,852 |
| **Total funds carried forward** | | **118,057** | **700,000** | **818,057** | **774,039** |

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.
The surplus in the year for the Charity was £44,018.

## LUTHER KING HOUSE EDUCATIONAL TRUST

## STATEMENT OF CHANGES IN RESERVES

## YEAR ENDED 31 AUGUST 2023

| Income: | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ |
|---|---|---|---|
| Balance at 1 September 2020 | 99,353 | 837,886 | 937,239 |
| Net Income for the year ended 31 August 2021 | (20,501) | (137,886) | (158,387) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2021 | (20,501) | (137,886) | (158,387) |
| **Balance at 31 August 2021** | **78,852** | **700,000** | **778,852** |
| Net Income for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| **Balance at 31 August 2022** | **74,039** | **700,000** | **774,039** |
| Net Income for the year ended 31 August 2023 | 44,018 | - | 44,018 |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2023 | 44,018 | - | 44,018 |
| Transfer | - | - | - |
| **Balance at 31 August 2023** | **118,057** | **700,000** | **818,057** |

## LUTHER KING HOUSE EDUCATIONAL TRUST

## GROUP AND CHARITY BALANCE SHEETS
**Company No; 04065581**

## YEAR ENDED 31 AUGUST 2023

| | Note | Group 2023 £ | Group 2022 £ | Charity 2023 £ | Charity 2022 £ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Deferred Tax asset | 11 | - | - | - | - |
| Tangible assets | 12 | 1,275,269 | 1,296,966 | 1,275,269 | 1,296,966 |
| **Total Non-current Assets** | | **1,275,269** | **1,296,966** | **1,275,269** | **1,296,966** |
| **Current assets** | | | | | |
| Stock | 13 | 1,556 | 1,487 | - | - |
| Debtors | 14 | 37,493 | 34,741 | 178,316 | 152,360 |
| Cash at bank and in hand | | 291,225 | 170,905 | 73,979 | 30,824 |
| **Total Current Assets** | | **330,274** | **207,133** | **252,295** | **183,184** |
| **Liabilities** | | | | | |
| Creditors falling due within one year | 15 | (209,986) | (152,560) | (132,379) | (128,984) |
| **Net Current assets** | | **120,288** | **54,573** | **119,916** | **54,200** |
| **Total assets less current liabilities** | | 1,395,557 | 1,351,539 | 1,395,185 | 1,351,166 |
| Creditors falling due after more than 1 year | 16 | (577,500) | (577,500) | (577,500) | (577,500) |
| **Net assets** | | **818,057** | **774,039** | **817,685** | **773,666** |
| **The funds of the charity:** | | | | | |
| Unrestricted income funds | 19 | 118,057 | 74,039 | 117,685 | 73,666 |
| Restricted income funds | 19 | 700,000 | 700,000 | 700,000 | 700,000 |
| **Total charity funds** | | **818,057** | **774,039** | **817,685** | **773,666** |

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.
The company has not delivered a copy of the profit and loss account to Companies House.
Signed

**Keith Grant Jones**
Trustee

Simon Oxley
Trustee

Approved by the trustees on 11th January 2024
The notes at pages 24 to 40 form part of these accounts.

## CASH FLOW STATEMENT

## YEAR ENDED 31 AUGUST 2023

| | Note | Group 2023 £ | 2022 £ |
|---|---|---|---|
| **Cash generated in operating activities** | **23** | **160,836** | **22,647** |
| **Cash flows from investing activities** | | | |
| Interest income | | 540 | 16 |
| Purchase of tangible fixed assets | | (22,263) | (6,156) |
| **Cash provided by (used in) investing activities** | | **(21,723)** | **(6,140)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowing | | - | - |
| Interest paid | | (18,793) | (7,347) |
| Loan taken out in the year | | - | - |
| **Cash used in financing activities** | | **(18,793)** | **(7,347)** |
| Increase (decrease) in cash and cash Equivalents in the year | | **120,320** | **9,160** |
| Cash and cash equivalents at the beginning of the year | | 170,905 | 161,745 |
| **Total cash and cash equivalents at the end of the year** | | **291,225** | **170,905** |

The charity has taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cash flow statement with the consolidated accounts.

The notes at pages 24 to 40 form part of these accounts.

**Notes on the accounts**

## 1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

Luther King House Educational Trust is a private company limited by guarantee, incorporated, and registered as a charitable company in England (Registered No. 1082375 (Company) & 04065581 (Charity)). Its registered office is listed on the reference and administration page.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective October 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

The Charity has taken advantage of the available exemption under s408 Companies Act and has not included a Charity only Statement of Financial Activities.

b) Preparation of the accounts on a going concern basis

These financial statements have been prepared on a going concern basis which the trust board considers to be appropriate.

The board of trustees and the finance committee receive and review future cashflows, management accounts, budgets, and forecast projections, as well as the steps taken to protect the Trust's liquidity on a regular basis. These are prepared in a prudent manner and forecast beyond the end of the current financial year, covering a minimum period of 12 months from the date of approval of these financial statements (the going concern period). The forecasts take into consideration the current economic environment, projected student applications / enrolments and the risks associated with these.

The finance committee and trust board review these and combined with the letters of support from the main stakeholder College's and conclude that the trust will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

c) Group financial statements

The financial statements consolidate the results of the charity and its wholly owned trading subsidiary company, Luther King House Conference and Accommodation Services Limited. A separate statement of financial activities incorporating an income and expenditure account for the charity itself is not presented because advantage has been taken of the exemptions under the Companies Act 2006.

d) Income and expenditure

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

Most course fees are invoiced at the beginning of each academic year and are receivable then.

College block charges are agreed in advance each year with the colleges. The total charges for the financial year are invoiced in September and received in instalments through the year.

Other income is recognised on a receivable basis.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

**Allocation of expenditure**

Governance costs are those incurred in connection with public accountability and the strategic planning process of the Trust. Governance costs represent the time spent by employees on these matters.

e) 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.

f) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objects of the Trust and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Trust for particular purposes. The cost of realising and administering all funds are charged against the general fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

g) VAT

Irrecoverable VAT is written off in the year except for where it relates to capital items, in which case it is added to the cost of additions of fixed assets.

h) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight-line basis over the period of the lease.

i) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|---|
| Office and computer equipment | 33% straight line |
| Furniture, fixtures, and fittings | 20% straight line |
| Building improvements | 5% straight line |
| Library development | 2% straight line |

As the residual value of land and long leasehold buildings is believed to be at least the carrying value of the asset no depreciation is provided.

j) Stock

Stocks consist of purchased goods for resale. Stocks are valued at the lower of cost and net realisable value.

k) Debtors

Trade debtors are recognised at the settlement amount after any trade discounts offered.

Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

Cash at bank and 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.

m) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

n) Financial instruments

The Charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting

period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activity.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.
Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of financial activities.

p) Capitalisation Policy

The company prepares the financial statements in accordance with the concept of materiality. Therefore, the company will capitalise costs that are greater than the following limits: individually have a cost of more than £1,000, or collectively have a cost of least £1,000 where the assets are functionally interdependent, have simultaneous purchase dates and are anticipated to have simultaneous disposal dates, and are under single managerial control.

**Judgements in applying accounting policies and key sources of estimation uncertainty.**

The charity makes estimates and assumptions concerning the future. The Finance Committee reviewed the worst-case scenario and combined with the College letters of financial support, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern and as such the disclosures in this area are appropriate. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation, and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment and note 1i for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors.
When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14

for the net carrying amount of the debtors and associated impairment provision.

## 2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.
The entity is a private charitable company, Charity number 1082375. The registered office is Luther King House, Brighton Grove, Rusholme, Manchester M14 5JP.

## 3. Incoming resources from charitable activities

| | 2023 | 2022 |
|---|---|---|
| **House income** | £ | £ |
| Rent | 21,519 | 19,719 |
| Sundry income | - | 124 |
| | 21,519 | 19,843 |
| **Academic activities** | | |
| College fees | 187,091 | 201,335 |
| College block charges | 121,500 | 72,000 |
| Sundry income (including grants) | 18,327 | 15,417 |
| | 326,918 | 288,752 |
| Total | 348,437 | 308,595 |

## 3a Disclosure on Grant and Fee income

| | 2023 | 2022 |
|---|---|---|
| **Grant income** | £ | £ |
| Grant income from OfS | 8,276 | 8,380 |
| Grant income from other Bodies | - | - |
| Total Grant income | 8,276 | 8,380 |
| **Fee income** | | |
| Fee income from taught awards | 163,085 | 177,628 |
| Fee income from research awards | 14,816 | 15,271 |
| Fee income from non-qualifying courses | 9,190 | 8,436 |
| Total fee income | 187,091 | 201,335 |

## 4 Trading operations and investment in trading company

The consolidated statement of financial activities includes the results of the Charity's wholly controlled subsidiary. The Charity is the sole member of Luther King House Conference and Accommodation Services Ltd, (company number 6973866, registered office same as the parent Charity), a supplier of bed and breakfast and conference facilities. It pays almost all of its profits to the charity by gift aid. Summaries of the trading result and balance sheet are as follows:

**Trading result for the year ended 31 August 2023**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Turnover | 941,093 | 859,800 |
| Investment income | 287 | 9 |
| Cost of sales and administrative expenses Including internal rent of £180,000 | (787,512) | (703,198) |
| Profit (Loss) before tax | 153,868 | 156,611 |
| Tax expense | - | (5,852) |
| Profit (loss) for the year | 153,868 | 150,759 |
| Amount gifted to the Charity | - | (133,201) |
| Retained in the subsidiary | 153,868 | 17,558 |

**Balance Sheet at 31 August 2023**

| | | |
|---|---|---|
| Non-Current assets | - | - |
| Current assets | 231,847 | 157,149 |
| Creditors (amounts falling due within one year) | (77,611) | (156,778) |
| Total net assets (liabilities) | 154,236 | 371 |
| Aggregate reserves | 154,236 | 371 |

## 5 Investment income

| | Unrestricted Funds | Total funds 2023 | Total funds 2022 |
|---|---|---|---|
| | £ | £ | £ |
| Bank interest receivable | 540 | 540 | 16 |

## 6 Analysis of expenditure of charitable activities

| | 2023 £ | 2022 £ |
|---|---|---|
| **Academic and house activities** | | |
| Staff costs | 253,843 | 264,629 |
| Teaching fees | 22,269 | 17,531 |
| University registration | 19,523 | 25,856 |
| Bursaries | 1,589 | 675 |
| Books and periodicals | 6,870 | 5,966 |
| Bad debts | (2,231) | - |
| Rates and water | 24,682 | 27,343 |
| Light and heat | 65,510 | 55,954 |
| Cleaning | 1,250 | - |
| Insurance | 7,886 | 7,266 |
| Repairs and maintenance | 27,321 | 28,204 |
| Telephone | 1,139 | 1,210 |
| Office supplies and postage | 7,032 | 6,373 |
| Photocopying rental | 385 | 140 |
| Photocopying charges | 1,205 | 1,134 |
| Travel | 1,091 | 753 |
| Meetings & sundry xps | 49,345 | 58,962 |
| Depreciation of fixed assets | 43,960 | 49,623 |
| Support costs (see note 7) | 92,508 | 80,664 |
| Governance costs (see note 8) | 13,363 | 11,892 |
| **Total academic and house activities costs** | **638,540** | **644,175** |

## 7. Support costs

| | Unrestricted funds £ | Total funds 2023 £ | Total funds 2022 £ |
|---|---|---|---|
| Loan interest | 18,793 | 18,793 | 7,347 |
| Bank charges | 1,895 | 1,895 | 1,561 |
| Irrecoverable VAT | 14,495 | 14,495 | 16,726 |
| President employment costs | 56,179 | 56,179 | 54,100 |
| Finance general costs | 1,146 | 1,146 | 930 |
| **Total** | **92,508** | **92,508** | **80,664** |

## 8. Governance costs

| | Unrestricted funds | Total funds 2023 | Total funds 2022 |
|---|---|---|---|
| | £ | £ | £ |
| Audit fees | 9,515 | 9,515 | 8,100 |
| Professional fees | 2,566 | 2,566 | 1,575 |
| Trust meetings and expenses | 1,282 | 1,282 | 2,217 |
| **Total** | **13,363** | **13,363** | **11,892** |

## 9. Net income/(expenditure) for the year

| | Total funds 2023 | Total funds 2022 |
|---|---|---|
| This is stated after charging | £ | £ |
| Operating lease - photocopier | 385 | 140 |
| Staff pension contributions | 47,374 | 50,921 |
| Depreciation | 43,960 | 49,623 |
| Auditor's fees | 9,515 | 8,100 |
| **Total** | **101,234** | **108,784** |

## 10. Staff costs and emoluments

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Total staff costs were as follows | | |
| Wages and salaries | 510,022 | 495,707 |
| Social security costs | 38,746 | 38,735 |
| Other pension costs | 47,374 | 50,921 |
| | 596,142 | 585,363 |

None of the Trust's employees received remuneration in excess of £60,000 in the year (2022: £nil).

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The key management personnel of the parent charity, the Trust, comprise the Trustees, the President, Academic Registrar, Librarian, Finance Manager and Open College Principal. The total employee benefits of the key management personnel of the Trust were £193,472 (2022: £186,035).

The key management personnel of the group comprise those of the Trust and the key management personnel of its wholly owned subsidiary Luther King House Conference and Accommodation Services Ltd. The key management personnel of LKHCAS Ltd is the Operations Manager. The Manager retired, and a successor took over the role during the year. Employee benefits in the role total £ 34,650 (2022: £42,123).
The employee benefits of key management personnel for the group was therefore £228,122 (2022: £228,158).

| | | 2023 | 2022 |
|---|---|---|---|
| | | £ | £ |
| Salary of President | Salary | **46,330** | **44,548** |
| Pension of President | Pension | **4,633** | **4,455** |
| Totals | | **50,963** | **49,003** |

i The President's basic salary is 2.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider for its staff.

ii The President's total remuneration is 2.6 times the median total remuneration of staff where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of its staff.

Directors received no remuneration (2022: nil) and were reimbursed expenses as follows:

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Reimbursement of expenses | | |
| Keith Jones (travel expenses) | 84 | 123 |

**Particulars of employees:**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Academic | Admin/House | Academic | Admin/House |
| | No. | No. | No. | No. |
| Full time equivalent | 5 | 16 | 6 | 15 |
| Average | 7 | 17 | 7 | 20 |

Most of the teaching on the Trust's various courses is provided by employees of other bodies.

**11. Taxation**

| In respect of the year | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Taxation based on for the year at 20% (2022 20%): | - | 5,852 |

In the current year the trading subsidiary made a profit (loss) before tax of £153,581 (2022: £156,602)

## 12. Tangible fixed assets

| Group and charity | Office and Computer Equipment £ | Fixtures Fittings Plant & Equipment £ | Building Improvements £ | Land and Long Leasehold Property £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2022 | 162,132 | 290,421 | 1,317,183 | 700,000 | 2,469,736 |
| Additions | 13,313 | 5,658 | 3,292 | - | 22,263 |
| Disposals | (1,078) | - | - | - | (1,078) |
| At 31 August 2023 | 174,367 | 296,079 | 1,320,475 | 700,000 | 2,490,921 |
| **Depreciation** | | | | | |
| At 1 September 2022 | 160,923 | 280,279 | 731,568 | - | 1,172,770 |
| Charge for the year | 2,109 | 7,210 | 34,641 | - | 43,960 |
| On disposals | (1,078) | - | - | - | (1,078) |
| At 31 August 2023 | 161,954 | 287,489 | 766,209 | - | 1,215,652 |
| **Net Book Value** | | | | | |
| At 31 August 2023 | 12,413 | 8,590 | 554,266 | 700,000 | 1,275,269 |
| At 31 August 2022 | 1,209 | 10,142 | 585,615 | 700,000 | 1,296,966 |

## 13. Stock

| | Group | | Charity | |
|---|---|---|---|---|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Stock | 1,556 | 1,487 | - | - |

## 14. Debtors

| | Group | | Charity | |
|---|---|---|---|---|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Trade Debtors | 6,257 | 9,739 | 1,741 | 2,822 |
| Amounts owed by Subsidiary | - | - | 153,868 | 133,201 |
| Prepayments | 31,236 | 25,002 | 22,707 | 16,339 |
| | 37,493 | 34,741 | 178,316 | 152,360 |

Of the group trade debtors £ nil (2022: £nil) was due in over a year.

## 15. Creditors: Amounts falling due within a year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Trade Creditors | 34,965 | 20,026 | 26,349 | 14,196 |
| PAYE & social security | 12,676 | 8,755 | 12,676 | 8,755 |
| VAT | 35,633 | 43,557 | 35,633 | 43,557 |
| Other creditors | 59,996 | 16,766 | 11,462 | 16,075 |
| Accruals and deferred Income | 66,716 | 63,456 | 46,259 | 46,400 |
| College loans | - | - | - | - |
| | 209,986 | 152,560 | 132,379 | 128,984 |

## 15a Deferred income movement.

| | | Group | Charity |
|---|---|---|---|
| Amount b/f 2022 | | 13,504 | 10,000 |
| Resources released in the year | | (13,504) | (10,000) |
| Resources deferred in the year | | 26,178 | 19,094 |
| Amount c/f 2023 | | 26,178 | 19,094 |

## 16. Creditors: Amounts falling due after more than one year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| College loans (i) | 410,000 | 410,000 | 410,000 | 410,000 |
| College loans (ii) | 67,500 | 67,500 | 67,500 | 67,500 |
| College loans (iii) | 100,000 | 100,000 | 100,000 | 100,000 |
| Accruals and deferred Income | - | - | - | - |
| | 577,500 | 577,500 | 577,500 | 577,500 |

College loans (i)
Included in creditors falling due after more than one year are loans of:
£60,000 (2022: £60,000) and £230,000 (2022: £230,000) from Northern Baptist College. This organisation is a founder member of the Trust. The loans are repayable when the Trust has funds available, or on the dissolution of the Trust. Interest is payable at 1% below base rate on the £60,000 loan. An agreement was reached in 2021 to reduce the interest rate for the £230,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £230,000 loan.

£70,000 (2022: £70,000) and £67,500 (2022: £67,500) from Northern College. This organisation is a founder member of the Trust. The £70,000 loan is repayable when the Trust has funds available or on the dissolution of the Trust. An agreement was reached in 2021 to reduce the interest rate for the £70,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £70,000 loan.

£50,000 (2022: £50,000) from Unitarian College. This organisation is a member of the Trust. The loan is repayable when the Trust has funds available or on the dissolution of the Trust. Interest is payable at 1% above base rate. It was previously the daily rate set by the Charities Aid Foundation for its COIF units, collared at 4%.
Total interest paid was £2,000 (2022: £816).

The Charity Commission has confirmed that it will be willing to authorise these loans to be repaid out of the proceeds of sale of Luther King House property if such a sale ever takes place and if the loans remain outstanding when it does.

College loans (ii)
Included in creditors falling due after more than one year is a loan of:
£67,500 (2021: £67,500) from Northern College. The outstanding loan was repayable by 2023 but a deferral to 2026 was agreed in order to assist cash flow during the Covid-19 crisis. Interest is payable at 2.5%. The original £60,000 loan was taken to convert offices into bedrooms. A further loan of £90,000 was taken to convert additional offices to bedrooms. The loans will be repaid as follows:

2024: £22,500 2025: £22,500 2026: £11,250

College loans (iii)
Included in creditors falling due after more than one year are loans that were granted in 2021 as emergency relief to a cashflow crisis at the height of the pandemic.

£75,000 (2022: £75,000) from Northern College. Interest is payable at 1% over base rate.

Total interest paid to Northern College was £3,594 (2022: £2,370)

£25,000 (2022: £25,000) from Northern Baptist College. Interest is payable at 1% over base rate.

Total interest paid to Northern Baptist College was £1,198 (2022: £4,161)

The College loans could be deemed concessionary loans.

**17. Pensions**
At the year end the outstanding pension commitment was £3,482 (2022: £3,196)

**18. Commitments under operating leases**
At 31 August 2023 the company had minimum lease payments of £nil.

| | Assets other than land And buildings | |
|---|---|---|
| | **2023** | **2022** |
| | **£** | **£** |
| Operating leases which will be paid: | | |
| < 1 year | - | 315 |

**19. Analysis of charitable funds**

**Analysis of movement in unrestricted funds**

| | **Balance 1 September 2022** | **Incoming resources** | **Resources expended** | **Transfers** | **Funds 31 August 2023** |
|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** |
| General fund | 74,039 | 1,290,070 | (1,246,052) | - | 118,057 |
| **Total** | **74,039** | **1,290,070** | **(1,246,052)** | **-** | **118,057** |

(Prior Year)

| | Balance 1 September 2021 | Incoming resources | Resources expended | Transfers | Funds 31 August 2022 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| General fund | 78,852 | 1,168,411 | (1,173,225) | - | 74,039 |
| Total | 78,852 | 1,168,411 | (1,173,225) | - | 74,039 |

| **Name of unrestricted fund** | **Description, nature, and purpose of the fund** |
|---|---|
| General fund | The 'free reserves' after allowing for designated funds. |

**Analysis of movement in restricted fund**

| | Balance 1 September 2022 | Incoming resources | Resources expended | Transfers | Funds 31 August 2023 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| **Total** | **700,000** | **-** | **-** | **-** | **700,000** |

(Prior Year)

| | Balance 1 September 2021 | Incoming resources | Resources expended | Transfers | Funds 31 August 2022 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| Total | 700,000 | - | - | - | 700,000 |

Restricted funds represent the value of assets acquired with money given for this specific purpose including the original gift of land and buildings to the Trust.
In 2008, substantial improvements were made to the buildings. The value of these have been reduced each year by depreciation. However, the Board decided to allocate the remaining balance on the improvements from restricted to unrestricted reserves during 2021.

**20. Analysis of group net assets between funds**

| | General Fund | Designated Fund | Restricted Fund | Total 2023 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 575,269 | - | 700,000 | 1,275,269 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 291,225 | - | - | 291,225 |
| Other net current assets/(liabilities) | (170,937) | - | - | (170,937) |
| Creditors of more than one year | (577,500) | - | - | (577,500) |
| | **118,057** | **-** | **700,000** | **818,057** |

| (Prior Year) | General Fund | Designated Fund | Restricted Fund | Total 2022 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 596,966 | - | 700,000 | 1,296,966 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 170,905 | | - | 170,905 |
| Other net current assets/(liabilities) | (116,332) | | - | (116,332) |
| Creditors of more than one year | (577,500) | | | (577,500) |
| | 74,039 | - | 700,000 | 774,039 |

## 21. Related party transactions

Transactions between the parent and the wholly controlled trading subsidiary have not been disclosed due to the fact that the subsidiary is wholly owned. Advantage has been taken of the available exemption under Section 33 of FRS 102.

Luther King House Conference & Accommodation Services Ltd is exempt from audit by virtue of s477 of the Companies Act.

The three Colleges below are member bodies of the Trust, and have rights and responsibilities as set out in the Memorandum of Association.

The Trust made sales of £72,055 (2022: £37,656) to Northern Baptist College and at year end was owed £nil (2022: £nil) by the College. Total interest paid on loans was £10,398 (2022: £4,161).

The Trust made sales of £130,902 (2022: £93,500) to Northern College and at year end was owed £nil (2022: £nil) by the College. Total interest paid on loans was £6,394 (2022: £2,370).

The Trust made sales of £6,340 (2022: £3,082) to Unitarian College and at year end was owed £nil (2022: £nil) by the College. Total interest paid on a loan was £2,000 (2022: £816).

## 22. Financial Instruments

| **Financial assets that are measured at amortised cost:** | **2023** | **2022** |
|---|---|---|
| | **£** | **£** |
| Trade debtors | 7,587 | 14,799 |
| Cash | 291,225 | 170,905 |
| | **298,812** | **185,704** |

| **Financial liabilities that are measured at amortised cost:** | **2023** | **2022** |
|---|---|---|
| | **£** | **£** |
| Trade creditors | 34,965 | 20,026 |
| Other payables | 100,536 | 66,718 |
| Loans | 577,500 | 577,500 |
| | **713,001** | **664,244** |

## 23. Reconciliation of net (outgoing)/incoming resources to net cash outflow from operating activities

| | **2023** | **2022** |
|---|---|---|
| | **£** | **£** |
| Net incoming/(outgoing) resources | 44,018 | 1,039 |
| Depreciation | 43,960 | 49,623 |
| Investment income | (540) | (16) |
| Interest payable | 18,792 | 7,347 |
| Decrease in stock | (69) | (186) |
| Decrease/(Increase) in debtors | (2,752) | 37,753 |
| (Decrease)/Increase in creditors | 57,427 | (72,913) |
| Net cash outflow from operating activities | 160,836 | 22,647 |

**Reconciliation of net cash flow to movement in net debt**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Increase/(Decrease) in cash in the year | 120,320 | 9,160 |
| Cash outflow from other loans | - | - |
| Change in net debt resulting from cash flows | 120,320 | 9,160 |
| Movement in net debt in the period | 120,320 | 9,160 |
| Net debt brought forward | (406,595) | (415,755) |
| Net debt carried forward | (286,275) | (406,595) |

**24. Analysis of reconciliation of net debt**

| | Brought Forward | Cash flow | Carried Forward |
|---|---|---|---|
| | £ | £ | £ |
| Net cash | | | |
| Cash at bank and in hand | 170,905 | 120,320 | 291,225 |
| Debt due after 1 year | (577,500) | - | (577,500) |
| Debt due within 1 year | - | - | - |
| | (577,500) | - | (577,500) |
| Net debt | (406,595) | 120,320 | (286,275) |

## 25. Prior Year Consolidated Statement of Financial Activities

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 308,595 | - | 308,595 | 497,643 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 859,800 | - | 859,800 | 208,686 |
| Investment income | 5 | 16 | - | 16 | - |
| **Total income** | | **1,168,411** | **-** | **1,168,411** | **706,329** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 523,198 | - | 523,198 | 212,596 |
| *Expenditure on charitable activities:* | | | | | |
| Academic and housing activities | 6 | 644,175 | - | 644,175 | 657,972 |
| **Total expenditure** | | **1,167,373** | **-** | **1,167,373** | **870,568** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **1,039** | **-** | **1,039** | **(164,239)** |
| Tax expense | 11 | (5,852) | - | (5,852) | 5,852 |
| Net income/(expenditure) | | (4,814) | - | (4,814) | (158,387) |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 78,852 | 700,000 | 778,852 | 937,239 |
| **Total funds carried forward** | | **74,039** | **700,000** | **774,039** | **778,852** |

# Luther King House Educational Trust

**(A company limited by guarantee)**

## Report and Financial Statements

## 31 August 2023

**Charity number: 1082375**

**Company number: 04065581**

**LUTHER KING HOUSE EDUCATIONAL TRUST**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 AUGUST 2023**

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**Luther King House Educational Trust**

**Report of the trustees for the year ending 31 August 2023**

The directors, who are also trustees for the purposes of the Charities Act, present their report together with the audited financial statements for the year ending 31 August 2023.

**Chair's report**

For the past two years our report has addressed the many challenges we faced during the height of the Covid-19 Global Pandemic. These challenges have not been totally eliminated; however, we have been able to engage in face to face teaching and learning and to operate our accommodation services throughout this last financial year resulting in a better operational and financial outcome. Nevertheless, recovering from two very difficult years has not been without determined work by our staff team and we have not been able to invest in our on-going operations in ways that we might have wished. We have undertaken essential repair work and ensured our library and our facilities were available to our student community and our conference and accommodation clientele to the highest possible standards given the constraints from recovering from Government restrictions (lockdowns), Despite all the challenges we have faced, our staff team have risen to the occasion and we have emerged from a further volatile year in a better situation than we might have imagined. Our principal stakeholders, Northern College (URC) and Northern Baptist College have once again assisted us by early payments and by loans. The outcome for the year has been financially better than we predicted in our budget thanks to careful control of expenditure and an excellent performance by our conference and accommodations team.

During the year part of our educational provision was conducted on line, though increased face- to-face teaching was possible. For a second year we held our own in person Graduation service. We had a splendid occasion in the Chapel addressed by one of our directors, Dr Jacqueline Suthren Hirst, when we recognised and celebrated the achievements of those who had been awarded Certificates, Diplomas, Bachelor, Masters, and Doctoral degrees.

During this year, we have continued our transition from the programmes validated by Manchester University to programmes of the University of Durham Common Awards. We have also enrolled our second cohort of students for the new Master's degree in Chaplaincy work, again validated by Durham and we have reached an agreement with York St John University to provide a Doctoral programme.

Inevitably, these programme developments once again entailed much extra work for our staff team, ably led by our President and with the support of the academic staff of the constituent Colleges and our own registrar and library staff teams.

In all this we sought to continue to fulfil our core educational objectives with the help and support of our dedicated staff and in cooperation with our founder members, partner Colleges and the wider Christian community in the north of England. We have to note, again, the continued demands being made on us by the Office for Students, though some of the requirements made of us, particularly in providing statistical information, have caused us challenges as the parameters used by the Office for Students have been more appropriate to large public-sector Universities than to small specialist higher education institutions such as ourselves.

In educational terms, despite the challenges and restrictions created by the pandemic, we have continued to work within the parameters of our 2018 Vision document and to offer a range of courses from informal education through to doctoral studies. We remain delighted that our academic team at Luther King House are highly regarded in the field of delivering quality educational experiences in the discipline of theology.

At all times we have been cognisant of advice from the Charity Commission and the Office for Students. We have continued our regime of weekly review of cash flow, and the Board, through the Chair of the Finance and Monitoring Committee, has been in regular contact with our Company Secretary to monitor the situation and consult with our principal stakeholders.

It is our belief, as we have observed the recovery of income through our trading subsidiary during the past year, that Luther King House remains a viable concern and though we cannot predict any future restriction to our trading activities, we have no reason, at the present time, to believe there is an immediate challenge to our viability.

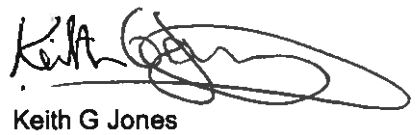
Nevertheless, we remain very conscious of the continued decline in the number of students signing up for our BA degree in theology. Therefore, we have invested in a public relations exercise to advertise and promote our key programmes and we continue to explore what methods might be employed to increase the number of students engaged in this level of study in the coming years, as well as to further develop our MA programme in Chaplaincy, which is proving popular. We remain fully committed to working together to seek a sustainable long-term future for our important work in the north and midlands of England.

In all this uncertain time we have valued the leadership of the President, Company Secretary, College Principals, the Principal of Open College, and their supporting staff, who have worked to the uttermost to enable us to fulfil our core objectives in a time of drama and uncertainty never previously experienced by the Luther King House Educational Trust. Our hard-working Company Secretary/Finance Manager, Claire McEwen retired in August after many years of devoted service, for which we thank her. We are delighted to welcome her successor, David Rudman, as Finance Manager.

The Board has continued to meet regularly, and we have operated hybrid meetings, with facilities for joining the meeting by Zoom. The Finance and Monitoring Committee have continued to meet by Zoom.

There have been several changes to Board membership during this period. The Revd Dr Rosalind Selby retired as Principal of Northern College, and we have welcomed the Revd Dr Adam Scott as the new Principal of Northern College. The Revd Charles Nevin resigned as a director after many years of faithful service. He served as Chair of the Finance and Monitoring Committee and as Vice Chair of the Board and we miss his wisdom and wise counsel. The Revd Anthony Howe resigned as a representative of the Unitarian Church, and we have welcomed Mrs Helen Mason in his place.

The Board has continued to be vigilant in overseeing all the activities of Luther King House and congratulates all the staff and our key educational partners in their continued endeavours to maintain our vision and hold fast to our values and standards in a fast-moving and challenging environment. It remains a pleasure for me to chair a hard-working Board supporting the President and a quality staff team as we seek to serve the Christian community of the North and Midlands.



Keith G Jones
Chair

**Aims and objectives.**
The objects of the Trust are:

The advancement of education in areas of Christian faith, practice, and dialogue and in particular but without limitation:

- The provision of learning opportunities for members of churches and other interested parties.
- The sharing of theological resources with and among local churches and communities.
- The preparation of persons for accredited forms of ministry.
- The provision of opportunities for post graduate research.
- The provision of an educational establishment together with ancillary services; and
- To advance education generally

The vision of the Trust may be summarised as to provide a learning resource and a flexible residential facility to enable the Partnership to:

- Be concerned with theological education to help all live responsibly and creatively in a plural society.
- Encourage people to shape their personal and communal futures through responsible citizenship.
- Be a centre of excellence at all levels of its work.
- Have a particular concern for Christian mission in an urban society, by building an ecumenical network of support and shared resources.
- Create communities of learning, worship, justice, and liberation.
- Express belief in one God, one world and one people.
- Be open to learning with people from a wide range of understandings, insights, and commitments.
- Develop international links for mutual learning with the world church.
- Integrate learning from different disciplines, faiths, personal and reported experience in church and political life; and
- Engage with scriptures, past and present Christian traditions, the world church, other faith communities and contemporary experience and thinking.

The facilities at Luther King House include:

- Study and office facilities for the academic and administrative staff of those Member Bodies based at Luther King Centre.
- Residential accommodation and study facilities for students of Member Bodies as required.
- A dining room providing breakfasts, lunches, and evening meals.
- Social provision including student kitchen & laundry facilities and a large lounge.
- A learning resources facility including books, periodicals, and internet access; and
- A chapel for community worship on an ecumenical basis.

When the facilities of the House are not being fully utilised in pursuit of the Trust's core activities, spare capacity is marketed to other persons and bodies. Any surpluses arising from this activity are re-invested in the Trust's core activities.

The educational activities of the Trust continue to be delivered under the branding Luther King Centre for Theology and Ministry (LKC)and this terminology will be used in the appropriate sections of this report.

## Public Benefit Statement

The Trust provides university validated courses of theological education for the benefit of any who are academically qualified, not only for those training for accredited ministries in the church. Fees are charged, though these do not cover the full cost of providing the service. Steps are taken to ensure the fees do not exclude the poor; bursaries are available, and the Trust works within a general environment of government provision designed to support poorer students and widen access. British residents of foreign nationality are charged only at the domestic rate. The Trust has, in fact, a significant number of non-traditional learners amongst its students, and a growing number from minority ethnic groups. Through the development of flexible and distributed learning, the Trust is also seeking to overcome further barriers to learning. The Trust's academic staff also contribute to the delivery of similar courses by other associated theological institutions.

The Trust works with churches in equipping them and their leadership for their roles in the community. Among those it trains, for instance, are church related community workers, whose whole purpose is community development. Those training for accredited ministries are seldom able to use their education to advance their own material interests; their sole reason for entering training is to serve the needs of local congregations and communities. Many do so in training placements throughout their course of education.

The Trust's facilities are of benefit to a wide range of the public. Membership of the library is available to all for an easily affordable annual charge. A wide variety of groups use the teaching rooms for learning and training events; the Trust makes a point of making its educationally equipped meeting rooms widely available when not needed for its own courses and does so for charities and churches at reduced rates.

We have complied with the duty under the Charities Act to have regard to the public benefit guidance published by the Charity Commission.

## Achievements and performance

The Trust's charitable objective is the advancement of education in areas of Christian faith, practice and dialogue and the challenge to this objective from factors outside the organisation continues. Both full and part time courses of study are offered at undergraduate and postgraduate levels alongside a Diploma of Higher Education and Certificate of Higher Education.

Despite the ongoing challenges and disruption of Covid, student numbers have remained generally stable but there has been a slow decline in the number of BA students. Our student body continues to reflect a broad ethical and cultural diversity, and many do not have English as their first language. Students are supported by our academic staff and through the learning and resource centre. This latter offers support through study skills and proof-reading.

We have been able to offer much face-to-face teaching through the past year, though some elements continue to be offered through e-learning. The experience gained in the use of online learning during the height of the pandemic has provided opportunities to explore new ways of engaging with our students, and so continues for certain sessions and programmes, and it has been the focus of our academic team to ensure that all students are able to take full advantage of the resources provided.

The President and staff have worked hard to achieve, as best as possible, a sense of community and to promote collaborative working amongst the student community.

Luther King Centre for Theology and Ministry (LKC) is registered in the 'Approved (fee cap)' category of the Office for Students.

The continuing requirements of GDPR are recognised and embodied with our processes, policies, and procedures.

The challenge of post-lockdown operations has, once again, allowed only limited upgrading of our bedroom stock and all but essential capital projects have been shelved until our revenue stream has consolidated.

The following key educational objectives were established for 2022-23, together with indicators of how these have been met:

| Objective | Indicators of Achievement |
|---|---|
| Broaden and deepen the experience and practice of e-learning | All academic staff have been developing their skills in designing and offering e-learning packages for their academic discipline. Student feedback has been very positive. |
| Find a partner for the LKC Research programme | Work on this has recently been completed. York St John University is now the validation provider. |
| To work with our partner colleges in predicting student numbers for the future. | This work continues but is essential as we seek to ensure future viability and financial stability. We continue to address future recruitment for the BA programme. |
| To broaden our student base. | We are continuing to look at ways in which we night attract a broader student base building on the experience of e-learning and further developing our online learning presence. |

**Financial review**

The year, free of lock-down events, ensured our Bed, Breakfast and Conference business was able to recover beyond our expectations over the full year. Our focus continues to be managing cash flow on an almost day to day basis. This approach has typified our financial monitoring over the past year.

**The Statement of Financial Activities for the Group**

The focus of concern throughout the year has been to enable Luther King House Educational Trust to continue as a going concern as we began to recover from lockdown and to this end we have continued regular discussions with our principal stakeholders, Northern Baptist College, and the Northern College (United Reformed Church, Congregational Federation and Moravian Church) to provide support to ensure we could continue operating and as we developed supporting income from accommodation, catering and conference services.

At the end of the year the profit (loss) before tax incurred were:

| | |
|---|---|
| Charity | £44,018 |
| Subsidiary | £nil |

Resulting in an overall profit before tax of £44,018

The bank balance at the end of the year was £291,225.

**Reserves policy and going concern.**

The total level of reserves at year-end amounted to £818,057 (2022- £774,039). The Trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. Although the Trust seeks to maintain sufficient reserves to meet 3 months' worth of running expenditure, currently approx.£200k, the current level of free reserves is calculated to be £120,289 (2022 £54,573). However, the Trust will continue to work each year to increase the level of free reserves. The Trustees continue to review areas, particularly within the accommodation area of the group, where increased efficiencies can allow free reserves to increase to the target level.

The Colleges have expressed their support for our current business model and their conviction that we should continue to operate with our current model, whilst engaging in tripartite conversations to develop a strategy for ensuring viable operations in the medium term. Whilst the development of that strategy is refined and clarified, the two stakeholders have indicated their willingness to assist us through any temporary financial challenges on the journey to a medium term viable operation.

The assistance includes facilitating deferral of interest payments on loans and loan capital on funds previously advanced for improvements to the premises at Brighton Grove. This provision is regularly monitored and specific meetings between officers of the two College governing bodies and the Chair and President of Luther King House Educational Trust ensures that cash flow and the operation of Luther King house continues in a sustained way. Both Colleges have issued letters of support for the Trust extending until 2026.

The Trust finances its operations through a mixture of retained profits and college loans. The management's objectives are to retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due. This policy has continued to be challenged during the year because of the Covid-19 global pandemic and the Trust has had to recourse to the governing bodies of the two major constituent colleges for relief provision on loan repayment and a commitment to further loan support.

The Trust makes little use of financial instruments other than an operational sterling bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position, and net incoming/outgoing resources.

The trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the continuing climate of partial recovery from the worst effects of the global pandemic – lockdowns, staff shortage due to illness and accommodation cancellations because of illness, the continuing illegal invasion of Ukraine by the Russian Federation and the impact on energy availability and pricing, the priority has continued to be regularly ensuring that the Trust has sufficient cash flow to meet obligations. With all these factors trading remains challenging though we work hard to maximise our room occupancy.

A significant income source for the Trust is through the bed and breakfast business of its subsidiary "Luther King Centre Conference and Accommodation Services Ltd". This business recovered with the relaxing of restrictions, but the climate is still challenging with the on-going war in Ukraine, inflation, and the reluctance of people to travel to events. The action taken in the last financial year has been necessary for a further year in the very challenging market:

- On the existing loans with the existing stakeholder colleges the Trust negotiated a further twelve months pause in repayments
- All non-essential capital expenditure was stopped.
- Continuing strict monitoring of cash flow

- Staffing hours were reviewed and where necessary reduced.
- Conversations continue with the Trustees of the Northern College and the Northern Baptist College about the provision of loans as required and within agreed and clearly defined parameters.

In addition to these actions the Trustees assessed several strategic options and concluded that the current model depending upon the subsidiary generating a reasonable level of profitability was still the most viable option for the future despite the current uncertainty.

We note the following regarding the operation of the LKCAS subsidiary.

- Only a relatively small percentage of our business is drawn from tourism and hence less affected by the lockdown.
- Manchester is a growing city with a range of entertainments and two Premier football clubs which means that the potential for new bookings is high.
- We have a good strong cohort of loyal customers and are well placed to access the city.
- The current model has shown a significant revenue growth over the years.
- We have been a successful venue for small conferences and again, historically, we have shown that we have a strong presence in this field.
- We regular review staffing and accommodation prices to be the most cost effective.

Based on this assessment the Trustees believe that the Trust is a going concern and that we can continue for the foreseeable future (a minimum twelve months from the date of the signing of these accounts). In addition, we are not aware of anything beyond that date which might cause a major interruption.

**Plans for future years**

We have reviewed the staff to minimise costs whilst continuing to provide a good standard of service to all our current and future clients. Once we have fully stabilised our income stream our current intention is to continue our bedroom upgrades.

We continue a strategy for the marketing of LKC Open College that admits students direct to LKC rather than through one of its constituent colleges. This includes continuing review of our website, our publicity, and on ways of promoting the LKC brand, particularly on social media.

## Reference and administrative details

Charity number: 1082375
Company number: 04065581

**Registered Office:**

Luther King House, Brighton Grove, Rusholme, Manchester, M14 5JP

**Secretary:**

Mrs Claire McEwen; resigned 13 April 2023
The Revd Graham R Sparkes; appointed 13 April 2023

**Our advisers:**

**Auditors**

Crowe UK LLP, 3rd Floor, The Lexicon, Mount Street, Manchester, M2 5NT.

**Bankers**

CAF Bank, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ

**Directors and trustees**

The directors of the charitable company (the charity) are its trustees for the purposes of charity law. The trustees and officers serving during the year and since the year end were as follows:

The Revd Dr Keith G Jones
The Revd Dr Andrew J Lunn (F)
The Revd Dr Clara N Rushbrook (F)
The Revd Charles J Nevin; resigned 31 March 2023
The Revd Dr Simon J Oxley (F)
The Revd Dr Rosalind M Selby (F); resigned 31 March 2023
Dr Jacqueline Suthren Hirst
Ms. Erica M Dunmow
The Revd Anthony Howe (F); resigned 6 July 2023
The Revd Jenny Mills (F)
Bishop Theo Oluwasegun Akano
The Revd Dr Adam J Scott (F); appointed 13 April 2023
Mrs. Helen Mason (F); appointed 6 July 2023

(F) = Directors appointed by a Founder Member according to its rights defined in the company's Articles of Association.

**Key management personnel**

| | |
|---|---|
| President | The Revd Canon Graham R Sparkes |
| Company Secretary | The Revd Canon Graham R Sparkes appointed 13 April 2023 |
| Company Secretary | Mrs. Claire McEwen resigned 13 April 2023 |
| Finance Manager | Mrs. Claire McEwen resigned 31 August 2023 |
| Finance Manager: | Mr. David Rudman appointed 1 September 2023 |
| Operations Manager | Miss Beverley Bartram |
| Academic Registrar | Miss Clare Richardson |
| Librarian | Miss Katie Paton |
| Open College Principal | The Revd Dr Kim Wasey |

**Structure, Governance and Management**

**Governing Document**

The Trust is a charitable company limited by guarantee and was set up on 1 September 2000. It is governed by a Memorandum and Articles of Association. The charity was created to carry on and further develop the work of its two predecessor charities, the Manchester Christian Institute (charity number 515358) and the Northern Federation for Training in Ministry (charity number 517496). Both these charities transferred their net assets as at 31 August 2000 to the Trust and were then dissolved.

The Memorandum and Articles of Association were updated in April 2015.

Every member promises, if the Charity is wound up while he/she is a member or within 12 months after ceasing to be a member; to pay such amounts as is required up to £1 towards the costs of dissolution and the liabilities incurred by the Charity while the contributor was a member.

The concept of the Partnership for Theological Education was born in 1997, under the umbrella of the Manchester Christian Institute. In September 2000, the member bodies of the Partnership became the member bodies of the Trust. The Partnership for Theological Education continues to be the operational name under which the Trust carries out some of its educational activities.

The financial basis of the Trust was the agreement of the four Founder members to provide to the Trust the land and buildings of Luther King House valued at £700,000 and cash totalling£500,000.

The original land and buildings were transferred from Northern Baptist College to a charity called the Luther King House Property Trust under a Charity Commission Scheme (case number 180221) dated 27 June 2002. Luther King House Property Trust is a separate charity from the Trust, but the Trust is its only trustee. The Charity Commission has given permission for the two charities to be accounted for as if they were a single entity.

**Appointment of trustees**

Where a vacancy arises for a director appointed by a Founder Member organisation, the organisation concerned makes the appointment in accordance with its own internal processes.

When a vacancy arises for an independent director, the Board considers any gaps in its current expertise and experience and in the various constituencies represented. It also has concern for its gender and ethnic balance. It then identifies a person or persons who could fill some of those gaps. An invitation is issued. Training of new directors includes the provision of a comprehensive induction pack. The Board encourages and supports directors who wish to pursue opportunities that will help them fulfil their responsibilities as trustees.

A new protocol has been developed to cover the appointment and re-appointment for all members of the Board.

**Changes to the trustee body**

During the year we appointed two new members of the board and had three members resign during the year. Mrs Helen Mason replaced the Revd Anthony Howe. The Revd Dr Adam Scott was appointed Principal of northern College succeeding the Revd Rosalind Selby and is a Foundation Trustee. The Revd Charles Nevin resigned as a Trustee. He was an independent member.

**Trustee induction and training**

Induction is tailored for new Trustees due to the very different needs of Independent and Foundation Trustees.

**Organisation**

The Board of Trustees administers the charity. The Board meets on at least four occasions each year. Responsibility for governance remains with the Board of Directors and its Finance and Monitoring Committee, which meets quarterly and includes an internal audit function to check on not only financial and ethical matters, but also policies relating to equal opportunities, child protection and staff terms and conditions. There is a separate Health and Safety committee which focuses on compliance and care of staff.

Responsibility for day to day management is entrusted to the Operations Committee, led by the President (a full time salaried officer). The committee includes the Principals of the three Colleges that participate in the Trust's educational activity and provide most of its teaching staff. Operations focuses on implementation, co-ordination, staff management, staff development and deployment of resources.

There are two academic committees to manage the BA, MA, and Research programmes, chaired by a member of the academic staff, and attended by the staff who teach on the programmes, student representatives and representatives of the University of Manchester and the University of Durham and Common Awards as appropriate. The Luther King Centre has an agreement with York St John University to co-supervise candidates on the doctoral programme of the University.

**Related parties and cooperation with other organisations**

The trustees do not receive remuneration in relation to their role on the board, however the Board includes members who are employed by member organisations and who are members of the teaching team delivering educational services for the Charity. This aspect of their work is remunerated.

A new company, Luther King House Conference and Accommodation Services Limited, was set up on 27 July 2009. This company is a wholly controlled subsidiary of the Trust. Its purpose is to carry on the conference and accommodation business at Luther King House and it operates under a licence granted by the Trust. It began trading on 1 September 2009. The directors of the main Trust are also directors of the subsidiary.

The directors' report and the accompanying financial statements concern the combined results of the Group for the year to 31 August 2023. Balance sheets for the Group and for the Charity are shown on page 22.

**Charity Governance**

In July 2018 the Board agreed to adopt the 'Charity Governance Code' with additional principles relating to Higher Education. Whilst this had been discussed in the past and generally reflected current practice, the Board recognised that it would be appropriate to formally adopt the code and put in place procedures for its implementation and regular monitoring. This latter activity would be achieved by an annual review in the Autumn at the same time as all other policies were reviewed. The Board agreed the following affirmations relating to its academic staff:

- That LKC affirms that its academic staff have freedom within the law:
  to question and test received wisdom; and
  to put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing the jobs or privileges they may have at LKC.
- That LKC affirms its commitment to freedom of speech and the encouragement of debate of all kinds as long as this takes place within the law and will take such steps as may be necessary to secure such freedom.

**Fundraising**
The Charity had no fundraising activities requiring disclosure under provision of the Charities (Protection and Social Investment) Act 2016.

**Pay policy for senior staff.**
Staff pay is agreed by the Board on recommendation of the Finance and Monitoring Committee. Remuneration for senior staff is based on role, experience, and performance. It is reviewed annually and normally increased in accordance with average earnings.

**Risk Management**

The directors maintain a register of the major risks which the Trust faces, and they review this register regularly. Each risk is assessed for its severity and its likelihood and for the effectiveness of the steps

taken to manage the risk. The Register is regularly reviewed by the Finance and Monitoring Committee and risk management is now a standing item on the agenda of the LKHET Board meetings. In reviewing the Register, the directors considered the most serious risks facing the Trust, and the actions taken to mitigate them are:

- Failure to maintain income to sustain core activities.
  Annual budgets are prepared by key management personnel and comparisons to actual are carefully monitored throughout the year. Since the pandemic cash flow is monitored on a daily basis and 3-year forecasts are now part of the annual budgeting process. There are regular reviews of strategic policies.

- Lack of student numbers
  Student recruitment is monitored closely, and publicity and marketing initiatives are carried out. The Trust ensures that academic programmes are meeting the requirements of the respective Colleges and denominations.

- Volatile energy market
  The Trust agreed a new 12-month contract signed to start April 2023. This was agreed at a significantly better value than initially anticipated. This was agreed via the use of energy brokers working on behalf of the Trust.

- Loss of confidence in the quality of the accommodation and conference facilities.
  Comments and feedback are regularly monitored and responded to as appropriate.

- Failure to adequately maintain and improve the property.
  Regular maintenance and improvement work are budgeted for and carried out. The property is regularly inspected, and necessary work is carefully prioritised.

**Trustees' responsibilities in relation to the financial statements**

The directors are responsible for preparing the Directors' 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 directors 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 group of the incoming resources and application of resources including the income and expenditure, of the group for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable UK 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 and group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement as to disclosure to our auditors**

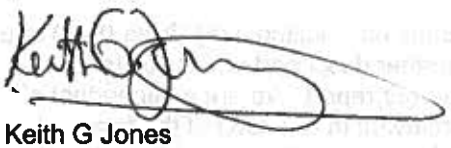
In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Small company provisions**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the trustees



Keith G Jones
Director
11th January 2024

## Opinion

We have audited the consolidated financial statements of Luther King House Educational Trust for the year ended 31 August 2023 which comprise the Consolidated Statement of Financial Activities, Statement of Changes in Reserves, Consolidated and Charity Balance Sheet, Consolidated Cash Flow Statement, and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and charitable company's affairs as of 31 August 2023 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.

## 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 group 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 related to going concern.

In auditing the financial statements, we have concluded that the directors' 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 the charitable company'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 directors with respect to going concern are described in the relevant sections of this report.

## Other information

The trustees are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the 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.

**Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the trustees' report for the financial year for which the consolidated 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 group and the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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

- adequate accounting records have not been kept by the charitable company, 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 exemption 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 set out on page 14, 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.

**Extent to which the audit was considered capable of detecting irregularities, including fraud.**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, Charities Act 2011 and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and completeness of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing from student record documentation and sample testing of accommodation records to the consolidated financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the group and 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 group and 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 group and charitable company and the group and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vicky Szulist

Vicky Szulist
Senior Statutory Auditor
For and on behalf of
**Crowe U.K. LLP**
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

7th February 2024

## LUTHER KING HOUSE EDUCATIONAL TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
## (including Income and Expenditure account)

## YEAR ENDED 31 AUGUST 2023

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2023 £ | Total Funds 2022 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 348,437 | - | 348,437 | 308,595 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 941,093 | - | 941,093 | 859,800 |
| Investment income | 5 | 540 | - | 540 | 16 |
| **Total income** | | **1,290,070** | **-** | **1,290,070** | **1,168,411** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 607,512 | - | 607,512 | 523,198 |
| *Expenditure on charitable activities:* | | | | | |
| Academic and housing activities | 6 | 638,540 | - | 638,540 | 644,175 |
| **Total expenditure** | | **1,246,052** | **-** | **1,246,052** | **1,167,373** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **44,018** | **-** | **44,018** | **1,039** |
| Tax expense | 11 | - | - | - | (5,852) |
| **Net income/(expenditure)** | | **44,018** | **-** | **44,018** | (4,813) |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 74,039 | 700,000 | 774,039 | 778,852 |
| **Total funds carried forward** | | **118,057** | **700,000** | **818,057** | **774,039** |

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.
The surplus in the year for the Charity was £44,018.

## LUTHER KING HOUSE EDUCATIONAL TRUST

## STATEMENT OF CHANGES IN RESERVES

## YEAR ENDED 31 AUGUST 2023

| Income: | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ |
|---|---|---|---|
| Balance at 1 September 2020 | 99,353 | 837,886 | 937,239 |
| Net Income for the year ended 31 August 2021 | (20,501) | (137,886) | (158,387) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2021 | (20,501) | (137,886) | (158,387) |
| **Balance at 31 August 2021** | **78,852** | **700,000** | **778,852** |
| Net Income for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| **Balance at 31 August 2022** | **74,039** | **700,000** | **774,039** |
| Net Income for the year ended 31 August 2023 | 44,018 | - | 44,018 |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2023 | 44,018 | - | 44,018 |
| Transfer | - | - | - |
| **Balance at 31 August 2023** | **118,057** | **700,000** | **818,057** |

## LUTHER KING HOUSE EDUCATIONAL TRUST

## GROUP AND CHARITY BALANCE SHEETS
**Company No; 04065581**

## YEAR ENDED 31 AUGUST 2023

| | Note | Group 2023 £ | Group 2022 £ | Charity 2023 £ | Charity 2022 £ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Deferred Tax asset | 11 | - | - | - | - |
| Tangible assets | 12 | 1,275,269 | 1,296,966 | 1,275,269 | 1,296,966 |
| **Total Non-current Assets** | | **1,275,269** | **1,296,966** | **1,275,269** | **1,296,966** |
| **Current assets** | | | | | |
| Stock | 13 | 1,556 | 1,487 | - | - |
| Debtors | 14 | 37,493 | 34,741 | 178,316 | 152,360 |
| Cash at bank and in hand | | 291,225 | 170,905 | 73,979 | 30,824 |
| **Total Current Assets** | | **330,274** | **207,133** | **252,295** | **183,184** |
| **Liabilities** | | | | | |
| Creditors falling due within one year | 15 | (209,986) | (152,560) | (132,379) | (128,984) |
| **Net Current assets** | | **120,288** | **54,573** | **119,916** | **54,200** |
| **Total assets less current liabilities** | | 1,395,557 | 1,351,539 | 1,395,185 | 1,351,166 |
| Creditors falling due after more than 1 year | 16 | (577,500) | (577,500) | (577,500) | (577,500) |
| **Net assets** | | **818,057** | **774,039** | **817,685** | **773,666** |
| **The funds of the charity:** | | | | | |
| Unrestricted income funds | 19 | 118,057 | 74,039 | 117,685 | 73,666 |
| Restricted income funds | 19 | 700,000 | 700,000 | 700,000 | 700,000 |
| **Total charity funds** | | **818,057** | **774,039** | **817,685** | **773,666** |

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.
The company has not delivered a copy of the profit and loss account to Companies House.
Signed

**Keith Grant Jones**
Trustee

Simon Oxley
Trustee

Approved by the trustees on 11th January 2024
The notes at pages 24 to 40 form part of these accounts.

## CASH FLOW STATEMENT

## YEAR ENDED 31 AUGUST 2023

| | Note | Group 2023 £ | 2022 £ |
|---|---|---|---|
| **Cash generated in operating activities** | **23** | **160,836** | **22,647** |
| **Cash flows from investing activities** | | | |
| Interest income | | 540 | 16 |
| Purchase of tangible fixed assets | | (22,263) | (6,156) |
| **Cash provided by (used in) investing activities** | | **(21,723)** | **(6,140)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowing | | - | - |
| Interest paid | | (18,793) | (7,347) |
| Loan taken out in the year | | - | - |
| **Cash used in financing activities** | | **(18,793)** | **(7,347)** |
| Increase (decrease) in cash and cash Equivalents in the year | | **120,320** | **9,160** |
| Cash and cash equivalents at the beginning of the year | | 170,905 | 161,745 |
| **Total cash and cash equivalents at the end of the year** | | **291,225** | **170,905** |

The charity has taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cash flow statement with the consolidated accounts.

The notes at pages 24 to 40 form part of these accounts.

**Notes on the accounts**

## 1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

Luther King House Educational Trust is a private company limited by guarantee, incorporated, and registered as a charitable company in England (Registered No. 1082375 (Company) & 04065581 (Charity)). Its registered office is listed on the reference and administration page.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective October 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

The Charity has taken advantage of the available exemption under s408 Companies Act and has not included a Charity only Statement of Financial Activities.

b) Preparation of the accounts on a going concern basis

These financial statements have been prepared on a going concern basis which the trust board considers to be appropriate.

The board of trustees and the finance committee receive and review future cashflows, management accounts, budgets, and forecast projections, as well as the steps taken to protect the Trust's liquidity on a regular basis. These are prepared in a prudent manner and forecast beyond the end of the current financial year, covering a minimum period of 12 months from the date of approval of these financial statements (the going concern period). The forecasts take into consideration the current economic environment, projected student applications / enrolments and the risks associated with these.

The finance committee and trust board review these and combined with the letters of support from the main stakeholder College's and conclude that the trust will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

c) Group financial statements

The financial statements consolidate the results of the charity and its wholly owned trading subsidiary company, Luther King House Conference and Accommodation Services Limited. A separate statement of financial activities incorporating an income and expenditure account for the charity itself is not presented because advantage has been taken of the exemptions under the Companies Act 2006.

d) Income and expenditure

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

Most course fees are invoiced at the beginning of each academic year and are receivable then.

College block charges are agreed in advance each year with the colleges. The total charges for the financial year are invoiced in September and received in instalments through the year.

Other income is recognised on a receivable basis.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

**Allocation of expenditure**

Governance costs are those incurred in connection with public accountability and the strategic planning process of the Trust. Governance costs represent the time spent by employees on these matters.

e) 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.

f) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objects of the Trust and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Trust for particular purposes. The cost of realising and administering all funds are charged against the general fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

g) VAT

Irrecoverable VAT is written off in the year except for where it relates to capital items, in which case it is added to the cost of additions of fixed assets.

h) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight-line basis over the period of the lease.

i) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|---|
| Office and computer equipment | 33% straight line |
| Furniture, fixtures, and fittings | 20% straight line |
| Building improvements | 5% straight line |
| Library development | 2% straight line |

As the residual value of land and long leasehold buildings is believed to be at least the carrying value of the asset no depreciation is provided.

j) Stock

Stocks consist of purchased goods for resale. Stocks are valued at the lower of cost and net realisable value.

k) Debtors

Trade debtors are recognised at the settlement amount after any trade discounts offered.

Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

Cash at bank and 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.

m) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

n) Financial instruments

The Charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting

period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activity.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.
Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of financial activities.

p) Capitalisation Policy

The company prepares the financial statements in accordance with the concept of materiality. Therefore, the company will capitalise costs that are greater than the following limits: individually have a cost of more than £1,000, or collectively have a cost of least £1,000 where the assets are functionally interdependent, have simultaneous purchase dates and are anticipated to have simultaneous disposal dates, and are under single managerial control.

**Judgements in applying accounting policies and key sources of estimation uncertainty.**

The charity makes estimates and assumptions concerning the future. The Finance Committee reviewed the worst-case scenario and combined with the College letters of financial support, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern and as such the disclosures in this area are appropriate. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation, and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment and note 1i for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors.
When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14

for the net carrying amount of the debtors and associated impairment provision.

## 2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.
The entity is a private charitable company, Charity number 1082375. The registered office is Luther King House, Brighton Grove, Rusholme, Manchester M14 5JP.

## 3. Incoming resources from charitable activities

| | 2023 | 2022 |
|---|---|---|
| **House income** | £ | £ |
| Rent | 21,519 | 19,719 |
| Sundry income | - | 124 |
| | 21,519 | 19,843 |
| **Academic activities** | | |
| College fees | 187,091 | 201,335 |
| College block charges | 121,500 | 72,000 |
| Sundry income (including grants) | 18,327 | 15,417 |
| | 326,918 | 288,752 |
| Total | 348,437 | 308,595 |

## 3a Disclosure on Grant and Fee income

| | 2023 | 2022 |
|---|---|---|
| **Grant income** | £ | £ |
| Grant income from OfS | 8,276 | 8,380 |
| Grant income from other Bodies | - | - |
| Total Grant income | 8,276 | 8,380 |
| **Fee income** | | |
| Fee income from taught awards | 163,085 | 177,628 |
| Fee income from research awards | 14,816 | 15,271 |
| Fee income from non-qualifying courses | 9,190 | 8,436 |
| Total fee income | 187,091 | 201,335 |

## 4 Trading operations and investment in trading company

The consolidated statement of financial activities includes the results of the Charity's wholly controlled subsidiary. The Charity is the sole member of Luther King House Conference and Accommodation Services Ltd, (company number 6973866, registered office same as the parent Charity), a supplier of bed and breakfast and conference facilities. It pays almost all of its profits to the charity by gift aid. Summaries of the trading result and balance sheet are as follows:

**Trading result for the year ended 31 August 2023**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Turnover | 941,093 | 859,800 |
| Investment income | 287 | 9 |
| Cost of sales and administrative expenses Including internal rent of £180,000 | (787,512) | (703,198) |
| Profit (Loss) before tax | 153,868 | 156,611 |
| Tax expense | - | (5,852) |
| Profit (loss) for the year | 153,868 | 150,759 |
| Amount gifted to the Charity | - | (133,201) |
| Retained in the subsidiary | 153,868 | 17,558 |

**Balance Sheet at 31 August 2023**

| | | |
|---|---|---|
| Non-Current assets | - | - |
| Current assets | 231,847 | 157,149 |
| Creditors (amounts falling due within one year) | (77,611) | (156,778) |
| Total net assets (liabilities) | 154,236 | 371 |
| Aggregate reserves | 154,236 | 371 |

## 5 Investment income

| | Unrestricted Funds | Total funds 2023 | Total funds 2022 |
|---|---|---|---|
| | £ | £ | £ |
| Bank interest receivable | 540 | 540 | 16 |

## 6 Analysis of expenditure of charitable activities

| | 2023 £ | 2022 £ |
|---|---|---|
| **Academic and house activities** | | |
| Staff costs | 253,843 | 264,629 |
| Teaching fees | 22,269 | 17,531 |
| University registration | 19,523 | 25,856 |
| Bursaries | 1,589 | 675 |
| Books and periodicals | 6,870 | 5,966 |
| Bad debts | (2,231) | - |
| Rates and water | 24,682 | 27,343 |
| Light and heat | 65,510 | 55,954 |
| Cleaning | 1,250 | - |
| Insurance | 7,886 | 7,266 |
| Repairs and maintenance | 27,321 | 28,204 |
| Telephone | 1,139 | 1,210 |
| Office supplies and postage | 7,032 | 6,373 |
| Photocopying rental | 385 | 140 |
| Photocopying charges | 1,205 | 1,134 |
| Travel | 1,091 | 753 |
| Meetings & sundry xps | 49,345 | 58,962 |
| Depreciation of fixed assets | 43,960 | 49,623 |
| Support costs (see note 7) | 92,508 | 80,664 |
| Governance costs (see note 8) | 13,363 | 11,892 |
| **Total academic and house activities costs** | **638,540** | **644,175** |

## 7. Support costs

| | Unrestricted funds £ | Total funds 2023 £ | Total funds 2022 £ |
|---|---|---|---|
| Loan interest | 18,793 | 18,793 | 7,347 |
| Bank charges | 1,895 | 1,895 | 1,561 |
| Irrecoverable VAT | 14,495 | 14,495 | 16,726 |
| President employment costs | 56,179 | 56,179 | 54,100 |
| Finance general costs | 1,146 | 1,146 | 930 |
| **Total** | **92,508** | **92,508** | **80,664** |

## 8. Governance costs

| | Unrestricted funds | Total funds 2023 | Total funds 2022 |
|---|---|---|---|
| | £ | £ | £ |
| Audit fees | 9,515 | 9,515 | 8,100 |
| Professional fees | 2,566 | 2,566 | 1,575 |
| Trust meetings and expenses | 1,282 | 1,282 | 2,217 |
| **Total** | **13,363** | **13,363** | **11,892** |

## 9. Net income/(expenditure) for the year

| | Total funds 2023 | Total funds 2022 |
|---|---|---|
| This is stated after charging | £ | £ |
| Operating lease - photocopier | 385 | 140 |
| Staff pension contributions | 47,374 | 50,921 |
| Depreciation | 43,960 | 49,623 |
| Auditor's fees | 9,515 | 8,100 |
| **Total** | **101,234** | **108,784** |

## 10. Staff costs and emoluments

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Total staff costs were as follows | | |
| Wages and salaries | 510,022 | 495,707 |
| Social security costs | 38,746 | 38,735 |
| Other pension costs | 47,374 | 50,921 |
| | 596,142 | 585,363 |

None of the Trust's employees received remuneration in excess of £60,000 in the year (2022: £nil).

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The key management personnel of the parent charity, the Trust, comprise the Trustees, the President, Academic Registrar, Librarian, Finance Manager and Open College Principal. The total employee benefits of the key management personnel of the Trust were £193,472 (2022: £186,035).

The key management personnel of the group comprise those of the Trust and the key management personnel of its wholly owned subsidiary Luther King House Conference and Accommodation Services Ltd. The key management personnel of LKHCAS Ltd is the Operations Manager. The Manager retired, and a successor took over the role during the year. Employee benefits in the role total £ 34,650 (2022: £42,123).
The employee benefits of key management personnel for the group was therefore £228,122 (2022: £228,158).

| | | 2023 | 2022 |
|---|---|---|---|
| | | £ | £ |
| Salary of President | Salary | **46,330** | **44,548** |
| Pension of President | Pension | **4,633** | **4,455** |
| Totals | | **50,963** | **49,003** |

i The President's basic salary is 2.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider for its staff.

ii The President's total remuneration is 2.6 times the median total remuneration of staff where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of its staff.

Directors received no remuneration (2022: nil) and were reimbursed expenses as follows:

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Reimbursement of expenses | | |
| Keith Jones (travel expenses) | 84 | 123 |

**Particulars of employees:**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Academic | Admin/House | Academic | Admin/House |
| | No. | No. | No. | No. |
| Full time equivalent | 5 | 16 | 6 | 15 |
| Average | 7 | 17 | 7 | 20 |

Most of the teaching on the Trust's various courses is provided by employees of other bodies.

**11. Taxation**

| In respect of the year | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Taxation based on for the year at 20% (2022 20%): | - | 5,852 |

In the current year the trading subsidiary made a profit (loss) before tax of £153,581 (2022: £156,602)

## 12. Tangible fixed assets

| Group and charity | Office and Computer Equipment £ | Fixtures Fittings Plant & Equipment £ | Building Improvements £ | Land and Long Leasehold Property £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2022 | 162,132 | 290,421 | 1,317,183 | 700,000 | 2,469,736 |
| Additions | 13,313 | 5,658 | 3,292 | - | 22,263 |
| Disposals | (1,078) | - | - | - | (1,078) |
| At 31 August 2023 | 174,367 | 296,079 | 1,320,475 | 700,000 | 2,490,921 |
| **Depreciation** | | | | | |
| At 1 September 2022 | 160,923 | 280,279 | 731,568 | - | 1,172,770 |
| Charge for the year | 2,109 | 7,210 | 34,641 | - | 43,960 |
| On disposals | (1,078) | - | - | - | (1,078) |
| At 31 August 2023 | 161,954 | 287,489 | 766,209 | - | 1,215,652 |
| **Net Book Value** | | | | | |
| At 31 August 2023 | 12,413 | 8,590 | 554,266 | 700,000 | 1,275,269 |
| At 31 August 2022 | 1,209 | 10,142 | 585,615 | 700,000 | 1,296,966 |

## 13. Stock

| | Group | | Charity | |
|---|---|---|---|---|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Stock | 1,556 | 1,487 | - | - |

## 14. Debtors

| | Group | | Charity | |
|---|---|---|---|---|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Trade Debtors | 6,257 | 9,739 | 1,741 | 2,822 |
| Amounts owed by Subsidiary | - | - | 153,868 | 133,201 |
| Prepayments | 31,236 | 25,002 | 22,707 | 16,339 |
| | 37,493 | 34,741 | 178,316 | 152,360 |

Of the group trade debtors £ nil (2022: £nil) was due in over a year.

## 15. Creditors: Amounts falling due within a year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Trade Creditors | 34,965 | 20,026 | 26,349 | 14,196 |
| PAYE & social security | 12,676 | 8,755 | 12,676 | 8,755 |
| VAT | 35,633 | 43,557 | 35,633 | 43,557 |
| Other creditors | 59,996 | 16,766 | 11,462 | 16,075 |
| Accruals and deferred Income | 66,716 | 63,456 | 46,259 | 46,400 |
| College loans | - | - | - | - |
| | 209,986 | 152,560 | 132,379 | 128,984 |

## 15a Deferred income movement.

| | | Group | Charity |
|---|---|---|---|
| Amount b/f 2022 | | 13,504 | 10,000 |
| Resources released in the year | | (13,504) | (10,000) |
| Resources deferred in the year | | 26,178 | 19,094 |
| Amount c/f 2023 | | 26,178 | 19,094 |

## 16. Creditors: Amounts falling due after more than one year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| College loans (i) | 410,000 | 410,000 | 410,000 | 410,000 |
| College loans (ii) | 67,500 | 67,500 | 67,500 | 67,500 |
| College loans (iii) | 100,000 | 100,000 | 100,000 | 100,000 |
| Accruals and deferred Income | - | - | - | - |
| | 577,500 | 577,500 | 577,500 | 577,500 |

College loans (i)
Included in creditors falling due after more than one year are loans of:
£60,000 (2022: £60,000) and £230,000 (2022: £230,000) from Northern Baptist College. This organisation is a founder member of the Trust. The loans are repayable when the Trust has funds available, or on the dissolution of the Trust. Interest is payable at 1% below base rate on the £60,000 loan. An agreement was reached in 2021 to reduce the interest rate for the £230,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £230,000 loan.

£70,000 (2022: £70,000) and £67,500 (2022: £67,500) from Northern College. This organisation is a founder member of the Trust. The £70,000 loan is repayable when the Trust has funds available or on the dissolution of the Trust. An agreement was reached in 2021 to reduce the interest rate for the £70,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £70,000 loan.

£50,000 (2022: £50,000) from Unitarian College. This organisation is a member of the Trust. The loan is repayable when the Trust has funds available or on the dissolution of the Trust. Interest is payable at 1% above base rate. It was previously the daily rate set by the Charities Aid Foundation for its COIF units, collared at 4%.
Total interest paid was £2,000 (2022: £816).

The Charity Commission has confirmed that it will be willing to authorise these loans to be repaid out of the proceeds of sale of Luther King House property if such a sale ever takes place and if the loans remain outstanding when it does.

College loans (ii)
Included in creditors falling due after more than one year is a loan of:
£67,500 (2021: £67,500) from Northern College. The outstanding loan was repayable by 2023 but a deferral to 2026 was agreed in order to assist cash flow during the Covid-19 crisis. Interest is payable at 2.5%. The original £60,000 loan was taken to convert offices into bedrooms. A further loan of £90,000 was taken to convert additional offices to bedrooms. The loans will be repaid as follows:

2024: £22,500 2025: £22,500 2026: £11,250

College loans (iii)
Included in creditors falling due after more than one year are loans that were granted in 2021 as emergency relief to a cashflow crisis at the height of the pandemic.

£75,000 (2022: £75,000) from Northern College. Interest is payable at 1% over base rate.

Total interest paid to Northern College was £3,594 (2022: £2,370)

£25,000 (2022: £25,000) from Northern Baptist College. Interest is payable at 1% over base rate.

Total interest paid to Northern Baptist College was £1,198 (2022: £4,161)

The College loans could be deemed concessionary loans.

**17. Pensions**
At the year end the outstanding pension commitment was £3,482 (2022: £3,196)

**18. Commitments under operating leases**
At 31 August 2023 the company had minimum lease payments of £nil.

| | Assets other than land And buildings | |
|---|---|---|
| | **2023** | **2022** |
| | **£** | **£** |
| Operating leases which will be paid: | | |
| < 1 year | - | 315 |

**19. Analysis of charitable funds**

**Analysis of movement in unrestricted funds**

| | **Balance 1 September 2022** | **Incoming resources** | **Resources expended** | **Transfers** | **Funds 31 August 2023** |
|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** |
| General fund | 74,039 | 1,290,070 | (1,246,052) | - | 118,057 |
| **Total** | **74,039** | **1,290,070** | **(1,246,052)** | **-** | **118,057** |

(Prior Year)

| | Balance 1 September 2021 | Incoming resources | Resources expended | Transfers | Funds 31 August 2022 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| General fund | 78,852 | 1,168,411 | (1,173,225) | - | 74,039 |
| Total | 78,852 | 1,168,411 | (1,173,225) | - | 74,039 |

| **Name of unrestricted fund** | **Description, nature, and purpose of the fund** |
|---|---|
| General fund | The 'free reserves' after allowing for designated funds. |

**Analysis of movement in restricted fund**

| | Balance 1 September 2022 | Incoming resources | Resources expended | Transfers | Funds 31 August 2023 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| **Total** | **700,000** | **-** | **-** | **-** | **700,000** |

(Prior Year)

| | Balance 1 September 2021 | Incoming resources | Resources expended | Transfers | Funds 31 August 2022 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| Total | 700,000 | - | - | - | 700,000 |

Restricted funds represent the value of assets acquired with money given for this specific purpose including the original gift of land and buildings to the Trust.
In 2008, substantial improvements were made to the buildings. The value of these have been reduced each year by depreciation. However, the Board decided to allocate the remaining balance on the improvements from restricted to unrestricted reserves during 2021.

**20. Analysis of group net assets between funds**

| | General Fund | Designated Fund | Restricted Fund | Total 2023 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 575,269 | - | 700,000 | 1,275,269 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 291,225 | - | - | 291,225 |
| Other net current assets/(liabilities) | (170,937) | - | - | (170,937) |
| Creditors of more than one year | (577,500) | - | - | (577,500) |
| | **118,057** | **-** | **700,000** | **818,057** |

| (Prior Year) | General Fund | Designated Fund | Restricted Fund | Total 2022 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 596,966 | - | 700,000 | 1,296,966 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 170,905 | | - | 170,905 |
| Other net current assets/(liabilities) | (116,332) | | - | (116,332) |
| Creditors of more than one year | (577,500) | | | (577,500) |
| | 74,039 | - | 700,000 | 774,039 |

## 21. Related party transactions

Transactions between the parent and the wholly controlled trading subsidiary have not been disclosed due to the fact that the subsidiary is wholly owned. Advantage has been taken of the available exemption under Section 33 of FRS 102.

Luther King House Conference & Accommodation Services Ltd is exempt from audit by virtue of s477 of the Companies Act.

The three Colleges below are member bodies of the Trust, and have rights and responsibilities as set out in the Memorandum of Association.

The Trust made sales of £72,055 (2022: £37,656) to Northern Baptist College and at year end was owed £nil (2022: £nil) by the College. Total interest paid on loans was £10,398 (2022: £4,161).

The Trust made sales of £130,902 (2022: £93,500) to Northern College and at year end was owed £nil (2022: £nil) by the College. Total interest paid on loans was £6,394 (2022: £2,370).

The Trust made sales of £6,340 (2022: £3,082) to Unitarian College and at year end was owed £nil (2022: £nil) by the College. Total interest paid on a loan was £2,000 (2022: £816).

## 22. Financial Instruments

| **Financial assets that are measured at amortised cost:** | **2023** | **2022** |
|---|---|---|
| | **£** | **£** |
| Trade debtors | 7,587 | 14,799 |
| Cash | 291,225 | 170,905 |
| | **298,812** | **185,704** |

| **Financial liabilities that are measured at amortised cost:** | **2023** | **2022** |
|---|---|---|
| | **£** | **£** |
| Trade creditors | 34,965 | 20,026 |
| Other payables | 100,536 | 66,718 |
| Loans | 577,500 | 577,500 |
| | **713,001** | **664,244** |

## 23. Reconciliation of net (outgoing)/incoming resources to net cash outflow from operating activities

| | **2023** | **2022** |
|---|---|---|
| | **£** | **£** |
| Net incoming/(outgoing) resources | 44,018 | 1,039 |
| Depreciation | 43,960 | 49,623 |
| Investment income | (540) | (16) |
| Interest payable | 18,792 | 7,347 |
| Decrease in stock | (69) | (186) |
| Decrease/(Increase) in debtors | (2,752) | 37,753 |
| (Decrease)/Increase in creditors | 57,427 | (72,913) |
| Net cash outflow from operating activities | 160,836 | 22,647 |

**Reconciliation of net cash flow to movement in net debt**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Increase/(Decrease) in cash in the year | 120,320 | 9,160 |
| Cash outflow from other loans | - | - |
| Change in net debt resulting from cash flows | 120,320 | 9,160 |
| Movement in net debt in the period | 120,320 | 9,160 |
| Net debt brought forward | (406,595) | (415,755) |
| Net debt carried forward | (286,275) | (406,595) |

**24. Analysis of reconciliation of net debt**

| | Brought Forward | Cash flow | Carried Forward |
|---|---|---|---|
| | £ | £ | £ |
| Net cash | | | |
| Cash at bank and in hand | 170,905 | 120,320 | 291,225 |
| Debt due after 1 year | (577,500) | - | (577,500) |
| Debt due within 1 year | - | - | - |
| | (577,500) | - | (577,500) |
| Net debt | (406,595) | 120,320 | (286,275) |

## 25. Prior Year Consolidated Statement of Financial Activities

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 308,595 | - | 308,595 | 497,643 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 859,800 | - | 859,800 | 208,686 |
| Investment income | 5 | 16 | - | 16 | - |
| **Total income** | | **1,168,411** | **-** | **1,168,411** | **706,329** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 523,198 | - | 523,198 | 212,596 |
| *Expenditure on charitable activities:* | | | | | |
| Academic and housing activities | 6 | 644,175 | - | 644,175 | 657,972 |
| **Total expenditure** | | **1,167,373** | **-** | **1,167,373** | **870,568** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **1,039** | **-** | **1,039** | **(164,239)** |
| Tax expense | 11 | (5,852) | - | (5,852) | 5,852 |
| Net income/(expenditure) | | (4,814) | - | (4,814) | (158,387) |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 78,852 | 700,000 | 778,852 | 937,239 |
| **Total funds carried forward** | | **74,039** | **700,000** | **774,039** | **778,852** |



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# Luther King House

## Report to the Board

## Year ended 31 August 2023

Presented to the Board on 4 December 2023

Audit / Tax / Advisory / Risk

**Strictly Private and Confidential**

The Trustees
Luther King House
Brighton Grove
Manchester
M14 5JP

Dear Members of the Board

I have pleasure in submitting our audit findings report for the year ended 31 August 2023. The primary purpose of this report is to communicate to the Board and the Trustees the significant findings arising from our audit that we believe are relevant to those charged with governance.

I look forward to discussing our report with you, as well as any further matters you may wish to raise with us, and I shall be attending the Board meeting.

I would like to take this opportunity to express our appreciation for the assistance provided to us by the finance team and the other staff at the charity during this year's audit.

Yours sincerely

Vicky Szulist
Partner

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# 1. Executive summary

## Our report to you

We are pleased to present our Audit Findings Report to the Board and we welcome the opportunity to discuss our findings with you at your meeting on 4th December 2023.

The primary purpose of this report is to communicate to the Board and the Trustees the significant findings arising from our audit that we believe are relevant to those charged with governance.

In accordance with International Standards on Auditing (UK) the matters in this report include

- the results of our work on areas of significant audit risk
- our views about significant qualitative aspects of the group's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
- significant difficulties, if any, encountered during the audit
- any significant matters arising during the audit and written representations we are requesting
- unadjusted misstatement identified during the audit
- circumstances that affect the form and content of our auditor's report, if any
- any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process

We have included comments in relation to the above where relevant in the subsequent sections of this report.

We also report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention.

## Conclusions in relation to the areas of significant audit risk

In line with our audit plan we focussed our work on the significant audit risks identified:

- Going concern
- Other Income
- Management override of controls

The results of our audit work in these areas is set out below:

| Significant risk | Control deficiency identified | Adjustment(s) identified | Other reported matters |
|---|---|---|---|
| Going concern | ✓ | × | × |
| Other Income | ✓ | ✓ | × |
| Management override of controls | × | × | × |

## Other audit findings

Section 3 sets out various comments on other important matters which we have identified from our audit.

## Fraud and irregularities

Section 4 sets out the Trustees and our responsibilities in respect of fraud and irregularities.

## Audit materiality

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity of Luther King House and was set at 2% of income. We have reviewed this level of materiality based on the draft financial statements for the year ended 31 August 2023 and are satisfied that it continues to be appropriate with 2% of income being £26,000.

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We set separate audit materiality levels for each of the group's subsidiary entities. Details of these separate materiality levels are set out in Appendix 3.

## Unadjusted misstatements

We report to you any unadjusted individual errors other than where we consider the amounts to be trivial, and for this purpose we have determined trivial to be 5% of our audit materiality.

We have listed in Appendix 1 the misstatements we have identified which have not been adjusted by management. The unadjusted errors would result in a decrease of £3,553 in the net income recorded in the Statement of Financial Activities and management have concluded that this is not material. We will be requesting confirmation from the Trustees in our audit representation letter that you do not wish to adjust for these misstatements.

## Audit completion and our Audit Reports

We have substantially completed our audits, subject to the matters below.

- Completion of the going concern and post-Balance Sheet events reviews.
- Review of the final financial statements.
- Receipt of the signed letter of representation.
- Receipt of the signed letters of support from the colleges.

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise from progressing these outstanding matters.

On the satisfactory completion of these matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the 2023 financial statements.

## Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Trustees and ourselves set out in Appendix 4 of this report.

The matters included in this report have been discussed with the charity's management during our audit and at our closing meeting on 9th November 2023.

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# 2. Significant audit risks

As reported in our Audit Planning Report, ISA (UK) 315 (Revised) was applicable this year, and required us to consider a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement, with risks close to the upper end of the spectrum of inherent risk considered to be 'significant risks'.

Risk is considered in the context of how, and the degree to which, inherent and control risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors.

In addition, the auditing standards also set out a number of areas considered to always be a significant risk. Our audit response in respect of risks not identified as significant is set out in Section 3.

We have commented below on the results of our work in these areas as well as on any additional significant risks, judgements or other matters in relation to the financial statements of Luther King House identified during our audit.

## 2.1 Going concern

***Key related judgements***

In preparing the financial statements to comply with Financial Reporting Standard 102 the Trustees are required to make an assessment of the charity's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, the Trustees and management are required to consider all available information about the future of the charity in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

The trustees' going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

Due to the continued impact of fluctuations in trade around bookings in Luther King House and the current financial resources available to the charity, we consider that going concern is a significant risk for our audit.

***Crowe response***

Our work on going concern included the following:

- reviewing the period used by Trustees to assess the ability of Luther King House to continue as a going concern,
- examining budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the trustees' conclusion,
- reviewing the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year, and
- reviewing any other information or documentation which the Trustees have used in their going concern assessment.

***Our conclusions and other comments***

As at 31 August 2023 Luther King House is reporting unrestricted funds totalling £118k (2022: £74k). Luther King House's unrestricted surplus for the year is £44k (2022: deficit of £5k), which has been achieved due to improved operational performance mainly across booking income. The cash balance at year end is £291k (2022: £171k), which is a healthy level of cash reserves at the year end.

Based on the original budget for FY 2023/24 it is expected that Luther King House would end the year with an overall unrestricted surplus of £1k. Future forecasts show that a small surplus will be generated but it is heavily reliant on the strong financial performance of the trading subsidiary. The College is suffering from fewer students attending in person against a backdrop of generally fewer students studying for the Baptist ministry in a competitive market.

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We will be seeking representations that the Board has considered the forecasts and is satisfied that the going concern basis is appropriate.

## 2.2 Other income

***Key related judgements***

Due to the sporadic nature of other income, there is a risk that such income is not recognised but fraudulently misappropriated. Therefore, we decided to treat other income as a significant risk.

***Crowe response***

We investigated instances of income noted in non-finance sources (eg Trustee minutes) and our understanding of the entity (eg expectation of OfS grant funding).

***Our conclusions and other comments***

We did not identify any issues in the income tested. All was recognised correctly.

## 2.3 Management override of controls

Auditing standards require us to consider as a significant audit risk areas of potential or actual management override of controls. In completing our audit we have therefore considered the following matters.

*Significant accounting estimates and judgements*

ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures requires additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

Management have made a number of necessary significant accounting estimates and judgements which impact the financial statements. We identified the following for specific audit review:

- the assessment of impairment of assets;
- the assessment of the remaining useful life of assets;
- the assumptions relating to income recognition and cut-off

For the assessment of impairment of assets, the assessment of the remaining useful life of assets and the assumptions relating to income recognition and cut-off we did not find any issues.

Estimates and judgements that are not considered to be significant risks are set out in Section 3.

It is important that you are satisfied that the assumptions used by management are appropriate and we will ask you to provide a written representation to us to confirm this.

*Controls around journal entries and the financial reporting process*

We reviewed and carried out sample testing on the charity's controls around the processing of journal adjustments (how journals are initiated, authorised and processed) and the preparation of the annual financial statements. We also considered the risk of potential manipulation by journal entry to mask fraud.

We did not identify any instances of management override of controls or other issues from our sample testing of Luther King House journals. However, we note that journal processing can be an area of potential risk and it is good practice to include consideration of this within the overall Luther King House risk assessment.

*Significant transactions outside the normal course of business*

We are required to consider the impact on the financial statements if there are any significant transactions occurring outside of the normal course of the charity's business.

No such transactions were notified to us by management, nor did any such transactions come to our attention during the course of our work.

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# 3. Other audit findings

In addition to matters relating to the significant audit risks as reported in Section 2, we have also noted the following matters from our audit work which we should bring to your attention.

## 3.1 Accruals

When reviewing invoices received after the year end, we noted a number of invoices including one of £3,024 which related to August Barclaycard charges and thus should have been accrued for as noted in Appendix 1. Given the value, management did not wish to adjust for this in the financial statements. Similar issues have been noted in previous years although has never been of a significant value.

## 3.2 Report and Financial Statements

As noted in the Statement of Trustees' Responsibilities, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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# 4. Fraud and irregularities and our audit reporting

## Audit reporting on detecting irregularities, including fraud

In line with ISA (UK) 700 our audit report includes an additional comment to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities are acts of omission or commission which are contrary to the prevailing laws or regulations. Fraud includes both fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our responsibility is to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The additional reporting requirements this year placed increased emphasis on our understanding of the risks to Luther King House from fraud and irregularities. Our audit included discussions with management and those charged with governance to obtain their assessment of the risk that fraud may cause a significant account balance to be materially misstated as well as other procedures to obtain sufficient appropriate audit evidence.

We obtained an understanding of the legal and regulatory frameworks within which the charity and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and the Charities Act 2011 together with the Charities SORP (FRS102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation and health and safety legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and the Office for Students, and reading minutes of meetings of those charged with governance.

In accordance with International Auditing Standards, we planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records including any material misstatements resulting from fraud, error or non-compliance with law or regulations.

However, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected even though the audit is properly planned and performed in accordance with the ISAs (UK). No internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly, our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

We have also included in Appendix 6 some fraud risks that Trustees and management should be aware of.

## Trustee responsibilities

The primary responsibility for safeguarding the charity's assets and for the prevention and detection of both irregularities and fraud rests with the trustees and management of the organisation. It is important that management, with oversight of those charged with governance, place a strong emphasis on fraud prevention and fraud deterrence. This involves a commitment to creating a culture of honest and ethical behaviours which can be reinforced by an active oversight by those charged with governance.

As in past years, the following statements will be included in the letters of representation which we require from the trustees when the financial statements are approved.

- The trustees acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and

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detect fraud and errors, and the trustees believe they have fulfilled those responsibilities.

- The trustees have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The trustees are not aware of any fraud or suspected fraud affecting the charity involving management, those charged with governance or employees who have a significant role in internal control or who could have a material effect on the financial statements.
- The trustees are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the charity's financial statements.

We draw your attention to bullet point 2 above which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the 2023 financial statements, or in the period since the previous year end.

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# Appendix 1 - Reporting audit adjustments

## Unadjusted misstatements

International Standards on Auditing (UK) require that we report to you all misstatements which we identified as a result of the audit process but which were not adjusted by management, unless those matters are clearly trivial in size or nature.

The following misstatements were identified during our audit work and up to the date of this report have not been adjusted in the draft financial statements. We have summarised below the potential overall impact of these items on the financial statements.

| Adjustment description | Debit/(credit) net income £k | Debit/(credit) net assets £k | Debit/(credit) opening reserves £k |
|---|---|---|---|
| Unaccrued pre year end expenditure identified on review of post year end purchase invoices. Majority of balance relates to August Barclaycard charges. | 3,553 | (3,553) | |
| Departmental recharges between academic central and finance office that have been recognised as both sales and expenditure. | 1,048<br>(1,048) | | |

## Adjusted misstatements

The following misstatements, which have been corrected by management, were also identified during our audit work and up to the date of this report. No further adjustments to the financial statements are required for these items and this information is provided to assist you in understanding the financial statements completion process and to fulfil your governance responsibilities.

| Adjustment description | Debit/(credit) net income £k | Debit/(credit) net assets £k | Debit/(credit) opening reserves £k |
|---|---|---|---|
| 22-23 Durham University Division Capitation fee accrual was initially missed | 6,293 | (6,293) | |
| Missed intercompany elimination | 845<br>(845) | | |
| Audit accrual was not posted initially | 8,530 | (8,530) | |

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# Appendix 2 - Systems and controls

We have set out below certain potential improvements to the charity's processes and controls which we noted during our audit work and which we believe merit being reported to you.

Our evaluation of the systems of control at Luther King House was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of your business processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

In order to provide you with a clearer picture of the significance of issues raised, we have graded the issues raised by significance/priority before any corrective actions are taken: We have also included below a brief update on the matters we raised last year.

| | | |
|---|---|---|
| High | These findings are significant and require urgent action. | (0 comments in this category) |
| Medium | These findings are of a less urgent nature, but still require reasonably prompt action. | (0 comments in this category) |
| Low | These findings merit attention within an agreed timescale. | (1 comment in this category) |

| Audit finding and recommendation | Priority | Management response |
|---|---|---|
| **1. Secure Trading reconciliation**<br>A £144k difference was noted between the Secure Trading annual report for the year and the value posted into the Secure Trading nominal. Although no issues have been found in our audit testing, it is our recommendation that this is reconciled monthly to ensure that no income has been missed. | | An exercise has been performed post year end to identify where the issues came from and believe to have found what was causing the issue and will be performed going forward. |

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We have set out below the systems and control issues on which we reported after our audit last year together with an update on how the points raised have been addressed including information on the progress made at the time of the audit of the 2023 financial statements.

| Status | | Priority |
|---|---|---|
| Recommendation fully implemented or no longer relevant | | These findings merit attention within an agreed timescale. |
| Recommendation partially implemented | | These findings are of a less urgent nature, but still require reasonably prompt action. |
| These findings merit attention within an agreed timescale. | | These findings are significant and require urgent action. |

| Observations and recommendations in 2022 or prior periods | Priority | Status | Update 2023 |
|---|---|---|---|
| **1. Going Concern & Sustainable Funding Model for Activities**<br>The current funding model for the charity is for deficits to be funded by profits of the trading subsidiary. Therefore the ability of the charity to continue to operate is inextricably linked to the financial performance of Luther King Conference and Accommodation Services ("LKHCAS"). Primarily due to the pandemic, LKHCAS has struggled to generate any profits, threating the viability of the group as a whole with cash flow and unrestricted funds becoming extremely scarce.<br>There is no way of predicting what will happen in the future (Not many people were predicting a global pandemic at the end of 2019) therefore a more sustainable model is required for the charity to become significantly less reliant on LKHCAS.<br>We note that block charges to Colleges have been cut over the years and thus is a potential area of focus. Additionally other ways of generating income (within the charitable objects of the charity) should be considered. Overall, we recommend a more sustainable and resilient funding model is formulated by the Trustees and management to ensure the long term viability of the group. | | | Please refer to section 2 where we have reported on going concern. |

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# Appendix 3 - Materiality

**Materiality and identified misstatements**

As we explained in our Audit Planning Report, we do not seek to certify that the financial statements are 100% correct; rather we use the concept of "materiality" to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment. The assessment of materiality is a matter of professional judgement but overall a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Our overall audit materiality for the financial statements as a whole took account of the level of activity by Luther King House and was set at approximately 2% of income.

We reassessed materiality based on the draft financial statements, and the following is a summary of the overall materiality levels we applied to the separate entities within the group.

| Entity | Materiality calculation | Planning Materiality £ | Final Materiality £ | Reporting threshold £ |
|---|---|---|---|---|
| Group | 2% of £1,290,070 | 26,000 | 26,000 | 1,300 |
| Luther King House Educational Trust | 2% of £528,690 | 10,000 | 10,000 | 500 |
| Luther King House Conference and Accommodation Services Limited | 2% of £941,380 | 18,000 | 18,000 | 900 |

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# Appendix 4 - Responsibilities and ethical standards

## Audit purpose and approach

Our audit work has been undertaken for the purposes of forming our audit opinions on the financial statements of the Luther King House [and its subsidiary entities prepared by management with the oversight of the trustees and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit.

## Financial statements

The trustees of Luther King House are responsible for the preparation of the consolidated financial statements on a going concern basis (unless this basis is inappropriate). The trustees are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

## Legal and regulatory disclosure requirements

In undertaking our audit work we considered compliance with the following legal and regulatory disclosure requirements, where relevant.

- Companies Act 2006
- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS 102)

## Directors' responsibilities

Under the provisions of the Companies Act, the Directors' Report is required to include a statement confirming for each director who was a director at the time of the approval of the financial statements that:

- they have each taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- so far as they are aware there is no relevant audit information of which the company's auditor is unaware.

## Ethical Standard

We are required by the Ethical Standard for auditors issued by the Financial Reporting Council ('FRC') to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the relevant Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

In our professional judgement there are no relationships between Crowe U.K. LLP and Luther King House or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

## Independence

International Standards on Auditing (UK) require that we keep you informed of our assessment of our independence.

We confirm that we have carried non-audit services as detailed below. We have not identified any other issues with regards to integrity, objectivity and independence and, accordingly, we remain independent for audit purposes.

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In communicating with those charged with governance of the parent charity and group we consider those charged with governance of the subsidiary entities to be informed about matters relevant to them.

The matters in this report are as understood by us as at 4 December 2023. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

## Non-audit services

We have considered the non-audit services we have provided in the period and have concluded that there are no facts or matters that bear upon the integrity, objectivity and independence of our firm or of the audit partner and audit staff related to the provision of such services which we should bring to your attention. Our fees for non-audit services in the year have been as follows.

| | |
|---|---|
| Preparation and submission of the Corporation Tax | £850 |
| iXBRL tagging of the accounts | £135 |

## Use of this report

This report has been provided to the Board to consider and ratify on behalf of the Board of Trustees, in line with your governance structure. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

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# Appendix 5 - Fraud risks

As part of our audit procedures we make enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the trustees and management should ensure that these matters are considered and reviewed on a regular basis.

Usually fraud in the charity sector is not carried out by falsifying the financial statements. Falsifying statutory financial statements usually provides little financial benefit, as compared to say a plc where showing a higher profit could lead to artificial share prices or unearned bonuses. However, falsifying financial statements can be used to permit a fraud or to avoid detection. As a generality, charities represented by its management and its trustees do not actively try to falsify financial statements as there are not the same incentives to do so. In the charity world fraud is usually carried out through misappropriation or theft.

The trustees should be aware that the Charity Commission provides guidance (updated in September 2022) on how to protect your charity from fraud including information about fraud, how to spot it and what you can do to protect against it.

The Charity Commission's first guiding principle recognises that fraud will always happen. It is therefore important that, as part of setting their overall risk appetite, the trustees consider fraud within their tolerance for the risks associated with the management of the organisation's (and group's) funds. The development and continued assurance of a robust counter fraud control framework should then contribute to the organisation matching the risk appetite and tolerance agreed by the trustees.

A copy of our guidance and a framework on conducting fraud risk assessments can be obtained from our website here: https://www.crowe.com/uk/insights/fraud-risk-assessment-non-profit.

A fraud risk assessment is an objective review of the fraud risks facing an organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and
- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

Good practice suggests that to be most effective the risk assessment should be undertaken at a number of levels within the organisation:

- Organisational – to assess the key policy, awareness raising and behavioural (including leadership commitment) requirements that need to be in place to build organisational resilience to counter fraud.
- Operational – a detailed analysis of the fraud risk and counter fraud control framework at the operational level – by function (activity) or individual business unit (including programmes and projects).

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis. Carrying out the fraud risk assessment may reveal instances of actual or suspected fraud. Should this happen next steps will be determined on circumstances, the existing control framework (including any response plan(s)), and in consultation with the key members of the organisation's management team.

## Considering risks of fraud

There is evidence that during times of economic instability there is an increased risk of fraud. This may be because resource constraints can reduce internal controls and over sight and also because individuals facing hardship may be more likely to consider fraudulent practices.

The following provides further information on the three kinds of fraud that charities such as Luther King House should consider.

### *a) Frauds of extraction*

This is where funds or assets in possession of the charity are misappropriated. Such frauds can involve own staff, intermediaries or partner organisations since they require assets that are already in the possession of the entity being extracted fraudulently. This could be by false invoices, overcharging or making unauthorised grant payments.

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Essentially such frauds are carried out due to weaknesses in physical controls over assets and system weaknesses in the purchases, creditors and payments cycle. The cycle can be evaluated by considering questions such as who authorises incurring a liability and making a payment. On what evidence? Who records liabilities and payments? Who pays them and who checks them?

The close monitoring of management accounts, ledger entries and strict budgetary controls are also generally seen as an effective way of detecting and deterring frauds in this area.

Staff should be made aware of the increasing use of mandate fraud. This is where when the fraudster gets the organisation to change a direct debit, standing order or bank transfer mandate by purporting to be a supplier or organisation to which the charity makes regular payments.

Insufficient due diligence around requests to amend supplier or payroll details has led to payments to unauthorised individuals so sufficient checks in these areas is of increasing importance. All employees should exercise real scepticism and not make any payments which are not properly supported and / or outside the normal payment mechanisms.

The Fraud Advisory Panel latest research shows the following as the fraud risks on the horizon:

- *Staff fraud. As people feel the effects of the cost-of-living crisis on their finances.*
- *Ransomware, particularly targeting network-attached storage. There has been a recent increase in these types of attack.*
- *E-commerce / online shopping fraud. In the lead-up to Black Friday (25 November), Cyber Monday (28 November), and the busy Christmas shopping period.*
- *Supply chain fraud. As some businesses and individuals find themselves in financial difficulty. To boost resilience, government is looking to create standard templates for supply chain contracts.*

A new survey has found that 12% of charities had experienced cybercrime in the previous 12 months, prompting the Charity Commission to highlighting this issue to charities recently and warning them against the risk of online fraud. Furthermore, the survey also pointed to a potential lack of awareness of the risks facing charities online and note that just over 24% have a formal policy in place to manage the risk and only around 55% of charities reported that cyber security was a fairly or very high priority in their organisation. The Commission's discussion of this can be found here: https://www.gov.uk/government/news/charities-at-risk-of-underestimating-online-fraud-as-one-in-eight-experienced-cybercrime-last-year

### *b) Backhanders and inducements*

There is also an inherent risk that individuals who are able to authorise expenditure or influence the selection of suppliers can receive inducements to select one supplier over the other. This risk can be mitigated by robust supplier selection and tendering procedures.

### *c) Frauds of diversion*

This is where income or other assets due to Luther King House are diverted before they are entered into the accounting records or control data. Essentially, it is easy to check what is there but very difficult to establish that it is all there. Therefore, ensuring the completeness of income provided to a charity becomes difficult.

It is important to consider the different income streams and when and how they are received. So income received directly into the charity's bank account will be a lower risk than income being received by home based fundraisers.

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# Appendix 6 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest and relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold webinars and therefore encourage you to visit our website (https://www.crowe.com/uk/croweuk/industries/webinars).or register to our mailing list (nonprofits@crowe.co.uk) to stay updated on these. Any webinars which you have missed remain available on demand on our website.

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# Governance

## The Charities Act 2022: Implementation

The Charities Act 2022 (the Act) received Royal Assent on 24 February 2022 and brings into force a number of key changes to the Charities Act 2011, aimed at simplifying a number of processes.

The Charity Commission are currently working through implementing the various changes brought about by the legislation, and have set out an indicative timetable here: https://www.gov.uk/guidance/charities-act-2022-implementation-plan

*Other provisions of the Act in force from 31 October 2022*

- Section 5: Orders under section 73 of the Charities Act 2011
- Section 8: Power of the court and the Commission to make schemes
- Section 32: Trustee of charitable trust: status as trust corporation
- Section 36: Costs incurred in relation to Tribunal proceedings etc
- Part of Section 37: Public notice as regards Commission orders etc.
- Part of Section 40 and Schedule 2: Minor and consequential amendments

*Provisions of the Act that came into force on 14 June 2023*

- Sections 9-14 and 35a: Permanent endowment
- Sections 17-23: Charity land
- Sections 25-28: Charity names
- Section 38 and 39: Connected persons
- Part of Section 40 and Schedule 2: Minor and consequential amendments

*Provisions of the Act expected to come into force by the end of 2023*

- Section 1-3: Charity constitutions
- Section 24 and Schedule 1: Amendments of the Universities and College Estates Act 1925*
- Section 29: Powers relating to appointments of trustees
- Section 31: Remuneration etc of charity trustees etc
- Sections 33-35: Charity mergers
- Section 37: For remaining purposes
- Section 40 and Schedule 2: For remaining purposes

*Whilst section 24 and Schedule 1 will be included in the phase 3 commencement regulations, they will come into force in Spring 2025.

The key provisions of the Act that have been implemented to date are set out below, and further information can be found here: https://www.gov.uk/guidance/charities-act-2022-guidance-for-charities

*Failed appeals*

The Act introduces new rules granting the power for trustees to apply cy-près, allowing charities more flexibility in response to a charity appeal that has failed, allowing *donations* to be applied for another charitable purposes rather than having to be returned to donors under certain conditions:

i) The donation is a single gift of £120 or less; and the Trustees reasonably believe that during the financial year the total amount received from the donor for the specific charitable purpose is £120 or less (unless the donor states in writing that the gift must be returned if the charitable purposes fail); or
ii) The donor, after all agreed actions have been taken, cannot be identified or found; or
iii) The donor cannot be identified (for example cash collections)

The Charity Commission published guidance in relation to failed appeals on 31 October 2022, which can be found here: https://www.gov.uk/government/publications/charity-fundraising-appeals-for-specific-purposes

The Charity Commission has also updated its guidance CC20 'Charity fundraising: a guide to trustee duties' to reflect these changes.

The Fundraising Regulator has also published guidance, further details of which are provided below.

*Payments to Trustees for providing goods to the charity*

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The Charities Act 2011 provided a statutory power for charities, in certain circumstances, to pay trustees for providing a service to a charity beyond usual trustee duties.

The Act extends this power to allow, in certain circumstances for payments to trustees for providing goods to the charity.

Updated guidance can be found here:
https://www.gov.uk/guidance/payments-to-charity-trustees-what-the-rules-are

The Charity Commission has also updated its guidance CC29 'Conflicts of interest: a guide for charity trustees' and CC11 'Trustee expenses and payments' to reflect these changes.

*Power to amend Royal Charters*

Royal Charter charities are able to use a new statutory power to change sections in their Royal Charter which they cannot currently change, if that change is approved by the Privy Council.

Updated guidance can be found here: https://www.gov.uk/guidance/royal-charter-charities

*Selling, leasing or otherwise disposing of charity land*

Charities must comply with certain legal requirements before they dispose of charity land. Disposal can include selling, transferring or leasing charity land. The Act simplifies some of these legal requirements. The changes include:

- widening the category of designated advisers who can provide charities with advice on certain disposals
- confirming that a trustee, officer or employee can provide advice on a disposal if they meet the relevant requirements
- giving trustees discretion to decide how to advertise a proposed disposal of charity land
- removing the requirement for charities to get Commission authority to grant a residential lease to a charity employee for a short periodic or fixed term tenancy

Updated guidance can be found here:
https://www.gov.uk/government/publications/sales-leases-transfers-or-mortgages-what-trustees-need-to-know-about-disposing-of-charity-land-cc28.

*Using permanent endowment*

The Act introduces new statutory powers to enable:

- charities to spend, in certain circumstances, from a 'smaller value' permanent endowment fund of £25,000 or less without Commission authority
- certain charities to borrow up to 25% of the value of their permanent endowment fund without Commission authority

Charities that cannot use the statutory powers will require Charity Commission authority.

In addition, a new statutory power enables charities that have opted into a total return approach to investment to use permanent endowment to make social investments with a negative or uncertain financial return, provided any losses are offset by other gains.

Updated guidance can be found here:
https://www.gov.uk/guidance/permanent-endowment-rules-for-charities

https://www.gov.uk/government/publications/total-return-investment-for-permanently-endowed-charities

## The Future Charity Chair

Crowe are pleased to be involved in a new research project looking at the essential attributes that charity Chairs of the future will need to embrace. This research will explore the topic through roundtable discussions and in-depth interviews, with a thought leadership report due in Spring/Summer 2024.

The research aims to:

- Contribute ideas that will help to shape the future development and recruitment of charity Chairs.
- Enhance the future sustainability of the charity sector by highlighting longer term considerations for Board discussion.
- Provide fresh thinking to positively influence regulation and best practice guidance for the sector.

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- Emphasise the value of good charity governance and the need for it to continually evolve to remain relevant.

The full report can be found here: The future charity chair | Bayes Business School (city.ac.uk)

### Public trust in charities 2023

The Charity Commission has published the latest annual report into public trust in charities, the report shows that although public trust has risen the increase is small though the situation appears more stable than previous years.

There is still a divide in the perception of charities when it comes to size, with smaller charities faring better than larger organisations. The research includes interviews with members of the public from various demographics and reveals that half of the population are aware of the Charity Commission.

The full report can be found here Public trust in charities 2023 - GOV.UK (www.gov.uk)

### Charity Commission: Internal financial controls for charities (CC8)

In April 2023 the Charity Commission published updated guidance "Internal financial controls for charities (CC8)"

The guidance has been updated to reflect changes in legislation and practise across the sector, including new areas such as mobile payment systems (e.g. Apple Pay) and donations of cryptoassets. Existing guidance has also been refreshed in areas such as payments to related parties and operating internationally.

An updated checklist is also included in the guidance to allow charities to assess themselves against the new guidance.

The guidance can be obtained here:
**https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8/internal-financial-controls-for-charities**

## Financial and other reporting

### FRC Consultation: Amendments to FRS 102

On 15 December 2022 the Financial Reporting Council issued FRED 82 "Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review".

FRED 82 proposes a number of changes resulting from the second periodic review of FRS 102 and other Financial Reporting Standards. The proposals include: a new model of revenue recognition in FRS 102 and FRS 105 based on the IFRS 15 five-step model for revenue recognition with appropriate simplifications; a new model of lease accounting in FRS 102 based on IFRS 16 on-balance sheet model (again with appropriate simplifications); and various other incremental improvements and clarifications.

The consultation closed on 30 April 2023, and the FRC has since announced that the publication and effective date of the changes has been delayed, with publication expected in the first half of 2024 and the implementation date will be periods commencing on or after 1 January 2026.

The consultation documents can be obtained here:
https://www.frc.org.uk/consultation-list/2022/fred-82

### Charity Commission: Changes to the Annual Return

In June 2022, the Charity Commission began consulting on a range of changes to its Annual Return, through which it hopes to gather more data about charities. There have not been major changes to the Annual Return since 2018, and the Commission has stated its desire to be more data driven and the Annual Return feeds many of the Commissions analyses.

The consultation closed on 1 September 2022, and the Charity Commission published its consultation response on 21 December 2022.

The updated Annual Return includes 17 new questions, a number of which are aimed at gathering more in-depth information on charity income streams and the extent of any overseas activities.

New questions in the updated Annual Return include:

- What was the value of your charity's single highest value donation received from a corporate donor during the financial period of this return?

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- What was the value of your charity's single highest value donation received from an individual during the financial period of this return?
- What was the value of your charity's single highest value donation received from a related party during the financial period of this return?
- How was income from outside of the United Kingdom received by your charity in the financial period of this return?
- Does your charity have formal written agreements in place with any partners delivering charitable activities on its behalf outside of the United Kingdom?

Annex 8 contains a full list of the revised Annual Return questions that are set out in the Charities (Annual Return) Regulations 2022 that came into force on 1 January 2023.

Guidance will be published by the Charity Commission in early 2023 to provide additional details on the information being requested and the reason why.

For some charities, the additional questions will require a significant amount of data collection, and we recommend charities obtain the list of questions and begin collating the information required as soon as possible.

The Annual Return needs to be completed by all charities with an annual income of £10,000 plus, within 10 months of the end of their financial year.

Full details of the outcome of the consultation, along with guidance on completing the annual return can be found here: https://www.gov.uk/government/consultations/charity-commission-revisions-to-the-annual-return-2023-25

## Dispelling common myths about charities

ICAEW, with input from Crowe, has published guidance exploring ten myths surrounding charities and their operations, with a view to encourage transparent communication in areas where these misconceptions are prevalent. The ten myths considered are:

- Charities spend too much on fundraising.
- They should not make a surplus or build up cash reserves.
- Too much is spent on highly paid executives.
- They should not undertake commercial activities.
- Charities should be run and staffed [for free] by volunteers.
- Too much is spent on overheads.
- Charities don't pay taxes, so need less money.
- Professional qualifications are needed to become a charity trustee.
- Charities are less vulnerable to fraud than other organisations.
- Charities should not engage in campaigning and political activity.

The guidance includes access to a webinar discussing some of the key myths with voices from the sector.

The Guidance can be found here: Dispelling common myths about charities | ICAEW

## Charity Digital Skills report

The Charity Digital Skills annual report has been running since 2017 and tracks the sector during a time of significant change due to the impact of the pandemic. As we continue to navigate the cost of living crisis and the impact on the sector, this report aims to shed some light on how the digital capabilities of charities have evolved and highlighting key trends.

The report highlights that:

- Three quarters (78%) of charities say that digital is more of a priority for their organisations
- 1 in 5 charities say their IT provision is poor
- 8 out of 10 (79%) of charities see improving their website, digital presence or social media as the greatest priority for the next year
- Improving data security, privacy and GDPR compliance has become more of a priority since 2022.
- Almost half (46%) of charities say they do not have anyone with digital expertise on their board

The gaps seen in previous years persist, these include funding and leadership. With the rapid growth in AI development charities must ensure that digital skills remain a priority to avoid being left behind.

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Digital Skills Report for the Charity Sector - Introduction (charitydigitalskills.co.uk)

### NCSC publishes "Cyber Threat Report: UK Charity Sector"

The National Cyber Security Centre has published a report outlining the cyber threats currently facing charities of all sizes.

The 2022 DCMS Cyber Security Breaches Survey, which measures the policies and processes organisations have for cyber security, as well as the impact of breaches and attacks, highlighted 30% of UK charities had identified a cyber-attack in the last 12 months, with 38% of these having an impact on the service.

The report notes that the charity sector is particularly vulnerable as they can hold significant amounts of sensitive or valuable data, making them attractive targets, alongside a perception that charities have fewer resources to commit to cyber security.

The report provides details of the commonly perpetrated cyber-attacks, as well as a number of recommendations and links to guidance to assist charities strengthen their defences.

A copy of the report can be obtained here:
https://www.ncsc.gov.uk/files/Cyber_threat_report-UK-charity-sector.pdf

In addition, the Charity Commission has updated it's guidance 'Protect your charity from fraud and cybercrime' The updated guidance includes a number of links to organisations and resources helping to protect against fraud and cybercrime.

### FRC publishes "What makes a good Annual Report and Accounts" report

In December 2022, the FRC published its latest report on the attributes of a good Annual Report and Accounts ('ARA') from their perspective as an improvement regulator. It draws on previous FRC publications alongside their day to day work.

The report states that *'A high-quality ARA:*

- *complies with relevant accounting standards, laws and regulations, and codes;*
- *is responsive to the needs of stakeholders in an accessible way; and*
- *demonstrates the corporate reporting principles and effective communication characteristics outlined in this publication.'*

Whilst the report is focused on corporate reporting, there are a number of quick tips and pointers, along with examples, which might be of interest when preparing your Trustees' Annual Report.

The full report can be found here:
https://www.frc.org.uk/getattachment/d3e86b16-22b6-4aa7-a6fe-1dc83657335f/What-Makes-a-Good-Annual-Report-and-Accounts.pdf

## Taxation

### Consultation: Charity tax compliance

The Government has launched a consultation into several aspects of tax compliance by charities to consider how to reform some of the tax relief rules that are not working as intended.

The consultation seeks views on a number of areas, including:

- preventing donors from obtaining a financial benefit from their donation
- preventing abuse of the charitable investment rules
- closing a gap in non-charitable expenditure rules
- sanctioning charities that do not meet their Filing and Payment Obligations

It is important that charities have their say and engage with the consultation, to ensure that the relevant considerations can impact decision making.

The consultation closes on 20 July 2023, and response can be submitted by email to charitypolicy.taxteam@hmrc.gov.uk.

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The consultation can be found here: https://www.gov.uk/government/consultations/charities-tax-compliance/consultation-charities-tax-compliance

## VAT: Changes to Penalty Regime

For VAT accounting periods starting on or after 1 January 2023 there are new penalties for VAT returns that are submitted late and VAT which is paid late, in addition the way interest is charged has also changed. The changes are aimed at simplifying and separating penalties and interest.

The system has changed to a penalty points system, where for each return submitted late, a penalty point is issued. The penalty point threshold is determined by the accounting period, with a higher threshold for more frequently submissions. When the threshold is reached, a penalty of £200 will be issued, with a further £200 penalty for each further late submission.

Penalty points will have a lifetime of 2 years, after which they will expire. The period is calculated from the month after the month in which the failure occurred, e.g. submission due January 2024, so the penalty point will expire in February 2026.

Once a taxpayer reaches the threshold, all points accrued will be reset to zero when the following conditions are met:

- A period of compliance; and
- The taxpayer has submitted all submission in the previous 2 years (even if late).

The new late payment penalty will apply in instances where the return is submitted on time but the payment is not. This penalty considers the length of the delay in making payment and the penalty increases over time.

As part of the new penalty regime, HMRC has also updated its Late Payment Interest ('LPI') rules to bring these in line with other tax regimes.

Full details of the updated regime can be found here: https://www.gov.uk/guidance/penalty-points-and-penalties-if-you-submit-your-vat-return-late

## HMRC: Gift Aid on digital donations

HMRC have updated their Gift Aid guidance in January 2023 to clarify that qualifying donations received through digital platforms are eligible for Gift Aid on the gross amount before deduction of administration fees by the platform provider.

The updated guidance reads: "Donations made using digital platforms, credit card or debit card may incur an administration fee which reduces the actual amount received by the charity. Subject to the normal qualifying conditions, the gross donation paid is eligible for Gift Aid, regardless of any processing fees incurred by the charity. The charity may treat these administrative fees as charitable expenditure. Where the charity is unable to demonstrate a clear audit trail of administration fees incurred Gift Aid should only be claimed on the net donation received."

This is a useful clarification which agrees logically with Gift Aid legislation. Charities that historically have claimed Gift Aid on amounts received net of the deduction of administration fees may consider revisiting such claims.

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# Appendix 7 - Going concern

The Charity Commission guidance "Managing financial difficulties & insolvency in charities" (CC12) stresses the importance for "a trustee body to have a good knowledge and understanding of the charity and its finances so that, as far as possible, the continued viability of the charity and its charitable activities can be assured.".

This is a theme that runs through the Charity Commission's updates and alerts including its guidance on whether charities can use reserves and restricted funds to help the charity through the crisis.

The Charity Commission guidance highlights a number of factors the trustees need to consider.

- Trustees should review what are their short, medium and longer-term priorities, including whether or not certain projects, spends or activities can be stopped or delayed.
- The guidance recognises that reserves can be used to help cope with unexpected events like those unfolding at present.
- If the trustees have previously decided to earmark certain funds for a particular purpose they may be able to re-prioritise these.
- Restricted funds which cannot be spent at the trustees' discretion may only be used for a particular and defined purpose. In some instances, there may be ways to amend these restrictions, but accessing or releasing restricted funds should only be considered if other options such as reserves are not possible.
- All decisions on such financial matters should normally be taken collectively, and significant decisions and action points noted in writing.

*d) Liquidity and resilience*

The Charity Commission guidance goes on to explain that "*The overall responsibility for effective governance and the implementation of proper financial management rests with the trustees, but may well involve all staff members whether paid or volunteers*."

As well as the level of available reserves the trustees will also need to understand and consider the charity's liquidity.

- Proper consideration needs to be given to cash flow forecasts and debt and project management based on realistic assumptions set. There should be a budget including cash projections and business plans produced at least annually and monthly monitoring against the plans.
- There is a need to extend cash flow forecasts to evaluate issues that may arise after the end of the period covered by existing cash flow forecasts.
- There should be processes in place to ensure that appropriate procedures and controls have been applied to models used to generate cash flow and valuation information, including the choice and consistent use of key assumptions.
- Appropriate sensitivity analysis needs to be applied to address the potential impact of reasonably possible events. Sources of income and expenditure should be analysed with consideration of uncertainties around grant funding, voluntary or earned income.
- The sensitivity analysis should properly flex assumptions to identify how robust the model outputs are in practice and that the assumptions are free from bias.

In December 2022 the Charity Commission published additional guidance "Manage financial difficulties in your charity arising from cost of living pressures", recognising that many charities are facing difficult circumstances as a result of rapidly increasing costs. At the same time, some charities are also experiencing an increase in demand, in particular those charities providing services to people in need, further compounded by donors also suffering from the similar issues thereby leading to reduced income for some charities.

The guidance reminds trustees of their responsibilities in providing effective financial stewardship and ensuring that any decisions made are in the best interest of the charity. Key is the evaluation of the charity's financial position, and robust and regular reviews of the cashflow forecasts, to ensure the charity is able to continue to carry out its charitable activities, identifying any potential shortfalls and enabling actions to be taken in a timely manner.

CC25: "Charity finances: trustee essentials" emphasises the need for charities to be resilient. This is a key theme for much of the Commission's guidance is

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also discussed in the updated CC19 guidance entitled "Charity reserves: building resilience".

In the section on 'managing financial difficulties and insolvency', CC25 explains that if charities face financial difficulties then the trustees must:

- "*have the appropriate skills and time to ensure the proper running of the charity and lead or manage it through difficulties,*
- *ensure that they regularly receive and consider robust and up-to-date financial management information to enable them to recognise at an early stage when the charity is facing financial difficulties,*
- *find out which charity funds are restricted in their use by their donors and which can be used for any of its aims - this is crucial to the proper understanding of the charity's overall financial position,*
- *take prompt action when they think insolvency is a possibility – professional advice in writing should be taken at an early stage because any corrective action needs to be carefully planned,*
- *consider changing, cutting or restricting the charity's activities, reviewing funding sources and commitments or refinancing,*
- *think about merging or collaborating with another charity,*
- *have an understanding of (and if necessary take advice about) insolvency law and how it applies to charitable companies, and what voluntary options there are for other types of charity,*
- *recognise that once the charity has reached the stage of liquidation or winding up their primary duty is to pay the charity's debts, and*
- *tell the Commission if the charity closes or is no longer active so that it can be removed from the register of charities (legal requirement).*"

### *e) Insolvency*

There are normally two tests of insolvency – the balance sheet test (positive net assets) and the cashflow test. The key issue is, can the organisation pay its debts as they fall due? The cash flow test is of particular importance and a charity can be insolvent even if it has positive net assets. Careful consideration is required of many factors, such as what values can be realised in time to meet debts and what assets can be used to meet liabilities. Understanding is needed of the implications of the different restricted and endowed funds held by the charity. The position for trustees of an unincorporated charity is different and the risks are usually higher.

Directors and shadow directors can be guilty of wrongful trading if they continue to trade and incur liabilities they knew or ought to have known that there was no reasonable prospect of avoiding insolvent liquidation.

Fraudulent trading is also a risk. Section 213 of the Insolvency Act provides that on the application of the liquidator of a company the Court may order that any persons who were knowingly party to carrying on the business of the company with intent to defraud creditors must make a contribution to the company's assets. For a fraudulent trading action, intent to defraud creditors must be proved and the onus of proof is on the liquidator. There must be evidence of actual dishonesty. For an insolvent charitable company, senior management, and not just the trustees, could also be made liable for fraudulent trading. The charity should avoid entering into preferential transactions which put another party in a better position to the detriment of other creditors. The court will recognise mitigating circumstances. For example, if the directors took proper steps to minimise the potential loss to the company's creditors.

### *f) Finalising the financial statements*

Where boards identify possible events or scenarios, other than those with a remote probability of occurring, that could lead to failure, then these should be disclosed. Boards may take account of potential responses open to them to mitigate such events or scenarios although would need to consider the likely success of any response.

On September 2021 the FRC published a thematic review 'Viability and Going Concern', which provides guidance for companies to improve their disclosures on going concern, following a review of a number of main market and AIM listed companies annual reports. Whilst this guidance refers to "directors" and "companies", a number of the recommendations are relevant to all other entities.

In particular, the review recommends that going concern disclosures:

- Explain the sensitivity analysis, stress and reverse stress tests carried out to support the assessment and provide details of the inputs (quantitative as well as qualitative detail) and outcomes of any such analysis.
- Highlight the significant judgements made by management in determining whether or not the adoption of the going concern basis is

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appropriate and whether or not there are material uncertainties in respect of going concern to disclose

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# Appendix 8 - Understanding the changes to ISA (UK) 315

ISA (UK) 315 (Revised) comes into effect for periods starting in December 2021 and later (i.e. years ending 31 August 2023). The changes to the standard are fairly fundamental, and are intended to change the way that audit firms approach the identification of risks of material misstatement[1], and by extension, how they respond to these risks. We have set out in the table below the key changes to ISA (UK) 315 and the potential impact on the audit of Luther King House.

| **Key change** | **Potential impact on the audit** |
|---|---|
| A more robust risk identification and assessment process, with a separate assessment required of inherent risk and control risk | Additional requests for information to enhance understanding of the systems, processes and controls, including but not limited to:<br>- More information regarding the entity's risk assessment process and monitoring of internal controls<br>- Policies and procedure manuals, flowcharts and other supporting information to support our understanding of the information systems relevant to the preparation of the financial statements |
| Enhanced procedures relating to exercising professional scepticism, and additional documentation requirements | Additional requests for information to clarify areas where evidence obtained appears to contradict information already considered in the audit. |
| Increased focus on information technology | Additional requests for information to enhance understanding of the IT environment, including:<br>- Information on the IT applications used by Luther King House, including the extent of any automated procedures<br>- Information on the supporting IT infrastructure (i.e. network, operating systems and related hardware and software) and ant third party hosting or outsourcing of IT<br>- information on the access controls in place over the use of IT applications, including the setting up and removal of user accounts |

[1] Risk of material misstatement: The risk that the financial statements are materially misstated prior to audit. This consists of two components, described as follows at the assertion level:

(a) Inherent risk – The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls.

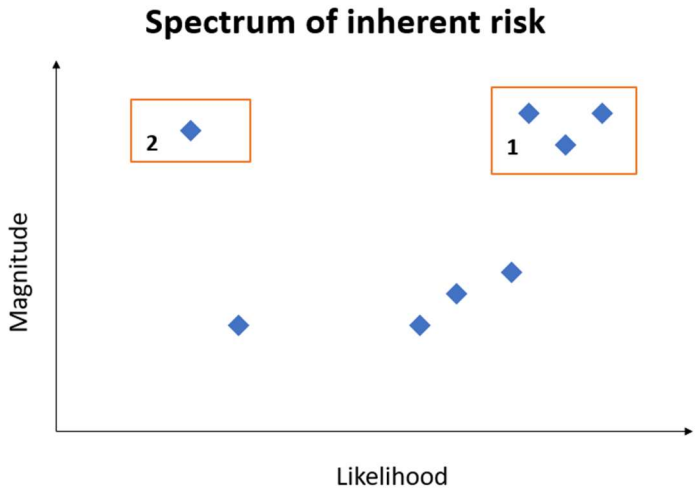
(b) Control risk – The risk that a misstatement that could occur in an assertion about a class of transactions, account balance or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity's controls.

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| Key change | Potential impact on the audit |
|---|---|
| Inclusion of specific controls where auditors are required to identify and perform design and implementation thereon. | Additional requests for information in respect of the systems, processes and controls in respect of:<br>- Non-standard journal entries - where the journal entries are automated or manual and are used to record non-recurring, unusual transactions or adjustments<br>- Standard journal entries - where the journal entries are automated or manual and are susceptible to unauthorized or inappropriate intervention or manipulation<br>- Other controls identified based on auditor judgement, including but not limited to:<br>o Controls that address risks that are assessed as higher on the spectrum of inherent risk (not determined to be a significant risk);<br>o Controls related to reconciling detailed records to the general ledger; or<br>o Complementary user entry controls, if using a service organisation. |
| A new stand-back requirement when an audit is nearing completion, to evaluate classes of transactions, account balances and disclosures that are material (either quantitatively or qualitatively) but have not been identified as significant and confirm the previous assessed remains appropriate. | Additional audit work may be required where the assessed risk of material classes of transactions, account balances and disclosures are re-evaluated as higher than at the completion of the audit planning. |

ISA (UK) 315 (Revised) also introduces the concept of a *'spectrum of inherent risk'*. Risk is considered in the context of how, and the degree to which, inherent risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors.

The assessment of an inherent risk close to the upper end of the spectrum is indicative of a significant risk (Box 1), however the combination of likelihood and magnitude means that a significant risk could potentially have a low likelihood but the magnitude could be very high if it occurred (Box 2).




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We have set out below further details on the inherent risk factors, along with examples of each within a non-profit context.

| Inherent Risk Factor | Description per ISA (UK) 315 | Examples in a non-profit context |
|---|---|---|
| Complexity | Arises either from the nature of the information or in the way that the required information is prepared, including when such preparation processes are more inherently difficult to apply. | - A complex group structure, with multiple subsidiaries, branches, in disparate locations and/or joint ventures, which may also include overseas operations<br>- A complex IT environment, such as fundraising information held in a CRM system that is not integrated with the accounting system<br>- The calculation of the actuarial valuation of defined benefit pension schemes |
| Subjectivity | Arises from inherent limitations in the ability to prepare required information in an objective manner, due to limitations in the availability of knowledge or information, such that management may need to make an election or subjective judgment about the appropriate approach to take and about the resulting information to include in the financial statements.<br>Because of different approaches to preparing the required information, different outcomes could result from appropriately applying the requirements of the applicable financial reporting framework.<br>As limitations in knowledge or data increase, the subjectivity in the judgments that could be made by reasonably knowledgeable and independent individuals, and the diversity in possible outcomes of those judgments, will also increase. | - The assessment of whether a grant is performance related, and the associated impact on income recognition<br>- The selection of the accounting policy adopted in respect of legacy income<br>- Selection of assumptions used in preparing the actuarial valuation of defined benefit pension schemes<br>- Determination of the useful economic life and residual value of fixed assets<br>- Determination of any provisions for bad and/or doubtful debts<br>- The assessment of any provisions for dilapidations |
| Change | Results from events or conditions that, over time, affect the entity's business or the economic, accounting, regulatory, industry or other aspects of the environment in which it operates, when the effects of those events or conditions are reflected in the required information. | - Loss of a major funder and the corresponding impact on going concern<br>- Development of a new income stream or activity<br>- Expansion into new locations, such as the opening of an overseas branch<br>- A change in legislation and any impact on operations, for example changes to health and safety legislation |

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| Inherent Risk Factor | Description per ISA (UK) 315 | Examples in a non-profit context |
|---|---|---|
| Uncertainty | Arises when the required information cannot be prepared based only on sufficiently precise and comprehensive data that is verifiable through direct observation.<br><br>In these circumstances, an approach may need to be taken that applies the available knowledge to prepare the information using sufficiently precise and comprehensive observable data, to the extent available, and reasonable assumptions supported by the most appropriate available data, when it is not.<br><br>Constraints on the availability of knowledge or data, which are not within the control of management (subject to cost constraints where applicable) are sources of uncertainty and their effect on the preparation of the required information cannot be eliminated. | - The outcome of a pending litigation or claim, and the determination of any potential liability or contingent liability disclosure<br>- The assessment of any provisions for dilapidations<br>- The assumptions and judgements applied in the preparation of budgets and forecasts to support going concern |
| Susceptibility to misstatement due to management bias or other fraud risk factors insofar as they affect inherent risk | Results from conditions that create susceptibility to intentional or unintentional failure by management to maintain neutrality in preparing the information.<br><br>Management bias is often associated with certain conditions that have the potential to give rise to management not maintaining neutrality in exercising judgment (indicators of potential management bias), which could lead to a material misstatement of the information that would be fraudulent if intentional.<br><br>Such indicators include incentives or pressures insofar as they affect inherent risk (for example, as a result of motivation to achieve a desired result, such as a desired profit target or capital ratio), and opportunity, not to maintain neutrality. | - Compliance with funding conditions, including the allocation of expenditure and the assessment of any provision in respect of clawbacks<br>- Loan covenants at risk of being breached<br>- Significant transactions with related parties<br>- Significant amount of non-routine or non-systematic transactions including intercompany transactions and journal entries at the reporting date. |

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| Inherent Risk Factor | Description per ISA (UK) 315 | Examples in a non-profit context |
|---|---|---|
| Other inherent risk factors | Other inherent risk factors, that affect susceptibility to misstatement of an assertion about a class of transactions, account balance or disclosure may include:<br>• The quantitative or qualitative significance of the class of transactions, account balance or disclosure; or<br>• The volume or a lack of uniformity in the composition of the items to be processed through the class of transactions or account balance, or to be reflected in the disclosure. | - Lack of personnel with appropriate accounting and financial reporting skills.<br>- Control deficiencies – particularly in the control environment, risk assessment process and process for monitoring, and especially those not addressed by management.<br>- Past misstatements, history of errors or a significant amount of adjustments at period end. |

ISA (UK) 315 requires auditors to consider that the risk of material misstatement may occur at two levels – the overall financial statement level, and at the assertion level for classes of transactions, balances and disclosures.

Assertions are defined in ISA (UK) 315 as *'Representations, explicit or otherwise, with respect to the recognition, measurement, presentation and disclosure of information in the financial statements which are inherent in management representing that the financial statements are prepared in accordance with the applicable financial reporting framework. Assertions are used by the auditor to consider the different types of potential misstatements that may occur when identifying, assessing and responding to the risks of material misstatement.'*

We have set out below the assertions and a short description of how they pertain to classes of transactions, balances and disclosures.

| Assertions about classes of transactions and events, and related disclosures, for the period under audit | Assertions about account balances, and related disclosures, at the period end |
|---|---|
| (i) Occurrence—transactions and events that have been recorded or disclosed have occurred, and such transactions and events pertain to the entity. | (i) Existence—assets, liabilities and equity interests exist. |
| (ii) Completeness—all transactions and events that should have been recorded have been recorded, and all related disclosures that should have been included in the financial statements have been included. | (ii) Rights and obligations—the entity holds or controls the rights to assets, and liabilities are the obligations of the entity. |
| (iii) Accuracy—amounts and other data relating to recorded transactions and events have been recorded appropriately, and related disclosures have been appropriately measured and described. | (iii) Completeness—all assets, liabilities and equity interests that should have been recorded have been recorded, and all related disclosures that should have been included in the financial statements have been included. |

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| Assertions about classes of transactions and events, and related disclosures, for the period under audit | Assertions about account balances, and related disclosures, at the period end |
|---|---|
| (iv) Cut off—transactions and events have been recorded in the correct accounting period. | (iv) Accuracy, valuation and allocation—assets, liabilities and equity interests have been included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments have been appropriately recorded, and related disclosures have been appropriately measured and described. |
| (v) Classification—transactions and events have been recorded in the proper accounts. | (v) Classification—assets, liabilities and equity interests have been recorded in the proper accounts. |
| (vi) Presentation—transactions and events are appropriately aggregated or disaggregated and clearly described, and related disclosures are relevant and understandable in the context of the requirements of the applicable financial reporting framework. | (vi) Presentation—assets, liabilities and equity interests are appropriately aggregated or disaggregated and clearly described, and related disclosures are relevant and understandable in the context of the requirements of the applicable financial reporting framework. |

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**LUTHER KING HOUSE EDUCATIONAL TRUST**

England & Wales - Charity number 1082375

# Accounts

# Luther King House Educational Trust

(A company limited by guarantee)

## Report and Financial Statements

## 31 August 2022

**Charity number: 1082375**

**Company number: 04065581**

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## Luther King House Educational Trust

### Report of the trustees for the year ending 31 August 2022

The directors, who are also trustees for the purposes of the Charities Act, present their report together with the audited financial statements for the year ending 31 August 2022.

### Chair's report

Last year our report addressed the challenges we faced in the Covid-19 Global Pandemic. These challenges continued to affect us significantly during a major part of the year now concluded. For part of the year we continued to experience Government restrictions (lockdowns), and even when these were lifted part way through the year in many sectors of society there was a reluctance to engage in face to face meetings which continued to face us with significant challenges of operation and difficulties in delivering learning to our students. However, our staff team have risen to the challenge and we have emerged from a volatile year in a better situation than we might have imagined. Our principal stakeholders, Northern College (URC) and Northern Baptist College have assisted us by early payments and by loans and when we were able to recommence our accommodation and conference activities post Government lockdown we were encouraged to see how our business activities recovered.

During the year the major part of our educational provision was conducted on line, though some face-to- face teaching was possible. One casualty of the pandemic was the decision of our validating Universities not to hold in person Graduation services. We decided to hold such an event for all students and alumni who had graduated during the pandemic but had been unable to attend an in-person University event. We had a splendid occasion in the Chapel on 7 April when we were able to celebrate appropriately those who had been awarded Certificates, Diplomas, Bachelor, Masters and Doctoral degrees.

During this period, we have continued our transition from the programmes validated by Manchester University to programmes of the University of Durham Common Awards. We have also enrolled our first cohort of students for the new Master's degree in Chaplaincy work, again validated by Durham and we have been pursuing discussions with York St John University to help us provide a Doctoral programme.

Inevitably, these programme developments entailed much extra work for our staff team, ably led by our President and with the support of the academic staff of the constituent Colleges and our own registrar and library staff teams.

In all this we sought to continue to fulfil our core educational objectives with the help and support of our dedicated staff and in cooperation with our founder members, partner Colleges and the wider Christian community in the north of England. We have to note, again, the continued demands being made on us by the Office for Students, though some of the requirements made of us, particularly in providing statistical information, have caused us challenges as the parameters used by the Office for Students have been more appropriate to large public-sector Universities than to small specialist higher education institutions such as ourselves.

In educational terms, despite the challenges and restrictions created by the pandemic, we have continued to work within the parameters of our 2018 Vision document and to offer a range of courses from informal education through to doctoral studies. We remain delighted that our academic team at Luther King House are highly regarded in the field of delivering quality educational experiences in the discipline of theology.

At all times we have been cognisant of advice from the Charity Commission and the Office for Students. We have continued our regime of weekly review of cash flow, and the Board, through the Chair of the Finance and Monitoring Committee, has been in regular contact with our Company Secretary to monitor the situation and consult with our principal stakeholders.

It is our belief, as we have observed the recovery of income through our trading subsidiary during the past year, that Luther King House remains a viable concern and though we cannot predict any future restriction to our trading activities, we have no reason, at the present time, to believe there is an immediate challenge to our viability.

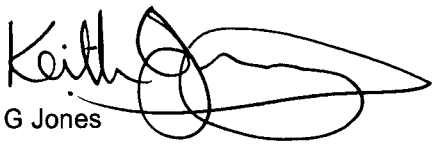
However, we remain very conscious of the recent decline in the number of students signing up for our BA degree in theology. Therefore, we have continued to consult with our principal stakeholders to see what methods might be employed to increase the number of students engaged in this level of study in the coming years. We remain fully committed to working together to seek a sustainable long-term future for our important work in the north and midlands of England.

In all this uncertain time we have valued the leadership of the President, Company Secretary, College Principals, the Principal of Open College and their supporting staff, who have worked to the uttermost to enable us to fulfil our core objectives in a time of drama and uncertainty never previously experienced by the Luther King House Educational Trust. Our hard-working Operations Manager, Martin Cloves, retired during the year and we are delighted to report that our Conference Manager, Beverley Bartram, was appointed to succeed him.

The Board has continued to meet regularly and for the second part of the year we have resumed in person meetings, with facilities for joining the meeting by Zoom. The Finance and Monitoring Committee have continued to meet by Zoom.

There have been no changes to Board membership during this period.

The Board has been vigilant in overseeing all the activities of Luther King House and congratulates all the staff and our key educational partners in their continued endeavours to maintain our vision and hold fast to our values and standards in a fast-moving and challenging environment. It remains a pleasure for me to chair a hard-working Board supporting the President and a quality staff team as we seek to serve the Christian community of the North and Midlands.



Keith G Jones
Chair

**Aims and objectives**
The objects of the Trust are:

The advancement of education in areas of Christian faith, practice and dialogue and in particular but without limitation:

- The provision of learning opportunities for members of churches and other interested parties;
- The sharing of theological resources with and among local churches and communities;
- The preparation of persons for accredited forms of ministry;
- The provision of opportunities for post graduate research;
- The provision of an educational establishment together with ancillary services; and
- To advance education generally

The vision of the Trust may be summarised as to provide a learning resource and a flexible residential facility to enable the Partnership to:

- Be concerned with theological education to help all live responsibly and creatively in a plural society;
- Encourage people to shape their personal and communal futures through responsible citizenship;
- Be a centre of excellence at all levels of its work;
- Have a particular concern for Christian mission in an urban society, by building an ecumenical network of support and shared resources;
- Create communities of learning, worship, justice and liberation;
- Express belief in one God, one world and one people;
- Be open to learning with people from a wide range of understandings, insights and commitments;
- Develop international links for mutual learning with the world church;
- Integrate learning from different disciplines, faiths, personal and reported experience in church and political life; and
- Engage with scriptures, past and present Christian traditions, the world church, other faith communities and contemporary experience and thinking.

The facilities at Luther King House include:

- Study and office facilities for the academic and administrative staff of those Member Bodies based at Luther King Centre;
- Residential accommodation and study facilities for students of Member Bodies as required;
- A dining room providing breakfasts, lunches and evening meals;
- Social provision including student kitchen & laundry facilities and a large lounge;
- A learning resources facility including books, periodicals and internet access; and
- A chapel for community worship on an ecumenical basis.

When the facilities of the House are not being fully utilised in pursuit of the Trust's core activities, spare capacity is marketed to other persons and bodies. Any surpluses arising from this activity are re-invested in the Trust's core activities.

The educational activities of the Trust are now delivered under the branding Luther King Centre for Theology and Ministry (LKC)and this terminology will be used in the appropriate sections of this report.

**Public Benefit Statement**

The Trust provides university validated courses of theological education for the benefit of any who are academically qualified, not only for those training for accredited ministries in the church. Fees are charged, though these do not cover the full cost of providing the service. Steps are taken to ensure the fees do not exclude the poor; bursaries are available, and the Trust works within a general environment of government provision designed to support poorer students and widen access. British residents of foreign nationality are charged only at the domestic rate. The Trust has, in fact, a significant number of non-traditional learners amongst its students, and a growing number from minority ethnic groups. Through the development of flexible and distributed learning, the Trust is also seeking to overcome further barriers to learning. The Trust's academic staff also contribute to the delivery of similar courses by other associated theological institutions.

The Trust works with churches in equipping them and their leadership for their roles in the community. Among those it trains, for instance, are church related community workers, whose whole purpose is community development. Those training for accredited ministries are seldom able to use their education to advance their own material interests; their sole reason for entering training is to serve the needs of local congregations and communities. Many do so in training placements throughout their course of education.

The Trust's facilities are of benefit to a wide range of the public. Membership of the library is available to all for an easily affordable annual charge. When Government restrictions permit, a wide variety of groups use the teaching rooms for learning and training events; the Trust makes a point of making its educationally equipped meeting rooms widely available when not needed for its own courses and does so for charities and churches at reduced rates.

We have complied with the duty under the Charities Act to have regard to the public benefit guidance published by the Charity Commission.

**Achievements and performance**

The Trust's charitable objective is the advancement of education in areas of Christian faith, practice and dialogue and the challenge to this objective from factors outside the organisation continues. Both full and part time courses of study are offered at undergraduate and postgraduate levels alongside a Diploma of Higher Education and Certificate of Higher Education.

Despite the ongoing challenges and disruption of Covid, student numbers have remained generally stable but there has been a slow decline in the number of BA students. Our student body continues to reflect a broad ethical and cultural diversity, and many do not have English as their first language. Students are supported by our academic staff and through the learning and resource centre. This latter offers support through study skills and proof-reading.

Since March 2020 much of the teaching and learning has been achieved through e-learning, though from September 2021 we increased the number of in-person sessions. The use of online learning has provided opportunities to explore new ways of engaging with our students, and so continues for certain sessions and programmes, and it has been the focus of our academic team to ensure that all students are able to take full advantage of the resources provided.

The President and staff have worked hard to achieve, as best as possible, a sense of community and to promote collaborative working amongst the student community.

Luther King Centre for Theology and Ministry (LKC) is registered in the 'Approved (fee cap)' category of the Office for Students.

The Trust has, perforce of the Covid-19 pandemic, been focused on supporting students through on-line learning and maintaining financial viability during periods of lockdown. With change in government regulations we have been able to re-open our facilities, resume face to face teaching and learning and once again provide student and public access to our library resource. For a third year our operation has been challenged and adversely affected by the Government restrictions. This in turn has created unique financial pressure with the loss of significant revenue from Bed, Breakfast and Conference facilities in the first part of the year under review.

In accordance with the decision of the Board, LKC has obtained validation with Durham University and Common Awards. We have also reached agreement with York St John University to partner in the delivery of our Research programme and our Supervisors have undergone orientation with York St John University to be able to offer Research degrees.

The continuing requirements of GDPR are recognised and embodied with our processes, policies and procedures.

The significant drop in our income has not allowed us to continue with the upgrading of our bedroom stock and all but essential capital projects have been shelved until our revenue stream has recovered from Government restrictions.

The following key educational objectives were established for 2021-22, together with indicators of how these have been met:

| Objective | Indicators of Achievement |
|---|---|
| Broaden and deepen the experience and practice of e-learning | All academic staff have been developing their skills in designing and offering e-learning packages for their academic discipline. Student feedback has been very positive. |
| Find a partner for the LKC Research programme | Work on this is has recently been completed. |
| To work with our partner colleges in predicting student numbers for the future. | This work continues but is essential as we seek to ensure future viability and financial stability. We continue to address future recruitment for the BA programme. |
| To broaden our student base. | We are continuing to look at ways in which we night attract a broader student base building on the experience of e-learning and further developing our online learning presence. |
| The development of a new MA programme in Chaplaincy Studies | This is complete, and the first cohort of students began study on the programme in 2021. |

**Financial review**

The Covid restrictions affecting our Bed, Breakfast and Conference business in the first part of the year had a significant effect upon the Group's income, but accommodation rates improved in the second half of the year under review and remain strong. Our focus continues to be managing cash flow on an almost day to day basis. This approach has typified our financial monitoring over the past year.

**The Statement of Financial Activities for the Group**

The focus of concern throughout the year has been to enable Luther King House Educational Trust to continue as a going concern as we emerged from lockdown and to this end we have been in regular discussions with our principal stakeholders, Northern Baptist College, and the Northern College (United Reformed Church, Congregational Federation and Moravian Church) to provide support to ensure we could continue operating and as we began to generate supporting income from accommodation, catering and conference services.

At the end of the year the profit (loss) before tax incurred were:

| | |
|---|---|
| Charity | (£155,570) |
| Subsidiary | £156,609 |

Resulting in an overall profit before tax of £1,039

The bank balance at the end of the year was £170,905.

**Reserves policy and going concern**

The total level of reserves at year-end amounted to £ 774,039 (2021- £778,852). The Trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. Although the Trust seeks to maintain sufficient reserves to meet 3 months' worth of running expenditure, currently approx.£200k, the current level of free reserves is calculated to be £ 54,573 (2021 £15,920). However, the Trust will continue to work each year to increase the level of free reserves. The Trustees continue to review areas, particularly within the accommodation area of the group, where increased efficiencies can allow free reserves to increase to the target level.

The Colleges have expressed their support for our current business model and their conviction that we should continue to operate with our current model, whilst engaging in tripartite conversations to develop a strategy for ensuring viable operations in the medium term. Whilst the development of that strategy is refined and clarified, the two stakeholders have indicated their willingness to assist us through any temporary financial challenges on the journey to a medium term viable operation.

The assistance includes facilitating deferral of interest payments on loans and loan capital on funds previously advanced for improvements to the premises at Brighton Grove. Further support has been utilised during the year for a line of credit which has been accessed due to the continuing loss of our Bed, Breakfast and Conference business. This provision is regularly monitored and specific meetings between officers of the two College governing bodies and the Chair and President of Luther King House Educational Trust ensures that cash flow and the operation of Luther King house continues in a sustained way. Both Colleges have issued letters of support for the Trust extending until 2026.

The Trust finances its operations through a mixture of retained profits and college loans. The management's objectives are to retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due. This policy has continued to be challenged during the year because of the Covid-19 global pandemic and the Trust has had to recourse to the governing bodies of the two major constituent colleges for relief provision on loan repayment and a commitment to further loan support.

The Trust makes little use of financial instruments other than an operational sterling bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and net incoming/outgoing resources.

The trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the continuing climate of partial recovery from the worst effects of the global pandemic – lockdowns, staff shortage due to illness and accommodation cancellations because of illness, the illegal invasion of Ukraine by the Russian Federation and the impact on energy availability and pricing, the priority has continued to be regularly ensuring that the Trust has sufficient cash flow to meet obligations. With all these factors trading remains challenging though we work hard to maximise our room occupancy.

A significant income source for the Trust is through the bed and breakfast business of its subsidiary "Luther King Centre Conference and Accommodation Services Ltd". This business recovered with the relaxing of restrictions, but the climate is still challenging with the on-going war in Ukraine, inflation and the reluctance of people to travel to events. The action taken in the last financial year has been necessary for a further year in the very challenging market:

- Made full use of the Government furlough scheme
- On the existing loans with the existing stakeholder colleges the Trust negotiated a further twelve month pause in repayments
- All non-essential capital expenditure was stopped
- Continuing strict monitoring of cash flow
- Staffing hours were reviewed and where necessary reduced
- Conversations continue with the Trustees of the Northern College and the Northern Baptist College about the provision of loans as required and within agreed and clearly defined parameters.

In addition to these actions the Trustees assessed several strategic options and concluded that the current model depending upon the subsidiary generating a reasonable level of profitability was still the most viable option for the future despite the current uncertainty.

We note the following regarding the operation of the LKHAS subsidiary.

- Only a relatively small percentage of our business is drawn from tourism and hence less affected by the lockdown.
- Manchester is a growing city with a range of entertainments and two Premier football clubs which means that the potential for new bookings is high
- We have a good strong cadre of loyal customers and are well placed to access the city
- The current model has shown a significant revenue growth over the years
- We have been a successful venue for small conferences and again, historically, we have shown that we have a strong presence in this field
- We regular review staffing and accommodation prices to be the most cost effective.

Based on this assessment the Trustees believe that the Trust is a going concern and that we can continue for the foreseeable future (a minimum twelve months from the date of the signing of these

accounts). In addition, we are not aware of anything beyond that date which might cause a major interruption.

**Plans for future years**

We have reviewed the staff to minimise costs whilst continuing to provide a good standard of service to all our current and future clients. Once we have fully stabilised our income stream our intention is to continue our bedroom upgrades.

We continue a strategy for the marketing of LKC Open College that admits students direct to LKC rather than through one of its constituent colleges. This includes work on the website, on publicity, and on ways of promoting the LKC brand, particularly on social media.

**Reference and administrative details**

Charity number: 1082375
Company number: 04065581

**Secretary and Registered Office:**

Mrs Claire McEwen, Luther King House, Brighton Grove, Rusholme, Manchester, M14 5JP

**Our advisers:**

**Auditors**

Crowe UK LLP, 3rd Floor, The Lexicon, Mount Street, Manchester, M2 5NT

**Bankers**

CAF Bank, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ

**Directors and trustees**

The directors of the charitable company (the charity) are its trustees for the purposes of charity law. The trustees and officers serving during the year and since the year end were as follows:

The Revd Dr Keith G Jones
The Revd Dr Andrew J Lunn (F)
The Revd Dr Clara N Rushbrook (F)
The Revd Charles J Nevin
Revd Dr Simon J Oxley (F)
The Revd Dr Rosalind M Selby (F)
Dr Jacqueline G Hirst
Ms Erica M Dunmow
The Revd Anthony Howe
The Revd Jenny Mills
Bishop Theo Oluwasegun Akano

(F) = Directors appointed by a Founder Member according to its rights defined in the company's Articles of Association.

**Key management personnel**

| | |
|---|---|
| President | The Revd Canon Graham Sparkes |
| Finance Manager/ Company Secretary | Mrs Claire McEwen |
| Operations Manager | Miss Beverley Bartram |
| Academic Registrar | Miss Clare Richardson |
| Librarian | Miss Katie Paton |
| Open College Principal | The Revd Dr Kim Wasey |

**Structure, Governance and Management**

**Governing Document**

The Trust is a charitable company limited by guarantee and was set up on 1 September 2000. It is governed by a Memorandum and Articles of Association. The charity was created to carry on and further develop the work of its two predecessor charities, the Manchester Christian Institute (charity number 515358) and the Northern Federation for Training in Ministry (charity number 517496). Both these charities transferred their net assets as at 31 August 2000 to the Trust and were then dissolved.

The Memorandum and Articles of Association were updated in April 2015.

Every member promises, if the Charity is wound up while he/she is a member or within 12 months after ceasing to be a member; to pay such amounts as is required up to £1 towards the costs of dissolution and the liabilities incurred by the Charity while the contributor was a member.

The concept of the Partnership for Theological Education was born in 1997, under the umbrella of the Manchester Christian Institute. In September 2000, the member bodies of the Partnership became the member bodies of the Trust. The Partnership for Theological Education continues to be the operational name under which the Trust carries out some of its educational activities.

The financial basis of the Trust was the agreement of the four Founder members to provide to the Trust the land and buildings of Luther King House valued at £700,000 and cash totalling £500,000.

The original land and buildings were transferred from Northern Baptist College to a charity called the Luther King House Property Trust under a Charity Commission Scheme (case number 180221) dated 27 June 2002. Luther King House Property Trust is a separate charity from the Trust, but the Trust is its only trustee. The Charity Commission has given permission for the two charities to be accounted for as if they were a single entity.

**Appointment of trustees**

Where a vacancy arises for a director appointed by a Founder Member organisation, the organisation concerned makes the appointment in accordance with its own internal processes.

When a vacancy arises for an independent director, the Board considers any gaps in its current expertise and experience and in the various constituencies represented. It also has concern for its gender and ethnic balance. It then identifies a person or persons who could fill some of those gaps. An invitation is issued. Training of new directors includes the provision of a comprehensive induction pack. The Board encourages and supports directors who wish to pursue opportunities that will help them fulfil their responsibilities as trustees.

A new protocol has been developed to cover the appointment and re-appointment for all members of the Board.

**Changes to the trustee body**

There were no changes to the membership of the Trust body during the year under review.

**Trustee induction and training**

Induction is tailored for new Trustees due to the very different needs of Independent and Foundation Trustees.

**Organisation**

The Board of Trustees administers the charity. The Board meets on at least four occasions each year. Responsibility for governance remains with the Board of Directors and its Finance and Monitoring Committee, which meets quarterly and includes an internal audit function to check on not only financial and ethical matters, but also policies relating to equal opportunities, child protection and staff terms and conditions. There is a separate Health and Safety committee which focuses on compliance and care of staff.

Responsibility for day to day management is entrusted to the Operations committee, led by the President (a full time salaried officer). The committee includes the Principals of the three Colleges that participate in the Trust's educational activity and provide most of its teaching staff. Operations focuses on implementation, co-ordination, staff management, staff development and deployment of resources.

There are two academic committees to manage the BA, MA and Research programmes, chaired by a member of the academic staff, and attended by the staff who teach on the programmes, student representatives and representatives of the University of Manchester and the University of Durham and Common Awards as appropriate.

**Related parties and cooperation with other organisations**

The trustees do not receive remuneration in relation to their role on the board, however the Board includes members who are employed by member organisations and who are members of the teaching team delivering educational services for the Charity. This aspect of their work is remunerated.

A new company, Luther King House Conference and Accommodation Services Limited, was set up on 27 July 2009. This company is a wholly controlled subsidiary of the Trust. Its purpose is to carry on the conference and accommodation business at Luther King House and it operates under a licence granted by the Trust. It began trading on 1 September 2009. The directors of the main Trust are also directors of the subsidiary.

The directors' report and the accompanying financial statements concern the combined results of the Group for the year to 31 August 2022. Balance sheets for the Group and for the Charity are shown on page 17.

**Charity Governance**

In July 2018 the Board agreed to adopt the 'Charity Governance Code' with additional principles relating to Higher Education. Whilst this had been discussed in the past and generally reflected current practice, the Board recognised that it would be appropriate to formally adopt the code and put in place procedures for its implementation and regular monitoring. This latter activity would be achieved by an annual review in the Autumn at the same time as all other policies were reviewed. The Board agreed the following affirmations relating to its academic staff:

accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors 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 group of the incoming resources and application of resources including the income and expenditure, of the group for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK 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 and group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**Statement as to disclosure to our auditors**

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Small company provisions**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the trustees

Keith G Jones
Director

- That LKC affirms that its academic staff have freedom within the law:
  to question and test received wisdom; and
  to put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing the jobs or privileges they may have at LKC.
- That LKC affirms its commitment to freedom of speech and the encouragement of debate of all kinds as long as this takes place within the law and will take such steps as may be necessary to secure such freedom.

**Fundraising**
The Charity had no fundraising activities requiring disclosure under provision of the Charities (Protection and Social Investment) Act 2016.

**Pay policy for senior staff**
Staff pay is agreed by the Board on recommendation of the Finance Committee. Remuneration for senior staff is based on role, experience and performance. It is reviewed annually and normally increased in accordance with average earnings.

**Risk Management**

The directors maintain a register of the major risks which the Trust faces, and they review this register regularly. Each risk is assessed for its severity and its likelihood and for the effectiveness of the steps taken to manage the risk. The Register is regularly reviewed by the Finance and Monitoring Committee and risk management is now a standing item on the agenda of the LKHET Board meetings. In reviewing the Register, the directors considered the most serious risks facing the Trust, and the actions taken to mitigate them are:

- Failure to maintain income to sustain core activities
  Annual budgets are prepared by key management personnel and comparisons to actual are carefully monitored throughout the year. Since the pandemic cash flow is monitored on a daily basis and 3-year forecasts are now part of the annual budgeting process. There are regular reviews of strategic policies.

- Lack of student numbers
  Student recruitment is monitored closely, and publicity and marketing initiatives are carried out. The Trust ensures that academic programmes are meeting the requirements of the respective Colleges and denominations.

- Volatile energy market
  The Trust's 5-year gas contract will terminate in April 2023. We are monitoring developments carefully and will be working closely with energy brokers to obtain the best possible deal thereafter.

- Loss of confidence in the quality of the accommodation and conference facilities.
  Comments and feedback are regularly monitored and responded to as appropriate.

- Failure to adequately maintain and improve the property
  Regular maintenance and improvement work are budgeted for and carried out. The property is regularly inspected, and necessary work is carefully prioritised.

**Trustees' responsibilities in relation to the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in

## Opinion

We have audited the consolidated financial statements of Luther King House Educational Trust for the year ended 31 August 2022 which comprise the Consolidated Statement of Financial Activities, Statement of Changes in Reserves, Consolidated and Charity Balance Sheet, Consolidated Cash Flow Statement and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and charitable company's affairs as at 31 August 2022 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.

## 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 group 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 related to going concern

In auditing the financial statements, we have concluded that the directors' 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 the charitable company'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 directors with respect to going concern are described in the relevant sections of this report.

## Other information

The trustees are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the 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.

**Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the trustees' report for the financial year for which the consolidated 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 group and the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in trustees' report.

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

- adequate accounting records have not been kept by the charitable company, 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 exemption 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 set out on page 13, 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.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, Charities Act 2011 and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and completeness of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing from student record documentation and sample testing of accommodation records to the consolidated financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the group and 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 group and 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 group and charitable company and the group and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vicky Szulist

Vicky Szulist
Senior Statutory Auditor
For and on behalf of
**Crowe U.K. LLP**
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

20th January 2023

## LUTHER KING HOUSE EDUCATIONAL TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure account)

## YEAR ENDED 31 AUGUST 2022

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 308,595 | - | 308,595 | 497,643 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 859,800 | - | 859,800 | 208,686 |
| Investment income | 5 | 16 | - | 16 | - |
| **Total income** | | **1,168,411** | **-** | **1,168,411** | **706,329** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 523,198 | - | 523,198 | 212,596 |
| *Expenditure on charitable activities*: | | | | | |
| Academic and housing activities | 6 | 644,175 | - | 644,175 | 657,972 |
| **Total expenditure** | | **1,167,373** | **-** | **1,167,373** | **870,568** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **1,039** | **-** | **1,039** | **(164,239)** |
| Tax expense | 11 | (5,852) | - | (5,852) | 5,852 |
| **Net income/(expenditure)** | | **(4,814)** | **-** | **(4,814)** | (158,387) |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 78,852 | 700,000 | 778,852 | 937,239 |
| **Total funds carried forward** | | **74,039** | **700,000** | **774,039** | **778,852** |

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.
The loss in the year for the Charity was £156k.

## STATEMENT OF CHANGES IN RESERVES

## YEAR ENDED 31 AUGUST 2022

| Income: | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ |
|---|---|---|---|
| Balance at 1 September 2020 | 99,353 | 837,886 | 937,239 |
| Net Income for the year ended 31 August 2021 | (20,501) | (137,886) | (158,387) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2021 | (20,501) | (137,886) | (158,387) |
| **Balance at 31 August 2021** | **78,852** | **700,000** | **778,852** |
| Net Income for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| Other comprehensive income/(expense) | - | - | - |
| Total comprehensive income/(expense) for the year ended 31 August 2022 | (4,813) | - | (4,813) |
| **Balance at 31 August 2022** | **74,039** | **700,000** | **774,039** |

## LUTHER KING HOUSE EDUCATIONAL TRUST

## GROUP AND CHARITY BALANCE SHEETS
**Company No; 04065581**

## YEAR ENDED 31 AUGUST 2022

| | Note | Group 2022 £ | Group 2021 £ | Charity 2022 £ | Charity 2021 £ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Deferred Tax asset | 11 | - | 5,852 | - | - |
| Tangible assets | 12 | 1,296,966 | 1,340,432 | 1,296,966 | 1,340,432 |
| **Total Non-current Assets** | | **1,296,966** | **1,346,284** | **1,296,966** | **1,340,432** |
| **Current assets** | | | | | |
| Stock | 13 | 1,487 | 1,302 | - | - |
| Debtors | 14 | 34,741 | 72,494 | 152,360 | 66,102 |
| Cash at bank and in hand | | 170,905 | 161,745 | 30,824 | 136,311 |
| **Total Current Assets** | | **207,133** | **235,541** | **183,184** | **202,413** |
| **Liabilities** | | | | | |
| Creditors falling due within one year | 15 | (152,560) | (225,473) | (128,984) | (169,307) |
| **Net Current assets** | | **54,573** | **10,068** | **54,200** | **33,106** |
| **Total assets less current liabilities** | | 1,351,539 | 1,356,352 | 1,351,166 | 1,373,538 |
| Creditors falling due after more than 1 year | 16 | (577,500) | (577,500) | (577,500) | (577,500) |
| **Net assets** | | **774,039** | **778,852** | **773,666** | **796,038** |
| **The funds of the charity:** | | | | | |
| Unrestricted income funds | 19 | 74,039 | 78,852 | 73,666 | 96,038 |
| Restricted income funds | 19 | 700,000 | 700,000 | 700,000 | 700,000 |
| **Total charity funds** | | **774,039** | **778,852** | **773,666** | **796,038** |

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.
The company has not delivered a copy of the profit and loss account to Companies House.
Signed

**Keith Grant Jones**
Trustee

**Rosalind May Selby**
Trustee

Approved by the trustees on 5 January 2023
The notes at pages 23 to 39 form part of these accounts.

## CASH FLOW STATEMENT

### YEAR ENDED 31 AUGUST 2022

| | Note | Group 2022 £ | Group 2021 £ |
|---|---|---|---|
| **Cash used in operating activities** | **23** | **22,647** | **(43,360)** |
| **Cash flows from investing activities** | | | |
| Interest income | | 16 | - |
| Purchase of tangible fixed assets | | (6,156) | - |
| **Cash provided by (used in) investing activities** | | **(6,140)** | **-** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowing | | - | - |
| Interest paid | | (7,347) | 3,115 |
| Loan taken out in the year | | - | 100,000 |
| **Cash used in financing activities** | | **(7,347)** | **103,115** |
| Increase (decrease) in cash and cash Equivalents in the year | | **9,160** | **59,755)** |
| Cash and cash equivalents at the beginning of the year | | 161,745 | 101,990 |
| **Total cash and cash equivalents at the end of the year** | | **170,905** | **161,745** |

The charity has taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cash flow statement with the consolidated accounts.

The notes at pages 23 to 39 form part of these accounts.

**Notes on the accounts**

## 1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

Luther King House Educational Trust is a private company limited by guarantee, incorporated and registered as a charitable company in England (Registered No. 1082375 (Company) & 04065581 (Charity)). Its registered office is listed on the reference and administration page.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective October 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

The Charity has taken advantage of the available exemption under s408 Companies Act and has not included a Charity only Statement of Financial Activities.

b) Preparation of the accounts on a going concern basis

The Finance committee, on behalf of the Board, considered the work performed by the management in assessing the Trust's ability to continue as a going concern, particularly around its consideration of the impact of COVID-19 and the steps taken to protect the Trust's liquidity. The committee reviewed the worst-case scenario and, combined with the letters of support from the two College stakeholders, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern, as referred to in Trustees' report.

c) Group financial statements

The financial statements consolidate the results of the charity and its wholly owned trading subsidiary company, Luther King House Conference and Accommodation Services Limited. A separate statement of financial activities incorporating an income and expenditure account for the charity itself is not presented because advantage has been taken of the exemptions under the Companies Act 2006.

d) Income and expenditure

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

Most course fees are invoiced at the beginning of each academic year and are receivable then.

College block charges are agreed in advance each year with the colleges. The total charges for the financial year are invoiced in September and received in instalments through the year.

Other income is recognised on a receivable basis.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

**Allocation of expenditure**

Governance costs are those incurred in connection with public accountability and the strategic planning process of the Trust. Governance costs represent the time spent by employees on these matters.

e) 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.

f) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objects of the Trust and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Trust for particular purposes. The cost of realising and administering all funds are charged against the general fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

g) VAT

Irrecoverable VAT is written off in the year except for where it relates to capital items, in which case it is added to the cost of additions affixed assets

h) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight-line basis over the period of the lease.

i) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|---|
| Office and computer equipment | 33% straight line |
| Furniture, fixtures and fittings | 20% straight line |
| Building improvements | 5% straight line |
| Library development | 2% straight line |

As the residual value of land and long leasehold buildings is believed to be at least the carrying value of the asset no depreciation is provided.

j) Stock

Stocks consist of purchased goods for resale. Stocks are valued at the lower cost and net realisable value

k) Debtors

Trade debtors are recognised at the settlement amount after any trade discounts offered.

Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

Cash at bank and 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.

m) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

n) Financial instruments

The Charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activity.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.
Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Pensions
The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of financial activities.

p) Capitalisation Policy
The company prepares the financial statements in accordance with the concept of materiality. Therefore, the company will capitalise costs that are greater than the following limits: individually have a cost of more than £1,000, or collectively have a cost of least £1,000 where the assets are functionally interdependent, have simultaneous purchase dates and are anticipated to have simultaneous disposal dates, and are under single managerial control.

**Judgements in applying accounting policies and key sources of estimation uncertainty**
The charity makes estimates and assumptions concerning the future. The Finance Committee reviewed the worst-case scenario and, combined with the College letters of financial support, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern and as such the disclosures in this area are appropriate. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment and note 1i for the useful economic lives for each class of assets.

(ii) Impairment of debtors
The company makes an estimate of the recoverable value of trade and other debtors.
When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

## 2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.
The entity is a private charitable company, Charity number 1082375. The registered office is Luther King House, Brighton Grove, Rusholme, Manchester M14 5JP.

## 3. Incoming resources from charitable activities

| House income | 2022 £ | 2021 £ |
|---|---|---|
| Rent | 19,719 | 16,120 |
| Sundry income | 124 | 135,889 |
| | 19,843 | 152,009 |
| **Academic activities** | | |
| College fees | 201,335 | 248,433 |
| College block charges | 72,000 | 72,000 |
| Sundry income (including grants) | 15,417 | 25,201 |
| | 288,752 | 345,634 |
| Total | 308,595 | 497,643 |

## 3a Disclosure on Grant and Fee income

| | 2022 £ | 2021 £ |
|---|---|---|
| **Grant income** | | |
| Grant income from OfS | 8,380 | 12,461 |
| Grant income from other Bodies | - | - |
| Total Grant income | 8,380 | 12,461 |
| **Fee income** | | |
| Fee income from taught awards | 177,628 | 214,367 |
| Fee income from research awards | 15,271 | 25,926 |
| Fee income from non-qualifying courses | 8,436 | 8,140 |
| Total fee income | 201,335 | 248,433 |

## 4 Trading operations and investment in trading company

The consolidated statement of financial activities includes the results of the Charity's wholly controlled subsidiary. The Charity is the sole member of Luther King House Conference and Accommodation Services Ltd, (company number 6973866, registered office same as the parent Charity), a supplier of bed and breakfast and conference facilities. It pays almost all of its profits to the charity by gift aid. Summaries of the trading result and balance sheet are as follows:

**Trading result for the year ended 31 August 2022**

| | 2022 £ | 2021 £ |
|---|---|---|
| Turnover | 859,800 | 208,686 |
| Investment income | 9 | - |
| Cost of sales and administrative expenses Including internal rent of £180,000 | (703,198) | (232,096) |
| Profit (Loss) before tax | 156611 | (23,410) |
| Tax expense | (5,852) | 5,852 |
| Profit (loss) for the year | 150,759 | (17,558) |
| Amount gifted to the Charity | (133,201) | - |
| Retained in the subsidiary | 17,558 | (17,558) |
| **Balance Sheet at 31 August 2022** | | |
| Non-Current assets | - | 5,852 |
| Current assets | 157,149 | 33,128 |
| Creditors (amounts falling due within one year) | (156,778) | (56,167) |
| Total net assets (liabilities) | 371 | (17,187) |
| Aggregate reserves | 371 | (17,187) |

| 5 Investment income | Unrestricted Funds | Total funds 2022 | Total funds 2021 |
|---|---|---|---|
| | £ | £ | £ |
| Bank interest receivable | 16 | 16 | - |

## 6 Analysis of expenditure of charitable activities

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| **Academic and house activities** | | |
| Staff costs | 264,629 | 346,147 |
| Teaching fees | 17,531 | 8,559 |
| University registration | 25,856 | 31,797 |
| Bursaries | 675 | 1265 |
| Books and periodicals | 5,966 | 5,171 |
| Bad debts | - | (1,598) |
| Rates and water | 27,343 | 30,395 |
| Light and heat | 55,954 | 43,167 |
| Cleaning | - | - |
| Insurance | 7,266 | 7,950 |
| Repairs and maintenance | 28,204 | 6,739 |
| Telephone | 1,210 | 1,109 |
| Office supplies and postage | 6,373 | 9,949 |
| Photocopying rental | 140 | 1,033 |
| Photocopying charges | 1,134 | 492 |
| Travel | 753 | 638 |
| Meetings & sundry xps | 58,961 | 29,758 |
| Depreciation of fixed assets | 49,623 | 57,754 |
| Support costs (see note 7) | 80,664 | 67,789 |
| Governance costs (see note 8) | 11,892 | 9,858 |
| **Total academic and house activities costs** | **644,175** | **657,972** |

## 7. Support costs

| | Unrestricted funds | Total funds 2022 | Total funds 2021 |
|---|---|---|---|
| | £ | £ | £ |
| Loan interest | 7,347 | 7,347 | (3,115) |
| Bank charges | 1,561 | 1,561 | 787 |
| Irrecoverable VAT | 16,726 | 16,726 | 15,418 |
| President employment costs | 54,100 | 54,100 | 53,935 |
| Finance general costs | 930 | 930 | 765 |
| **Total** | **80,664** | **80,664** | **67,790** |

## 8. Governance costs

| | Unrestricted funds | Total funds 2022 | Total funds 2021 |
|---|---|---|---|
| | £ | £ | £ |
| Audit fees | 8,100 | 8,100 | 7,000 |
| Professional fees | 1,575 | 1,575 | 1,395 |
| Trust meetings and expenses | 2,217 | 2,217 | 1,463 |
| **Total** | **11,892** | **11,892** | **9,858** |

## 9. Net income/(expenditure) for the year

| This is stated after charging | 2022 £ | 2021 £ |
|---|---|---|
| Operating lease – photocopier | 140 | 1,032 |
| Staff pension contributions | 50,921 | 56,066 |
| Depreciation | 49,623 | 57,754 |
| Auditor's fees | 8,100 | 7,000 |
| **Total** | **108,784** | **121,852** |

## 10. Staff costs and emoluments

| | 2022 £ | 2021 £ |
|---|---|---|
| Total staff costs were as follows | | |
| Wages and salaries | 495,707 | 449,028 |
| Social security costs | 38,735 | 34,008 |
| Other pension costs | 50,921 | 56,066 |
| | 585,363 | 539,102 |

None of the Trust's employees received remuneration in excess of £60,000 in the year (2021: £nil).

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The key management personnel of the parent charity, the Trust, comprise the Trustees, the President, Academic Registrar, Librarian, Finance Manager and Open College Principal. The total employee benefits of the key management personnel of the Trust were £186,035 (2021: £192,735).

The key management personnel of the group comprise those of the Trust and the key management personnel of its wholly owned subsidiary Luther King House Conference and Accommodation Services Ltd. The key management personnel of LKHCAS Ltd is the Operations Manager. The Manager retired, and a successor took over the role during the year. Employee benefits in the role total £ 42,123 (2021: £48,161).
The employee benefits of key management personnel for the group was therefore £228,158 (2021: £240,896).

| | | 2022 | 2021 |
|---|---|---|---|
| | | £ | £ |
| Salary of President | Salary | **44,548** | **44,548** |
| Pension of President | Pension | **4,455** | **4,455** |
| Totals | | **49,003** | **49,003** |

i The President's basic salary is 2.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider for its staff.

ii The President's total remuneration is 2.6 times the median total remuneration of staff where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of its staff.

Directors received no remuneration (2021:nil) and were reimbursed expenses as follows:

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Reimbursement of expenses | | |
| Keith Jones (travel expenses) | 123 | - |

**Particulars of employees:**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Academic | Admin/House | Academic | Admin/House |
| | No. | No. | No. | No. |
| Full time equivalent | 6 | 15 | 6 | 13 |
| Average | 7 | 20 | 6 | 15 |

Most of the teaching on the Trust's various courses is provided by employees of other bodies.

## 11. Taxation

Deferred tax assets in relation to continuing operations were recognised in 2021 in respect of the following item because it was probable that future taxable profits would be available which the Company could utilise.
The provision for deferred taxation, which arose in 2021, is made up as follows:

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Timing differences in respect of the year: | 5,852 | (5,852) |

In the current year the trading subsidiary made a profit (loss) before tax of £156,602 (2021: (£23,410)

## 12. Tangible fixed assets

| Group and charity | Office and Computer Equipment £ | Fixtures Fittings Plant & Equipment £ | Building Improvements £ | Land and Long Leasehold Property £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2021 | 164,740 | 291,330 | 1,312,393 | 700,000 | 2,468,463 |
| Additions | - | 1,367 | 4,790 | - | 6,157 |
| Disposals | (2,608) | (2,276) | - | - | (4,884) |
| At 31 August 2022 | 162,132 | 290,421 | 1,317,183 | 700,000 | 2,469,736 |
| **Depreciation** | | | | | |
| At 1 September 2021 | 158,690 | 272,285 | 697,056 | - | 1,128,031 |
| Charge for the year | 4,841 | 10,270 | 34,512 | - | 49,623 |
| On disposals | (2,608) | (2,276) | - | - | (4,884) |
| At 31 August 2022 | 160,923 | 280,279 | 731,568 | - | 1,172,770 |
| **Net Book Value** | | | | | |
| At 31 August 2022 | 1,209 | 10,142 | 585,615 | 700,000 | 1,296,966 |
| At 31 August 2021 | 6,050 | 19,045 | 615,337 | 700,000 | 1,340,432 |

## 13. Stock

| | Group | | Charity | |
|---|---|---|---|---|
| | 2022 £ | 2021 £ | 2022 £ | 2021 £ |
| Stock | 1,487 | 1,302 | - | - |

## 14. Debtors

| | Group | | Charity | |
|---|---|---|---|---|
| | 2022 £ | 2021 £ | 2022 £ | 2021 £ |
| Trade Debtors | 9,739 | 42,210 | 2,822 | 1,878 |
| Amounts owed by subsidiary | - | - | 133,201 | 38,761 |
| Prepayments | 25,002 | 30,284 | 16,339 | 25,463 |
| | 34,741 | 72,494 | 152,360 | 66,102 |

Of the group trade debtors £ nil (2021: £nil) was due in over a year.

## 15. Creditors: Amounts falling due within a year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2022 £ | 2021 £ | 2022 £ | 2021 £ |
| Trade Creditors | 20,026 | 62,708 | 14,196 | 18,431 |
| PAYE & social security | 8,755 | 8,812 | 8,755 | 8,812 |
| VAT | 43,557 | 15,161 | 43,557 | 15,161 |
| Other creditors | 16,766 | 18,977 | 16,075 | 17,577 |
| Accruals and deferred Income | 63,456 | 119,815 | 46,400 | 109,325 |
| College loans | - | - | - | - |
| | 152,560 | 225,473 | 128,984 | 169,307 |

## 15a Deferred income movement

| | | Group | Charity |
|---|---|---|---|
| Amount b/f 2021 | | 89,663 | 88,201 |
| Resources released in the year | | (89,663) | (88,201) |
| Resources deferred in the year | | 13,504 | 10,000 |
| Amount c/f 2022 | | 13,504 | 10,000 |

## 16. Creditors: Amounts falling due after more than one year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2022 £ | 2021 £ | 2022 £ | 2021 £ |
| College loans (i) | 410,000 | 410,000 | 410,000 | 410,000 |
| College loans (ii) | 67,500 | 67,500 | 67,500 | 67,500 |
| College loans (iii) | 100,000 | 100,000 | 100,000 | 100,000 |
| Accruals and deferred Income | - | - | - | - |
| | 577,500 | 577,500 | 577,500 | 577,500 |

College loans (i)
Included in creditors falling due after more than one year are loans of:
£60,000 (2021: £60,000) and £230,000 (2021: £230,000) from Northern Baptist College. This organisation is a founder member of the Trust. The loans are repayable when the Trust has funds available, or on the dissolution of the Trust. Interest is payable at 1% below base rate on the £60,000 loan. An agreement was reached in 2021 to reduce the interest rate for the £230,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £230,000 loan.

£70,000 (2021: £70,000) and £67,500 (2021: £67,500) from Northern College. This organisation is a founder member of the Trust. The £70,000 loan is repayable when the Trust has funds available or on the dissolution of the Trust. An agreement was reached in 2021 to reduce the interest rate for the £70,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £70,000 loan.

£50,000 (2021: £50,000) from Unitarian College. This organisation is a member of the Trust. The loan is repayable when the Trust has funds available or on the dissolution of the Trust. Interest is payable at 1% above base rate. It was previously the daily rate set by the Charities Aid Foundation for its COIF units, collared at 4%.
Total interest paid was £816 (2021: £918).

The Charity Commission has confirmed that it will be willing to authorise these loans to be repaid out of the proceeds of sale of Luther King House property if such a sale ever takes place and if the loans remain outstanding when it does.

College loans (ii)
Included in creditors falling due after more than one year is a loan of:
£67,500 (2021: £67,500) from Northern College. The outstanding loan was repayable by 2023 but a deferral to 2026 was agreed in order to assist cash flow during the Covid-19 crisis. Interest is payable at 2.5%. The original £60,000 loan was taken to convert offices into bedrooms. A further loan of £90,000 was taken to convert additional offices to bedrooms. The loans will be repaid as follows:

2023: 11,250 2024: £22,500 2025: £22,500 2026: £11,250

College loans (iii)
Included in creditors falling due after more than one year are loans that were granted in 2021 as emergency relief to a cashflow crisis at the height of the pandemic.

£75,000 (2021:£75,000) from Northern College. Interest is payable at 1% over base rate.

Total interest paid to Northern College was £2,370 (2021:£1,631)

£25,000 (2021:£25,000) from Northern Baptist College. Interest is payable at 1% over base rate

Total interest paid to Northern Baptist College was £4,161 (2021:£4,337)

The College loans could be deemed concessionary loans

**17. Pensions**

At the year end the outstanding pension commitment was £3,196 (2021: £4,132)

**18. Commitments under operating leases**

At 31 August 2022 the company had minimum lease payments of £nil.

| | Assets other than land And buildings 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Operating leases which will be paid: | | |
| < 1 year | 315 | - |

**19. Analysis of charitable funds**

**Analysis of movement in unrestricted funds**

| | Balance 1 September 2021 | Incoming resources | Resources expended | Transfers | Funds 31 August 2022 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| General fund | 78,852 | 1,168,411 | (1,173,225) | - | 74,039 |
| **Total** | **78,852** | **1,168,411** | **(1,173,225)** | **-** | **74,039** |

(Prior Year)

| | Balance 1 September 2020 | Incoming resources | Resources expended | Transfers | Funds 31 August 2021 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| General fund | 99,353 | 706,329 | (726,830) | - | 78,852 |
| Total | 99,353 | 706,329 | (726,830) | - | 78,852 |

| Name of unrestricted fund | Description, nature and purpose of the fund |
|---|---|
| General fund | The 'free reserves' after allowing for designated funds. |

**Analysis of movement in restricted fund**

| | Balance 1 September 2021 | Incoming resources | Resources expended | Transfers | Funds 31 August 2022 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| **Total** | **700,000** | **-** | **-** | **-** | **700,000** |

(Prior Year)

| | Balance 1 September 2020 | Incoming resources | Resources expended | Transfers | Funds 31 August 2021 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| Property improvement | 137,886 | (137,886) | - | - | - |
| Total | 837,886 | (137,886) | - | - | 700,000 |

Restricted funds represent the value of assets acquired with money given for this specific purpose including the original gift of land and buildings to the Trust.
In 2008, substantial improvements were made to the buildings. The value of these have been reduced each year by depreciation. However, the Board decided to allocate the remaining balance on the improvements from restricted to unrestricted reserves during 2021.

**20. Analysis of group net assets between funds**

| | General Fund | Designated Fund | Restricted Fund | Total 2022 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 596966 | - | 700,000 | 1,296,966 |
| Other non-current assets | - | - | - | - |
| Cash at bank and in hand | 170,905 | - | - | 170,905 |
| Other net current assets/(liabilities) | (116,332) | - | - | (116,332) |
| Creditors of more than one year | (577,500) | - | - | (577,500) |
| | **74,039** | **-** | **700,000** | **774,039** |

| (Prior Year) | General Fund | Designated Fund | Restricted Fund | Total 2021 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 640,432 | - | 700,000 | 1,340,432 |
| Other non-current assets | 5,852 | - | - | 5,852 |
| Cash at bank and in hand | 161,745 | | - | 161,745 |
| Other net current assets/(liabilities) | (151,677) | | - | (151,677) |
| Creditors of more than one year | (577,500) | | | (577,500) |
| | 78,852 | - | 700,000 | 778,852 |

## 21. Related party transactions

Transactions between the parent and the wholly controlled trading subsidiary have not been disclosed due to the fact that the subsidiary is wholly owned. Advantage has been taken of the available exemption under Section 33 of FRS 102.

Luther King House Conference & Accommodation Services Ltd is exempt from audit by virtue of s477 of the Companies Act.

The three Colleges below are member bodies of the Trust, and have rights and responsibilities as set out in the Memorandum of Association.

The Trust made sales of £37,656 (2021: £101,885) to Northern Baptist College and at year end was owed £nil (2021: £143) by the College. Total interest paid on loans was £4,161 (2021: £4,337).

The Trust made sales of £93,500 (2021: £171,763) to Northern College and at year end was owed £nil (2021:£nil) by the College. Total interest paid on loans was £2,370 (2021: £1,631).

The Trust made sales of £3,082 (2021: nil) to Unitarian College and at year end was owed £nil (2021: £nil) by the College. Total interest paid on a loan was £816 (2021: £918).

## 22. Financial Instruments

| **Financial assets that are measured at amortised cost:** | **2022** | **2021** |
|---|---|---|
| | **£** | **£** |
| Trade debtors | 14,799 | 47,280 |
| Cash | 170,905 | 161,745 |
| | **185,704** | **209,025** |

| **Financial liabilities that are measured at amortised cost:** | **2022** | **2021** |
|---|---|---|
| | **£** | **£** |
| Trade creditors | 20,026 | 62,708 |
| Other payables | 66,718 | 49,130 |
| Loans | 577,500 | 577,500 |
| | **664,244** | **689,338** |

## 23. Reconciliation of net (outgoing)/incoming resources to net cash outflow from operating activities

| | **2022** | **2021** |
|---|---|---|
| | **£** | **£** |
| Net incoming/(outgoing) resources | 1,039 | (164,240) |
| Depreciation | 49,623 | 57,754 |
| Investment income | (16) | - |
| Interest payable | 7,347 | (3,115) |
| Decrease in stock | (186) | 1,316 |
| Decrease/(Increase) in debtors | 37,753 | (43,800) |
| (Decrease)/Increase in creditors | (72,913) | 108,725 |
| Net cash outflow from operating activities | 22,647 | (43,360) |

**Reconciliation of net cash flow to movement in net debt**

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Increase/(Decrease) in cash in the year | 9,160 | 59,755 |
| Cash outflow from other loans | - | (100,000) |
| Change in net debt resulting from cash flows | 9,160 | (40,245) |
| Movement in net debt in the period | 9,160 | (40,245) |
| Net debt brought forward | (415,755) | (375,510) |
| Net debt carried forward | (406,596) | (415,755) |

## 24. Analysis of reconciliation of net debt

| | Brought Forward | Cash flow | Carried Forward |
|---|---|---|---|
| | £ | £ | £ |
| Net cash | | | |
| Cash at bank and in hand | 161,745 | 9,160 | 170,905 |
| Debt due after 1 year | (577,500) | - | (577,500) |
| Debt due within 1 year | - | - | - |
| | (577,500) | - | (577,500) |
| Net debt | (415,755) | 9,160 | (406,596) |

## 25. Prior Year Consolidated Statement of Financial Activities

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2021 £ | Total Funds 2020 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 497,643 | - | 497,643 | 512,917 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 208,686 | - | 208,686 | 493,110 |
| Investment income | 5 | - | - | - | 1 |
| **Total income** | | **706,329** | **-** | **706,329** | **1,006,028** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 212,596 | - | 212,596 | 345,441 |
| *Expenditure on charitable activities:* | | | | | |
| Academic and housing activities | 6 | 520,086 | 137,886 | 657,972 | 844,638 |
| **Total expenditure** | | **732,682** | **137,886** | **870,568** | **1,190,079** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **(26,353)** | **(137,886)** | **(164,239)** | **(184,051)** |
| Tax expense | 11 | 5,852 | - | 5,852 | - |
| Net income/(expenditure) | | (20,501) | (137,886) | (158,387) | (184,051) |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 99,353 | 837,886 | 937,239 | 1,121,290 |
| **Total funds carried forward** | | **78,852** | **700,000** | **778,852** | **937,239** |

**LUTHER KING HOUSE EDUCATIONAL TRUST**

England & Wales - Charity number 1082375

# Accounts

# Luther King House Educational Trust

(A company limited by guarantee)

## Report and Financial Statements

## 31 August 2021

Charity number: 1082375

Company number: 04065581

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## Luther King House Educational Trust

### Report of the trustees for the year ending 31 August 2021

The directors, who are also trustees for the purposes of the Charities Act, present their report together with the audited financial statements for the year ending 31 August 2021.

### Chair's report

Let me start on a very positive note. This July we celebrated the 10th anniversary of the appointment of the Revd Graham Sparkes as our President. We rejoice in the service Graham has rendered Luther King House Educational Trust, and the Board gathered, albeit virtually, and celebrated this anniversary with Graham at our July meeting.

This has been a year of challenge in the midst of a global pandemic when Government restrictions (lockdowns), challenges of operation and difficulties in delivering learning to our students have been faced, and by supreme hard work from our dedicated staff team, and with the support of our stakeholders, has enabled us to survive, albeit with struggles and disruptions. The autumn 2020 lockdowns and restrictions on face-to-face meeting with people outside of your own "bubble" meant that our academic team took the decision to undertake all teaching on line for the academic year. This early decision proved to be a wise move. Soon, we were all developing skills in the use of various on-line platforms and the creation of innovative support mechanisms to give our students the best learning experiences possible within the regional and national restrictions.

This move to on-line teaching and learning was conducted whilst working through the final cohorts engaged in studying for University of Manchester awards and enrolling students for awards of the University of Durham Common Awards. Inevitably, with the pandemic restrictions, we faced some delays and struggles, not least in obtaining approval from Durham for our procedures and policies, but we are pleased to note that our Bachelor and Masters programmes with the University of Durham have been validated and our policies approved. We are also delighted that our new MA in Chaplaincy Studies has been agreed with Durham and with Common Awards and our first cohort of students commences the programme in September 2021. All of this entailed much extra work for our staff team, ably led by our President and with the support of the academic staff of the constituent Colleges and our own registrar and library staff teams. We are very grateful to our librarian, Katie Paton, who did an immense amount of work during lockdown to support our students in their learning, ensuring access to books and articles.

In all this we sought to continue to fulfil our core educational objectives with the help and support of our dedicated staff and in cooperation with our founder members, partner Colleges and the wider Christian community in the north of England. We have continued to encounter demands being made on us by the Office for Students, though some of the requirements made of us, particularly in providing statistical information, have caused us challenges as the parameters used by the Office for Students have been more appropriate to large public-sector Universities than to small specialist higher education institutions such as ourselves.

In educational terms, despite the challenges and restrictions created by the pandemic, we have continued to work within the parameters of our 2018 Vision document and to offer a range of courses from informal education through to doctoral studies, utilising our current position in relationship to the University of Manchester for our higher degree provision. We remain delighted that our academic team at Luther King House are highly regarded in the field of delivering quality educational experiences in the discipline of theology.

In terms of our use of premises and the business operation to support our primary objective of theological education, for much of the year, in common with the whole hospitality sector, we have been unable to function. We were able to take advantage of the Government furlough scheme for our domestic, catering and support staff, but it was only possible to re-open our accommodation services towards the end of this financial year as restrictions on hospitality provision were lifted in the summer. This proved immensely challenging to us in terms of financing our educational activities and maintaining our suite of buildings at Luther King House. We are grateful to two of our principal stakeholders, Northern College and Northern Baptist College for providing loan assistance and not requiring interest payment on earlier loans, as this enabled us to get through the financial year as a functioning institution. The boards of the constituent Colleges of Luther King House have shown their solidarity with us in these trying times.

At all times we have been cognisant of advice from the Charity Commission and the Office for Students. We have continued our regime of weekly review of cash flow, and the Board, through the Chair of the Finance and Monitoring Committee, has been in weekly contact with our Company Secretary to monitor the situation and consult with our principal stakeholders.

It is our belief, as we have observed the recovery of income through our trading subsidiary in the months of September, October and November 2021, that Luther King House is a viable concern and though we cannot predict any future restriction to our trading activities, we have no reason, at the present time, to believe there is an immediate challenge to our viability.

However, we are very conscious of the recent decline in the number of students signing up for our BA degree in theology. Accordingly, we have discussed with our principal stakeholders, the importance of having significantly more students engaged in this level of study in the coming years and, in full co-operation with them, we are constructing a recruitment campaign to develop student numbers in this core educational group to further ensure the long term viability of the institution and we continue to engage in dialogue with our principal stakeholders as we work together in emerging out of the difficult operating conditions of the last two years to continue to seek a sustainable long-term future for our important work in the north and midlands of England.

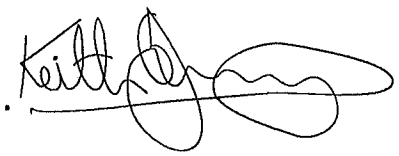
During the year a re-branding exercise took place focused on our core educational activities and we now market ourselves as the Luther King Centre for Theology and Ministry. We have introduced a new logo and upgraded our website as we look to the future, recognising our activities need to appeal to a wider range of people across the north and midlands and that our educational activities, though based in Luther King House, have a delivery beyond the physical structure.

In all this uncertain time we have valued the leadership of the President, Company Secretary, College Principals, the Principal of Open College and their supporting staff, who have worked to the uttermost to enable us to fulfil our core objectives in a time of drama and uncertainty never previously experienced by the Luther King House Educational Trust.

The Board has continued to meet regularly although, throughout the year under review, meetings of the Board and the Finance and Management Committee have continued to be held by Zoom.

There have been changes to the Board during this period with Jenny Mills joining the Board as a representative of the United Reformed Church in October 2020, and Theo Akano joining the Board as an independent member in July 2021.

The Board has been vigilant in overseeing all the activities of Luther King House and congratulates all the staff and our key educational partners in their continued endeavours to maintain our vision and hold fast to our values and standards in a fast-moving and challenging environment. It remains a pleasure for me to chair a hard-working Board supporting the President and a quality staff team as we seek to serve the Christian community of the North and Midlands.



Keith G Jones
Chair

**Aims and objectives**
The objects of the Trust are:

The advancement of education in areas of Christian faith, practice and dialogue and in particular but without limitation:

- The provision of learning opportunities for members of churches and other interested parties;
- The sharing of theological resources with and among local churches and communities;
- The preparation of persons for accredited forms of ministry;
- The provision of opportunities for post graduate research;
- The provision of an educational establishment together with ancillary services; and
- To advance education generally

The vision of the Trust may be summarised as to provide a learning resource and a flexible residential facility to enable the Partnership to:

- Be concerned with theological education to help all live responsibly and creatively in a plural society;
- Encourage people to shape their personal and communal futures through responsible citizenship;
- Be a centre of excellence at all levels of its work;
- Have a particular concern for Christian mission in an urban society, by building an ecumenical network of support and shared resources;
- Create communities of learning, worship, justice and liberation;
- Express belief in one God, one world and one people;
- Be open to learning with people from a wide range of understandings, insights and commitments;
- Develop international links for mutual learning with the world church;
- Integrate learning from different disciplines, faiths, personal and reported experience in church and political life; and
- Engage with scriptures, past and present Christian traditions, the world church, other faith communities and contemporary experience and thinking.

The facilities at Luther King House include:

- Study and office facilities for the academic and administrative staff of those Member Bodies based at Luther King Centre;
- Residential accommodation and study facilities for students of Member Bodies as required;
- A dining room providing breakfasts, lunches and evening meals;
- Social provision including student kitchen & laundry facilities and a large lounge;
- A learning resources facility including books, periodicals and internet access; and
- A chapel for community worship on an ecumenical basis.

When the facilities of the House are not being fully utilised in pursuit of the Trust's core activities, spare capacity is marketed to other persons and bodies. Any surpluses arising from this activity are re-invested in the Trust's core activities.

## Public Benefit Statement

The Trust provides university validated courses of theological education for the benefit of any who are academically qualified, not only for those training for accredited ministries in the church. Fees are charged, though these do not cover the full cost of providing the service. Steps are taken to ensure the fees do not exclude the poor; bursaries are available, and the Trust works within a general environment of government provision designed to support poorer students and widen access. British residents of foreign nationality are charged only at the domestic rate. The Trust has, in fact, a significant number of non-traditional learners amongst its students, and a growing number from minority ethnic groups. Through the development of flexible and distributed learning, the Trust is also seeking to overcome further barriers to learning. The Trust's academic staff also contribute to the delivery of similar courses by other associated theological institutions.

The Trust works with churches in equipping them and their leadership for their roles in the community. Among those it trains, for instance, are church related community workers, whose whole purpose is community development. Those training for accredited ministries are seldom able to use their education to advance their own material interests; their sole reason for entering training is to serve the needs of local congregations and communities. Many do so in training placements throughout their course of education.

The Trust's facilities are of benefit to a wide range of the public. Membership of the library is available to all for an easily affordable annual charge. When Government restrictions permit, a wide variety of groups use the teaching rooms for learning and training events; the Trust makes a point of making its educationally equipped meeting rooms widely available when not needed for its own courses and does so for charities and churches at reduced rates.

We have complied with the duty under the Charities Act to have regard to the public benefit guidance published by the Charity Commission.

## Achievements and performance

The Trust's charitable objective is the advancement of education in areas of Christian faith, practice and dialogue and the challenge to this objective from factors outside the organisation continues. Both full and part time courses of study are offered at undergraduate and postgraduate levels alongside a Diploma of Higher Education and Certificate of Higher Education.

Despite the ongoing challenges and disruption of Covid, student numbers have remained generally stable but there has been a slow decline in the number of BA student. Our student body continues to reflect a broad ethical and cultural diversity, and many do not have English as their first language. Students are supported by our academic staff and through the learning and resource centre. This latter offers support through study skills and proof-reading.

Since March 2020 much of the teaching and learning has been achieved through e-learning. Events were held to equip our academic staff for on-line teaching and to improve their skill base. It has been the focus of our academic team to ensure that all students have been able to take full advantage of the resources provided and extra support has been offered, where necessary. This approach has had to continue with the enduring impact of Covid and has created new challenges and opportunities in supporting and encouraging individual students. The use of online learning has also provided opportunities to explore new ways of engaging with our students and valuable learning opportunities for all staff.

The President and staff have worked hard to achieve, as best as possible, a sense of community and to promote collaborative working amongst the student community.

LKC is registered in the 'Approved (fee cap)' category of the Office for Students. LKC holds the Bronze award from TEF.

The Trust has, perforce of the Covid-19 pandemic, been focused on supporting students through on-line learning and maintaining financial viability until such time as we are able to re-open our facilities, resume face to face teaching and learning and once again provide student and public access to our library resource. For a second year our operation has been challenged and adversely affected by the Government restrictions. This in turn has created unique financial pressure with the loss of significant revenue from Bed, Breakfast and Conference facilities.

In accordance with the decision of the Board, LKC has obtained validation with Durham University and Common Awards. We continue to explore an appropriate partner for our Research programme.

The continuing requirements of GDPR are recognised and embodied with our processes, policies and procedures.

The significant drop in our income has not allowed us to continue with the upgrading of our bedroom stock and all but essential capital projects have been shelved until our revenue stream has recovered from Government restrictions.

The following key educational objectives were established for 2020-21, together with indicators of how these have been met:

| Objective | Indicators of Achievement |
|---|---|
| Broaden and deepen the experience and practice of e-learning | All academic staff have been developing their skills in designing and offering e-learning packages for their academic discipline. Student feedback has been very positive. |
| Find a partner for the LKC Research programme | Work on this is on-going and will be concluded in 2022 |
| To work with our partner colleges in predicting student numbers for the future. | This is at an early stage, but its purpose will enable us to plan for future growth and financial stability. Plans for new initiatives in BA recruitment are being developed. |
| To broaden our student base. | We are continuing to look at ways in which we night attract a broader student base building on the experience of e-learning and further developing our online learning presence. |

## Financial review

The Covid restrictions affecting our Bed, Breakfast and Conference business has resulted in a significant fall in the Group's income. Our focus has been on managing cash flow on an almost day to day basis. This approach has typified our financial monitoring over the past year and has only begun to be eased by the return to our Bed and Breakfast business from July.

## The Statement of Financial Activities for the Group

The focus of concern throughout the year has been to enable Luther King House Educational Trust to continue as a going concern during lockdown and to this end we have been in regular discussions with our principal stakeholders, Northern Baptist College, and the Northern College (United Reformed Church, Congregational Federation and Moravian Church) to provide support to ensure we could continue operating until we are able to re-start accommodation, catering and conference services. The initial support has included the two Colleges facilitating deferral of interest payments on loans and loan capital on funds previously advanced for improvements to the premises at Brighton Grove. A further line of support has been agreed with the two Colleges for a line of credit which has been accessed due to the continuing loss of our Bed, Breakfast and Conference business. This provision is regularly monitored and specific meetings between officers of the two College governing bodies and the Chair and President of Luther King House Educational Trust ensures that cash flow and the operation of Luther King house continues in a sustained way. Both Colleges have issued letters of support for the Trust extending until 2026.

The Government lockdown prohibiting the Luther King Centre from offering accommodation and catering services severely reduced income from that provision. The Trust was able to recover 23% of staffing costs through the Government's furlough scheme.

At the end of the year the losses before tax incurred were:

| | |
|---|---|
| Charity | £140,830 |
| Subsidiary | £ 23,410 |

Resulting in an overall loss of £164,240.

In the light of this year end position, we have experienced a negative working capital position in the Balance Sheet, and as the Trustees anticipated when lockdown was in place, the bank balance was £161,745 at the end of the year.

## Reserves policy and going concern

The total level of reserves at year-end amounted to £778,852 (2020 - £937,239). The Trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. Although the Trust seeks to maintain sufficient reserves to meet 3 months' worth of running expenditure, currently approx. £217.5k, the current level of free reserves is calculated to be £15,920 (2020 - £16,554). However, the Trust will continue to work each year to increase the level of free reserves. The Trustees continue to review areas, particularly within the accommodation area of the group, where increased efficiencies can allow free reserves to increase to the target level and this will be particularly pertinent in the coming year as we recover from the pandemic.

The Trust finances its operations through a mixture of retained profits and college loans. The management's objectives are to retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due. This policy has been challenged during the year because of the Covid-19 global pandemic and the Trust has had to recourse to the governing bodies of the two major constituent colleges for relief provision on loan repayment and a commitment to further loan support.

The Trust makes little use of financial instruments other than an operational sterling bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and net incoming/outgoing resources.

The trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. The easing of restrictions from July allowed the Trust to re-commence offering accommodation, conference, and food services. However, trading will be challenging as public confidence starts to re-build and people feel confident enough to travel again.
Nevertheless, the last two months of this financial year gave grounds for optimism with an overall revenue of £94,496.

Because a significant income source for the Trust is through the bed and breakfast business of its subsidiary "Luther King Centre Conference and Accommodation Services Ltd". The Covid -19 restrictions significantly reduced the income from the subsidiary and during the country wide lock-down the subsidiary had no income stream. To support the business during this time the Trust took the following actions:

- Made full use of the Government furlough scheme
- On the existing loans with the existing stakeholder colleges the Trust negotiated a twelve month pause in repayments
- All non-essential capital expenditure was stopped
- An even stricter monitoring of cash flow
- Staffing hours were reviewed and where necessary reduced
- Conversations taken place with the Trustees of the Northern College and Baptist College about the provision of loans as required and within agreed and clearly defined parameters.

In addition to these actions the Trustees assessed several strategic options and concluded that the current model depending upon the subsidiary to return to profitability was still the most viable option for the future despite the current uncertainty.

We note the following regarding the operation of the LKHAS subsidiary.

- Only a relatively small percentage of our business is drawn from tourism and hence less affected by the lockdown.
- Manchester is a growing city with a range of entertainments and two Premier football clubs which means that once the pandemic is contained the potential for new bookings is high
- We have a good strong cadre of loyal customers and are well placed to access the city
- The current model has shown a significant revenue growth over the years
- We have been a successful venue for small conferences and again, historically, we have shown that we have a strong presence in this field
- We regular review staffing and accommodation prices to be the most cost effective.

Based on this assessment the Trustees believe that the Trust is a going concern and that, with the gradual recovery of the accommodation services, we can continue for the foreseeable future (a

minimum twelve months from the date of the signing of these accounts). In addition, we are not aware of anything beyond that date which might cause an interruption.

### Plans for future years

We have reviewed the staff to minimise costs whilst continuing to provide a good standard of service to all our current and future clients. Once we return to profitability our intention is to continue our bedroom upgrades.

We continue a strategy for the marketing of LKC Open College that admits students direct to LKC rather than through one of its constituent colleges. This includes work on the website, on publicity, and on ways of promoting the LKC brand.

### Reference and administrative details

Charity number: 1082375
Company number: 04065581

### Secretary and Registered Office:

Mrs Claire McEwen, Luther King House, Brighton Grove, Rusholme, Manchester, M14 5JP

### Our advisers:

### Auditors

Crowe UK LLP, 3rd Floor, The Lexicon, Mount Street, Manchester, M2 5NT

### Bankers

CAF Bank, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ

### Directors and trustees

The directors of the charitable company (the charity) are its trustees for the purposes of charity law. The trustees and officers serving during the year and since the year end were as follows:

Revd Dr Keith G Jones
Revd Dr Andrew J Lunn (F)
Revd Dr Clara N Rushbrook (F)
Revd Charles J Nevin
Revd Dr Simon J Oxley (F)
Revd Dr Rosalind M Selby (F)
Dr Jacqueline G Hirst
Ms Erica M Dunmow
Revd Anthony Howe
Revd Jenny Mills (appointed 8 October 2020)
Bishop Theo Oluwasegun Akano (appointed 8 July 2021)

(F) = Directors appointed by a Founder Member according to its rights defined in the company's

Articles of Association.

**Key management personnel**

| | |
|---|---|
| President | Revd Graham Sparkes |
| Finance Manager/ Company Secretary | Mrs Claire McEwen |
| Operations Manager | Mr Martin Cloves |
| Academic Registrar | Miss Clare Richardson |
| Librarian | Miss Katie Paton |
| Open College Principal | Revd Dr Kim Wasey |

**Structure, Governance and Management**

***Governing Document***

The Trust is a charitable company limited by guarantee and was set up on 1 September 2000. It is governed by a Memorandum and Articles of Association. The charity was created to carry on and further develop the work of its two predecessor charities, the Manchester Christian Institute (charity number 515358) and the Northern Federation for Training in Ministry (charity number 517496). Both these charities transferred their net assets as at 31 August 2000 to the Trust and were then dissolved.

The Memorandum and Articles of Association were updated in April 2015.

Every member promises, if the Charity is wound up while he/she is a member or within 12 months after ceasing to be a member; to pay such amounts as is required up to £1 towards the costs of dissolution and the liabilities incurred by the Charity while the contributor was a member.

The concept of the Partnership for Theological Education was born in 1997, under the umbrella of the Manchester Christian Institute. In September 2000, the member bodies of the Partnership became the member bodies of the Trust. The Partnership for Theological Education continues to be the operational name under which the Trust carries out some of its educational activities.

The financial basis of the Trust was the agreement of the four Founder members to provide to the Trust the land and buildings of Luther King House valued at £700,000 and cash totalling£500,000.

The original land and buildings were transferred from Northern Baptist College to a charity called the Luther King House Property Trust under a Charity Commission Scheme (case number 180221) dated 27 June 2002. Luther King House Property Trust is a separate charity from the Trust, but the Trust is its only trustee. The Charity Commission has given permission for the two charities to be accounted for as if they were a single entity.

***Appointment of trustees***

Where a vacancy arises for a director appointed by a Founder Member organisation, the organisation concerned makes the appointment in accordance with its own internal processes.

When a vacancy arises for an independent director, the Board considers any gaps in its current expertise and experience and in the various constituencies represented. It also has concern for its gender and ethnic balance. It then identifies a person or persons who could fill some of those gaps. An invitation is issued. Training of new directors includes the provision of a comprehensive induction pack. The Board encourages and supports directors who wish to pursue opportunities that will help them fulfil their responsibilities as trustees.

A new protocol has been developed to cover the appointment and re-appointment for all members

of the Board.

***Changes to the trustee body***

During the year we appointed two new members of the Board. Bishop Theophilus Akano to develop our work and relationship with the black led churches. Also, the Rev. Jenny Mills representing the URC following the resignation of the Rev. Fiona Thomas.

***Trustee induction and training***

Induction is tailored for new Trustees due to the very different needs of Independent and Foundation Trustees.

***Organisation***

The Board of Trustees administers the charity. The Board meets on at least four occasions each year. Responsibility for governance remains with the Board of Directors and its Finance and Monitoring committee, which meets quarterly and includes an internal audit function to check on not only financial and ethical matters, but also policies relating to equal opportunities, child protection and staff terms and conditions. There is a separate Health and Safety committee which focuses on compliance and care of staff.

Responsibility for day to day management is entrusted to the Operations committee, led by the President (a full time salaried officer). The committee includes the Principals of the three Colleges that participate in the Trust's educational activity and provide most of its teaching staff. Operations focuses on implementation, co-ordination, staff management, staff development and deployment of resources.

There are two academic committees to manage the BA, MA and Research programmes, chaired by a member of the academic staff, and attended by the staff who teach on the programmes, student representatives and representatives of the University of Manchester and the University of Durham and Common Awards as appropriate.

***Related parties and cooperation with other organisations***

The trustees do not receive remuneration in relation to their role on the board, however the Board includes members who are employed by member organisations and who are members of the teaching team delivering educational services for the Charity. This aspect of their work is remunerated.

A new company, Luther King House Conference and Accommodation Services Limited, was set up on 27 July 2009. This company is a wholly controlled subsidiary of the Trust. Its purpose is to carry on the conference and accommodation business at Luther King House and it operates under a licence granted by the Trust. It began trading on 1 September 2009. The directors of the main Trust are also directors of the subsidiary.

The directors' report and the accompanying financial statements concern the combined results of the Group for the year to 31 August 2020. Balance sheets for the Group and for the Charity are shown on page 17.

***Charity Governance***

In July 2018 the Board agreed to adopt the 'Charity Governance Code' with additional principles relating to Higher Education. Whilst this had been discussed in the past and generally reflected current

practice, the Board recognised that it would be appropriate to formally adopt the code and put in place procedures for its implementation and regular monitoring. This latter activity would be achieved by an annual review in the Autumn at the same time as all other policies were reviewed. The Board agreed the following affirmations relating to its academic staff:

- That LKC affirms that its academic staff have freedom within the law:
  to question and test received wisdom; and
  to put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing the jobs or privileges they may have at LKC.
- That LKC affirms its commitment freedom of speech and the encouragement of debate of all kinds as long as this takes place within the law and will take such steps as may be necessary to secure such freedom.

***Pay policy for senior staff***

Staff pay is agreed by the Board on recommendation of the Finance Committee. Remuneration for senior staff is based on role, experience and performance. It is reviewed annually and normally increased in accordance with average earnings.

***Risk Management***

The directors maintain a register of the major risks which the Trust faces, and they review this register regularly. Each risk is assessed for its severity and its likelihood and for the effectiveness of the steps taken to manage the risk. The Register is regularly reviewed by the Finance and Monitoring Committee and risk management is now a standing item on the agenda of the LKHET Board meetings. In reviewing the Register, the directors considered the most serious risks facing the Trust, and the actions taken to mitigate them are:

- Failure to maintain income to sustain core activities
  Annual budgets are prepared by key management personnel and comparisons to actual are carefully monitored throughout the year. Since the pandemic cash flow is monitored on a daily basis and 3-year forecasts are now part of the annual budgeting process. There are regular reviews of strategic policies.

- Lack of student numbers
  Student recruitment is monitored closely, and publicity and marketing initiatives are carried out. The Trust ensures that academic programmes are meeting the requirements of the respective Colleges and denominations.

- Change in or termination of validation arrangements
  The Trust maintains strong institutional links and ensures that high quality programmes are maintained. The arrangements that are in place are reviewed on a regular basis.

- Failure to adequately maintain and improve the property
  Regular maintenance and improvement work are budgeted for and carried out. The property is regularly inspected, and necessary work is carefully prioritised.

**Trustees' responsibilities in relation to the financial statements**

The directors are responsible for preparing the Directors' 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 directors 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 group of the incoming resources and application of resources including the income and expenditure, of the group for that

period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK 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 and group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**Statement as to disclosure to our auditors**

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Small company provisions**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the trustees

Charles Nevin
Director

6th January 2022

## Opinion

We have audited the consolidated financial statements of Luther King House Educational Trust for the year ended 31 August 2021 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheet, Consolidated Cash Flow Statement and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and charitable company's affairs as at 31 August 2021 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.

## 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 group 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 director's 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 the charitable company'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 directors with respect to going concern are described in the relevant sections of this report.

## Other information

The trustees are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the 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.

**Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the trustees' report for the financial year for which the consolidated 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 group and the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in trustees' report.

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

- adequate accounting records have not been kept by the charitable company, 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 exemption 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 set out on page 14, 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.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, Charities Act 2011 and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and completeness of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing from student record documentation and sample testing of accommodation records to the consolidated financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

**Use of our report**

This report is made solely to the group and 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 group and 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 group and charitable company and the group and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vicky Szulist

Vicky Szulist
Senior Statutory Auditor
For and on behalf of
**Crowe U.K. LLP**
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

11th February 2022

## LUTHER KING HOUSE EDUCATIONAL TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure account)

## YEAR ENDED 31 AUGUST 2021

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2021 £ | Total Funds 2020 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* Academic and housing activities | 3 | 497,643 | - | 497,643 | 512,917 |
| *Income from other trading activities:* Commercial trading operations | 4 | 208,686 | - | 208,686 | 493,110 |
| Investment income | 5 | - | - | - | 1 |
| **Total income** | | **706,329** | **-** | **706,329** | **1,006,028** |
| **Expenditure** | | | | | |
| *Costs of raising funds* Commercial trading operations | | 212,596 | - | 212,596 | 345,441 |
| *Expenditure on charitable activities:* Academic and housing activities | 6 | 520,086 | 137,886 | 657,972 | 844,638 |
| **Total expenditure** | | **732,682** | **137,886** | **870,568** | **1,190,079** |
| **Net income/(expenditure) before tax and net movement in funds for the year** | 9 | **(26,353)** | **(137,886)** | **(164,239)** | **(184,051)** |
| Tax expense | 11 | 5,852 | - | 5,852 | - |
| **Net income/(expenditure)** | | **(20,501)** | **(137,886)** | **(158,387)** | (184,051) |
| **Reconciliation of funds** Total funds brought forward | | 99,353 | 837,886 | 937,239 | 1,121,290 |
| **Total funds carried forward** | | **78,852** | **700,000** | 778,852 | **937,239** |

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.

## LUTHER KING HOUSE EDUCATIONAL TRUST

## GROUP AND CHARITY BALANCE SHEETS
**Company No: 04065581**

## YEAR ENDED 31 AUGUST 2021

| | | Group | | Charity | |
|---|---|---|---|---|---|
| | Note | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| **Non-current assets** | | | | | |
| Deferred Tax asset | 11 | 5,852 | - | - | - |
| Tangible assets | 12 | 1,340,432 | 1,398,185 | 1,340,432 | 1,398,185 |
| **Total Non-current Assets** | | **1,346,284** | **1,398,185** | **1,340,432** | **1,398,185** |
| **Current assets** | | | | | |
| Stock | 13 | 1,302 | 2,619 | - | - |
| Debtors | 14 | 72,494 | 28,694 | 66,102 | 68,342 |
| Cash at bank and in hand | | 161,745 | 101,990 | 136,311 | 58,654 |
| **Total Current Assets** | | **235,541** | **133,303** | **202,413** | **126,966** |
| **Liabilities** | | | | | |
| Creditors falling due within one year | 15 | (225,473) | (128,000) | (169,306) | (122,063) |
| **Net Current assets** | | **10,067** | **5,303** | **33,106** | **4,933** |
| **Total assets less current liabilities** | | 1,356,352 | 1,403,489 | 1,373,538 | 1,403,118 |
| Creditors falling due after more than 1 year | 16 | (577,500) | (466,250) | (577,500) | (466,250) |
| **Net assets** | | **778,852** | **937,239** | **796,038** | **936,868** |
| **The funds of the charity:** | | | | | |
| Unrestricted income funds | 19 | 78,852 | 99,353 | -41,848 | 98,982 |
| Restricted income funds | 19 | 700,000 | 837,886 | 837,886 | 837,886 |
| **Total charity funds** | | **778,852** | **937,239** | **796,038** | **936,868** |

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.
The company has not delivered a copy of the profit and loss account to Companies House.
Signed

**Charles John Nevin**
Trustee

**Rosalind May Selby**
Trustee

Approved by the trustees on 6 January 2022
The notes at pages 23 to 37 form part of these accounts.

## LUTHER KING HOUSE EDUCATIONAL TRUST

## CASH FLOW STATEMENT

## YEAR ENDED 31 AUGUST 2021

| | Note | Group 2021 £ | 2020 £ |
|---|---|---|---|
| **Cash used in operating activities** | **23** | **(43,360)** | **(118,665)** |
| **Cash flows from investing activities** | | | |
| Interest income | | - | 1 |
| Purchase of tangible fixed assets | | - | (9,649) |
| **Cash provided by (used in) investing activities** | | **-** | **(9,648)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowing | | - | (18,750) |
| Interest paid | | 3,115 | (15,749) |
| Loan taken out in the year | | 100,000 | - |
| **Cash used in financing activities** | | **103,115** | **(34,499)** |
| Increase (decrease) in cash and cash Equivalents in the year | | **59,755** | **(162,812)** |
| Cash and cash equivalents at the beginning of the year | | 101,990 | 264,803 |
| **Total cash and cash equivalents at the end of the year** | | **161,745** | **101,990** |

The charity has taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cash flow statement with the consolidated accounts.

The notes at pages 23 to 37 form part of these accounts.

**Notes on the accounts**

## 1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

Luther King House Educational Trust is a private company limited by guarantee, incorporated and registered as a charitable company in England (Registered No. 1082375 (Company) & 04065581 (Charity)). Its registered office is listed on the reference and administration page.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

b) Preparation of the accounts on a going concern basis

The Finance committee, on behalf of the Board, considered the work performed by the management in assessing the Trust's ability to continue as a going concern, particularly around its consideration of the impact of COVID-19 and the steps taken to protect the Trust's liquidity. The committee reviewed the worst-case scenario and, combined with the letters of support from the two College stakeholders, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern, as referred to in Trustees' report.

c) Group financial statements

The financial statements consolidate the results of the charity and its wholly owned trading subsidiary company, Luther King House Conference and Accommodation Services Limited. A separate statement of financial activities incorporating an income and expenditure account for the charity itself is not presented because advantage has been taken of the exemptions under the Companies Act 2006.

d) Income and expenditure

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

Most course fees are invoiced at the beginning of each academic year and are receivable then.

College block charges are agreed in advance each year with the colleges. The total charges for the financial year are invoiced in September and received in instalments through the year.

Other income is recognised on a receivable basis.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

**Allocation of expenditure**

Governance costs are those incurred in connection with public accountability and the strategic planning process of the Trust. Governance costs represent the time spent by employees on these matters.

e) 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.

f) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objects of the Trust and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Trust for particular purposes. The cost of realising and administering all funds are charged against the general fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

g) VAT

Irrecoverable VAT is written off in the year except for where it relates to capital items, in which case it is added to the cost of additions affixed assets

h) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.

i) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|---|
| Office and computer equipment | 33% straight line |
| Furniture, fixtures and fittings | 20% straight line |
| Building improvements | 5% straight line |
| Library development | 2% straight line |

As the residual value of land and long leasehold buildings is believed to be at least the carrying value of the asset no depreciation is provided.

j) Stock

Stocks consist of purchased goods for resale. Stocks are valued at the lower cost and net realisable value

k) Debtors

Trade debtors are recognised at the settlement amount after any trade discounts offered.

Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

Cash at bank and 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.

m) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

n) Financial instruments

The Charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activity.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.
Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of financial activities.

p) Capitalisation Policy

The company prepares the financial statements in accordance with the concept of materiality. Therefore, the company will capitalise costs that are greater than the following limits: individually have a cost of more than £1,000, or collectively have a cost of least £1,000 where the assets are functionally interdependent, have simultaneous purchase dates and are anticipated to have simultaneous disposal dates, and are under single managerial control.

**Judgements in applying accounting policies and key sources of estimation uncertainty**

The charity makes estimates and assumptions concerning the future. The Finance Committee reviewed the worst-case scenario and, combined with the College letters of financial support, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern and as such the disclosures in this area are appropriate. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment and note 1i for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors.
When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

## 2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.
The entity is a private charitable company, Charity number 1082375. The registered office is Luther King House, Brighton Grove, Rusholme, Manchester M14 5JP.

## 3. Incoming resources from charitable activities

| | 2021 | 2020 |
|---|---|---|
| **House income** | £ | £ |
| Rent | 16,119 | 19,269 |
| Sundry income | 135,889 | 103,776 |
| | 152,008 | 123,045 |
| **Academic activities** | | |
| College fees | 248,433 | 278,906 |
| College block charges | 72,000 | 72,000 |
| Sundry income | 25,201 | 38,966 |
| | 345,634 | 389,872 |
| Total | 497,643 | 512,917 |

## 4 Trading operations and investment in trading company

The consolidated statement of financial activities includes the results of the Charity's wholly controlled subsidiary. The Charity is the sole member of Luther King House Conference and Accommodation Services Ltd, (company number 6973866), a supplier of bed and breakfast and conference facilities. It pays almost all of its profits to the charity by gift aid.
Summaries of the trading result and balance sheet are as follows:

**Trading result for the year ended 31 August 2021**

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Turnover | 208,686 | 493,110 |
| Investment income | - | 1 |
| Cost of sales and administrative expenses Including internal rent of £180,000 | (232,096) | (450,441) |
| Profit (Loss) before tax | (23,410) | 42,670 |
| Tax expense | 5,852 | - |
| Profit (loss) for the year | (17,558) | 42,670 |
| Amount gifted to the Charity | - | (42,670) |
| Retained in the subsidiary | (17,558) | - |
| **Balance Sheet at 31 August 2021** | | |
| Non-Current assets | 5,852 | - |
| Current assets | 33,128 | 48,977 |
| Creditors (amounts falling due within one year) | (56,167) | (48,606) |
| Total net assets (liabilities) | (17,187) | 371 |
| Aggregate reserves | (17,187) | 371 |

| 5 Investment income | Unrestricted Funds | Total funds 2021 | Total funds 2020 |
|---|---|---|---|
| | £ | £ | £ |
| Bank interest receivable | - | - | 1 |

## 6 Analysis of expenditure of charitable activities

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Academic and house activities** | | |
| Staff costs | 346,147 | 383,266 |
| Teaching fees | 8,559 | 11,865 |
| University registration | 31,797 | 37,800 |
| Bursaries | 1,265 | 2,650 |
| Books and periodicals | 5,171 | 17,482 |
| Bad debts | (1,598) | 7,805 |
| Rates and water | 30,395 | 44,453 |
| Light and heat | 43,167 | 39,984 |
| Cleaning | - | 4,837 |
| Insurance | 7,950 | 9,264 |
| Repairs and maintenance | 6,739 | 21,182 |
| Telephone | 1,109 | 1,157 |
| Office supplies and postage | 9,949 | 10,675 |
| Photocopying rental | 1,033 | 1,520 |
| Photocopying charges | 492 | 824 |
| Travel | 638 | 638 |
| Meetings & sundry xps | 29,758 | 81,429 |
| Depreciation of fixed assets | 57,754 | 66,182 |
| Support costs (see note 7) | 67,789 | 88,884 |
| Governance costs (see note 8) | 9,858 | 12,740 |
| **Total academic and house activities costs** | **657,972** | **844,638** |

## 7. Support costs

| | Unrestricted funds | Total funds 2021 | Total funds 2020 |
|---|---|---|---|
| | £ | £ | £ |
| Loan interest | (3,115) | (3,115) | 15,749 |
| Bank charges | 787 | 787 | 1,005 |
| Irrecoverable VAT | 15,418 | 15,418 | 17,042 |
| President employment costs | 53,935 | 53,935 | 53,951 |
| Finance general costs | 765 | 765 | 1,137 |
| **Total** | **67,789** | **67,789** | **88,884** |

## 8. Governance costs

| | Unrestricted funds | Total funds 2021 | Total funds 2020 |
|---|---|---|---|
| | £ | £ | £ |
| Audit fees | 7,000 | 7,000 | 7,000 |
| Professional fees | 1,395 | 1,395 | 1,800 |
| Trust meetings and expenses | 1,463 | 1,463 | 3,940 |
| **Total** | **9,858** | **9,858** | **12,740** |

## 9. Net income/(expenditure) for the year

| This is stated after charging | 2021 £ | 2020 £ |
|---|---|---|
| Operating lease – photocopier | 1,032 | 1,520 |
| Staff pension contributions | 56,066 | 61,046 |
| Depreciation | 57,754 | 66,182 |
| Auditor's fees | 7,000 | 7,000 |
| **Total** | **121,852** | **135,748** |

## 10. Staff costs and emoluments

| | 2021 £ | 2020 £ |
|---|---|---|
| Total staff costs were as follows | | |
| Wages and salaries | 449,028 | 536,501 |
| Social security costs | 34,008 | 39,290 |
| Other pension costs | 56,066 | 61,046 |
| | 539,102 | 636,837 |

None of the Trust's employees received remuneration in excess of £60,000 in the year (2020: £nil).

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The key management personnel of the parent charity, the Trust, comprise the Trustees, the President, Academic Registrar, Librarian, Finance Manager and Open College Principal. The total employee benefits of the key management personnel of the Trust were £192,735 (2020: £192,735). The employee benefits of the President were salary £44,548 and pension contributions £4,455, totalling £49,003.

The key management personnel of the group comprise those of the Trust and the key management personnel of its wholly owned subsidiary Luther King House Conference and Accommodation Services Ltd. The key management personnel of LKHCAS Ltd is the Operations Manager whose employee benefits total £ 48,161 (2020: £48,161). The employee benefits of key management personnel for the group was therefore £240,896 (2020: £240,896).

Directors received no remuneration (2020:nil) and were reimbursed expenses as follows:

| | 2021 £ | 2020 £ |
|---|---|---|
| Reimbursement of expenses | | |
| Keith Jones (travel expenses) | nil | 170 |

**Particulars of employees:**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Academic No. | Admin/House No. | Academic No. | Admin/House No. |
| Full time equivalent | 6 | 13 | 6 | 18 |
| Average | 6 | 15 | 6 | 28 |

Most of the teaching on the Trust's various courses is provided by employees of other bodies.

## 11. Taxation

Deferred tax assets in relation to continuing operations have been recognised in respect of the following item because it is probable that future taxable profits will be available which the Company can utilise.
The provision for deferred taxation, which arose in the year, is made up as follows:

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Timing differences in respect of the year: | (5,852) | - |

In the current year the trading subsidiary made a profit (loss) before tax of £(23,410) (2020: £42,670)

## 12. Tangible fixed assets

| Group and charity | Office and Computer Equipment £ | Fixtures Fittings Plant & Equipment £ | Building Improvements £ | Land and Long Leasehold Property £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2020 | 169,452 | 297,846 | 1,312,393 | 700,000 | 2,479,691 |
| Additions | - | - | - | - | - |
| Disposals | (4,712) | (6,516) | - | - | (11,228) |
| At 31 August 2021 | 164,740 | 291,330 | 1,312,393 | 700,000 | 2,468,463 |
| **Depreciation** | | | | | |
| At 1 September 2020 | 156,048 | 262,979 | 662,480 | - | 1,081,507 |
| Charge for the year | 7,354 | 15,822 | 34,576 | - | 57,752 |
| On disposals | (4,712) | (6,516) | - | - | (11,228) |
| At 31 August 2021 | 158,690 | 272,285 | 697,056 | - | 1,128,031 |
| **Net Book Value** | | | | | |
| At 31 August 2021 | 6,050 | 19,045 | 615,337 | 700,000 | 1,340,432 |
| At 31 August 2020 | 13,404 | 34,870 | 649,913 | 700,000 | 1,398,185 |

## 13. Stock

| | Group | | Charity | |
|---|---|---|---|---|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| Stock | 1,302 | 2,619 | - | - |

## 14. Debtors

| | Group | | Charity | |
|---|---|---|---|---|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| Trade Debtors | 42,210 | 3,627 | 1,878 | 3,627 |
| Amounts owed by subsidiary | - | - | 38,761 | 42,670 |
| Prepayments | 30,284 | 25,067 | 25,463 | 22,045 |
| | 72,494 | 28,694 | 66,102 | 68,342 |

Of the group trade debtors £ nil (2020: £nil) was due in over a year.

## 15. Creditors: Amounts falling due within a year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| Trade Creditors | 62,708 | 19,943 | 18,431 | 18,537 |
| PAYE & social security | 8,812 | 8,840 | 8,812 | 8,840 |
| VAT | 15,161 | 26,641 | 15,161 | 26,641 |
| Other creditors | 18,977 | 18,707 | 17,578 | 17,676 |
| Accruals and deferred Income | 119,816 | 42,619 | 109,325 | 39,119 |
| College loans | - | 11,250 | - | 11,250 |
| | 225,473 | 128,000 | 169,306 | 122,063 |

## 16. Creditors: Amounts falling due after more than one year

| | Group | | Charity | |
|---|---|---|---|---|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| College loans (i) | 410,000 | 410,000 | 410,000 | 410,000 |
| College loans (ii) | 67,500 | 56,250 | 67,500 | 56,250 |
| College loans (iii) | 100,000 | - | 100,000 | - |
| Accruals and deferred Income | - | - | - | - |
| | 577,500 | 466,250 | 577,500 | 466,250 |

College loans (i)
Included in creditors falling due after more than one year are loans of:
£60,000 (2020: £60,000) and £230,000 (2020: £230,000) from Northern Baptist College. This organisation is a founder member of the Trust. The loans are repayable when the Trust has funds available, or on the dissolution of the Trust. Interest is payable at 1% below base rate on the £60,000 loan. An agreement was reached during the year to reduce the interest rate for the £230,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £230,000 loan.

£70,000 (2020: £70,000) and £67,500 (2020: £56,250) from Northern College. This organisation is a founder member of the Trust. The £70,000 loan is repayable when the Trust has funds available or on the dissolution of the Trust. An agreement was reached during the year to reduce the interest rate for the £70,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £70,000 loan.

£50,000 (2020: £50,000) from Unitarian College. This organisation is a member of the Trust. The loan is repayable when the Trust has funds available or on the dissolution of the Trust. Interest is payable at 1% above base rate. It was previously the daily rate set by the Charities Aid Foundation for its COIF units, collared at 4%.
Total interest paid was £918 (2020: £668).

The Charity Commission has confirmed that it will be willing to authorise these loans to be repaid out of the proceeds of sale of Luther King House property if such a sale ever takes place and if the loans remain outstanding when it does.

College loans (ii)
Included in creditors falling due after more than one year is a loan of:
£67,500 (2020: £56,250) from Northern College. The outstanding loan was repayable by 2023 but a deferral to 2026 was agreed in order to assist cash flow during the Covid-19 crisis. Interest is payable at 2.5%. The original £60,000 loan was taken to convert offices into bedrooms. A further loan of £90,000 was taken to convert additional offices to bedrooms. The loans will be repaid as follows:

2023: 11,250 2024: £22,500 2025: £22,500 2026: £11,250

College loans (iii)
Included in creditors falling due after more than one year are loans that were granted during the year as emergency relief to a cashflow crisis at the height of the pandemic.

£75,000 (2020:£nil) from Northern College. Interest is payable at 1% over base rate.

Total interest paid to Northern College was £1,631 (2020:£2,006)

£25,000 (2020:£nil) from Northern Baptist College. Interest is payable at 1% over base rate

Total interest paid to Northern Baptist College was £4,337 (2020:£3,075)

The College loans could be deemed concessionary loans

## 17. Pensions

At the year end the outstanding pension commitment was £4,132 (2020: £4,655)

## 18. Commitments under operating leases

At 31 August 2021 the company had minimum lease payments of £nil.

| | Assets other than land And buildings 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Operating leases which will be paid: | | |
| < 1 year | - | 740 |

## 19. Analysis of charitable funds

**Analysis of movement in unrestricted funds**

| | Balance 1 September 2020 | Incoming resources | Resources expended | Transfers | Funds 31 August 2021 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| General fund | 99,353 | 706,329 | (726,830) | - | 78,852 |
| **Total** | **99,353** | **706,329** | **(726,830)** | **-** | **78,852** |

(Prior Year)

| | Balance 1 September 2019 | Incoming resources | Resources expended | Transfers | Funds 31 August 2020 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| General fund | 231,086 | 1,006,026 | (1,176,136) | 38,375 | 99,353 |
| Designated bedroom improvement fund | 38,375 | - | - | (38,375) | - |
| Total | 269,461 | 1,006,026 | (1,176,136) | - | 99,353 |

| Name of unrestricted fund | Description, nature and purpose of the fund |
|---|---|
| General fund | The 'free reserves' after allowing for designated funds. |
| Designated fund | Designated fund for the continuing refurbishment of bedroom stock and marketing. |

**Analysis of movement in restricted fund**

| | Balance 1 September 2020 | Incoming resources | Resources expended | Transfers | Funds 31 August 2021 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| Property improvement | 137,886 | (137,886) | - | - | - |
| **Total** | **837,886** | **(137,886)** | **-** | **-** | **700,000** |

(Prior Year)

| | Balance 1 September 2019 | Incoming resources | Resources expended | Transfers | Funds 31 August 2020 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Property | 700,000 | - | - | - | 700,000 |
| Property improvement | 151,829 | (13,943) | - | - | 137,886 |
| Total | 851,829 | (13,943) | - | - | 837,886 |

Restricted funds represent the value of assets acquired with money given for this specific purpose including the original gift of land and buildings to the Trust.
In 2008, substantial improvements were made to the buildings. The value of these have been reduced each year by depreciation. However, the Board decided to allocate the remaining balance on the improvements from restricted to unrestricted reserves during the current year.

**20. Analysis of group net assets between funds**

| | General Fund | Designated Fund | Restricted Fund | Total 2021 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 640,432 | - | 700,000 | 1,340,432 |
| Other non-current assets | 5,852 | - | - | 5,852 |
| Cash at bank and in hand | 161,745 | - | - | 161,745 |
| Other net current assets/(liabilities) | (151,677) | - | - | (151,677) |
| Creditors of more than one year | (577,500) | - | - | (577,500) |
| | **78,852** | **-** | **700,000** | **778,852** |

| (Prior Year) | General Fund | Designated Fund | Restricted Fund | Total 2020 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Tangible fixed assets | 560,299 | - | 837,886 | 1,398,185 |
| Cash at bank and in hand | 101,990 | - | - | 101,990 |
| Other net current assets/(liabilities) | (96,686) | | - | (96,686) |
| Creditors of more than one year | (466,250) | | - | (466,250) |
| | 99,353 | - | 837,886 | 937,239 |

## 21. Related party transactions

Transactions between the parent and the wholly controlled trading subsidiary have not been disclosed due to the fact that the subsidiary is wholly owned. Advantage has been taken of the available exemption under Section 33 of FRS 102.

Luther King House Conference & Accommodation Services Ltd is exempt from audit by virtue of s477 of the Companies Act.

The three Colleges below are member bodies of the Trust, and have rights and responsibilities as set out in the Memorandum of Association.

The Trust made sales of £101,885 (2020: £79,875) to Northern Baptist College and at year end was owed £143 (2020: nil) by the College. Total interest paid on loans was £4,337 (2020: £9,225).

The Trust made sales of £171,763 (2020: £116,408) to Northern College and at year end was owed £nil (2020:£nil) by the College. Total interest paid on loans was £1,631 (2020: £4,519).

The Trust made sales of £nil (2020: nil) to Unitarian College and at year end was owed £nil (2020: £nil) by the College. Total interest paid on a loan was £918 (2020: £668).

## 22. Financial Instruments

| **Financial assets that are measured at amortised cost:** | **2021** | **2020** |
|---|---|---|
| | **£** | **£** |
| Trade debtors | 47,280 | 13,157 |
| Cash | 161,745 | 101,990 |
| | **209,025** | **115,147** |

| **Financial liabilities that are measured at amortised cost:** | **2021** | **2020** |
|---|---|---|
| | **£** | **£** |
| Trade creditors | 62,708 | 19,943 |
| Other payables | 49,130 | 57,236 |
| Loans | 577,500 | 477,500 |
| | **689,338** | **554,679** |

## 23. Reconciliation of net (outgoing)/incoming resources to net cash outflow from operating activities

| | **2021** | **2020** |
|---|---|---|
| | **£** | **£** |
| Net incoming/(outgoing) resources | (164,240) | (184,051) |
| Depreciation | 57,754 | 66,182 |
| Investment income | - | -1 |
| Interest payable | (3,115) | 15,749 |
| Decrease in stock | 1,316 | 1,488 |
| Decrease/(Increase) in debtors | (43,800) | 18,329 |
| (Decrease)/Increase in creditors | 108,725 | (36,361) |
| Net cash outflow from operating activities | (43,360) | (118,665) |

**Reconciliation of net cash flow to movement in net debt**

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Increase/(Decrease) in cash in the year | 59,755 | (162,813) |
| Cash outflow from other loans | (100,000) | 18,750 |
| Change in net debt resulting from cash flows | (40,245) | (144,063) |
| Movement in net debt in the period | (40,245) | (144,063) |
| Net debt brought forward | (375,510) | (231,447) |
| Net debt carried forward | (415,755) | (375,510) |

## 24. Analysis of reconciliation of net debt

| | Brought Forward | Cash flow | Carried Forward |
|---|---|---|---|
| | £ | £ | £ |
| Net cash | | | |
| Cash at bank and in hand | 101,990 | 59,755 | 161,745 |
| Debt due after 1 year | (477,500) | (100,000) | (577,500) |
| Debt due within 1 year | - | - | - |
| | (477,500) | (100,000) | (577,500) |
| Net debt | (375,510) | (40,245) | (415,755) |

## 25. Prior Year Consolidated Statement of Financial Activities

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2020 £ | Total Funds 2019 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| *Income from charitable activities:* | | | | | |
| Academic and housing activities | 3 | 512,917 | - | 512,917 | 442,586 |
| *Income from other trading activities:* | | | | | |
| Commercial trading operations | 4 | 493,110 | - | 493,110 | 895,398 |
| Investment income | 5 | 1 | - | 1 | - |
| **Total income** | | **1006,028** | **-** | **1,006,028** | **1,337,984** |
| **Expenditure** | | | | | |
| *Costs of raising funds* | | | | | |
| Commercial trading operations | | 345,441 | - | 345,441 | 600,445 |
| *Expenditure on charitable activities*: | | | | | |
| Academic and housing activities | 6 | 830,695 | 13,943 | 844,638 | 740,859 |
| **Total expenditure** | | **1,176,136** | **13,943** | **1,190,079** | **1,341,304** |
| **Net income/(expenditure) and net movement in funds for the year** | 9 | **(170,108)** | **(13,943)** | **(184,051)** | **(3,320)** |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 269,461 | 851,829 | 1,121,290 | 1,124,610 |
| **Total funds carried forward** | | **99,353** | 837,886 | **937,239** | 1,121,290 |