

Company Registration Number: 04566484
Registration Charity Number: 1105174

THE CREATIVE FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

Period ended 31 March 2018

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THE CREATIVE FOUNDATION

Strategic Report

For the period ended 31 March 2018

The Trustees, (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited consolidated financial statements of The Creative Foundation for the period ended 31 March 2018. To align with funders and partners, the end of the financial year has been moved from 31 October and therefore this report represents an extended period of 17 months from 1 November 2016 to 31 March 2018.

The Trustees confirm that the Annual Report and financial statements of the charity comply with the current statutory requirements, the requirements of the charity's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". As the Creative Foundation is a company limited by guarantee, the report and statements also comply with the Companies Act 2006.

Pages 1 to 4 comprise the Strategic Report as required by company law, as well as providing the information required by SORP for the Trustees' Annual Report.

Reference and administrative details

Registered company number	04566484 (England and Wales)
Registered charity number	1105174 (England and Wales)
Registered office	Quarterhouse Mill Bay, Folkestone Kent CT20 1BN
Trustees	Sir Roger M De Haan (Chair) Lady Alison De Haan Dr Stephen Deuchar CBE Rachel Higham Paul D Hudson Andrew T Ironside Timothy D Llewellyn OBE Trevor J Minter OBE DL The Earl of Radnor Indhu Rubasingham MBE - resigned March 2018 Alastair D Upton Grahame W G Ward
Chief Executive	Alastair D Upton
Company Secretary	Angela C Ludlow
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
Solicitors	Withers LLP 16 Old Bailey, London EC4M 7EG
Bankers	NatWest Bank Folkestone Branch, Europa House 49 Sandgate Road Folkestone Kent CT20 1RU
Website	www.creativefoundation.org.uk

THE CREATIVE FOUNDATION

Strategic Report

For the period ended 31 March 2018

Objectives and activities

Established in 2002, The Creative Foundation is an independent arts charity dedicated to producing and enabling the very best creative activity that will transform Folkestone and the surrounding area of Kent. Working with the people of Folkestone, our partners and other stakeholders, we will make the town a better place to live, work, play, study and visit.

The Charity's objects as set out in the governing document are "The fostering of knowledge and appreciation of art, music and literature; the relief of poverty by assisting individuals who are in need, in particular by assisting artists to become self-supporting through their art; the provision of facilities in the interests of social welfare for the inhabitants of Folkestone and the surrounding district; the promotion of regeneration in areas of social and economic deprivation."

The Creative Foundation believes that everyone is creative, and that creativity has the power to change people and places for the better. With this passion for creativity at its heart, the Foundation will enable people's creativity to flourish, enriching the town and those who live in or visit it and transforming Folkestone's reputation.

At the core of our organisation is a love of creativity. All our Board and staff are committed to enabling the very best work to be created. We will always appoint skilled and ambitious curators and programmers who are empathetic to art, artists, place and community. Creativity continues to drive and to guide the organisation:

- Goal 1: Creatively engage the people of Folkestone
- Goal 2: Creatively transform the look of Folkestone
- Goal 3: Creatively change the economy of Folkestone
- Goal 4: Change the reputation of Folkestone as a creative town
- Goal 5: Create a sustainable Creative Foundation

A principal focus for the Charity in achieving these goals is the development of the Creative Quarter in the historic old town area of Folkestone, through a process of property acquisition, refurbishment and letting. The Charity benefits from a collaboration with the Roger De Haan Charitable Trust (RDHCT), which shares many of the Charity's goals. Typically, RDHCT funds the acquisition and refurbishment costs of properties and then leases them to the Charity on a long term basis at a peppercorn rent. Having overseen the requisite refurbishment works, the Charity proceeds to let the refurbished property at affordable rates to artists, education providers and a wide range of creative organisations.

The Creative Foundation has a remarkable record of success having already transformed the most run down part of Folkestone. Around ninety buildings have been restored in the Creative Quarter and the area is populated by artists and creative industries and is home to education study and research. Quarterhouse, our performance venue, delivers a full programme of music, theatre, dance and comedy. The area has been animated by the annual Folkestone Book Festival and four internationally acclaimed visual art Folkestone Triennials. Folkestone Artworks, an exhibition of works commissioned by the Charity on display in public spaces around the town, continues to grow and develop Folkestone's reputation as a unique destination for those who enjoy contemporary art.

The Charity continues to work with a wide range of public and private sector organisations on a number of strategically important initiatives which are having a profound regenerative impact on the community. The creative transformation of Folkestone is being achieved through the five core projects developed and managed by the Creative Foundation: the Creative Quarter, Quarterhouse, Folkestone Book Festival, Folkestone Triennial and Folkestone Artworks, all underpinned by the Learning and Engagement programme and the digital programme, Creative Folkestone Digital.

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Strategic Report

For the period ended 31 March 2018

Public benefit

The Charity's Trustees have complied with their duties under the Charities Act 2011 to have due regard to public benefit guidance (PB1, PB2 and PB3) published by the Charity Commission. They are aware of the public benefit requirement, its implications for charities and their duty to report how they have carried out the charity's purposes for the public benefit and take the public benefit guidance into account when making decisions.

The Charity's particular public benefit activities are included under Achievements and Performance. Our activities, and particularly our Learning and Engagement work and co-produced festivals, are deeply embedding the Creative Foundation in the local community. The Triennial and many other activities are free of charge to the public.

The Charity continues to contribute to the overall social and economic regeneration of deprived areas in Folkestone through the advancement of the arts, culture, heritage and education and the establishment of a community of over 500 creative individuals and businesses.

Structure, governance and management

The Charity is a company limited by guarantee with no share capital, and a registered charity. The Charity's memorandum and articles of association are the primary governing documents of the Charity.

The Creative Foundation has a supportive Board of highly skilled and committed Trustees. The Trustees of the Charity during the year were those set out on page 1. Trustees are also members of the Charity. The Trustees have complied with the duties described under the Charities Act 2011, and with proper regard to the guidance published by the Charity Commission.

The Creative Foundation Board provides the statutory governance and also governance over artistic vision and quality. The Board is supported by four Sub Committees who oversee Management, Visual Arts, Performing Arts and Creative Quarter Regeneration, and report back their recommendations to the main Board.

For new Trustees who are appointed by the Board an induction process is carried out whereby the proposed Trustee is given a copy of the constitution, audited accounts and copies of trustee meeting minutes, together with the Charity Commission's published guidelines for charity trustees. The new Trustee is also given a detailed tour of the Creative Quarter and an introduction to all the projects being undertaken by the Charity.

Although there is no formal training policy in place, the Trustees are encouraged to participate in training programmes either through their principal employer or through participation in ad hoc training courses.

The Charity maintains insurance policies on behalf of all the Trustees against liability arising from negligence, breach of duty and breach of trust in relation to the charitable company based on the indemnity limited of £1,000,000. The total premium paid during the 15 month period in relation to this policy is £543.

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Strategic Report For the period ended 31 March 2018

Key management personnel and pay policy

The Charity considers its key management personnel to be its Board of Trustees and the Chief Executive. The remuneration is set annually in accordance with the pay policy, with any changes taking effect from the 1st April each year. The Chief Executive is the only paid member of that team. The pay policy for the Chief Executive is the same as for other staff.

This Strategic Report was approved by the Board of Trustees on 29th November 2018 and signed on their behalf by:

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by several vertical strokes.

Sir Roger M De Haan – Chair of Trustees

THE CREATIVE FOUNDATION

Report of Trustees

For the period ended 31 March 2018

Achievements and performance

Creative Foundation overview

The realignment of our financial year gives an extended period of 17 months on which to report, from November 2016 to March 2018, a period which has seen continued progress for the well-established Creative Foundation team.

The continued solid financial performance in all areas resulted in a surplus of £1,527,124.

During the year, the Creative Foundation successfully applied for Arts Council England (ACE) National Portfolio Organisation (NPO) status, which took effect from 1st April 2018. We are grateful for the commitment of future support from both Kent County Council and Folkestone and Hythe District Council which helped us achieve a successful outcome. NPO status required a detailed business plan which looked ahead to 2022, continuing the focus on creativity across the whole organisation and strengthening our policies and plans in a number of areas including equality and diversity, digital, and environment. In 2017 we prepared for the new General Data Protection Regulation (GDPR), introduced in May 2018.

The Creative Foundation continued to benefit from ACE funding secured in the previous financial year which contributed to the Folkestone Triennial, Quarterhouse and Learning and Engagement this year, and also to achieving our fundraising strategy to help realise our ambitious plans for the future.

The Charity continued to contribute to the social capital, work and visitor economies of the town, through its involvement in local education, health provision and community development initiatives, and by engaging local people in art and creative activity.

The Creative Foundation continued to have an influential role in the Kent Cultural Transformation Board (KCTB), collaborating with other member organisations on a European Regional Development Fund application to the South East Local Enterprise Partnership for a Creative Industries project to grow the creative workforce. With KCTB partners, the Charity also led a successful East Kent partnership application to the Great Place Scheme.

Having fulfilled our previous digital strategy, we turned our attention in 2017 to IT in the Creative Quarter. The availability of substantial floorspace in the Quarter provides an exciting opportunity to create a Digital Hub. Research began to explore converting the space into a creattech hub, a centre of excellence, by refurbishing it and installing uncontested fibre links to service new digital businesses. Interest has been expressed by creative digital businesses wanting to move into the area, and by some of our own tenants wishing to upgrade to more space.

In January 2018, we began a collaboration with partners in Scandinavia and northern Europe to submit an application to the Interreg North Sea fund. Each partner focussed on a project to attract and retain younger people to work in their own area, an excellent fit for the development of our Digital Hub project.

The organisation continued its more formal approach to Continuing Professional Development, this year including workshops for all staff exploring unconscious bias and our case for support. The Australian organisation Huddle held their first European Huddle Academy at Quarterhouse at the end of April, with four places offered to the Charity.

The Board of Trustees would like to express their ongoing appreciation for the continued generosity of its benefactors, in terms of both committed funding and in-kind assistance with the work of the Charity, including Kent County Council (KCC), Arts Council England (ACE) and Folkestone and Hythe District Council (FHDC).

The Board of Trustees would like to convey special thanks to the Trustees of the Roger De Haan Charitable Trust (RDHCT) for their continued support for the work of the Creative Foundation.

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Report of Trustees For the period ended 31 March 2018

The Board of Trustees would also like to convey their appreciation for the dedication and hard work of both the Charity's staff and other committee members who are not Trustees. They have all made an invaluable contribution to another successful year.

Folkestone Creative Quarter

In 2017 to 2018, the Creative Quarter achieved occupancy of over 99%, exceeding the target of 95%. Planned maintenance was halted during the Folkestone Triennial and the work was completed in the last quarter running up to March 2018. All the 48 retail units were occupied by the end of the financial year. Of the 60 residential units, only 1 was vacant, and 2 of the 79 office/studio spaces were unoccupied.

Work progressed on Phase III, the development of the last three buildings acquired by RDHCT that still needed to be refurbished.

We continue to monitor feedback through, for example, TripAdvisor, and responses to the Creative Quarter have been very positive.

The Open Quarter event took place in June 2017, developed and delivered with the tenants. It was the biggest so far with 77 events taking place over the weekend of 16th -18th June, compared to 50 in 2016. The launch event, Connecting Creatives, was attended by 130 people. Feedback was excellent, setting the scene ahead of Triennial 2017. This was the second year we have turned the Creative Quarter Christmas into a festival. It included the well-attended Creative Quarter Carol Service at St Eanswythe's Church; the Secret Postcard show which raised £3,000 for a local charity supporting vulnerable people; the Creative Quarter Christmas Market; workshops at Block 67 and other events organised by tenants.

The Creative Quarter team was very involved in the Folkestone Triennial, assisting with art installations associated with buildings in the Quarter. Creative Quarter tenants also played a huge role in the show as hosts, tour guides, fringe artists, workshop leaders and generally helping people around town.

Despite the increased workload arising from additional completed properties and the Folkestone Triennial, the small Creative Quarter team continued to manage their workload effectively and professionally.

Folkestone Triennial 2017

Folkestone Triennial 2017 was a highlight of the year, presented over a nine week period from 2 September to 5 November. The Triennial is one of the most ambitious exhibitions of contemporary art outside the gallery context presented in the UK, and the largest exhibition of newly-commissioned art. The theme of the 2017 exhibition was *double edge*, referring to the two main axes around which Folkestone's development as a town has taken place historically and geographically: the seashore and the Pent Stream, an ancient watercourse flowing from the Northern Downs into the sea, the present edge between East and West Folkestone. Our Curator for the second time was Lewis Biggs, who has a distinguished curatorial and academic track record in the UK and internationally. 19 artists created new site-specific works to excite and inspire a wide variety of audiences over the exhibition.

Visitor numbers grew again, with 150,000 over the exhibition, compared to 135,000 in 2014. 73% rated the artwork as very good or excellent; 84.3% rated their enjoyment of the exhibition as very good or excellent. Attitudes to the impact of the Triennial were positive, with 97.9% feeling the Triennial helps promote Folkestone as an attractive place to visit and 93.4% feel it improves public spaces and the built environment.

A comprehensive programme of 202 talks, tours, workshops, conferences and other activities attracted 11,627 participants. 22 primary and 6 secondary school assemblies were visited to introduce the

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Report of Trustees

For the period ended 31 March 2018

Triennial, reaching 6,739 young people and their teaching staff, and generating many school visits and school-initiated Triennial-based projects. 28 artist-led workshops took place in the Creative Foundation's learning space Block 67, offering a wide range of art forms working with many different mediums. For the further education and higher education audience there was a well-received programme including 2 symposia (attracting 743 attendees), a series of guided art critics' tours of the artworks, 9 salons, 7 field trips and study days, 2 national student days, and other activities to attract an audience of students, arts professionals and higher-educated, non-art audiences. 41 public 2-hour tours were delivered, with 495 attendees. 38 private tours were also given to a wide range of groups and organisations, attracting a further 1,117 attendees.

The Triennial always requires a huge increase in staff on the run-up to and during the exhibition. The 50-strong hosting team recruited for 2017 proved to be enthusiastic, passionate about art, knowledgeable and conscientious.

Total direct economic impact from inward investment was £5,864,330 and total indirect impact of £47,406,059 was generated by media coverage. The Creative Foundation is immensely grateful to the sponsors, supporters and partners without whom Folkestone Triennial 2017 would not have been possible, including the Roger De Haan Charitable Trust, the major supporter of the 2017 exhibition, Arts Council England, Folkestone and Hythe District Council, the Oak Foundation and Saga. Support was also secured from donations, sponsorship, trust and foundation grants, and a crowdfunding scheme was piloted. We are grateful to the Art Fund for allowing us to use their Art Happens crowdfunding platform.

Folkestone Artworks

Every edition of the Triennial produces new works that remain permanently on display in public spaces, using the whole town as a gallery. The Folkestone Artworks exhibition currently comprises 28 works, many of them multi-part artworks, along with an archive and video works. It will be enhanced by several artworks from Folkestone Triennial 2017, adding to a growing feeling that Folkestone is becoming the perfect place to experience contemporary art in the open air.

Folkestone Quarterhouse

At the start of the financial year, we enjoyed increased audience ticket sales for theatre and music shows, sold out comedy shows, and successfully launched our National Theatre Live season. The number of programmed events for April 2017 to March 2018 was 276, fewer than Nov 2015 to Oct 2016 (321), because of fewer short term performances and more focussed longer term projects.

Arts Council funding enabled us to experiment with different art forms and styles and in summer 2017 we presented new contemporary dance, theatre and opera performances with varying degrees of success. Autumn 2017 was busy with a full programme of theatre, circus, dance, comedy, family shows, film and live screenings, complementing the Folkestone Triennial programme. Finding the right balance of popular and contemporary across art forms meant Box Office continued to meet targets. Greater expenditure on some events, particularly music, was balanced by higher income from others. Our children and families programme continued to develop, culminating in a successful Christmas show.

As well as Quarterhouse being a base for the production of work it is also the creation space for our festivals, where we work with the community on their design and delivery. Festivals range from the Triennial, through our Book Festival, to our new co-curated festivals such as SALT: Festival of Sea and Environment.

We hosted a two-week residency for Two Destination Language, culminating in the world premiere of their show Declining Solo about culture, memory and family. We collaborated with Kent County Council, Shepway District Council, Kent NHS Foundation Trust and Porchlight to produce a project with

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Report of Trustees For the period ended 31 March 2018

Cardboard Citizens to train local theatre practitioners and third sector workers in Forum Theatre with the aim of establishing a 'Citz Hub' in Kent.

We hosted our second residency with Brixton's Raw Materials engaging with young people, particularly from the Roma community, to develop new DJ, music and writing skills. We also hosted R&D for a new show for young people based on Miriam Halahmy's award-winning novel *Hidden* working with Kent Refugee Action Network and Folkestone Academy, and will bring the finished show back to Folkestone in Autumn 2018.

The third Normal? Festival of the Brain in May 2017 saw 1,127 ticket sales and many free events with several projects for people to take part in over a longer term. Topics ranged from dementia to men's mental health, neuroplasticity, dyspraxia, brain injury, hearing voices, good mood foods, ageing and pharmacology.

NT Live screenings began in February 2017 and proved to be popular with average ticket sales of 150 per screening. From September 2017, we introduced Royal Opera House live screenings shown as 'Encore' performances.

The hiring of the auditorium and the Quarterhouse meeting room continue to provide useful additional income.

Quarterhouse also hosted the Triennial Visitor Centre in Ben Allen Studio's artwork the Clearing. This venue enabled us to offer a 'pop-up' cafe and to open the building seven days per week.

The Creative Foundation became one of eleven European partners in the Creative Europe funded Power of Diversity programme. At the end of March 2017, thirteen young people aged 16 to 24 auditioned for the Power of Diversity – Crossing Lines Project. They worked closely with German arts company Pan Optikum on an outdoor theatre show that promenaded an audience of 300 people around the Creative Quarter. Three of the participants were invited to join the company in Freiburg, Germany for six weeks working on a large scale theatre performance, which would tour the partner countries before returning to Folkestone in June 2018.

Folkestone Book Festival

In this 17 month reporting period, we have two Book Festivals to report.

The 2016 Book Festival took place from Friday November 18th to Sunday November 27th and featured 55 events. The festival was opened by award-winning author Jonathan Coe, who turned on the Christmas lights in Folkestone's Creative Quarter. For 10 days the festival enlivened Folkestone, making books and ideas take over the town. Authors included David Crystal, Margaret Drabble, Marcus du Sautoy, Claudia Hammond, Victoria Hislop, Shappi Khorsandi, Ken Livingstone, Michael Pennington, Martin Rees, Axel Scheffler, Lemn Sissay, Rose Tremain, Alison Weir and many others. The festival was once again curated by Geraldine D'Amico.

Since 2015 the audience increased by 40%, with 5,338 tickets sold in 2016 and ticket income of £31,909. 982 attended the free schools' shows and 65 came to family workshops, giving a total of 6,385 attendees. 38% of our paying audience was over 65 and 46% between 45-65.

Every year the Book Festival inspires and motivates young minds, their schools and families by hosting events dedicated to children. For many years every Year 5 primary school pupil in the area has had the opportunity to come to the Festival. Favourite children's authors are invited to participate in school workshops and activities centred on the act of reading or writing stories and poetry.

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The Festival sponsor this year was Church & Dwight, whose European headquarters and factory are based in Folkestone. Church & Dwight contributed festival sponsorship to help develop innovation and forward thinking within their community, and a bespoke creative writing and film project.

Canterbury Christ Church University became our creative partner for the festival, contributing sponsorship to inspire new thinking, encourage writing and begin to build joint relationships with schools, the community, artists and local businesses.

The 2017 Book Festival took place from 17 to 26 November. The opening night of the Festival brought hundreds of people into the Creative Quarter. Tracy Chevalier switched on the Christmas lights and also judged the competition for best decorated shop window. The festival presented its usual eclectic mix of authors including Boris Akunin, Linda Blair, Vince Cable, Tracy Chevalier, Juno Dawson, A. C. Grayling, Viv Groskop, Miles Jupp, Francesca Martinez, Susie Orbach, Steve Richards, Peter Snow and many more.

The Festival generated extremely positive feedback from audiences and speakers alike. Yet for the first time in 5 years the ticket sales did not go up from the previous year. The survey shows that 70% of our audience has already been to the Festival, indicating we may have reached a natural limit and drawing new audiences might be more challenging.

The family events and schools programme were well received but less well attended than in the previous year, possibly because they came at the end of an autumn packed with Triennial family and school events.

Great Place Scheme

In January 2017, the Creative Foundation submitted a successful application to the Great Place Scheme, in partnership with Turner Contemporary, Margate, and Canterbury City Council, securing just under £1.5m. Great Place is a collaboration between the Heritage Lottery Fund (HLF), ACE and Historic England, which aims to put arts, culture and heritage at the heart of the local vision, making a step change in the contribution of culture in Great Place areas, and embedding culture in the places' plans for the future. A project director was appointed to oversee the programme and took up post in October 2017.

Learning and Engagement

Based on our belief that everyone can be creative, learning and engagement underpins all our work and embeds the Creative Foundation deeply into our local community.

In the 17 month period of this report, Block 67, the Creative Foundation's learning space, hosted 27 free family drop-in artist-led workshops during the year, attracting 1,423 attendees. Block 67 operated an open house, so young people, children and families could drop in at a time to suit them and for as long as they wished. Block 67 became a popular venue for local primary schools to exhibit their pupils' work. 6 schools held 16 exhibition days, attracting 628 family and friends to a view the artworks.

The Creative Foundation's Learning Officer also delivered several events as part of the Folkestone Triennial. Block 67 hosted 4 teachers sessions (37 attendees), 8 primary workshops (141 pupils attended), 8 secondary/college workshops (230 students attended) and 11 family workshops (for 433 attendees).

The NEON after school clubs attracted 5 to 16 year olds coming to the venue every Tuesday to work with drama and dance practitioners. At the end of each 10 week programme, the young people showcased their achievements using theatre, dance, art, music and technology with a performance to their friends and family. A revised pricing structure for the 2017 NEON Summer School meant that we attracted more children and young people (50 attendees) to 3 week-long projects working across radio, installation and theatre.

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In May 2017, the Creative Foundation hosted the first TEDxFolkestone event in Quarterhouse with thirteen inspirational speakers, largely from the local community and some from further afield, covering topics such as creativity and care, artificial intelligence and ad blocking. The event, entitled "Pushing the Boundaries" was organised entirely by volunteers and made possible by the generosity of local businesses.

Plans for the future

Following the successful bid for NPO and an ambitious business plan approved by the Board and the Arts Council, the Creative Foundation now embarks on a new chapter of its life since its inception sixteen years ago.

Changes and further developments will impact every aspect of our work, including the programme and visitor experience at Quarterhouse, Book Festival and other festivals, changing use of the Clearing as the visitor centre for Folkestone Artworks and the re-launch of the exhibition, an enhanced learning and engagement programme across all projects, and a different approach to the Triennial commissions and digital initiatives in the Creative Quarter.

Our 90 converted buildings encompassing 180 units for creatives to live, work, share, educate and operate commercially is now at full capacity and a base for over 500 jobs. This provides us with a different challenge. As tenants leave and are replaced we are in a position to choose those who will bring most to the area and its community. We must identify and recruit the range of skills, experience and energy that will enrich their own and the visitors' experience of the Quarter and ensure we are attracting a diverse audience. Over the next five years we will implement a system of support for the tenants so that they can fulfil their potential creatively and commercially.

Since 2002 the RDHCT has spent over £40 million on purchasing and then refurbishing or rebuilding run down properties in the Old Town. This strategic part of Folkestone between east and west suffered from market failure. No developer would invest in the area given that there was no apparent means of gaining an adequate commercial return. The RDHCT has leased the buildings to the Creative Foundation on 125 year leases for a peppercorn rent. These properties cannot be sold by us and sit on our balance sheet at a much lower value than the cost to the RDHCT.

The Creative Foundation rents out these buildings to people in the creative industries and in education and the rent generated, after meeting the costs of maintaining the buildings, goes towards funding the Creative Foundation and its activities. The RDHCT made a commitment to spend an additional £6 million in the final phase of re-modelling the few remaining buildings it owns in the Creative Quarter that have not already been refurbished. When Phase III is complete, the RDHCT will have spent over £46 million in total and will have achieved the transformation of what was once the most run down area of Folkestone. The additional space will lead to the expansion of the Creative Quarter by 26% by 2022. When these last buildings are leased to us and we have rented them out, we anticipate we will be generating an annual rent of over £1.3 million.

During the last 16 years, while the RDHCT has been making the buildings fit for occupation and leasing them to us, they have also made £11 million in grants to the Creative Foundation. More recently, as the endowment they have built for us has neared completion, and the rents we receive have grown substantially, the RDHCT has begun reducing the total size of grants given to us.

Even with the endowment the Creative Foundation cannot realise its full vision for the town and surrounding area without external funding, in particular to support Quarterhouse and, more significantly, the Folkestone Triennial, each iteration of which costs in excess of £2 million. As a consequence, the Creative Foundation Trustees have decided to add resources, in a measured way, to fundraising capacity to secure further public sector support, trust and foundation income, crowd funding, donations, legacy income and sponsorship in order to both increase our funding and broaden the base of support for our activities.

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We will review the obligations we place on tenants, particularly the established ones, to contribute to the upkeep of the spaces they use.

Plans are well underway for the next Triennial in 2020, with a number of sites and artists being researched.

We aspire to Folkestone becoming an 'art town', a proclamation to be led by the Creative Foundation. The art town is a place of art/creative production, not just consumption, which is at the heart of the success of culture-led regeneration. An art town must produce work for, with and by the people. Folkestone has the visual art infrastructure required of an art town: it has artists whom we support to flourish; it has artists who engage with the town and community; it provides spaces and other opportunities for artists; and uses these spaces and opportunities to promote the artists and the art town.

By 2022, the Triennial would cease to be an isolated visual art high spot in Folkestone, but would become part of a vibrant visual art scene which engages with the art life of the town between and during exhibitions.

In 2019, Banksy's Art Buff will go on display and we are planning to commission and install a number of other artworks and projects on the run up to Folkestone Triennial 2020.

Future plans aim to improve the Quarterhouse building, turning it into the town's creative hub, a modern arts centre providing excellent multi art form and cross art form productions. It will be for its local community, professional, amateur and community work, a place where performances, rehearsals and meetings are held, and where creating, eating and greeting takes place. It will be a creative making space enhancing the reputation of Folkestone as an arts town, becoming the home of Folkestone Artworks and being active in the Triennial.

The Charity will aim to reduce its carbon footprint by embracing its environmental policy to improve its impacts.

We will further raise the standard of Folkestone Book Festival writers and speakers, extend the programme of ideas-based events, to develop our partnerships to allow for a more interactive audience experience and so build our target of younger, next generation festival attendees.

The relationship with our community is deepest with our learning and engagement programme. It is already extensive but new, full time staff will deliver an extended programme of activities specially designed to utilise the assets we have in the town: artists, creatives, enthusiasm, spaces, connections and reputation. Consistent with our belief that everyone, especially the young, can be creative we will encourage them, to produce rather than merely comment on art. We will take our lead on this approach from the 2017 Triennial work *Folkestone is an Art School*.

A brand refresh is proposed to place the Creative Foundation centre stage and ask diverse audiences to engage more effectively and meaningfully with the organisation as a whole rather than with its individual projects.

The brand refresh will also help the organisation to promote the case for support and we will intensify efforts to generate income from a range of donation, sponsorship, trust and foundation sources. A Friends membership scheme is also currently being considered.

Financial review

The financial position of the Charity is as set out in the financial statements for the year. During the extended financial year from November 2016 to March 2018, total combined funds for the Charity grew by £1,527,124 from £16,927,653 to £18,454,777.

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Report of Trustees For the period ended 31 March 2018

The leasehold properties are owned by the Roger De Haan Charitable Trust and leased to the Creative Foundation at a peppercorn rent for 125 years. These properties provide a rental income for the Charity which it uses to satisfy its charitable objectives. However, these properties may only be rented for creative and educational purposes. The capital value of the properties may never be realised by the Charity.

The high level of restricted funds shown in the balance sheet as at 31 March 2018 relates principally to the Charity's properties in the Creative Quarter rather than available cash resources.

NPO status provides support for four years and the grant represents 17% of turnover. We are extremely grateful for the support from Kent County Council and Folkestone and Hythe District Council. It will be important to maintain local authority support, particularly as it provides match funds for ACE.

Reserves policy

Since the establishment in 2002 of the Creative Foundation, the Charity has been in its development phase of addressing its charitable objectives. During this period, the Charity has not sought to build its reserves, aside from those represented as property assets which are rented to the Charity's beneficiaries.

It acknowledges that having a cash reserve in addition to the property assets represents a stronger management position and therefore will seek to maintain positive cash reserves over the next 10-year period. A risk-based assessment of need has set a target range of between £250,000 and £400,000. The current cash holding at period end was £1,090,037, of which the Trustees consider £350,000 to represent the true cash reserve in line with our agreed reserves policy.

The reserves are set out in Note 20 to the financial statements. Restricted funds are subject to specific terms and conditions declared by the donor(s) and are only used for the purposes for which they are given.

Designated funds

In preparation for the Folkestone Triennial the Board will seek to designate a proportion of its reserves to future Triennials in the years between exhibitions. The cost of a Triennial is circa £2,100,000.

The Trustees have designated £100,000 of the current cash reserves to the 2020 Triennial.

Investment policy

As cash reserves strengthened over the year, it became appropriate to consider an Investment Policy, which the Charity produced in July 2017. The policy sets out a low risk approach which provides income from cash reserves while making them available as needed for the Charity's activities.

Principal risks and uncertainties

The Trustees have a duty to identify and review the risks to which the Charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error. Regular formal trustee and management meetings are held to review progress towards achieving the Charity's objectives and to promote strategic direction within the operation. The Senior Team addresses regularly the full risk schedule identified by the trustees and puts in place procedures and controls so as to ensure those risks are adequately managed. The principal risks are a) economic downturn and uncertainty, b) loss of key Board members and staff and c) failure to hit earned income and fundraising targets. The mitigating actions are identified in the business plan, including ensuring necessary reserves, good property management, succession planning and investment in the fundraising team.

THE CREATIVE FOUNDATION

Report of Trustees

For the period ended 31 March 2018

Equal opportunities and diversity policy

The Trustees recognise that ensuring equal opportunities for all is an integral part of good practice within the workplace and the Charity remains committed to its comprehensive Equality and Diversity Policy.

The Charity ensures that the buildings it occupies comply fully with the statutory regulations in place in relation to disabled access.

Going concern

The Trustees have reviewed the Charity's forecasts and projections covering a period that exceeds twelve months from the date of signing these financial statements and based on the level of existing cash and estimated levels of income and expenditure, the Trustees are satisfied that the Charity has adequate resources to continue in operation for the foreseeable future. Accordingly, the going concern basis has been used in preparing these financial statements.

Auditor

RSM UK Audit LLP was appointed auditor to the Charity in accordance with section 485 of the Companies Act 2006 and has indicated its willingness to continue in office.

Strategic report

The matters which the Trustees deem to be of strategic importance have been included within the Strategic Report on pages 1 to 4 in accordance with section 414c(11) of the Companies Act 2006.

This Report was approved by the Board of Trustees on 29th November 2018 and signed on their behalf, by:



Sir Roger M De Haan – Chair of Trustees

THE CREATIVE FOUNDATION

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

- a. select suitable accounting policies and then apply them consistently;
- b. observe the methods and principles in the Charities SORP;
- c. make judgements and accounting estimates that are reasonable and prudent;
- d. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CREATIVE FOUNDATION

Opinion on financial statements

We have audited the financial statements of The Creative Foundation (the 'charitable company') for the period ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report and the Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CREATIVE FOUNDATION

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities, set out on page 14, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Nicholas Sladden FCA (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP
Statutory Auditor, Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

3 December 2018

THE CREATIVE FOUNDATION

Statement of Financial Activities (Including Income and Expenditure Account)

For the period ended 31 March 2018

	Period from 1 November 2016 to 31 March 2018			Year ended 31 October 2016
	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds £
Income from:				
Donations and legacies	2	60,159	1,975,000	2,035,159
Charitable activities	3	1,950,441	1,932,535	3,882,976
Other trading activities	4	163,295	-	163,295
Investments	5	1,349	-	1,349
Total income		<u>2,175,244</u>	<u>3,907,535</u>	<u>6,082,779</u>
Expenditure on:				
Charitable activities	6	1,827,451	2,628,830	4,456,281
Other trading activities	9	99,374	-	99,374
Total expenditure		<u>1,926,825</u>	<u>2,628,830</u>	<u>4,555,655</u>
Net income before transfers		248,419	1,278,705	1,527,124
Gross transfers between funds	21	205,884	(205,884)	-
Net income / movement in funds		<u>454,303</u>	<u>1,072,821</u>	<u>1,527,124</u>
Total funds at 1 November		677,892	16,249,761	16,927,653
Total funds at 31 March		<u>1,132,195</u>	<u>17,322,582</u>	<u>18,454,777</u>

THE CREATIVE FOUNDATION

Balance Sheet

At 31 March 2018

Company Registration Number: 04566484

	Notes	2018 £	2016 £
Fixed assets			
Tangible assets	13	17,527,210	15,930,629
Heritage assets	14	53,400	53,400
Investments	15	1	1
		<hr/>	<hr/>
		17,580,611	15,984,030
Current assets			
Debtors	16	300,479	200,297
Cash at bank and in hand		1,090,037	1,365,547
		<hr/>	<hr/>
		1,390,516	1,565,844
Creditors: amounts falling due within one year	17	(516,350)	(622,221)
Net current assets		874,166	943,623
Net assets		<hr/>	<hr/>
		18,454,777	16,927,653
Funds			
Unrestricted funds	21	1,132,195	677,892
Restricted funds	21	17,322,582	16,249,761
		<hr/>	<hr/>
Total funds		18,454,777	16,927,653

The financial statements on pages 17 to 33 were approved by the board and authorised for issue on 29th November 2018 and signed on its behalf by:

Sir Roger M De Haan – Chair of Trustees



THE CREATIVE FOUNDATION

Statement of Cash Flows

For the period ended 31 March 2018

	Notes	2018 £	2016 £
Cash inflow from operating activities:			
Net cash provided by operating activities	23	(247,796)	362,139
Interest received		1,349	2,561
		<u>(246,447)</u>	<u>364,700</u>
Cash flows from investing activities:			
Purchase of tangible fixed assets		(29,063)	(18,258)
Net increase in cash and cash equivalents		<u>(275,510)</u>	<u>346,442</u>
Cash and cash equivalents 1 November		1,365,547	1,019,105
Cash and cash equivalents 31 March		<u>1,090,037</u>	<u>1,365,547</u>
Relating to:			
Cash at bank and in hand		<u>1,090,037</u>	<u>1,365,547</u>

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

1 Accounting policies

Legal status

The Charity is a company limited by guarantee. The members of the company are the Trustees. 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 Charity's objectives and aims are disclosed in the Trustees' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the requirements of the Companies Act 2006 and under the historical cost convention. The financial statements have also been prepared in accordance with the accounting policies set out in more detail below, to comply with the Charity's governing document, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014 (the FRS 102 Charities SORP 2015).

The financial statements are prepared in sterling, which is the functional currency of the charitable company. Monetary amounts in these financial statements are rounded to the nearest £1.

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

Going concern

The Trustees have reviewed the Charity's forecasts and projections covering a period that exceeds twelve months from the date of signing these financial statements and based on the level of existing cash and estimated levels of income and expenditure, the Trustees are satisfied that the Charity has adequate resources to continue in operation for the foreseeable future. Accordingly, the going concern basis has been used in preparing these financial statements.

Reporting period

The reporting period presented is longer than one year in order to bring the charity's year end in line with its partners on the Great Place project and as such the comparative amounts are not entirely comparable. The comparative amounts reflect the period from 1 November 2015 to 31 October 2016.

Consolidation

The financial statements present information about the Charity as an individual undertaking and not about its group. The Charity has taken advantage of section 402 of the Companies Act 2006 not to prepare consolidated financial statements as the directors consider that the Charity's subsidiary may be excluded from consolidation as it is immaterial for the purpose of a true and fair view.

Income

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

Donated facilities and gifts in kind are included at the value to the Charity where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

Income from government and other grants, whether 'capital' grants relating to tangible fixed assets or 'revenue' grants, is recognised when the Charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Expenditure

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Governance costs include those costs incurred in the governance of the Charity and are primarily associated with constitutional and statutory requirements.

Support costs represent finance, administration and other indirect central costs. The support costs have been allocated in proportion to the direct costs incurred in respect of each activity.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees 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 Charity for particular purposes. The cost of raising and administering such funds is charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Heritage assets

This comprises artwork owned by the Charity. This artwork is initially recorded at cost and are subsequently held at valuation.

Metropole:

This comprises artwork owned by the Charity. The Trustees valued this artwork at £53,400 based upon valuations for various parts of the collection. The Trustees do not believe that the value of the artwork has changed. The entire collection has been lent to another Charity, the Friends of the Folkestone Collections, which bears the responsibility for insuring and storing the collection.

Art Buff:

The Charity owns the Banksy artwork known as "Art Buff". This artwork is therefore recognised as a heritage asset for the purposes of these financial statements, in accordance with the Charity SORP Section 18, since it is held and maintained principally for its contribution to knowledge and culture. It is included at zero net book value since information on its value is not available and a reliable estimate cannot be made of the asset's fair value. Furthermore, it is considered that the asset has no monetary value to the Charity, because the Charity considers that it would not be appropriate to sell the asset.

Taxation

The Creative Foundation is a registered Charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

Tangible fixed assets

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

Tangible fixed assets are stated at cost less depreciation and impairment losses. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Freehold property	50 years straight line
Long leasehold	straight line over life of lease
Leasehold improvements	straight line over life of lease
Plant and machinery	15 – 33% on cost straight line
Computer equipment	33% on cost straight line
Fixtures and fittings	15% on cost straight line

At each reporting end date, the Trustees review the carrying amounts of its freehold and leasehold assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Fixed Asset Investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in net income.

A subsidiary is an entity controlled by the Charity. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

Financial instruments

The charitable company applies the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the charitable company becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are recognised when the charitable company becomes a party to the contractual provisions of the instrument and are offset only when the charitable company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Basic financial assets, including trade and other receivables (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at transaction price and subsequently measured at amortised cost, being the transaction price less amounts settled and any impairment losses.

Basic financial liabilities, including trade and other payables are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

Agency Arrangements

The charity acts as an agent in the administering of the Great Place Scheme Pioneering Places: East Kent Fund for the Heritage Lottery Fund (HLF). Related payments received from HLF and subsequent disbursements to other partners within the scheme are excluded from the statement of financial activities to the extent that the charity does not have a beneficial interest in the individual transactions

Accounting estimates and areas of judgment

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

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

The carrying value of the heritage assets as valued by the trustees, is considered to be a key area of estimation.

Allocation of support costs is a key assumption and full details can be found in note 8.

2 Donations and legacies	2018 £	2016 £
Restricted		
Folkestone Festivals	67,750	36,530
Roger De Haan Charitable Trust:		
Millets building refurbishment	-	16,211
Transfer of leasehold properties	1,907,250	-
Total restricted	1,975,000	52,741
Unrestricted		
McAlpine donation	40,000	40,000
Durnell Charitable Trust	20,000	10,000
Other	159	250
Total unrestricted	60,159	50,250
Total donations and legacies	2,035,159	102,991

3 Charitable activities

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

	Rental income	Grants	Other sources of income	Total
	£	£	£	£
Creative Quarter	1,590,901	-	98	1,590,999
Arts programme festivals and events	-	1,300	80,996	82,296
Folkestone Triennial	-	1,031,498	306,063	1,337,561
Folkestone Artworks	-	67,302	-	67,302
Quarterhouse	49,098	366,100	238,555	653,753
Learning & Engagement	-	105,667	-	105,667
Great Place Scheme	-	22,898	-	22,898
Development	-	22,500	-	22,500
2018 Total activities	1,639,999	1,617,265	625,712	3,882,976
2016 Total activities	1,100,447	828,894	364,492	2,293,833

Of the £2,293,833 income received in the year to 31 October 2016, £852,852 was attributable to restricted funds and £1,440,981 was attributable to unrestricted funds.

4 Other trading activities

	Unrestricted	
	2018	2016
	£	£
Bar income	118,029	49,273
Other sundry income	45,266	21,539
	<u>163,295</u>	<u>70,812</u>

5 Investments

	Unrestricted	
	2018	2016
	£	£
Deposit account interest	<u>1,349</u>	<u>2,561</u>

6 Charitable activities

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

	Direct Costs £	Grants payable £	Support costs £	Total £
Creative Quarter	945,191	-	117,637	1,062,828
Arts programme festivals and events	91,293	67,750	14,158	173,201
Folkestone Triennial	1,660,783	-	261,040	1,921,823
Folkestone Artworks	91,950	-	14,260	106,210
Quarterhouse	804,591	-	274,407	1,078,998
Learning & Engagement	70,532	-	10,937	81,469
Great Place Scheme	9,252	-	-	9,252
Development	22,500	-	-	22,500
2018 Total activities	3,696,092	67,750	692,439	4,456,281
2016 Total activities	1,648,484	36,530	483,622	2,168,636

Of the £2,168,636 charitable activities expenditure in the year to 31 October 2016, £804,756 was attributable to restricted funds and £1,363,880 was attributable to unrestricted funds.

7 Grants payable

	Unrestricted 2018 £	2016 £
Arts programme festivals and events	67,750	36,530

8 Support costs

Support costs represent finance, administration and other indirect central costs. The support costs have been allocated in proportion to the direct costs incurred in respect of each activity excluding depreciation and gifts in kind.

9 Other trading activities

	Unrestricted 2018 £	2016 £
Bar expenditure	96,447	38,335
Other sundry expenditure	2,927	1,150
	99,374	39,485

2018

2016

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

10 Auditor's remuneration	£	£
Audit services – statutory audit of the charity	16,250	15,000
Other services:		
Audit-related assurance services	1,000	-
Auditor's non-audit services	2,000	1,370
	<u>19,250</u>	<u>16,370</u>

11 Net income	2018 £	2016 £
This is stated after charging:		
Depreciation – owned assets	339,732	220,682
Other operating leases	1,675	1,675
	<u>341,407</u>	<u>222,357</u>

12 Staff costs and remuneration of key management personnel	2018 £	2016 £
Wages and salaries	952,378	508,973
Social security costs	78,799	45,551
Other pension costs	58,635	41,208
	<u>1,089,812</u>	<u>595,732</u>

The average monthly number of employees during the period was as follows:	2018 no.	2016 no.
Creative Quarter	3	3
Development	2	1
Folkestone Artworks	1	-
Marketing	3	2
Learning and engagement	1	-
Folkestone Triennial	3	-
Management and administration	5	5
Quarterhouse	11	9
	<u>29</u>	<u>20</u>

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

12 Staff costs and remuneration of key management personnel (continued)

The number of employees whose emoluments for the 17-month period fell within the following bands was:

	2018	2016
£60,001 - £70,000	-	1
£110,001 - £120,000	1	-

All employees earning more than £60,000 participated in the pension scheme.

The Chief Executive, Mr A Upton, was also a member of the Board of Trustees during the 17-month period and received remuneration and benefits for his services in that office, through an employment contract with the Charity, of £99,168 (2016: £68,560) and pension contributions for the period of £14,875 (2016: £10,045). The Charity considers its Board of Trustees, including the Chief Executive, as their key management personnel. No other members of the key management personnel received remuneration during the current period or previous year.

No members of the Board of Trustees were reimbursed expenses during either period.

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

13 Tangible fixed assets	Freehold property £	Long leasehold £	Leasehold improvements £	Plant and machinery £	Furniture & Fixtures £	Computer equipment £	Total £
Cost							
1 November 2016	5,992,909	10,590,201	854,378	158,489	23,490	24,978	17,644,445
Additions	-	1,907,250	-	29,063	-	-	1,936,313
31 March 2018	5,992,909	12,497,451	854,378	187,552	23,490	24,978	19,580,758
Depreciation							
1 November 2016	852,911	589,699	75,742	152,989	17,915	24,560	1,713,816
Charge for the period	169,801	141,272	9,776	16,311	2,154	418	339,732
31 March 2018	1,022,712	730,971	85,518	169,300	20,069	24,978	2,053,548
Net book value							
31 March 2018	4,970,197	11,766,480	768,860	18,252	3,421	-	17,527,210
31 October 2016	5,139,998	10,000,502	778,636	5,500	5,575	418	15,930,629

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

14	Heritage assets	Total £
	Market value	
	At 1 November 2016 and 31 March 2018	<u>53,400</u>
	Net book value	
	At 1 November 2016 and 31 March 2018	<u>53,400</u>
15	Fixed asset investments	Shares in group undertakings £
	Market value	
	At 1 November 2016 and 31 March 2018	<u>1</u>
	Net book value	
	At 1 November 2016 and 31 March 2018	<u>1</u>

There were no investment assets outside the UK.

The Charity's investment at the balance sheet date was held in the following company:

	Class of share	% held Directly Indirectly	Nature of business
The Creative Foundation (Trading) Limited	Ordinary A	100% -	Dormant
16 Debtors: amounts falling due within one year		2018 £	2016 £
Trade debtors		14,293	30,396
VAT		8,463	11,795
Prepayments and accrued income		277,723	158,106
		<u>300,479</u>	<u>200,297</u>

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

17 Creditors: amounts falling due within one year	2018 £	2016 £
Trade creditors	170,226	220,805
Amounts owed to group undertakings	647	547
Social security and other taxes	13,490	10,658
Other creditors	147,592	124,936
Accruals	43,304	65,644
Deferred income (note 17a)	141,091	199,631
	<u>516,350</u>	<u>622,221</u>

17a Deferred income	2018 £	2016 £
Deferred income as at 1 November	199,631	214,692
Income received requiring deferment	118,591	199,631
Release of income during the period	(177,131)	(214,692)
Deferred income as at 31 March	<u>141,091</u>	<u>199,631</u>

Deferred income represents income received in advance for property rentals.

18 Financial instruments	2018 £	2016 £
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	<u>209,254</u>	<u>138,198</u>
Carrying amount of financial liabilities:		
Measured at amortised cost	<u>361,767</u>	<u>411,932</u>

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets, include trade and other receivables, including accrued income which are receivable within one year and which do not constitute a financing transaction. Financial liabilities, include trade and other payables unless the arrangement constitutes a financing transaction.

19 Pension

The Charity operates a defined contribution scheme. The assets of the scheme are held separately from those of the Charity in an independently administered fund. The pension cost charge represents contributions payable by the Charity to the fund and amounted to £58,635 (2016: £41,208). The total contributions outstanding at the period end were £4,721 (2016: £4,377).

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

20	Analysis of net assets between funds – Current period to 31 March 2018	Unrestricted funds £	Restricted funds £	Total Funds 2018 £	Total funds 2016 £
	Fixed assets	311,872	17,268,738	17,580,610	15,984,029
	Investments	1	-	1	1
	Current assets	1,296,672	93,844	1,390,516	1,565,844
	Current liabilities	(476,350)	(40,000)	(516,350)	(622,221)
		<u>1,132,195</u>	<u>17,322,582</u>	<u>18,454,777</u>	<u>16,927,653</u>
	Analysis of net assets between funds – Prior year to 31 October 2016	Unrestricted funds £	Restricted funds £	Total Funds 2016 £	Total funds 2015 £
	Fixed assets	398,771	15,585,258	15,984,029	16,186,453
	Investments	1	-	1	1
	Current assets	828,841	737,003	1,565,844	1,367,297
	Current liabilities	(549,721)	(72,500)	(622,221)	(888,174)
		<u>677,892</u>	<u>16,249,761</u>	<u>16,927,653</u>	<u>16,665,577</u>
21	Movement in funds	At 31 October 2016 £	Net movement in funds £	Transfers between funds £	At 31 March 2018 £
	Unrestricted funds				
	General fund	433,385	465,918	(188,512)	710,791
	Folkestone Triennial	-	(238,722)	394,396	155,674
	Freehold property	244,507	(7,707)	-	236,800
	Creative Quarter – Phase III income	-	28,930	-	28,930
		<u>677,892</u>	<u>248,419</u>	<u>205,884</u>	<u>1,132,195</u>
	Restricted funds				
	IT grant	16,000	-	-	16,000
	Folkestone Triennial	559,131	(345,540)	(213,591)	-
	Great Place	-	13,646	-	13,646
	Freehold and leasehold properties	4,895,492	(169,801)	7,707	4,733,398
	Leasehold properties	10,779,138	1,756,202	-	12,535,340
	Learning & Engagement	-	24,198	-	24,198
		<u>16,249,761</u>	<u>1,278,705</u>	<u>(205,884)</u>	<u>17,322,582</u>
	Total funds	<u>16,927,653</u>	<u>1,527,124</u>	<u>-</u>	<u>18,454,777</u>

The transfers represent the costs in relation to depreciation of unrestricted property and allocation of costs incurred in respect of the Folkestone Triennial. It also includes a designation of £100,000 by the Trustees from the General fund to the Folkestone Triennial.

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

21 Movement in funds (continued)

Net movement in funds, included in the above, are as follows:

	Income £	Expenditure £	Movement in funds £
Unrestricted funds			
General fund	2,123,996	(1,658,078)	465,918
Folkestone Triennial	22,318	(261,040)	(238,722)
Freehold property	-	(7,707)	(7,707)
Creative Quarter – Phase III income	28,930	-	28,930
	<u>2,175,244</u>	<u>(1,926,825)</u>	<u>248,419</u>
Restricted funds			
Folkestone Triennial	1,315,243	(1,660,783)	(345,540)
Folkestone Artworks	67,302	(67,302)	-
Great Place	22,898	(9,252)	13,646
Quarterhouse	397,425	(397,425)	-
Freehold Property	-	(169,801)	(169,801)
Freehold and leasehold properties	1,907,250	(151,048)	1,756,202
Arts Programme Festivals & Events	69,250	(69,250)	-
Learning & Engagement	105,667	(81,469)	24,198
Development	22,500	(22,500)	-
	<u>3,907,535</u>	<u>(2,628,830)</u>	<u>1,278,705</u>
Total funds	<u>6,082,779</u>	<u>(4,555,655)</u>	<u>1,527,124</u>

The restricted funds are as follows:

Freehold Property

Represents grants received by the Charity for capital projects. These are depreciated over the estimated useful economic life of the asset the grant was used to purchase.

Leasehold properties

Represents the transfer of leasehold properties from the Roger De Haan Charitable Trust to the Charity.

Millets

Represents grants and donations for the Millets refurbishment project.

Phase III

Building refurbishment by Roger De Haan Charitable Trust.

Folkestone Triennial

3 yearly public contemporary arts exhibition held in Folkestone.

Folkestone artworks

Maintenance of contemporary artwork left in situ after the Folkestone Triennial.

Quarterhouse

The ownership and operation of the Quarterhouse Performing Arts Centre.

IT grant

The upgrade of the systems and support as part of the IT and Digital Strategy.

Learning and engagement

Learning activity that underpins all of our projects.

Great Place

A collaboration between the Heritage Lottery Fund (HLF), ACE and Historic England.

THE CREATIVE FOUNDATION

Notes to the Financial Statements (continued)

For the period ended 31 March 2018

22 Related party disclosures

The Roger De Haan Charitable Trust (RDHCT) made donations of £Nil (2016: £16,211) towards the general funds of the Charity, the transfer of leasehold properties valued at £1,907,250 (2016: £nil), a payment of £67,302 (2016: £64,148) to the Folkestone Artworks and a grant of £666,498 (2016: £133,502) for the Folkestone Triennial.

During the period, loan repayments amounting to £14,000 (2016: £186,000) were made to the Roger De Haan Charitable Trust (RDHCT) in respect of the original amount loaned to the Charity to fund the completion of the building works for their Millets project. At 31 March 2018, the amount owed to the RDHCT was £Nil (2016: £14,000) and is included within creditors.

Details of trustees' remuneration and benefits can be found in note 12.

23 Net cash flow from operations	2018 £	2016 £
Net income for the period	1,527,124	262,076
Depreciation	339,732	220,682
Interest received	(1,349)	(2,561)
(Increase)/Decrease in debtors	(42,286)	147,894
Decrease in creditors	(163,767)	(265,952)
Donated assets	(1,907,250)	-
Net cash inflow from operating activities	(247,796)	362,139

24 Commitments under operating leases

At 31 March 2018 the Charity was committed to making the following payments under non-cancellable operating leases in the period to 31 March:

	2018 £	2016 £
Operating leases which expire:		
Within one year	1,675	1,675
Between two and five years	2,228	3,903
	3,903	5,578

25 Agency arrangements

The charity administers the disbursement of the grants due to the partners of The Great Place Scheme Pioneering Places: East Kent, on behalf of HLF. In the year amounts were received totalling £40,000 of which no amounts have been disbursed and therefore the £40,000 is included in other creditors at the reporting date.