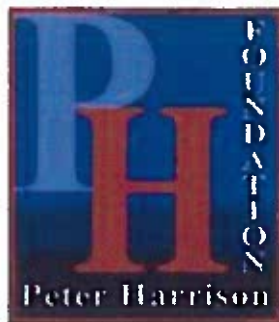


18/1/18

The Peter Harrison Foundation
Report and Consolidated Financial Statements
Year Ended
31 May 2018



THE PETER HARRISON FOUNDATION

Annual report and consolidated financial statements for the year ended 31 May 2018

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Trustees

Peter R Harrison KGCN CBE (Chairman)
J C Harrison-Lee LL.B
P J G Lee DL LL.B
N P Harrison

Director

A C Ross OBE

Principal Office

2nd Floor, Foundation House, 42-48 London Road, Reigate, Surrey, RH2 9QQ

Bankers

Coutts & Co, 440 Strand, London WC2R 0QS
Santander UK plc, 100 Ludgate Hill, London EC4M 7RE

Auditor

Kingston Smith LLP, Betchworth House, 57-65 Station Road, Redhill, Surrey, RH1 1DL

Solicitors

Withers, 16 Old Bailey, London, EC4M 7EG

Charity registration number

1076579

THE PETER HARRISON FOUNDATION

Report of the trustees for the year ended 31 May 2018

The Trustees of the Peter Harrison Foundation present their report together with the consolidated financial statements for the year ended 31 May 2018.

1. Structure, governance and management

The Foundation was established by trust deed on 29 April 1999 with an original gift of £1,000 as the initial endowment fund. A donation from the founder of £386,401 was credited to unrestricted income funds in the financial period to 31 May 2000.

During the year to 31 May 2001, the Foundation was gifted £30,000,000 of loan notes on 10 October 2000 by the Peter Harrison KGCN CBE family settlements. The Trustees encashed the loan notes on 15 April 2001.

During the year to 31 May 2002 a further endowment of £590,417 was gifted by the Peter Harrison KGCN CBE family settlements, which has been credited to the expendable endowment fund.

On 9 March 2011 a further £15,000,000 was gifted by the Peter Harrison A Settlement Discretionary Fund. These gifts have been added to the original endowment fund for investment and generation of income for annual distribution. The endowment gift fund may be distributed at the Trustees' discretion, but the current policy is to retain the fund to maximise income for distribution.

The Foundation's wholly owned subsidiary company PHF Investments Limited holds investment properties and loans for property development. Profits made by PHF Investments Limited are donated to the Foundation. PHF Investments Limited is managed by Chancerygate Limited which also advises on investment acquisitions and disposals. Peter Lee, a Trustee, is a shareholder and director of Chancerygate Limited. Details of transactions with Chancerygate Limited are disclosed in note 12 to the financial statements.

The Trustees meet at least three times a year when they review the operation of the Foundation and consider grant applications. The Trustees delegate the day to day running of the Foundation to the Foundation Director who reports to the Trustees. A small team of staff supports the Director and during the year there was one part-time Grants Administrator, and one part-time bookkeeper. The Trustees devote time and effort to keep abreast of the latest developments in the charitable sector.

There were no appointments or retirements of Trustees during the year.

Remuneration of key management personnel is set at a level which promotes staff morale and retention whilst bearing in mind the charitable purposes of the Foundation. Remuneration is reviewed annually by one of the Trustees.

2. Objectives and activities

Under the terms of the Trust Deed, the objects of the Foundation are wide and provide that funds are "applied for such charitable institutions or such other objects which are charitable in accordance with the laws of England and Wales as the Trustees may in their absolute discretion select."

The Foundation aims to:

- help disabled people or disadvantaged children/young people, principally through sport and education;
- support charitable activities which are well planned and demonstrate a high level of community involvement;
- fund projects where a grant will make a substantial difference to the charity funded; and,
- support projects that are likely to have a sustainable impact.

The Foundation's objectives are to:

- maintain the endowment fund;
- maximise income;
- fully distribute the net income;
- investigate thoroughly all requests for grants; and,
- to fund a variety of different projects that meet the Foundation's aims, thus providing help to a wide range of beneficiaries.

THE PETER HARRISON FOUNDATION

Report of the trustees for the year ended 31 May 2018 (continued)

2. Objectives and activities (continued)

To achieve the stated aims and objectives, the Foundation makes grants of all sizes to registered UK charities working in these areas.

Programmes

The Foundation has four grant-making programmes:

a) Opportunities Through Sport

The Trustees support sporting activities that provide opportunities for people who are disabled, or for disadvantaged children and young people, to fulfil their potential and develop personal and life skills. Applications are accepted from charities throughout the United Kingdom.

b) Special Needs & Care for Children and Young People

Applications are accepted from charities in the South East of England (excluding London).

c) Education

This programme supports the provision of educational facilities and bursary places for children from the Reigate and Redhill areas in Surrey to enable them to attend Reigate Grammar School. The Trustees do not invite applications to this programme.

d) Trustees' Discretion

This programme supports projects of particular interest to the Trustees that may fall outside the Foundation's main aims; such funding is still in accordance with the terms of the Trust Deed. The Trustees do not invite applications to this programme.

Grant making policy

The Foundation only makes grants to registered UK charities and other similarly recognised organisations.

The Trustees have developed publicly available guidelines that set out the details of the grant-making programmes and the application process. This information and an on-line Initial Enquiry Form can be found on the Foundation's website at www.peterharrisonfoundation.org.

All outline projects that meet the funding criteria are assessed by the Director and the Operations Executive. The Director then undertakes a full review, usually including a site visit, for the purpose of assessing grant applications under consideration. Full applications should only be submitted after the proposal has been discussed with the Foundation Director. The Director prepares reports on all applications for consideration by the Trustees and grants are approved by the Trustees.

Ongoing projects are monitored on a regular basis and applicants are asked to submit a report on completed projects.

THE PETER HARRISON FOUNDATION

Report of the trustees for the year ended 31 May 2018 (continued)

3. Achievements and performance

Opportunities Through Sport, £1,309,152

Sixty nine grants were made to UK charities, primarily in the field of disability sport.

The principal awards were:

£200,000 to Loughborough University, the fourteenth year of funding for the Peter Harrison Centre for Disability Sport.

£50,000 to The Chamwell Centre Charity towards All Ability Sports and Athletics to develop sporting opportunities for children and young people of all abilities - rugby for all, wheelchair rugby, RaceRunning and wheelchair athletics and racing.

£50,000 to YMCA East Surrey, third year funding towards a new sports facility.

£40,000 to Coleg Elidyr Camphill Communities towards the construction of an indoor sports facility at this residential college for people with learning disabilities in mid-Wales.

£36,858 to Street League to support the charity's football based employability programme in Leeds.

£32,256 to Disability Sports Coach towards the cost of operating two Community Sports clubs for disabled people in London.

£30,000 to Boccia England Ltd. to develop potential Paralympic talent in the sport of Boccia through 'Academies' in certain towns or cities which will provide severely disabled but talented players with the opportunity for frequent high level coaching.

£30,000 to Goalball UK towards the cost of taking part in international competitions by GB Goalball elite teams prior to qualification for the Tokyo Games in 2020.

£30,000 to Helford River Children's Sailing Trust to develop facilities at Trevassack Lake, near Falmouth, which will improve the teaching of sailing to disabled children and to children from disadvantaged backgrounds.

£30,000 to London Youth Rowing towards the Breaking Barriers rowing and life skills programme for schools across London.

£30,000 to Pedal Power towards the cost of employing the children's cycling officer at this inclusive cycling club in Cardiff.

£30,000 to Perry RDA Ltd. towards the cost of building a new riding school for disabled people at Much Wenlock.

£30,000 to Surrey Cricket Foundation to help meet the cost of the Bedser Scholarship programme to coach and develop cricketing talent amongst pupils at state schools in the Woking area; also to extend opportunities for cricket participation by disabled young people in rural Surrey boroughs.

£28,166 to British Wheelchair Sports Foundation for Peer Mentoring for people with spinal cord injuries at the Duke of Cornwall Spinal Unit in Salisbury.

£25,785 to The Grace Eyre Foundation for Sports for All in Sussex – improving the health and well-being, skills, knowledge, and confidence of people with learning disabilities in Brighton, Hove and East Sussex.

£25,000 to Friends of Avalon School towards the cost of a new hydrotherapy pool on the school's site in Street, Somerset.

£25,000 to The Greenbank Project for the Links for Change project - increasing the number of disabled people in the Merseyside area participating in sport and physical activity.

£25,000 to Heads On towards the cost of an all-weather sports pitch at the Headingley Centre, a medium secure hospital for mentally unwell offenders.

£25,000 to The Lake District Calvert Trust towards the cost of purchasing specialised cycles and other equipment to develop cycling activities for visitors to the outdoor adventure centre.

THE PETER HARRISON FOUNDATION

Report of the trustees for the year ended 31 May 2018 (continued)

3. Achievements and performance: Opportunities Through Sport (continued)

£25,000 to Seapoint Canoe Centre to help the charity install an accessible pontoon to launch canoes and other craft from the bank of the Royal Military Canal near Folkestone.

£25,000 to Team Oasis towards the cost of employing a Sports Development Manager or Officer to work with young people in the Toxteth area of Liverpool.

£24,000 to The Alkham Valley Community Project to construct a roof over the large outdoor riding school and erect a wide wall to provide shelter from wind and rain creating an all-weather facility for riders with disabilities.

£24,000 to Broughton House - Home for Ex Service Men and Women - to purchase specialised sports equipment for the new gymnasium and rehabilitation facility in the Veterans Care Village.

£23,000 to Sharks Community Trust to employ a part-time Project Officer to deliver Sharks Inclusive Rugby.

£20,000 to Autism Together towards the costs of providing trampoline sessions at the Drill Hall in Birkenhead for people with autism.

£20,000 to Doncaster Deaf Trust towards the cost of purchasing specialised cycles and other equipment to develop a cycling club for students at the school and college.

£20,000 to Friends of Collett towards the cost of installing an all-weather multi-use games area for sports and recreation at the Collett School, Hemel Hempstead.

£20,000 to Hollybank Trust towards the cost of employing a sports coordinator and programme of sports for the disabled pupils and residents at Hollybrook, Wakefield.

£20,000 to Para Dance UK towards the cost of promoting and developing wheelchair dancing as a sport.

£20,000 to Robin Hood Gymnastics Club to invest in gym equipment - trampoline, bars, padding and matting - which will be used to increase opportunities to take part in gymnastics by disabled children and young people from Nottingham.

£20,000 to Rochester Indoor Skate Park towards the renovation and refurbishment of the indoor skate park.

£20,000 to The Disability Karate Federation to develop coaching in martial arts for people with learning difficulties in Oxfordshire.

Special Needs & Care for Children and Young People, £460,408

Grants were made to twenty-four charities. The principal awards were:

£35,000 to Southampton Hospital Charity to pay for the play area in the Short Stay Unit of the new Children's Emergency and Trauma Department.

£32,400 to Theodora Children's Charity towards Giggle Doctor visits to the Royal Marsden Hospital and Young Epilepsy, Surrey.

£30,000 to ME2 Club to address the challenges of isolation and exclusion of disabled children in Wokingham by enabling them to attend mainstream leisure activities of their choosing in the company of volunteer 'buddies'.

£30,000 to CLIC Sargent towards the cost of running the charity's 'Home from Home' service in Oxford which provides accommodation and support for the families of children receiving cancer treatment away from home.

THE PETER HARRISON FOUNDATION

Report of the trustees for the year ended 31 May 2018 (continued)

3. Achievements and performance: Special Needs and Care for Children and Young People (continued)

£30,000 to Prior's Court Foundation as a contribution to building alteration costs for Prior's Court Bakery - to create employment opportunities for young people with severe autism.

£30,000 to Parents and Carers Support Organisation (PACSO) to fund part cost of employing Play Manager to operate play schemes and respite care for disabled children in the Chichester area.

£30,000 to Puzzle Centre Trust Ltd. towards the cost of providing early education services for children with autism.

£28,350 to Auditory Verbal UK towards the cost of providing early education services for children with autism.

£25,000 to Isle of Wight Youth Trust towards the acquisition of new premises for the charity in Newport, Isle of Wight.

£22,500 to Kent Friendz to provide after-school, weekend and holiday clubs for disabled children in Maidstone and other towns in West Kent.

£20,000 to Jigsaw (South East) to support the charity's child bereavement counselling service across Surrey.

£20,000 to Extratime to help meet the cost of running out of school play schemes and holiday clubs for children with special needs in the Brighton area.

£20,000 to Southampton Women's Aid to provide sustained support for children who are victims of domestic violence and abuse in Southampton.

Education, £127,060

Four further bursaries totalling £126,940 commencing in September 2018 together with other assistance of £120 were granted to deserving pupils at Reigate Grammar School.

Trustees' Discretionary Programme, £241,000

Unrestricted Income Fund	£225,000
Expendable Capital Endowment Fund	£ 16,000

Ten grants were made to a variety of charities and organisations. The principal awards were:-

£100,000 to The Royal Marsden Cancer Charity towards the cost of the Outpatients Hub at the hospital's Sutton site.

£50,000 to The Community Foundation for Surrey to continue contributing to the funding of deserving causes in Surrey.

£30,000 to Cheadle Heath Sports Club towards the cost of installing floodlights at the Club's football ground.

£22,500 to the High Sheriff Youth Awards to support young people in Surrey.

£20,000 to Saint Mark's Parish Church towards the cost of renovating the kitchen in the church hall.

The Trustees have referred to the Charity Commission's guidance on public benefit when reviewing their aims and objectives and in planning future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set. The Trustees believe that, taken together, these grants meet the objective of benefiting as varied a cross-section of the community as possible in the various grant-making fields. The Trustees will continue to look for a wide variety of projects that enable those with disabilities or who are otherwise disadvantaged to achieve their full potential.

THE PETER HARRISON FOUNDATION

Report of the trustees for the year ended 31 May 2018 (continued)

4. Future plans

The Trustees intend to maintain a significant grant-making programme to benefit a wide range of charitable causes of particular interest to them. Grants will continue to be made in the Foundation's four programmes. In deciding on these grants, Trustees will continue to favour projects (both capital and revenue) where support from the Foundation will make a substantial difference in improving the quality of life for people who are experiencing particular disability or disadvantage. Potential projects in the Opportunities Through Sport programme will continue to be considered on a UK wide basis; and recipients of grants will range from the Paralympic level to programmes of benefit to local communities.

5. Financial review

The financial statements consolidate the results of the Foundation with those of its subsidiary, PHF Investments Limited, for the year ended 31 May 2018.

(i) Total gross income

Total gross income for the year amounted to £2,615,129 (2017: £2,876,431).

The unrestricted income fund received interest from property development loans of £803,780 (2017: £1,197,829), rental income of £1,657,140 (2017: £1,647,614) and income from listed investments of £145,910 (2017: £nil). The report on investments below explains the movement in types of investment and hence the changes in income.

(ii) Charitable grants awarded

After due consideration and assessment the Trustees have awarded grants for the year of £2,078,818 (2017: £1,808,591). Details of the grants given are shown in section 3 above.

(iii) Investments

The Trustees' overall investment objective is to achieve sufficient total returns to fund its existing grant programme whilst also protecting the capital value of its assets for the benefit of future beneficiaries.

The Foundation's principal investments comprise investment properties and property development loans which are held by the charity's wholly owned subsidiary PHF Investments Limited. In addition the charity diversified and acquired managed investment funds during the year.

The investment properties are mainly held to generate rental income to finance grants awarded by the charity. The investment properties were valued at £21,450,000 (2017: £21,450,000) and earned net rental income during the year of £1,510,008 (2017: £1,498,668).

Investment properties are bought and sold depending on market conditions and opportunities arising. The property market continues to be challenging and no investment property opportunities arose during the year which the Trustees considered could provide a reasonable return at an acceptable level of risk. As a result the Trustees have invested surplus cash in alternative investments (see below). However the Trustees continue to monitor the investment property market for future opportunities.

The Foundation has made loans to fund property developments which earn interest and also entitle the Foundation to a share of any development profits, but not of any losses. The interest on these loans is payable quarterly which provides the Foundation with regular income from which to fund grants. Loans of £11,750,000 (2017: £nil) were repaid during the year which led to a reduction in loan interest receivable. Due to particularly favourable circumstances the profit share on these loans amounted to £2,459,547 (2017: £nil). It is unlikely that profit shares will be at such a high level on future loans. A further loan of £4,500,000 was made during the year, however the property market was such that further development loan opportunities did not arise during the year with which to fully utilise the loan repayment proceeds.

THE PETER HARRISON FOUNDATION

Report of the trustees for the year ended 31 May 2018 (continued)

5. Financial review (continued)

The Trustees invested £7,500,000 during the year in various charity pooled funds. The funds are held primarily to generate income in order to finance the payment of grants. The investments were made in tranches over a six month period and generated income of £145,910 (2017: £nil).

The Foundation and its subsidiary held cash at the year end of £14,079,343 (2017: £11,635,042). The Trustees are aware that the interest earned on these deposits is at historically very low levels, however they are also conscious of the need to meet grant commitments without having to sell investments at an inopportune time. The Trustees routinely monitor the position and consider that, given the present level of grant commitments, there is scope for alternative investments and are currently considering two new property development loans.

The Trustees regularly monitor the Foundation's investments and cash reserves with a view to balancing prudence with the need to generate income. In so doing the Trustees consider the risks associated with each class of investment, bearing in mind the risks inherent with those particular assets and the wider economic risks arising from matters such as Brexit. The Trustees consider that the present mix provides a reasonable balance of returns with an acceptable level of risk but will continue to keep the charity's assets under review.

The Trustees consider that the charity's investments and the income these investments generate should be sufficient to meet the charity's present obligations and also ensure its ability to continue to make grants in the long term.

6. Reserves policy

The Trustees have the flexibility, if they so wish, to spend the Foundation's expendable endowment fund in fulfilment of the charity's objectives. However in order to balance the needs of current and potential future beneficiaries of the charity the Trustees have adopted the policy of retaining the expendable endowment fund, together with any capital profits arising from the sale of the Foundation's investments, the income generated from this capital being used to fund grants payable. The Trustees consider that by maintaining and building the capital base of the Foundation, which should generate greater income, the Trustees will be able to increase grants payable whilst ensuring the Foundation's long term future and helping to prevent any diminution to the Foundation caused by inflation.

Accounting standards require capital profits to be included within the unrestricted income fund and accordingly the accounts reflect this treatment, however as stated above the Trustees aim to build the unrestricted income fund reserve over time to ensure the long term future of the Foundation.

UK accounting standards require grants to be accounted for when the recipient has a reasonable expectation that they will receive a grant and the Trustees have agreed to pay the grant without condition (or any condition is outside the control of the Foundation). Accordingly there can be a difference between the grants charged to the Statement of Financial Activities and the amount actually paid (see note 4 to the financial statements). The amount of grants the Foundation was committed to, but had not paid, amounted to £3,946,828 (2017: £4,085,945) which includes a commitment to pay Reigate Grammar School £2,050,000 (2017: £2,562,500) towards land and buildings for a new Sixth Form centre. Largely as a result of this substantial commitment the charity, as a separate entity, had a deficit of reserves on the unrestricted income fund. Careful management has meant that the Trustees were able to reduce the deficit over the last few years and this year, with the substantial donation from PHF investments Limited, the deficit has been eliminated.

7. Legal and administrative details

The Legal and Administrative Information set out after the title page forms part of the Report. The financial statements comply with current statutory requirements, the Trust Deed, and present accounting regulations. The Foundation is constituted under a Trust Deed dated 29 April 1999 and was registered as a charity in England and Wales on 15 July 1999 under registration number 1076579. The governing body is the Board of Trustees. The founder of the Foundation appoints trustees.

THE PETER HARRISON FOUNDATION

Report of the trustees for the year ended 31 May 2018 (continued)

8. Risk management

The Trustees acknowledge their responsibilities and recognise that good practice includes consideration and reporting of risk management. The Trustees have examined the major strategic, business and operational risks involved in the Foundation's activities and have conducted a risk assessment.

The Trustees have identified and considered potential risks under the following categories:

- Governance and management
- Operational risk
- Financial risk
- Environmental and external factors
- Compliance with the law and regulations

The Trustees have reviewed and assessed the potential impact of the major risks identified and have noted the steps taken to mitigate those risks. The Trustees are confident that currently there are no medium or high risks to the Foundation and the likelihood of such risks arising is low. Any significant changes in procedures have a risk assessment made prior to implementation. Regular reviews of the risk assessment are made prior to meetings of the Trustees.

9. Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Foundation and of the income and expenditure of the Foundation for that period. In preparing these financial statements the Trustees are required to:

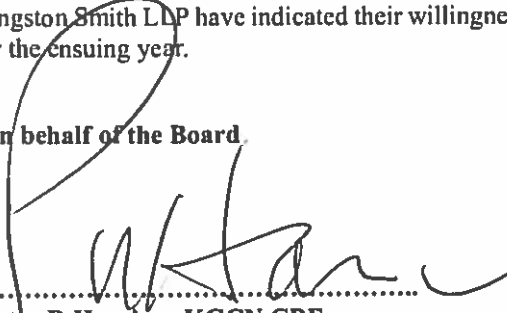
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Foundation and to enable them to ensure that the financial statements comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

10. Auditors

Kingston Smith LLP have indicated their willingness to continue in office and it is proposed that they be re-appointed auditors for the ensuing year.

On behalf of the Board



Date 29 November 2018

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Peter R Harrison KGCN CBE
Chairman

THE PETER HARRISON FOUNDATION

Independent Auditor's Report to the Trustees of The Peter Harrison Foundation

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the group and charity's affairs as at 31 May 2018, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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 charity 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 group and charity'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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.

THE PETER HARRISON FOUNDATION

Independent Auditor's Report to the Trustees of The Peter Harrison Foundation (continued)

Matters on which we are required to report by exception

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

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- the group and charity has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we required for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 8, 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 group and charity'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 charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and charity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and charity to cease to continue as a going concern.

THE PETER HARRISON FOUNDATION

Independent Auditor's Report to the Trustees of The Peter Harrison Foundation (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the group and charity's trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the group and charity's trustees 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 any party other than the charity and charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Kingston Smith LLP

Kingston Smith LLP
Statutory auditor

5/12/2018

Betchworth House
57-65 Station Road
Redhill
Surrey
RH1 1DL

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

THE PETER HARRISON FOUNDATION

Consolidated Statement of Financial Activities for the year ended 31 May 2018

	Note	2018 Unrestricted income fund £	2018 Restricted income fund £	2018 Expendable endowment funds £	2018 Total £	2017 Total £
Income from:						
Investments and cash deposits	2	957,924	-	65	957,989	1,228,817
Rental income	3	1,657,140	-	-	1,657,140	1,647,614
Total income		<u>2,615,064</u>	<u>-</u>	<u>65</u>	<u>2,615,129</u>	<u>2,876,431</u>
Expenditure on:						
Raising funds:						
Rental activity	3	147,133	-	-	147,133	148,946
Charitable activities	4	2,218,578	-	16,000	2,234,578	1,968,146
Total expenditure		<u>2,365,711</u>	<u>-</u>	<u>16,000</u>	<u>2,381,711</u>	<u>2,117,092</u>
Net operating income/(expenditure)		249,353	-	(15,935)	233,418	759,339
Net realised investment gains	7	2,459,547	-	-	2,459,547	-
Net unrealised investment gains/(losses)	7	115,179	-	-	115,179	(400,000)
Net income/(expenditure) and net movement in funds		<u>2,824,079</u>	<u>-</u>	<u>(15,935)</u>	<u>2,808,144</u>	<u>359,339</u>
Funds brought forward	10	<u>3,009,082</u>	<u>8,520</u>	<u>45,123,254</u>	<u>48,140,856</u>	<u>47,781,517</u>
Funds carried forward	10	<u>5,833,161</u>	<u>8,520</u>	<u>45,107,319</u>	<u>50,949,000</u>	<u>48,140,856</u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the statement of financial activities.

The notes on pages 16 to 27 form part of these financial statements.

THE PETER HARRISON FOUNDATION

Consolidated Balance Sheet as at 31 May 2018

	Note	2018		2017	
		£	£	£	£
Fixed assets					
Tangible fixed assets	6		85		279
Managed investment funds	7	7,615,179		-	
Investment properties	7	21,450,000		21,450,000	
Loans	7	10,800,000		18,050,000	
Total investments			<u>39,865,179</u>	<u>18,050,000</u>	<u>39,500,000</u>
			<u>39,865,264</u>		<u>39,500,279</u>
Current assets					
Debtors	8	1,179,379		1,317,811	
Cash at bank and in hand		20,000		15,448	
Cash and bank balances		14,059,343		11,619,594	
Short term deposits					
		<u>15,258,722</u>		<u>12,952,853</u>	
Creditors: amounts falling due within one year					
Charitable grants provided and contracted for, but not paid	4	(1,720,782)		(1,406,879)	
Other creditors	9	(228,158)		(226,331)	
		<u>(1,948,940)</u>		<u>(1,633,210)</u>	
Net current assets			<u>13,309,782</u>		<u>11,319,643</u>
Total assets less current liabilities			<u>53,175,046</u>		<u>50,819,922</u>
Creditors: amounts payable after more than one year					
Charitable grants provided and contracted for but not paid	4		(2,226,046)		(2,679,066)
Net assets			<u>50,949,000</u>		<u>48,140,856</u>
Expendable endowments					
Endowment gifts	10	45,001,000		45,001,000	
Expendable endowment gift	10	106,319		122,254	
			<u>45,107,319</u>		<u>45,123,254</u>
Income funds					
Unrestricted income fund	10	5,833,161		3,009,082	
Restricted income fund	10	8,520	5,841,681	8,520	3,017,602
Total expendable endowment and income funds			<u>50,949,000</u>		<u>48,140,856</u>

The notes on pages 16 to 27 form part of these financial statements. *29 November 2018*
 These financial statements were reviewed and approved by the Board of Trustees, on 29 November 2018

Peter R Harrison
 Peter R Harrison KGCN CBE
 Chairman

P J G Lee
 P J G Lee DL LL.B
 Trustee

THE PETER HARRISON FOUNDATION

Balance Sheet as at 31 May 2018

	Note	2018		2017 as restated	
		£	£	£	£
Fixed assets					
Tangible fixed assets	6		85		279
Managed investment funds	7	7,615,179		-	
Loan to subsidiary company	7	35,500,000		35,500,000	
Investment in subsidiary company	7	1,000		1,000	
Total investments			<u>43,116,179</u>	<u>35,501,000</u>	
			43,116,264		35,501,279
Current assets					
Debtors	8	4,850,323		1,135,170	
Cash at bank and in hand					
Cash and bank balances		10,000		10,084	
Short term deposits		3,387,834		10,177,103	
			<u>8,248,157</u>	<u>11,322,357</u>	
Creditors: amounts falling due within one year					
Charitable grants, provided and contracted but not paid	4	(1,720,782)		(1,406,879)	
Other creditors	9	(12,310)		(12,957)	
			<u>(1,733,092)</u>	<u>(1,419,836)</u>	
Net current assets			<u>6,515,065</u>		<u>9,902,521</u>
Total assets less current liabilities			<u>49,631,329</u>		<u>45,403,800</u>
Creditors: amounts payable after more than one year					
Charitable grants, provided and contracted but not paid	4		(2,226,046)		(2,679,066)
Net assets			<u>47,405,283</u>		<u>42,724,734</u>
Expendable endowments					
Endowment gifts	10	45,001,000		45,001,000	
Expendable endowment gift	10	106,319		122,254	
			<u>45,107,319</u>	<u>45,123,254</u>	
Income funds					
Unrestricted income fund – surplus/(deficit)	10	2,289,444		(2,407,040)	
Restricted income fund	10	8,520		8,520	
			<u>2,297,964</u>	<u>(2,398,520)</u>	
Total expendable endowment and income funds			<u>47,405,283</u>	<u>42,724,734</u>	

The notes on pages 16 to 27 form part of these financial statements.

These financial statements were reviewed and approved by the Board of Trustees, on 29 November 2018


Peter R Harrison KGCN CBE
Chairman


P J G Lee DL ML B
Trustee

THE PETER HARRISON FOUNDATION

Consolidated Statement of Cash Flows for the year ended 31 May 2018

	2018		2017	
	£	£	£	£
Net income for the reporting period		2,808,144		359,339
Adjustments for:				
Depreciation charges		194		269
Realised gains on investments		(2,459,547)		-
Unrealised (gains)/losses on investments		(115,179)		400,000
Interest receivable from investments		(957,989)		(1,228,817)
Rents receivable from investments		(1,657,140)		(1,647,614)
(Increase)/decrease in debtors		(4,829)		13,971
Decrease in creditors		(140,680)		(362,478)
Net cash used by operating activities		<u>(2,527,026)</u>		<u>(2,465,330)</u>
Cash flows from investing activities:				
Interest received	1,101,250		1,213,402	
Rent received	1,660,530		1,655,283	
Proceeds from investment loan repayments	14,209,547		-	
Purchase of investment loans	(4,500,000)		-	
Purchase of managed investment funds	(7,500,000)		-	
Net cash provided by investing activities		<u>4,971,327</u>		<u>2,868,685</u>
Change in cash in the reporting period		<u>2,444,301</u>		<u>403,355</u>
Cash at the beginning of the reporting period		11,635,042		11,231,687
Cash at the end of the reporting period		<u><u>14,079,343</u></u>		<u><u>11,635,042</u></u>
Analysis of cash		31 May 2018		31 May 2017
		£		£
Cash and bank balances		20,000		15,448
Short term deposits		14,059,343		11,619,594
		<u>14,079,343</u>		<u>11,635,042</u>

The notes on pages 16 to 27 form part of these financial statements.

THE PETER HARRISON FOUNDATION

Notes forming part of the consolidated financial statements for the year ended 31 May 2018

1 Accounting policies

Basis of preparation and assessment of going concern

The financial statements have been prepared under the historical cost convention, with the exception that investments are included at market value, and in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The financial statements are prepared in Sterling which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest Pound.

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

The Trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern. The most significant area of uncertainty is the valuation of the Foundation's investment properties, however, these form only part of the Foundation's net assets and with the Foundation's cash balances exceeding the grant commitments the Trustees are confident of the Foundation's ability to continue as a going concern.

Critical accounting estimates and areas of judgment

In preparing financial statements it is necessary to make certain judgments, estimates and assumptions that affect the amounts recognised in the financial statements. The trustees consider that the valuation of the subsidiary's investment properties is the only amount which requires judgment and estimation and that could have a significant effect on the financial statements. The investment properties' valuations are based on advice from the subsidiary's property consultants of their view of the market value at the year end. Property valuations necessarily require judgment however the subsidiary's property consultants are experts in their field and the trustees consider that the risk of a material misstatement is unlikely to occur. Furthermore, the impact of a misstatement would not affect the ability of the Foundation to meet its grant commitments as the Foundation's cash balances are sufficient to settle its grant commitments in full.

Group financial statements

These financial statements consolidate the results of the charity and its wholly owned subsidiary PHF Investments Limited on a line by line basis. A separate statement of financial activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by the Charities SORP FRS 102.

Income

Income is accounted for gross in the period in which the Foundation is entitled to receipt.

Expenditure

All expenditure is included on an accruals basis.

Support costs comprise costs for processing grant applications, including support to actual and potential applicants, together with governance costs meeting constitutional and statutory requirements which include the cost of Trustee meetings and audit fees. Where costs cannot be directly attributed to either of these categories an apportionment is made based on estimated staff time.

THE PETER HARRISON FOUNDATION

Notes forming part of the consolidated financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Charitable grants charged in the year are as follows:

- (a) Awarded by the Trustees, and all contractual conditions met in the year.
- (b) Awarded by the Trustees in the previous year for which the contractual terms have been met in the current year.

Fixed assets and depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer and office equipment	25% straight line
Office fixtures and furnishings	15% - 25% straight line

At the end of each accounting period the residual values and useful lives of assets are reviewed and adjusted if necessary. In addition, if changes in circumstances indicate that the carrying value may not be recoverable then the carrying values of tangible fixed assets are reviewed for impairment.

Fixed asset investments

Investment properties are stated at their estimated market value. No depreciation is provided on investment properties.

The managed investment funds are stated at their listed price.

Loans for property development are stated at cost less provision for diminution in value. The property development loans earn interest together with a share of any net development profit, but not of any losses. The share of net development profits is accounted for when they can be determined with reasonable certainty.

The Foundation's investment in its subsidiary undertaking, PHF Investments Limited, is unquoted and shown at cost. As consolidated financial statements are presented, and in view of the disclosures at note 7 regarding the subsidiary, the Trustees do not believe that estimating the market value of this investment and including this value on the charity Balance Sheet would be relevant to users' understanding of the accounts. As a result the investment is presented at historic cost.

The Statement of Financial Activities includes realised gains and losses from investments that have been sold and unrealised gains and losses arising from the revaluation of investments that are still held.

Other financial instruments

a) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and short term deposits with a maturity date of three months or less.

b) Debtors and creditors

Debtors and creditors receivable or payable within one year of the reporting date are carried at their transaction price. Debtors and creditors that are receivable or payable in more than one year and not subject to a market rate of interest are measured at the present value of the expected future receipts or payment, discounted at a market rate of interest. Grants payable after more than one year are not considered to be financial instruments as they are non-contractual in nature and consequently are not measured at their present value.

Expendable endowment funds

Where funds are given to be held as endowments, they are shown as expendable endowment funds in the financial statements. Expendable endowments are those where the trust terms provide for conversion to income under certain circumstances. Of the endowment funds £106,319 (2017: £122,254) is restricted to expenditure subject to the donor's approval.

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

2 Income from investments and cash deposits

	2018 £	2017 £
Income from listed investments	145,910	-
Interest receivable from loans for property development	798,719	1,197,829
Interest receivable from bank deposits and other deposit accounts:		
Unrestricted income fund	13,295	30,856
Expendable endowment fund	65	132
	<u>957,989</u>	<u>1,228,817</u>

All of the income shown above, other than the interest receivable for the expendable endowment fund, is attributable to the unrestricted income fund in both years.

3 Subsidiary company

The wholly owned subsidiary, PHF Investments Limited pays all of its taxable profits to the charity under a Deed of Covenant dated 22 May 2018. A summary of the subsidiary's results is shown below:

	2018 £	2017 as restated £
Rental income	1,657,140	1,647,614
Interest receivable	803,780	1,198,846
Operating expenses for rental activities	(147,133)	(148,946)
Fair value losses on investment properties	-	(400,000)
Other operating expenses	(10,420)	(10,544)
Interest payable on shareholder loans	(850,055)	(814,564)
Share of net development profit on loans	2,459,547	-
	<u>3,912,859</u>	<u>1,472,406</u>
Profit on ordinary activities	3,912,859	1,472,406
Donation payable (2017: paid) to parent charity	(5,785,265)	(1,000,000)
	<u>(1,872,406)</u>	<u>472,406</u>

All of the income and expenditure of PHF Investments Limited, including rental income and rental expenditure, is attributable to the unrestricted income fund in both years.

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

4 Charitable activities

	Grants awarded £	Support costs £	Total £
2018			
Opportunities through Sport	1,309,152	104,344	1,413,496
Special Needs and Care for Children and Young People	460,408	36,294	496,702
Education	127,060	6,049	133,109
Trustees' Discretion - Unrestricted income fund	225,000	9,073	234,073
- Expendable endowment funds	16,000	-	16,000
Less grants awarded in previous years not taken up	(58,802)	-	(58,802)
	<u>2,078,818</u>	<u>155,760</u>	<u>2,234,578</u>
2017			
Opportunities through Sport	995,086	88,030	1,083,116
Special Needs and Care for Children and Young People	544,045	47,683	591,728
Education	136,002	14,672	150,674
Trustees' Discretion - Unrestricted income fund	147,000	9,170	156,170
- Expendable endowment funds	-	-	-
Less grants awarded in previous years not taken up	(13,542)	-	(13,542)
	<u>1,808,591</u>	<u>159,555</u>	<u>1,968,146</u>

The support costs have been apportioned to grants awarded on the basis of the number of grants awarded, except for expendable endowment funds where expenditure is subject to the donor's approval.

Reconciliation of grants provided or reserved:

	2018 £	2017 £
Grants awarded during the year	2,078,818	1,808,591
Add charitable grants awarded and contracted in previous year but not paid at 31 May 2017	4,085,945	4,428,313
	<u>6,164,763</u>	<u>6,236,904</u>
Charitable grants paid during the year	(2,217,935)	(2,150,959)
	<u>3,946,828</u>	<u>4,085,945</u>
Charitable grants provided and contracted for but not paid at 31 May 2018	<u>3,946,828</u>	<u>4,085,945</u>
Charitable grants provided and contracted for but not paid comprise:		
Grants payable after more than one year but within five years	2,166,713	2,618,058
Grants payable after five years	59,333	61,008
	<u>2,226,046</u>	<u>2,679,066</u>
Grants payable after more than one year	2,226,046	2,679,066
Grants payable during the next year	1,720,782	1,406,879
	<u>3,946,828</u>	<u>4,085,945</u>

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

5 Support costs

2018	Grant making costs £	Governance costs £	Total support costs £
Staff costs			
Gross salaries	59,340	4,633	63,973
Employer's National Insurance	5,091	398	5,489
Pension	1,215	95	1,310
Staff recruitment and training	1,379	-	1,379
	<u>67,025</u>	<u>5,126</u>	<u>72,151</u>
Professional fees			
Audit fees	-	18,327	18,327
Legal and professional fees	-	2,400	2,400
	<u>-</u>	<u>20,727</u>	<u>20,727</u>
Premises costs			
Rent	18,894	1,475	20,369
Rates	7,671	599	8,270
Premises management	8,689	678	9,367
	<u>35,254</u>	<u>2,752</u>	<u>38,006</u>
Office costs	22,894	1,788	24,682
Depreciation	180	14	194
	<u>125,353</u>	<u>30,407</u>	<u>155,760</u>

Support costs comprise costs for processing grant applications, including support to actual and potential applicants, together with governance costs meeting constitutional and statutory requirements which include the cost of Trustee meetings and audit fees. Where costs cannot be directly attributed to either of these categories an apportionment is made based on estimated staff time.

No Trustee received any remuneration or was reimbursed for expenses incurred on the activities of the Foundation. The average number of persons employed during the year was 3 (2017: 3), all employees are part time being equivalent to 1.20 (2017: 1.25) full time employees. All employee time is involved in providing either support to the governance of the charity or support services to charitable activities. The Trustees consider the Foundation's key management personnel comprise the Trustees and the Director. The total employment benefits of the key management personnel were £34,367 (2017: £33,150). No employee's emoluments exceeded £60,000 in either year.

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

5 Support costs (continued)

2017	Grant making costs £	Governance costs £	Total support costs £
Staff costs			
Gross salaries	61,768	4,220	65,988
Employer's National Insurance	5,503	376	5,879
Pension	193	13	206
Staff training	199	-	199
	<u>67,663</u>	<u>4,609</u>	<u>72,272</u>
Professional fees			
Audit fees	-	24,095	24,095
Legal fees	-	360	360
	<u>-</u>	<u>24,455</u>	<u>24,455</u>
Premises costs			
Rent	19,067	1,302	20,369
Rates	7,323	500	7,823
Premises management	8,732	597	9,329
	<u>35,122</u>	<u>2,399</u>	<u>37,521</u>
Office costs	23,437	1,601	25,038
Depreciation	252	17	269
	<u>126,474</u>	<u>33,081</u>	<u>159,555</u>

6 Tangible fixed assets

Group and Charity	Office fixtures and furnishings £	Computer and office equipment £	Total £
<i>Cost</i>			
At 1 June 2017 and 31 May 2018	<u>27,955</u>	<u>8,722</u>	<u>36,677</u>
<i>Accumulated depreciation</i>			
At 1 June 2017	27,955	8,443	36,398
Charged in the year	-	194	194
At 31 May 2018	<u>27,955</u>	<u>8,637</u>	<u>36,592</u>
<i>Net book amount</i>			
At 31 May 2018	<u>-</u>	<u>85</u>	<u>85</u>
At 31 May 2017	<u>-</u>	<u>279</u>	<u>279</u>

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

7 Investments

Group	Managed investment funds £	Investment properties £	Loans £	Total for group £
<i>Cost and valuation</i>				
At 1 June 2017	-	21,450,000	18,050,000	39,500,000
Additions	7,500,000	-	4,500,000	12,000,000
Disposals	-	-	(11,750,000)	(11,750,000)
Revaluation gains	115,179	-	-	115,179
At 31 May 2018	<u>7,615,179</u>	<u>21,450,000</u>	<u>10,800,000</u>	<u>39,865,179</u>
<i>Historic cost</i>				
At 31 May 2018	7,500,000	20,025,702	10,800,000	38,325,702
At 31 May 2017	-	20,025,702	18,050,000	38,075,702
Charity	Managed investment funds £	Investment in subsidiary company £	Loan to subsidiary company £	Total for charity £
<i>Cost and valuation</i>				
At 1 June 2017	-	1,000	35,500,000	35,501,000
Additions	7,500,000	-	-	7,500,000
Revaluation gains	115,179	-	-	115,179
At 31 May 2018	<u>7,615,179</u>	<u>1,000</u>	<u>35,500,000</u>	<u>43,116,179</u>
<i>Historic cost</i>				
At 31 May 2018	7,500,000	1,000	35,500,000	43,001,000
At 31 May 2017	-	1,000	35,500,000	35,501,000

The managed investment funds are all listed and comprise: COIF Charities Investment Fund managed by CCLA Investment Management Limited, Newton Growth and Income Fund for Charities managed by Newton Investment Management Limited (both mixed funds), ChariTrak Common Investment Fund managed by BlackRock Investment Management (UK) Limited and 'Charifund' managed by M&G Investment Management Limited (both UK equity funds). All of the managed investment funds are held principally to generate income.

During the year three (2017: none) of the group's loans were repaid, the share of net development profits of £2,459,547 (2017: £nil) arising on these loans has been shown as realised investment gains. In 2017 the group's investment properties were revalued generating an unrealised loss of £400,000.

The Foundation's wholly owned subsidiary, PHF Investments Limited (company number 06772346), holds investment properties for which it collects rental income (see note 3). The investment properties' valuations at the year end were based on advice from the subsidiary's property consultants of their view of the market value.

PHF Investments Limited had aggregate capital and reserves at the year end of £3,544,716 (2017 as restated: £5,417,122). The company's results for the year are shown in note 3. PHF Investments Limited is incorporated in England and two of the Trustees, Peter Harrison and Peter Lee, are directors of the company.

The loan from the Foundation to PHF Investments Limited is repayable on 8 May 2024 or earlier at the discretion of the company's directors. Interest is receivable on the loan at 2% above the prevailing Bank of England base rate.

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

8 Debtors

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 as restated £
Loan to Old Reigatians Rugby Football Club	1,050,000	1,050,000	1,050,000	1,050,000
Trade debtors	10,270	-	-	-
Prepayments and accrued income	29,988	35,429	4,836	5,029
Accrued income receivable	89,121	232,382	10,222	80,141
Donation receivable from subsidiary company	-	-	3,785,265	-
	<u>1,179,379</u>	<u>1,317,811</u>	<u>4,850,323</u>	<u>1,135,170</u>

An interest free loan of £1,050,000 (2017: £1,050,000) has been made to the Old Reigatians Rugby Football Club to enable it to complete its sports club centre. Legal proceedings have been brought by the Club against the architects of the building project. Any amounts recovered as a result of these proceedings will be used to refund the loan subject to the reimbursement of the costs personally expended by the Chairman on legal proceedings. Should a settlement from the proceedings be less than the monies advanced, then Peter Harrison KGCN CBE has undertaken to meet any shortfall from his personal funds. Peter Harrison is President of the Old Reigatians Rugby Football Club. This loan is interest free as the organisation falls within the Foundation's charitable objectives.

9 Other creditors

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Rent received in advance	130,701	127,311	-	-
Trade creditors	2,692	957	-	957
Accruals	19,310	19,000	12,310	12,000
Taxes and social security	75,455	78,012	-	-
Other creditors	-	1,051	-	-
	<u>228,158</u>	<u>226,331</u>	<u>12,310</u>	<u>12,957</u>

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

10 Analysis of funds

Group	At 1 June 2017 £	Income £	Expenditure £	Gains and losses £	At 31 May 2018 £
Expendable endowments					
Endowment gifts	45,001,000	-	-	-	45,001,000
Further expendable endowment gifts	122,254	65	(16,000)	-	106,319
Income funds					
Unrestricted fund - surplus	3,009,082	2,615,064	(2,365,711)	2,574,726	5,833,161
Restricted fund	8,520	-	-	-	8,520
	<u>48,140,856</u>	<u>2,615,129</u>	<u>(2,381,711)</u>	<u>2,574,726</u>	<u>50,949,000</u>
Charity	At 1 June 2017 as restated £	Income £	Expenditure £	Gains and losses £	At 31 May 2018 £
Expendable endowments					
Endowment gifts	45,001,000	-	-	-	45,001,000
Further expendable endowment gifts	122,254	65	(16,000)	-	106,319
Income funds					
Unrestricted fund – surplus/(deficit)	(2,407,040)	6,789,464	(2,208,159)	115,179	2,289,444
Restricted fund	8,520	-	-	-	8,520
	<u>42,724,734</u>	<u>6,789,529</u>	<u>(2,224,159)</u>	<u>115,179</u>	<u>47,405,283</u>

The endowment gifts may be distributed at the Trustees discretion, but the current policy is to retain the endowment in order to maximise income for grant distribution in each year.

The further expendable endowment gifts are those where the trust terms provide for conversion to income under certain circumstances. During the year four donations totalling £16,000 (2017: £nil) were made.

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

10 Analysis of funds (continued)

Group	At 1 June 2016 £	Income £	Expenditure £	Gains and losses £	At 31 May 2017 £
Expendable endowments					
Endowment gifts	45,001,000	-	-	-	45,001,000
Further expendable endowment gifts	122,122	132	-	-	122,254
Income funds					
Unrestricted fund - surplus	2,649,875	2,876,299	(2,117,092)	(400,000)	3,009,082
Restricted fund	8,520	-	-	-	8,520
	<u>47,781,517</u>	<u>2,876,431</u>	<u>(2,117,092)</u>	<u>(400,000)</u>	<u>48,140,856</u>
Charity	At 1 June 2016 as restated £	Income £	Expenditure £	Gains and losses £	At 31 May 2017 as restated £
Expendable endowments					
Endowment gifts	45,001,000	-	-	-	45,001,000
Further expendable endowment gifts	122,122	132	-	-	122,254
Income funds					
Unrestricted fund – (deficit)	(2,293,843)	1,844,403	(1,957,600)	-	(2,407,040)
Restricted fund	8,520	-	-	-	8,520
	<u>42,837,799</u>	<u>1,844,535</u>	<u>(1,957,600)</u>	<u>-</u>	<u>42,724,734</u>

THE PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

11 Analysis of net assets between funds

Group - 2018	Endowment fund	Expendable endowment fund	Unrestricted income fund	Restricted income fund	Total funds
	£	£	£	£	£
Fixed assets	38,325,702	-	1,539,562	-	39,865,264
Current assets	6,675,298	106,319	8,468,585	8,520	15,258,722
Current liabilities	-	-	(1,948,940)	-	(1,948,940)
Creditors payable after more than one year	-	-	(2,226,046)	-	(2,226,046)
At 31 May 2018	45,001,000	106,319	5,833,161	8,520	50,949,000
Charity - 2018	Endowment fund	Expendable endowment fund	Unrestricted income fund	Restricted income fund	Total funds
	£	£	£	£	£
Fixed assets	43,000,000	-	116,264	-	43,116,264
Current assets	2,001,000	106,319	6,132,318	8,520	8,248,157
Current liabilities	-	-	(1,733,092)	-	(1,733,092)
Creditors payable after more than one year	-	-	(2,226,046)	-	(2,226,046)
At 31 May 2018	45,001,000	106,319	2,289,444	8,520	47,405,283
Group - 2017	Endowment fund	Expendable endowment fund	Unrestricted income fund	Restricted income fund	Total funds
	£	£	£	£	£
Fixed assets	35,000,000	-	4,500,279	-	39,500,279
Current assets	10,001,000	122,254	2,821,079	8,520	12,952,853
Current liabilities	-	-	(1,633,210)	-	(1,633,210)
Creditors payable after more than one year	-	-	(2,679,066)	-	(2,679,066)
At 31 May 2017	45,001,000	122,254	3,009,082	8,520	48,140,856
Charity – 2017 as restated	Endowment fund	Expendable endowment fund	Unrestricted income fund	Restricted income fund	Total funds
	£	£	£	£	£
Fixed assets	35,000,000	-	501,279	-	35,501,279
Current assets	10,001,000	122,254	1,190,583	8,520	11,322,357
Current liabilities	-	-	(1,419,836)	-	(1,419,836)
Creditors payable after more than one year	-	-	(2,679,066)	-	(2,679,066)
At 31 May 2017	45,001,000	122,254	(2,407,040)	8,520	42,724,734

PETER HARRISON FOUNDATION

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

12 Related party transactions

During the year the Foundation operated from the 2nd Floor, Foundation House, 42-48 London Road, Reigate, RH2 9QQ. The freehold building is owned by the P R Harrison 1997 "B" Settlement.

An agreement has been made between the Foundation and the "B" Settlement that the occupation by the "B" Settlement and the Foundation of the shared office is based on the space occupied by each entity and the number of staff employed. During the year the Foundation was charged under this agreement £20,369 (2017: £20,369) for rent, £9,367 (2017: £9,329) for service charges, £8,270 (2017: £7,823) for rates, £10,560 (2017: £8,400) for general office costs and £384 (2017: £303) for insurance (all figures include VAT). Peter Harrison KGCN CBE is Chairman of the Foundation and a trustee and beneficiary of the "B" Settlement.

The Foundation charged £499 (2017: £1,205) to the Peter Harrison Heritage Foundation for shared resources, including staff, accommodation at Foundation House and certain overheads. Peter Harrison KGCN CBE is a trustee of the Peter Harrison Heritage Foundation.

The Foundation's wholly owned subsidiary PHF Investments Limited is managed by Chancerygate Limited. Chancerygate Limited charged £114,093 (2017: £113,578) for managing the properties owned by PHF Investments Limited, advising on acquisitions and disposals of the subsidiary's investments, advising on the loans for property development and for administering the company. The Trustees consider that these management fees are charged at a commercial rate. Peter Lee, a Trustee, is a shareholder and director of Chancerygate Limited but does not participate in the negotiation of either the management or performance fees chargeable by Chancerygate Limited. At the year end PHF Investments Limited had net loans outstanding to Chancerygate Limited of £10,800,000 (2017: £18,050,000) for the purpose of property development. These loans are repayable within 5 years and interest is charged at between 5% and 7% with the company also entitled to 20% to 25% of any net development profits once complete. During the year interest on the loans of £798,719 (2017: £1,197,829) was earned. In addition £2,459,547 (2017: £nil) was paid by Chancerygate Limited to PHF Investments Limited in respect of profit shares on loans repaid during the year.

During the year PHF Investments Limited, the Foundation's wholly owned subsidiary, paid £850,055 (2017: £814,565) of interest to the Foundation. The company also made donations in respect of the year of £5,785,265 (2017 as restated: £1,000,000) of which £3,785,265 (2017 as restated: £nil) is included in the charity's debtors at the year end.

13 Prior year adjustment

Following the first Triennial review of FRS 102, gift aid payments from a charity's trading subsidiary to its parent are not considered to be adjusting post balance sheet events and cannot be accrued for in the year the profits have been made unless a deed of covenant is in place. The trading subsidiary has a deed of covenant effective from 22 May 2018, however the comparatives have been restated to reflect the dates the payments were made rather than the year the profits were made. These changes only affect the charity, the consolidated accounts are not affected.

Changes to the charity's balance sheet at 31 May 2017 comprise:

	As previously reported £	Adjustment at 1 June 2016 £	Adjustment at 31 May 2017 £	As restated £
Debtors: Donation receivable from subsidiary company	2,000,000	(1,000,000)	(1,000,000)	-
Unrestricted fund - deficit	(407,040)	(1,000,000)	(1,000,000)	(2,407,040)

Changes to the charity's income for the year ended 31 May 2017 comprise:

	As previously reported £	Adjustment £	As restated £
Income	2,844,403	(1,000,000)	1,844,403