

# Unaudited Financial Statements The Liverpool College Foundation (formerly Liverpool College)

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**For the year ended 31 August 2016**

Charity number: 526682



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31/01/2017  
COMPANIES HOUSE

**Registered number: 00004466**

**The Liverpool College Foundation (formerly Liverpool College)**  
**(A company limited by guarantee)**

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**The Liverpool College Foundation (formerly Liverpool College)**  
**(A company limited by guarantee)**

## Reference and administrative details of the Charity, its Trustees and Advisers

**For the year ended 31 August 2016**

### **Trustees**

Mr J D Robertson, Chairman  
Mr I N Lightbody  
Professor C Hubbard  
Mr G H Pybus  
Mr K Siviter  
Mr J N Swift  
Mr N A Moss, Treasurer (appointed 7 October 2015)  
Dr Anne M Miller (appointed 20 January 2016)

### **Company registered number**

00004466

### **Charity registered number**

526682

### **Registered office**

Beechlands, Liverpool College, Mossley Hill, Liverpool, L18 8BG

### **Company secretary**

Mr W R E L Thompson

### **President**

The Rt Hon 19th Earl of Derby DL

### **Accountants**

Grant Thornton UK LLP, Royal Liver Building, Liverpool, L3 1PS

### **Bankers**

Barclays Bank plc, 48b and 50 Lord Street, Liverpool, L2 1TD

### **Solicitors**

Brabners LLP, Horton House, Exchange Flags, Liverpool, L2 3YL

**The Liverpool College Foundation (formerly Liverpool College)**  
**(A company limited by guarantee)**

## Trustees' Report

**For the year ended 31 August 2016**

The Trustees present their annual report together with the financial statements of The Liverpool College Foundation (formerly Liverpool College) for the year 1 September 2015 to 31 August 2016.

### Introduction

The Trustees, who are also the Directors of the Company for the purposes of the Companies Act, present their Annual Report together with the Financial Statements of the Liverpool College Foundation (the Company) for the year ended 31st August 2016.

The Trustees confirm that the Annual Report and Financial Statements of the Company comply with the Charities Act 2011, the Companies Act 2006, The Memorandum and Articles of Association, 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 (FRS102.1A) (effective 1 January 2015).

Liverpool College was founded in 1840 and registered in 1869 under the Companies Act 1862 and is a company limited by guarantee, No. 00004466. Liverpool College is a Registered Charity, No. 526682.

At the AGM of 20th January 2016, it was agreed that the registered name of Liverpool College as a Company and as a Charity should be changed to The Liverpool College Foundation. This change of name has been implemented.

Liverpool College was opened by William Ewart Gladstone, the future Prime Minister, whose family were prime movers in the formation of the College and the definition of its objectives and motto:-

“Non Solum Ingenii Verum Etiam Virtutis”  
“Not only the Intellect but also the Character”  
based on “Sound Religion and Useful Learning”

In this Report, the Charity and the Company will be referred to as “the Foundation”

### Structure, governance and management

The Memorandum and Articles of Association of the Foundation, established in 1869 and last revised in February 2014, is the Foundation's governing document and clearly defines delegation, responsibility and accountability in maintaining its Objects:-

"To provide for the inhabitants of Liverpool and others, by the establishment and maintenance of Lectures, School, and other like means, an education suited to their wants upon the most moderate terms; and for this purpose instruction in the doctrines and duties of Christianity, as taught by the Church of England, shall be forever communicated, in combination with literary, scientific, and commercial information. Provided nevertheless that no pupil shall be required as a condition of being admitted or remaining as a pupil, to attend or abstain from attending any Sunday School, place of worship, religious observance, or instruction in religious subjects in any school of the College or elsewhere."

The Board of Trustees is the governing body of the Foundation, elected by Foundation Members.

The recruitment and appointment of new Trustees is undertaken by the Board of Trustees. One third of the Trustees retire from office each year and may stand for re-election at the Annual General Meeting.

**The Liverpool College Foundation (formerly Liverpool College)**  
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## **Trustees' Report (continued)**

**For the year ended 31 August 2016**

Dr Anne Miller was appointed a Trustee and Director of the Foundation on 20th January 2016. Dr Miller brings considerable practical experience in education and governance to the Foundation. There were no resignations of Trustees during the year.

The Foundation owns and operates Liverpool College International, an International School and Boarding House. The Head of Liverpool College International reports directly to the Board of Trustees of the Foundation and is assisted by a School Committee, consisting of Trustees and other Foundation Members.

The Foundation provides equal opportunities for all staff and pupils.

The Foundation has ownership of the Freehold of all the Land and Buildings defined under the three Title Deeds which comprise the complete Mossley Hill estate.

On 1st September 2013, the Foundation's main school became an Academy formed under a separate Trust, the Liverpool College Independent School Trust, a Company and exempt Charity. The Academy is subject to a Funding Agreement between the Trust and the Secretary of State for Education, with a rolling seven year notice of termination by either party. Being separate Trusts and Corporate Entities, all relationships between the Foundation and the Academy are on an "arms-length" basis.

Pursuant to these arrangements, the Foundation entered into a number of Legal Agreements, which are now substantial determinates of its governance and management going forward. These legal commitments are described below.

In the light of all the above, the Foundation's structure, governance and management is now focused on the following prime areas:-

- The overall direction, organisation and management of the Foundation as a registered Charity and Limited Company under the terms of its Memorandum and Articles of Association
- The Foundation's covenant as Landlord under the terms of the Lease of its Freehold Land and Buildings to the Academy
- The management of its Financial Assets and Funds
- The operation of the International School and International Boarding House and the working relationship with the Academy in this regard
- The Foundation's obligations under all Legal Agreements and its relationships with the Academy

## Trustees' Report (continued)

For the year ended 31 August 2016

### **The Foundation's legal commitments**

The Foundation is committed to the following Legal arrangements:-

- An Agreement regarding the Discharge of the Debt arrangement between the Foundation and Barclays Bank, the institution of a re-placement grant from the Department for Education (DfE) to the Foundation, repayable within 12 months of the termination of the Funding Agreement between the Academy and the DfE, and the Security against this Loan obtained from the Foundation in favour of the DfE.
- The Legal Charge on the Freehold Property of the Foundation in favour of the DfE arising from the above Security commitment.
- Agreement regarding the Transfer Arrangements from the Foundation to The Academy covering Employees, Included Assets, the shares of Liverpool College Enterprises Ltd, Contracts, Employee and Pupil Records and the List of Excluded Assets.
- Agreement regarding the Lease of the Foundation's Land and Premises by the Academy at a peppercorn rent for a Term of 125 years, or on the earlier Termination of the Funding Agreement, and a Supplementary Agreement re the Use of the Land and Premises by the Academy. Under the terms of this Lease, the Academy as the "The Tenant" is responsible for the full insurance, upkeep, repair and maintenance of all the land and buildings comprising the Estate and for obtaining the consent of the Foundation as "The Landlord" for any proposed structural alterations or variations on the Property.
- A Tri-partite Deed of Agreement between the DfE, the Academy and the Foundation regarding the Boarding of Academy Pupils at The Foundation's International Boarding House. The Tri-partite Agreement was not fully implemented as required by its terms and this has resulted in some financial adjustments being made between the Foundation and the Academy. Other Legal Agreements placing obligations on the Foundation and shaping the continuing relationship between the Foundation and the Academy are:-
- The Memorandum & Articles of Association of the Academy and the appointment of its Members and Governors.
- The Funding Agreement between the DfE and the Academy and a Deed of Variation regarding the schooling of the Foundation's Non-EU and Private EU pupils in its International School at the Academy.
- A Memorandum of Understanding with the Diocese of Liverpool regarding the classification of the Academy as a Church of England School.

The Foundation has granted to the Academy the use and safekeeping of an inventory of Heirloom Assets, eg Trophies, Portraits, Pictures, Plaques, Honours Boards and Archives, which were excluded from the above Transfer Agreement. A formal Agreement to this effect has yet to be put in place.

The Foundation has also granted the Academy the right to use the Name and Insignia of Liverpool College within the terms of the Object as defined in The Academy's Memorandum and Articles of Association.

The Academy has granted the Foundation the use of the building South Lodge, held under the terms of the above Lease, for the operation of the Foundation's International School.

Under the Transfer Agreement between the Foundation and the Academy referred to above, the Foundation's lease agreement with the University of Liverpool for the Lease of parts of Derby Hall, with an expiry in July 2020, was transferred from the Foundation to the Academy with effect from 1st September 2013. This lease provides the accommodation for the International Boarding House, providing capacity for both the Foundation's pupils in its International School and the Academy's 6th Form pupils, under an arrangement between the Academy and the DfE, whereby up to 30 pupils from EU Countries can be recruited and schooled by the Academy and boarded at the International Boarding House at cost.

**The Liverpool College Foundation (formerly Liverpool College)**  
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## **Trustees' Report (continued)**

**For the year ended 31 August 2016**

### **Public benefit**

The Trustees have given due consideration to the Charity Commission's published guidance on the operation of the public benefit requirement.

The Foundation has contributed significantly to the establishment of the Academy with long-term on-going public benefit:-

- The grant of a 125 year Lease to the Academy on all its Land & Buildings, coterminous with its Funding Agreement with the DfE, at a peppercorn rent, valued in the Academy's Accounts on the date of grant at £32m
- The gifting of Assets under the Transfer Agreement at a depreciated book value of £1.5m, in business value terms worth significantly more
- Expenditures of £289,000 incurred in the setting-up of the Academy
- The grant of the use of the Name and Insignia of Liverpool College
- The use and safekeeping of an inventory of Heirlooms

The Foundation, through the operation of its International School and International Boarding House, has enabled pupils at the Academy to experience relationships with pupils from other global cultures, as well as enabling an additional income stream to the Academy.

### **Activities of the Foundation in 2015/2016**

As set-out in last year's Trustees Report, the work of the Trustees in this year has been focused in three key areas:-

- Completing the Review of The Structure and Organisation of the Foundation, reflecting the position post the formation of the Academy and putting in place all the essential functions
- The effective management of the Foundation's Cash Assets and the establishment of an Educational Development Fund
- Determining a Strategy and Business Plan for the International School and the International Boarding House

## **Trustees' Report (continued)**

**For the year ended 31 August 2016**

### **a. Structure and Organisation of the Foundation**

This year has seen a consolidation of the significant organisational work put in place over the past two years and the Board of Trustees have continued to meet at least every other month and usually monthly, working towards the specific remits established last year:-

Chairman – John Robertson

Business Strategy and Planning – John Swift and Graham Pybus

Estates – Charles Hubbard

Treasury – Nigel Moss

Education and Liverpool College International - Ken Siviter and Anne Miller

Administration – Ian Lightbody

The value of the work begun in previous years to improve Management Accounting has come to fruition with information being produced in a timely manner for consideration at each meeting of the Board of Trustees. The format of the Accounts has enabled better understanding and management of profitability and cash flow geared to operational activity, particularly in relation to Liverpool College International.

### **b. The Management of Cash Assets and establishment of an Educational Development Fund**

Last year the Board of Trustees decided to place all the Foundation's available cash resources, other than that required to be held as working cash, into an Educational Development Fund to be known as the 1840 Foundation Fund. This year the Trustees agreed and published a formal policy covering the governance and management of the Fund. Some of the monies within the Fund have been donated for specific purposes and it is the policy that such restrictions will be honoured through the on-going management of the Fund.

An analysis was carried out towards the end of 2015 to determine the most appropriate method of investment management for the Fund. An assessment was made of a number of options and it was agreed by the Board of Trustees to invest the Fund with St James's Place (SJP). Under the agreed investment policy, the Trustees determine the investment strategy for the Fund with the advice of SJP. SJP execute the strategy but do not manage the Fund on a discretionary basis. The Fund is ring-fenced in the name of the Foundation and therefore forms no part of SJP's assets. The Trustees use SJP's significant investment expertise and resources with the aim of maximising the return on the Fund. The Trustees have adopted a strategy based on a wide spread of investment funds and underlying investments in order to manage risk and return appropriate to the Fund with the aim of generating both capital growth and income. In this way it seeks to start to rebuild some of the Foundation's diminished assets and at the same time generate a meaningful level of income to support appropriate educational development projects. An initial investment of £670,000 was made in December 2015, and it is pleasing to report that the Fund has generated a very good return in its first 8 months of operation. Further information on the Fund's performance is set out later in this Report.

### **c. Strategy and Plan for Liverpool College International (LCI)**

A detailed Report reviewing the future strategy of the Foundation and Liverpool College International was submitted to the Foundation's Trustees on 31st March 2016. The Report addressed a number of fundamental options both for the Foundation and LCI.

The Report aimed to establish a clear understanding of the key issues involved in the operation of LCI, its market place, its value to the Academy and the Foundation and the associated financial and business risks. In the light of this assessment, the Foundation's Trustees decided:-

- To transfer the operation of the International Boarding House to the ownership of the Academy with effect from 1st September 2016
- To cease the operation of the International School in its current form but ensure that its obligations to all existing pupils are properly fulfilled
- To explore any other potential educational opportunities for LCI in the future

At the present time and in the light of available resources, the Trustees decided not to pursue any other potential enterprises.



## **Trustees' Report (continued)**

**For the year ended 31 August 2016**

### **Performance and Achievements of Liverpool College International**

The performance and academic results for LCI in 2015-2016 were very pleasing. Of the seventeen students who completed their A Level studies and left in July 2016, sixteen have progressed to tertiary education in the UK. One particular student impressed by securing a place at Cambridge to read Engineering and the other leavers have gone on to read a wide range of courses at Universities including Leeds, Queen Mary, Royal Holloway, Reading, Swansea, Nottingham, Essex, Sheffield, Goldsmiths, Liverpool John Moores, City, London and MMU. In addition, eight students sat IGCSEs, securing A\* to pass grades.

Unfortunately, we had to say goodbye to the Head of LCI, Colleen McCauley, who left at the end of the Summer Term to pursue her career elsewhere. Colleen's dedication and commitment over the last two years has contributed considerably to the success of LCI and the performance of its pupils. We wish Colleen and her husband, David, happy and successful futures as they return to Ireland.

### **Financial review**

The Foundation made a surplus for the year ending 31st August 2016 of £175,443 (2015: £13,200).

The increase in the Foundation's surplus has been primarily due to the performance of the investment fund, which was invested in December 2015, and which has generated an increase in value of £80,804, together with increased tuition and boarding fees (2016 £645,997, 2015 £552,699). This was mitigated by lower levels of donations and legacies (2016 £8,650, 2015 £41,623). Overall expenditure for the year was broadly in line with the previous year.

As at 31st August 2016 the Foundation's total funds across both restricted and unrestricted funds was £908,592 (2015 £733,149), which were broadly covered by cash and investment resources. The Trustees consider this level of funds to be satisfactory.

### **Land & Buildings Valuation and Contingent Liability**

On 31st July 2013 the Foundation granted to the Academy a lease of the whole circa 26 acre school campus and the buildings thereon comprising the school accommodation on what is effectively a full repairing and insuring lease at a peppercorn rent. Unless the Funding Agreement was to be terminated early the Foundation would not have possession of the campus until the expiry of 124 years. Accordingly, the Foundation's interest in the property comprising the campus in these accounts, following the grant of the lease, is valued at the discounted value of that reversionary right on the date of expiry. The initial valuation was therefore £232,000, and is subject to an annual release of the impairment charge. As at 31st August 2016 the valuation was £251,000.

### **Reserves policy**

The Foundation aims to maintain in available cash coverage of 2 months of running costs. At the year end the Foundation held cash sufficient to meet this target.

### **Risk Management**

The Trustees have reviewed the risks and uncertainties underlying the Foundation's operations. In their opinion adequate policies and processes have been put in place to ensure that exposure to financial or operational risk is minimised. In regard to the investment fund it should be noted that the value of the Fund's investments can go down as well as up.

### **Restricted Fund**

The Fund of the 1840 Foundation is held under the direct management of the Trustees for use for Educational Development. The 1840 Fund now stands at £433,156 (2015 £381,675).

## **Trustees' Report (continued)**

**For the year ended 31 August 2016**

### **Plans for Forward Periods**

In the light of all the above, the Foundation's work is now focused on:-

- The overall direction, organisation and management of the Foundation as a registered Charity and Limited Company under the terms of its Memorandum and Articles of Association
- The Foundation's covenant as Landlord under the terms of the Lease of its Freehold Land and Buildings to the Academy
- The management of its Financial Assets and Funds
- The operation of the International School and the working relationship with the Academy in this regard
- The Foundation's obligations under all Legal Agreements and its relationships with the Academy

In terms of specific objectives in the next year, The Board of Trustees will be particularly focused on:-

- Ensuring our obligations to the remaining LCIS pupils are properly fulfilled
- Ensuring that the processes required under the Lease between the Foundation and the Academy to fulfil the Landlord's and the Tenant's obligations are fully established and in practise
- The tasks required to fulfil and resource the administrative functions of the Foundation in its new circumstances
- The effective management of the 1840 Fund and its investments
- The effective relationship and communication between the Foundation and the Academy, its Members and Governors

## **Trustees' Report (continued)**

**For the year ended 31 August 2016**

### **Trustees' responsibilities statement**

The Trustees (who are also directors of Liverpool College for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.


Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and 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.

This report has been prepared in accordance with the provisions applicable to the companies subject to the small companies regime.

This report was approved by the Trustees on 18 January 2017 and signed on their behalf by:



**Mr J D Robertson, Chairman**

**The Liverpool College Foundation (formerly Liverpool College)**  
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## **Independent Examiner's Report**

**For the year ended 31 August 2016**

**Independent Examiner's Report to the Trustees of The Liverpool College Foundation (formerly Liverpool College)**

I report on the accounts of The Liverpool College Foundation for the year ended 31 August 2016 which are set out on pages 12 to 27.

This report is made solely to the Charitable company's Trustees, as a body, in accordance with the regulations made under section 154 of the Charities Act 2011. My work has been undertaken so that I might state to the Charitable company's Trustees those matters I am required to state to them in an Independent examiner's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the The Liverpool College Foundation and the Charitable company's Trustees as a body, for my work or for this report, or for the opinions I have formed.

### **Respective Responsibilities of Trustees and Examiner**

The Trustees, who are also the directors of the Charitable company for the purposes of company law, are responsible for the preparation of the accounts. The Charitable company's Trustees consider that an audit is not required for this year (under section 144(2) of the Charities Act 2011) and that an independent examination is needed. The Charitable company's gross income exceeded £250,000 and I am qualified to undertake the examination by being a qualified member of the Institute of Chartered Accountants in England and Wales.

Having satisfied myself that the The Liverpool College Foundation is not subject to audit under company law and is eligible for independent examination, it is my responsibility to:

- examine the accounts under section 145 of the Charities Act 2011;
- follow the procedures laid down in the general Directions given by the Charity Commission under section 145(5)(b) of the Charities Act 2011; and
- state whether particular matters have come to my attention.

### **Basis of Independent Examiner's Report**

My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a comparison of the accounts with the accounting records kept by the charitable company. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as Trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently no opinion is given as to whether the accounts present a 'true and fair' view and the report is limited to those matters set out in the statement below.

## **Independent Examiner's Report (continued)**

**For the year ended 31 August 2016**

### **Independent Examiner's Statement**

In connection with my examination, no matter has come to my attention:

- which gives me reasonable cause to believe that in any material respect the requirements:
  - to keep accounting records in accordance with section 386 of the Companies Act 2006; and
  - to prepare accounts which accord with the accounting records; and
  - to comply with the accounting requirements of section 396 of the Companies Act 2006 and with the Statement of Recommended Practice: Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102.1A) (effective 1 January 2015)' issued in May 2014 by the Charity Commission;
- have not been met; or
- to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Signed:   
Joanne Love FCA

Dated: 18 January 2017

Grant Thornton UK LLP  
Chartered Accountants  
Liverpool

**The Liverpool College Foundation (formerly Liverpool College)**  
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## Statement of Financial Activities

For the year ended 31 August 2016

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
<b>Income from:</b>					
Donations and legacies	2	3,200	5,450	8,650	41,623
Charitable activities	4	645,997	-	645,997	552,699
Investments	3	1,121	-	1,121	1,163
<b>Total income</b>		<b>650,318</b>	<b>5,450</b>	<b>655,768</b>	<b>595,485</b>
<b>Expenditure on:</b>					
Charitable activities	5,6,7	561,129	-	561,129	582,285
<b>Total expenditure</b>	7	<b>561,129</b>	<b>-</b>	<b>561,129</b>	<b>582,285</b>
<b>Net income before investment gains</b>		<b>89,189</b>	<b>5,450</b>	<b>94,639</b>	<b>13,200</b>
Net gains on investments	13	34,773	46,031	80,804	-
<b>Net income before other recognised gains and losses</b>		<b>123,962</b>	<b>51,481</b>	<b>175,443</b>	<b>13,200</b>
<b>Net movement in funds</b>		<b>123,962</b>	<b>51,481</b>	<b>175,443</b>	<b>13,200</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward		351,474	381,675	733,149	719,949
<b>Total funds carried forward</b>		<b>475,436</b>	<b>433,156</b>	<b>908,592</b>	<b>733,149</b>

The statement of financial activities includes all gains and losses recognised in the year.

All activities relate to continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

**The Liverpool College Foundation (formerly Liverpool College)**  
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## Summary Income and Expenditure Account

For the year ended 31 August 2016

		Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
	Note				
Income		650,318	5,450	655,768	595,485
Gains on investments		34,773	46,031	80,804	-
<b>Gross income in the reporting period</b>		<b>685,091</b>	<b>51,481</b>	<b>736,572</b>	<b>595,485</b>
Less: Total expenditure		561,129	-	561,129	582,285
<b>Net income for the year</b>		<b>123,962</b>	<b>51,481</b>	<b>175,443</b>	<b>13,200</b>
<b>Net income for the financial year</b>	17	<b>123,962</b>	<b>51,481</b>	<b>175,443</b>	<b>13,200</b>

The notes on pages 15 to 27 form part of these financial statements.

## Balance Sheet

As at 31 August 2016

	Note	£	2016 £	£	2015 £
<b>Fixed assets</b>					
Tangible assets	12		291,000		275,000
Investments	13		750,804		-
			<u>1,041,804</u>		<u>275,000</u>
<b>Current assets</b>					
Stocks	14	8,467		-	
Debtors	15	53,806		80,745	
Cash at bank and in hand		96,110		1,044,290	
		<u>158,383</u>		<u>1,125,035</u>	
<b>Creditors: amounts falling due within one year</b>	16	(291,595)		(666,886)	
<b>Net current (liabilities)/assets</b>			<u>(133,212)</u>		<u>458,149</u>
<b>Net assets</b>			<u>908,592</u>		<u>733,149</u>
<b>Charity Funds</b>					
Restricted funds	17		433,156		381,675
Unrestricted funds	17		475,436		351,474
<b>Total funds</b>			<u>908,592</u>		<u>733,149</u>

The Trustees consider that the Company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Act.

The Trustees acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the Trustees on 18 January 2017 and signed on their behalf, by:



**Mr J D Robertson, Chairman**



**Mr N A Moss, Treasurer**

The notes on pages 15 to 27 form part of these financial statements.



# Notes to the Financial Statements

**For the year ended 31 August 2016**

## **1. Accounting Policies**

### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102.1A) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102.1A) and the Companies Act 2006

The Liverpool College Foundation (formerly Liverpool College) 'the Company' or 'the Charity' meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy. This is the first year the charity has prepared financial statements under FRS102.1A with 31 August 2015 the end of the latest period where accounts were prepared in accordance with the previous financial reporting standard.

The presentational currency of the financial statements is the pound sterling 'GBP'. The amounts included in the financial statements are rounded to the nearest £1.

### **1.2 Reconciliation with previous Generally Accepted Accounting Practice**

In preparing these accounts, the Trustees have considered whether in applying the accounting policies required by FRS 102.1A and the Charities SORP FRS 102 the restatement of comparative items was required.

No restatements were required.

### **1.3 Company status**

The Company is a company limited by guarantee. The members of the Company are the Trustees named on page 1. In the event of the Company being wound up, the liability in respect of the guarantee is limited to £5 per member of the Company.

The registered office is Beechlands, Liverpool College, Mossley Hill, Liverpool, L18 8BG.

The principal activity of the Charitable company is the provision of ancillary educational services for the benefit of the pupils of the Academy.

### **1.4 Going concern**

Notwithstanding the decrease in activities after the year end and the net current liabilities, the Trustees consider that it is appropriate to prepare the financial statements on a going concern basis, having reviewed profit and cashflow forecasts.

# Notes to the Financial Statements

For the year ended 31 August 2016

## **1. Accounting Policies (continued)**

### **1.5 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 Company 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 Company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

### **1.6 Income**

All income is included in the Statement of Financial Activities when the Company has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

#### **Voluntary income**

Donations and gifts are included in the Statement of Financial Activities when the Company becomes entitled to them and all pre-conditions have been met.

#### **Grants**

Grants of a revenue nature are included in the Statement of Financial Activities once all conditions are met.

#### **Tuition fees**

Tuition fees and associated income are included in the Statement of Financial Activities in the year in which the income is earned.

### **1.7 Expenditure**

Expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Support costs are those costs incurred directly in support of expenditure on the objects of the Company. Governance costs are those incurred in connection with administration of the Company and compliance with constitutional and statutory requirements.

### **1.8 Statement of cash flows**

No statement of cash flows is presented, as under FRS 102.1A.7 the Charity is exempt from producing such a statement by virtue of its size.

# Notes to the Financial Statements

For the year ended 31 August 2016

## **1. Accounting Policies (continued)**

### **1.9 Tangible fixed assets and depreciation**

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
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Heirlooms are not depreciated and are included at valuation.

### **1.10 Investments**

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance sheet date. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Net gains on investments' in the Statement of financial activities incorporating income and expenditure account.

### **1.11 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

### **1.12 Debtors**

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

### **1.13 Cash at Bank and in hand**

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

### **1.14 Liabilities and provisions**

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

## **Notes to the Financial Statements**

**For the year ended 31 August 2016**

### **1. Accounting Policies (continued)**

#### **1.15 Pensions**

The Company operates a defined benefits pension scheme. The scheme is a multi-employer scheme where it is not possible, in the normal course of events, to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. Therefore, as required by FRS102.1A, the Company accounts for this scheme as if it was a defined contribution scheme. The amount charged to the Statement of financial activities incorporating income and expenditure account represents contributions payable to the scheme in respect of the accounting period.

#### **1.16 Operating leases**

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

#### **1.17 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of financial activities incorporating income and expenditure account.

#### **1.18 Interest receivable**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Company; this is normally upon notification of the interest paid or payable by the Bank.

# Notes to the Financial Statements

For the year ended 31 August 2016

## 1. Accounting Policies (continued)

### 1.19 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability. Debt issue costs are offset against the debt and amortised over the term of the loan.

### 1.20 Significant adjustments and key areas of estimation uncertainty

The trustees consider there to be no items in the financial statements where they have had to make significant judgements in the process of applying the Charity's accounting policies or key sources of estimation uncertainty

## 2. Income from donations and legacies

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Donations	3,200	5,450	8,650	41,623

In 2015, of the total income from donations and legacies, £Nil was to unrestricted funds and £41,623 was to restricted funds

## 3. Investment income

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Bank and other interest	1,121	-	1,121	1,163

In 2015, of the total investment income, £1,163 was to unrestricted funds and £Nil was to restricted funds.

# Notes to the Financial Statements

For the year ended 31 August 2016

## 4. Income from charitable activities

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tuition and boarding fees	645,997	-	645,997	552,699
	<u>645,997</u>	<u>-</u>	<u>645,997</u>	<u>552,699</u>

In 2015, of the total income from charitable activities, £552,699 was to unrestricted funds and £Nil was to restricted funds.

## 5. Governance costs

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Accountancy costs	12,912	-	12,912	12,600
Auditors' remuneration - prior year	-	-	-	6,000
Auditors' non audit costs - prior year	-	-	-	5,600
	<u>12,912</u>	<u>-</u>	<u>12,912</u>	<u>24,200</u>

## 6. Support costs

	Charitable activities £	Total 2016 £	Total 2015 £
Catering	118,230	118,230	112,515
Premises maintenance	183,001	183,001	218,829
Administration of the school	96,140	96,140	109,052
Bad and doubtful debts recovered	(12,501)	(12,501)	(20,688)
Impairment charge written back	(16,000)	(16,000)	(3,000)
	<u>368,870</u>	<u>368,870</u>	<u>416,708</u>

## Notes to the Financial Statements

For the year ended 31 August 2016

### 7. Analysis of resources expended by expenditure type

	Staff costs 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Charitable activities	179,347	368,870	548,217	558,085
Governance costs	-	12,912	12,912	24,200
	<u>179,347</u>	<u>381,782</u>	<u>561,129</u>	<u>582,285</u>

In 2015, of the total expenditure, £582,285 was from unrestricted funds and £nil was from restricted funds.

### 8. Staff costs

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	166,153	126,922
Social security costs	3,979	6,143
Other pension costs	9,215	8,312
	<u>179,347</u>	<u>141,377</u>

The average number of persons employed by the Company during the year was as follows:

2016 No.	2015 No.
10	10

No employee received remuneration amounting to more than £60,000 in either year.

There was no remuneration paid to key management personnel in either year.

The Charity incurred £2,488 for redundancy pay during the period. There are no balances outstanding or additional funding requirements at 31 August 2016.

### 9. Trustee remuneration and expenses

During the year, no Trustees received any remuneration (2015 - £NIL).

During the year, no Trustees received any benefits in kind (2015 - £NIL).

5 Trustees received reimbursement of expenses amounting to £3,184 in the current year, (2015 - 4 Trustees - £3,499).

### 10. Independent Examiners' remuneration

The Independent Examiner's remuneration amounts to an Independent Examination fee of £9,000 (2015 - £9,000), and accounts preparation of £3,600 (2015 - £3,600).

## Notes to the Financial Statements

For the year ended 31 August 2016

### 11. Taxation

#### Factors affecting tax charge for the year

The Company has been granted charitable status and is thus exempt from corporation tax in respect of its charitable activities.

### 12. Tangible fixed assets

	Freehold property £	Heirlooms £	Total £
<b>Cost</b>			
At 1 September 2015 and 31 August 2016	4,889,073	40,000	4,929,073
<b>Depreciation and impairment</b>			
At 1 September 2015	4,654,073	-	4,654,073
Impairment charge written back	(16,000)	-	(16,000)
At 31 August 2016	4,638,073	-	4,638,073
<b>Net book value</b>			
At 31 August 2016	251,000	40,000	291,000
At 31 August 2015	235,000	40,000	275,000

The impairment charge written back relates to the granting of a 125 year peppercorn lease to Liverpool College Independent School Trust during the year to 31 August 2014. The value of the Company's interest in the property represents the discounted value (using a discount rate of 4% and assuming no growth) of the reversionary right in 122 years (2015: 123 years). Freehold property includes sports buildings and facilities.

Heirlooms represent a collection of historic trophies, portraits, pictures, plaques, honours boards and archives. These assets are not subject to depreciation and are revalued every five years.



## Notes to the Financial Statements

For the year ended 31 August 2016

### 13. Fixed asset investments

	Listed securities £
<b>Market value</b>	
At 1 September 2015	-
Additions	670,000
Revaluations	80,804
	<hr/>
At 31 August 2016	750,804
	<hr/>
<b>Historical cost</b>	670,000
	<hr/>

#### Investments at market value comprise:

	UK £	Overseas £	2016 £
Investment funds	316,304	434,500	750,804
	<hr/>	<hr/>	<hr/>

The Charity invests in a wide spread of investment funds with St James's Place, focused on a mixture of capital and growth, whose underlying investments comprise a broad mixture of investments listed both in the UK and overseas.

All investments are carried at their fair value. Investment in equities are all traded in quoted public markets. Holdings in common investments funds are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

The significance of financial instruments to the ongoing financial sustainability of the Charity is considered in the Trustees' Report.

The main risk to the Charity from financial instruments lies in the combination of uncertain investment markets and volatility in yield. The Charity has a significant exposure to international companies, the values of which, together with their yields are exposed to exchange rate risk when converting the holdings into sterling.

Liquidity risk is anticipated to be low as all assets are traded and the commitment to intervention by central banks and market regulators has continued to provide for orderly trading in the markets and so the ability to buy and sell quoted equities and stock is anticipated to continue. The Charity's investments are mainly traded in markets with good liquidity and high trading volumes. The Charity has no material investment holdings in markets subject to exchange controls or trading restrictions.

The Charity manages these investment risks by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes that are quoted on recognised stock exchanges. The Charity does not make use of derivatives and similar complex financial instruments as it takes the view that investments are held for their longer term yield total return and historic studies of quoted financial instruments have shown that volatility in any particular five year period will normally be corrected.

**The Liverpool College Foundation (formerly Liverpool College)**  
**(A company limited by guarantee)**

# Notes to the Financial Statements

For the year ended 31 August 2016

## 14. Stocks

	2016	2015
	£	£
Liverpool College 175 years of history books	8,467	-

## 15. Debtors

	2016	2015
	£	£
<b>Due after more than one year</b>		
Other debtors	52,871	-
<b>Due within one year</b>		
Other debtors	-	79,848
Prepayments and accrued income	935	897
	<u>53,806</u>	<u>80,745</u>

## 16. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	-	1,500
Liverpool College Independent School Trust	14,863	-
Other taxation and social security	2,349	1,798
Fees paid in advance (deferred income)	65,439	353,247
Pension contributions due	1,224	1,168
Enrolment fees	22,247	60,710
Accruals	185,473	248,463
	<u>291,595</u>	<u>666,886</u>
		£
<b>Deferred income</b>		
At 1 September 2015		353,247
Amounts released from previous years		(287,808)
At 31 August 2016		<u>65,439</u>

## Notes to the Financial Statements

For the year ended 31 August 2016

### 17. Statement of funds

	Brought Forward £	Income £	Expenditure £	Gains/ (Losses) £	Carried Forward £
<b>Designated funds</b>					
Education Development Fund	288,325	-	-	34,773	323,098
<b>General funds</b>					
General Fund	63,149	650,318	(561,129)	-	152,338
Total Unrestricted funds	351,474	650,318	(561,129)	34,773	475,436
<b>Restricted funds</b>					
Liverpool College 1840 Foundation	381,675	5,450	-	46,031	433,156
Total of funds	733,149	655,768	(561,129)	80,804	908,592

### Summary of funds

	Brought Forward £	Income £	Expenditure £	Gains/ (Losses) £	Carried Forward £
Designated funds	288,325	-	-	34,773	323,098
General funds	63,149	650,318	(561,129)	-	152,338
	351,474	650,318	(561,129)	34,773	475,436
Restricted funds	381,675	5,450	-	46,031	433,156
	733,149	655,768	(561,129)	80,804	908,592

The general fund and the Education Development Fund are unrestricted.

The Education Development Fund has been invested for income and growth.

### Restricted funds

The Liverpool College 1840 Foundation is for educational development.

These funds comprise a number of historic donations and a legacy from G M Ross, amounting to £183,550. The detailed restrictions attached to these funds vary in nature.

The Liverpool College 1840 Foundation Fund has been invested for income and growth.

# Notes to the Financial Statements

For the year ended 31 August 2016

## 18. Analysis of net assets between funds

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	291,000	-	291,000	275,000
Fixed asset investments	323,098	427,706	750,804	-
Debtors due after more than 1 year	52,871	-	52,871	-
Current assets	100,062	5,450	105,512	1,125,035
Creditors due within one year	(291,595)	-	(291,595)	(666,886)
	<u>475,436</u>	<u>433,156</u>	<u>908,592</u>	<u>733,149</u>

## 19. Contingent liabilities

In July 2013 the Company received £2,500,000 from the Department for Education (DfE). The money is repayable in the event that the Funding Agreement between Liverpool College Independent School Trust and the DfE is terminated.

## 20. Capital commitments

The Company had no capital commitments at 31 August 2016 or 31 August 2015.

## 21. Pension commitments

Included in creditors is £1,224 (2015: £1,168) outstanding due to the defined benefit multi-employer pension scheme. The total contribution made during the year was £9,215 (2015: £8,312).

## 22. Operating lease commitments

At 31 August 2016 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

	Land and buildings	
	2016	2015
	£	£
<b>Amounts payable:</b>		
Between 1 and 5 years	<u>568,176</u>	<u>710,220</u>

**The Liverpool College Foundation (formerly Liverpool College)**  
**(A company limited by guarantee)**

## Notes to the Financial Statements

For the year ended 31 August 2016

### 23. Related party transactions

#### Liverpool College Independent School Trust (LCIST)

The activities of the main school were transferred from the Company to LCIST to operate an Academy from 1 September 2013.

Until 26 February 2014, the Company and LCIST had certain trustees in common and LCIST was considered to be a related party of the Company until this date.

The Company granted a 125 lease of the whole school campus and the buildings thereon at a peppercorn rent during the year to 31 August 2014. During that year, a grant of £2,500,000 was received from the Department for Education. The loan is repayable in the event that the funding agreement between LCIST and the Department for Education is terminated.

During the year costs of £17,879 (2015: £25,495) and income of £57,480 (2015: £nil) were paid/received by the Company on behalf of LCIST. Included in creditors at the year end is £14,863 (2015: included in debtors £26,977).

Included within other debtors due after one year is a loan for £52,871 (2015: due within one year £52,871) due from the Principal of the Academy. This balance incurred interest of £1,071 (2015: £1,065) which was received during the year.

### 24. First time adoption of FRS 102.1A

It is the first year that the Company has presented its financial statements under SORP 2015 and FRS 102.1A. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102.1A and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102.1A and SORP 2015, a number of accounting policies have changed to comply with those standards.

The policies applied under the Company's previous accounting framework are not materially different to FRS 102.1A and have not impacted on funds or net income/expenditure.

### 25. Financial instruments

	2016	2015
	£	£
Financial assets measured at amortised cost	<u>158,383</u>	<u>1,125,035</u>
Financial liabilities measured at amortised cost	<u>291,595</u>	<u>666,886</u>

Financial assets measured at amortised cost comprise stocks, other debtors, prepayments and cash at bank.

Financial liabilities measured at amortised cost comprise deferred revenues, social security and other taxes, pension arrears, accruals and amounts due to related entities.