

Unaudited Financial Statements

The Liverpool College Foundation

(formerly Liverpool College)

For the year ended 31 August 2017

Charity number: 526682



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 2017

Trustees

Mr J D Robertson
Mr I N Lightbody
Mr C Hubbard
Mr G H Pybus
Mr K Siviter
Mr J N Swift
Mr N A Moss
Dr A M Miller

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 2017

The Trustees present their annual report together with the financial statements of The Liverpool College Foundation (formerly Liverpool College) for the year 1 September 2016 to 31 August 2017.

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, formerly Liverpool College, (the Company or Charity) for the year ended 31 August 2017.

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) (effective 1 January 2015).

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

The Liverpool College Foundation 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 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. There were no appointments or resignations during the year.

In January 2017, John Robertson retired as Chairman of the Board of Trustees and Charles Hubbard took over as Chairman. John had been Chairman since April 2014 and steered the Board through a very challenging period of change and re-organisation within the Foundation, post the establishment of the Academy as a separate Trust. The Foundation owes much to him for his hard work, loyalty and dedication to anything bearing the name of Liverpool College. We are grateful that John is continuing as a Trustee and member of the Board.

Trustees' Report (continued)

For the year ended 31 August 2017

The remits of the Trustees in this year have been:-

Chairman – Charles Hubbard
Business Strategy and Planning – John Swift and Graham Pybus
Foundation Members – John Robertson
Estates – Charles Hubbard
Treasury – Nigel Moss
Education and Liverpool College International - Ken Siviter and Anne Miller
Administration – Ian Lightbody

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 (the Academy), 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.

The Foundation provides equal opportunities for all staff and pupils.

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 ceased on 31 August 2016 on transfer of the International Boarding House from the Foundation to the Academy.

Trustees' Report (continued)

For the year ended 31 August 2017

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 had 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. The occupation of this building by the Foundation ceased on 31 August 2016.

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 1 September 2013. The Academy has provided accommodation in the International Boarding House for the Foundation's pupils in its International School.

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 for a period the 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.

The Foundation's 1840 Fund gives support to the Academy for Pupil Prizes and Educational Development initiatives.

Trustees' Report (continued)

For the year ended 31 August 2017

Activities of the Foundation in 2016/2017

We have continued to build on the work of the previous years to put the Foundation on a firm footing. The following have been key activities:-

Liverpool College International

In last year's Trustees' Report, we reported on the review of the Foundation's forward strategy and the decisions made regarding the future of the Liverpool College International School. This year those decisions have been implemented:-

- at the beginning of the Academic Year 2016-17, the Foundation transferred ownership of the Liverpool College International School Boarding House to the Academy.
- The Foundation continued to own and operate Liverpool College International, as an International School, ensuring our obligations to the remaining LCIS pupils were properly fulfilled. The Head of Liverpool College International has reported directly to the Board of Trustees of the Foundation and has been assisted by a School Committee, consisting of Trustees and other Foundation Members. We are pleased to report that the remaining pupils achieved excellent A level results and have taken up places at UK Universities.
- The Liverpool College International School under the operation of the Foundation ceased on 31 August 2017.

The Academy continues to operate an International School and Boarding House.

The LCF Investment Fund

In last year's Trustees' Report we reported on the establishment in December 2015 of an Investment Fund (The LCF Investment Fund, or the Fund) with St James's Place (SJP), comprising an initial investment of the Foundation's cash resources of £670,000. The LCF Investment Fund holds both:-

- The general cash reserves of LCF
- The invested cash of the 1840 Fund

As will be reported under the Financial Review heading below, the LCF Investment Fund has produced a significant gain since its inception.

This year our focus has been to establish a clear and practical policy for the management, administration and accounting of monies within the overall Fund. In summary, these are the key points:-

- A number of Sub-funds have been set up comprising an LCF General Cash Reserves Sub-fund and 1840 Sub-funds each relating to the purpose for which the money was donated. The 1840 Sub-funds are detailed under the next heading of this Report.
- A capital sum has been accordingly attributed to each Sub-fund.
- Each Sub-fund is attributed a notional gain of 4% per annum from the overall gain of the Fund and this is calculated to cover any annual outgoings committed by a Sub-fund.
- In order to exercise prudent management of gains/losses on the Fund, given that any investment is subject to the ups and downs of markets, the Trustees have set a threshold such that any overall gains above 4% per annum are held within an Investment Management Reserves Sub-fund in order to buffer any year in which the overall gain is less than 4% or indeed is in a loss situation. It may be that over time the Trustees will consider that the Reserves Sub-fund has reached a level in excess of that which is prudently required and can "release" money for use.

Trustees' Report (continued)

For the year ended 31 August 2017

It is considered that this structure of Sub-funds and prudent management of gains/losses brings an essential discipline to the overall administration of the Fund and, in relation to the 1840 Fund, assurance that money is used specifically for the purposes given.

We regard the most important issue in the management of the Fund to be our choice of investments and our spread of risk. We outlined in the 2016 Trustees' Report the basis on which it was agreed to invest with SJP and the underlying investment strategy. 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, both by way of asset classes and global geography, in order to manage risk and return appropriate to the Fund. Given the rather diminished financial assets of the Foundation, it is our intention to retain and grow capital in the Fund in order to continue to generate gains and support activities for the future. We monitor the performance of the Fund regularly and meet with SJP during the year to review performance and adjust our investments according to our view on prospective market returns.

In October 2017, the Trustees agreed to make an additional investment of £50,000 of surplus cash resources in the Fund.

The LCF Educational Development Fund – the 1840

In last year's Trustees' Report, the decision to set up an LCF Educational Development Fund (the 1840) was reported. The management of the 1840 has continued in accordance with the policy established.

As indicated above, the monies of the 1840 are held within the overall LCF Investment Fund. The Sub-funds of the 1840 currently are:-

- The Original 1840 General Donations
- Academy School Named Prizes
- The LCF Vice-Presidents' Prize
- The Collin Thompson Imagineering Prize
- Chapel Refurbishment
- Design & Technology Refurbishment
- The Brenikov Bursary for Music
- The Gladstone Leadership & Management Programme
- Music
- Science

The key points of the year have been:-

- After a review of the history of the Academy's Upper and Middle Schools' Prizes, presented on Speech Night and attributed to a named person, it was decided that the Foundation should undertake to fund these prizes for the future. Accordingly the Trustees created a Sub-fund within the 1840 with the capital required to cover the on going annual cost.
- The Trustees advanced from the General 1840 Sub-fund £30,000 for the equipment required to support Performing Arts in the Leslie Alexander Theatre.
- A very generous donation was received from the Estate of the late Professor Paul Brenikov, a strong supporter of the Old Lerpooian (OL) Society's functions, and this has been invested to fund the award of an annual Music Bursary.

Trustees' Report (continued)

For the year ended 31 August 2017

- The Trustees agreed to establish a Sub-fund to support an annual training course in leadership & management for 6th Formers as part of the Academy's Gladstone Leadership and Management Programme. The aim of the Programme is to bring a higher level of leadership and management into the Academy, particularly through the House system. The course aims to help to create the required skills in the 6th form. The Trustees have committed to support initially the first two years of the Programme from the 1840, with then a review to determine any longer-term support.

In their management of the 1840, the Trustees are very mindful of fulfilling the intentions of those who have made donations to the Fund and of ensuring that money is not advanced to pay for anything which should genuinely be funded from other sources.

Estate

Under the terms of the Lease between the Foundation, as Landlord, and the Academy, as Tenant, in relation to the Estate, the Trustees agreed to the Academy's proposed Project to construct a new Pre-prep Building, extending from the existing Prep School building southwards along Queens Drive, subject to giving their consent to the final specification and the grant of planning permission. This Building will be an integral part of the Estate under the existing Title Deed and the development will not result in any consequential or contingent financial liability on the Foundation.

Work continues to ensure 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.

Financial review

The Foundation made a surplus for the year ending 31 August 2017 of £55,578 (2016: £175,433).

The Foundation's surplus has been primarily due to the performance of the LCF Investment Fund. The Fund valuation at 31 August 2017 was £815,731 (31 August 2016 £750,804), representing an overall increase in value of £145,731 (21.8%) compared with the initial investment of £670,000 in December 2015. The increase in value during the year was £64,927 (2016: £80,804) representing an increase of 8.6% compared with the valuation at 31 August 2016.

Following the transfer of the International School activities to the Academy at the beginning of the academic year tuition and boarding fees were £Nil (2016 £645,997) and related expenditure for the year (excluding the recovery of bad and doubtful debts and release of impairment charge) was £14,373 (2016: £576,718). Donations received during the year were £28,829 (2016: £8,650).

As at 31 August 2017 the Foundation's total funds across both restricted and unrestricted funds was £964,170 (2016 £908,592), which were more than covered by cash and investment resources. The Trustees consider this level of funds to be satisfactory.

Land & Buildings Valuation and Contingent Liability

On 31 July 2013 the Foundation granted to the Academy a lease, for a term of 125 years, 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 the lease term. 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 31 August 2017 the valuation was £261,000 (2016 £251,000).

Trustees' Report (continued)

For the year ended 31 August 2017

Financial review (continued)

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 well in excess of 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 £427,330 (2016 £433,156).

Plans for Forward Periods

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

- As Landlord, monitoring the construction of the new Pre-prep building under the terms of the Lease and Licence
- Reorganising the Foundation's Archives. After some years of neglect, an exercise has been carried out to clear up and collate the historical Archives into one location in Beechlands. The task now is properly to catalogue and store the many items in the Archives with a view to enabling future access to items and their presentation. This is a significant project, building on the valuable work previously carried out by alumni
- Continuing the effective management of the LCF Investment Fund
- Seeking ways to increase the funding of the 1840 Fund
- Reviewing the relationships of the Foundation with the Academy, the Old Liverpoolian Society and the Wilton Trust
- Seeking to recruit new Trustees to provide succession to the existing Board

This next year will see the retirement of Ric Thompson as Company Secretary and Clerk to the Trustees on 31 December 2017. Ric is also Liverpool College through and through and we are very grateful for his service to the Foundation since 2008. Particularly in recent years he has had to balance his work for the Foundation with that of the Bursar of the Academy. With his huge experience and enthusiasm for Liverpool College we hope that Ric will be able to continue to give support to the Foundation in the future.

We will be appointing a new Company Secretary and a new Clerk to the Trustees to replace Ric and ensuring an effective hand-over.

Trustees' Report (continued)

For the year ended 31 August 2017

Trustees' responsibilities statement

The Trustees (who are also directors of The Liverpool College Foundation for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and regulations

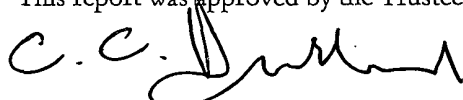
Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 (FRS 102);
- 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 business.

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 11 December 2017 and signed on their behalf by:



Mr C Hubbard
Chairman

Independent Examiner's Report

For the year ended 31 August 2017

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 2017 which are set out on pages 12 to 28.

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 Charitable Company and the Charitable company's Trustees as a body, for my work, 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 Part 16 of the Companies Act 2006) and that an independent examination is needed.

Having satisfied myself that the Charitable Company 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 2017

Independent Examiner's Statement

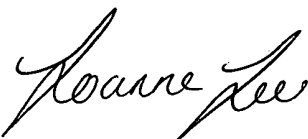
In connection with my examination, no matter has come to my attention:

- 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;
 - to prepare accounts which accord with the accounting records;
 - to comply with the accounting requirements of section 396 of the Companies Act 2006; and
 - to comply 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) (effective 1 January 2015)'

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:



Dated: 15 May 2018 .

Joanne Love FCA

Grant Thornton UK LLP
Chartered Accountants
Liverpool

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

Statement of Financial Activities

For the year ended 31 August 2017

	Not e	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Income from:					
Donations and legacies	2	-	28,829	28,829	8,650
Charitable activities	4	-	-	-	645,997
Investments	3	1,071	-	1,071	1,121
Total income		<u>1,071</u>	<u>28,829</u>	<u>29,900</u>	<u>655,768</u>
Expenditure on:					
Charitable activities	5	(7,393)	46,642	39,249	561,129
Total expenditure		<u>(7,393)</u>	<u>46,642</u>	<u>39,249</u>	<u>561,129</u>
Net income / (expenditure) before investment gains		8,464	(17,813)	(9,349)	94,639
Net gains on investments	14	27,940	36,987	64,927	80,804
Net income before other recognised gains and losses		<u>36,404</u>	<u>19,174</u>	<u>55,578</u>	<u>175,443</u>
Net movement in funds		<u>36,404</u>	<u>19,174</u>	<u>55,578</u>	<u>175,443</u>
Reconciliation of funds:					
Total funds brought forward		475,436	433,156	908,592	733,149
Total funds carried forward		<u>511,840</u>	<u>452,330</u>	<u>964,170</u>	<u>908,592</u>

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 28 form part of these financial statements.

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

Summary Income and Expenditure Account

For the year ended 31 August 2017

		Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
	Note				
Income		1,071	28,829	29,900	655,768
Gains on investments		27,940	36,987	64,927	80,804
Gross income in the reporting period		29,011	65,816	94,827	736,572
Less: Total expenditure		(7,393)	46,642	39,249	561,129
Net income for the year		36,404	19,174	55,578	175,443
Net income for the financial year	18	36,404	19,174	55,578	175,443

The notes on pages 15 to 28 form part of these financial statements.

Balance Sheet

As at 31 August 2017

	Note	£	2017 £	£	2016 £
Fixed assets					
Tangible assets	13		301,000		291,000
Investments	14		815,731		750,804
			<u>1,116,731</u>		<u>1,041,804</u>
Current assets					
Stocks	15	8,303		8,467	
Debtors	16	52,871		53,806	
Cash at bank and in hand		85,236		96,110	
		<u>146,410</u>		<u>158,383</u>	
Creditors: amounts falling due within one year	17	(298,971)		(291,595)	
Net current liabilities			<u>(152,561)</u>		<u>(133,212)</u>
Net assets			<u>964,170</u>		<u>908,592</u>
Charity Funds					
Restricted funds	18		452,330		433,156
Unrestricted funds	18		511,840		475,436
Total funds			<u>964,170</u>		<u>908,592</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 11 December 2017 and signed on their behalf, by:



Mr C Hubbard, Chairman



Mr N A Moss, Treasurer

The notes on pages 15 to 28 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 August 2017

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) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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.

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 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 is 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 as set out in the Trustees' report.

1.3 Going concern

Notwithstanding the net current liabilities, the Trustees consider that it is appropriate to prepare the financial statements on a going concern basis, having reviewed net income and cashflow forecasts for the foreseeable future which is not less than 12 months from the date of approval of these financial statements.

1.4 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.

Notes to the Financial Statements

For the year ended 31 August 2017

1. Accounting Policies (continued)

1.5 Income

All income is included in the Statement of Financial Activities when the Company has entitlement to the funds, any conditions attached to the income have been met, it is probable that the income will be received and the amount can be measured reliably.

Donations and legacies

Donations and legacies 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.

1.6 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.

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.

Charitable activities and Governance costs are costs incurred on the Company's educational operations, including support costs and costs relating to the governance of the Company apportioned to charitable activities.

Grants payable are charged in the year when the offer is made except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

1.7 Statement of cash flows

No statement of cash flows is presented, as under FRS 102 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 2017

1. Accounting Policies (continued)

1.8 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 (see 1.19).

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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 2017

1. Accounting Policies (continued)

1.14 Pensions

The Company operated 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, 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.

1.15 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.

1.16 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.

1.17 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 2017

1. Accounting Policies (continued)

1.18 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.

1.19 Heritage assets

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.

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 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Donations	-	28,829	28,829	8,650

In 2016, of the total income from donations and legacies, £3,200 was to unrestricted funds and £5,450 was to restricted funds.

Notes to the Financial Statements

For the year ended 31 August 2017

3. Investment income

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Bank and other interest	1,071	-	1,071	1,121

In 2016, of the total investment income, £1,121 was to unrestricted funds and £Nil was to restricted funds.

4. Income from charitable activities

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Tuition and boarding fees	-	-	-	645,997
	-	-	-	645,997

In 2016, of the total income from charitable activities, £645,997 was to unrestricted funds and £Nil was to restricted funds. As outlined in the Trustees' report, the activities which generated tuition and boarding fees ceased on 31 August 2016.

5. Analysis of resources expended by expenditure type

	Unrestricted fund £	Restricted fund £	Total 2017 £	Total 2016 £
Charitable activities	(17,593)	46,642	29,049	548,217
Governance costs	10,200	-	10,200	12,912
Total	(7,393)	46,642	39,249	561,129

Charitable activities comprise grants payable (note 7) and support costs (note 8).

In 2016, of the total expenditure, £561,129 was from unrestricted funds and £nil was from restricted funds.

6. Governance costs

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Accountancy costs	10,200	-	10,200	12,912

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

Notes to the Financial Statements

For the year ended 31 August 2017

7. Analysis of grants

	Restricted 2017 £	Total 2017 £	Total 2016 £
Grants to institutions	46,642	46,642	-

Grants of £46,642 were made to Liverpool College Independent School Trust (LCIST) to fund several programs as follows -

	£
Gladstone Leadership & Management Programme	5,175
Named prizes 2013-2017	5,235
Leslie Alexander Theatre Equipment	29,982
Design and technology refurbishment	6,250

8. Support costs

	Charitable activities £	Total 2017 £	Total 2016 £
Catering	-	-	118,230
Premises maintenance	-	-	183,001
Administration of the school	14,373	14,373	96,140
Bad and doubtful debts recovered	(21,966)	(21,966)	(12,501)
Impairment charge written back	(10,000)	(10,000)	(16,000)
	(17,593)	(17,593)	368,870

Notes to the Financial Statements

For the year ended 31 August 2017

9. Staff costs

Staff costs were as follows:

	2017	2016
	£	£
Wages and salaries	-	166,153
Social security costs	-	3,979
Other pension costs	-	9,215
	<hr/>	<hr/>
	-	179,347
	<hr/>	<hr/>

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

2017	2016
No.	No.
0	10

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

As outlined in the trustees report, the activities of tuition and boarding ceased on 31 August 2016 and therefore the staff were transferred to LCIST (the Academy).

10. Trustee remuneration and expenses

During the year, no Trustees received any remuneration (2016 - £NIL).

During the year, no Trustees received any benefits in kind (2016 - £NIL).

4 Trustees received reimbursement of travel expenses amounting to £1,706 in the current year, (2016 - 5 Trustees - £3,184).

11. Independent Examiners' remuneration

The Independent Examiner's remuneration amounts to an Independent Examination fee of £5,700 (2016 - £9,000), and accounts preparation of £4,500 (2016 - £3,600).

12. 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.

Notes to the Financial Statements

For the year ended 31 August 2017

13. Tangible fixed assets

	Freehold property £	Heirlooms £	Total £
Cost			
At 1 September 2016 and 31 August 2017	4,889,073	40,000	4,929,073
Depreciation and impairment			
At 1 September 2016	4,638,073	-	4,638,073
Impairment charge written back	(10,000)	-	(10,000)
At 31 August 2017	4,628,073	-	4,628,073
Net book value			
At 31 August 2017	261,000	40,000	301,000
At 31 August 2016	251,000	40,000	291,000

The impairment charge written back relates to the granting of a 125 year peppercorn lease to Liverpool College Independent School Trust on 31 July 2013. The value of the Company's interest in the property at 31 August 2017 represents the discounted value (using a discount rate of 4% and assuming no growth) of the reversionary right in 121 years (2016: 122 years).

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 2017

14. Fixed asset investments

	Listed securities £
Market value	
At 1 September 2016	750,804
Revaluations	64,927
	<hr/>
At 31 August 2017	815,731
	<hr/>

Investments at market value comprise:

	2017 £	2016 £
Investment funds	815,731	750,804
	<hr/>	<hr/>

All the fixed asset investments are held in the UK

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 held for the longer term yield a 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 2017

15. Stocks

	2017	2016
	£	£
Liverpool College 175 years of history books	8,303	8,467

16. Debtors

	2017	2016
	£	£
Due after more than one year		
Other debtors	52,871	52,871
Due within one year		
Prepayments and accrued income	-	935
	52,871	53,806

17. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Liverpool College Independent School Trust	163,614	14,863
Other taxation and social security	-	2,349
Fees paid in advance (deferred income)	65,439	65,439
Pension contributions due	-	1,224
Enrolment fees	16,246	22,247
Accruals	17,440	185,473
Grants payable	36,232	-
	298,971	291,595

As outlined in the Trustees' report, the Company transferred ownership of the Liverpool College International School Boarding House to the Liverpool College Independent School Trust ("LCIST") on 1 September 2016. Accordingly, the benefit of the rent free period previously included in accruals of £164,655 is now due to LCIST.

Deferred income

At 1 September 2016 and 31 August 2017

£
65,439

Notes to the Financial Statements

For the year ended 31 August 2017

18. Statement of funds

	Brought Forward £	Income £	Expenditure £	Gains/ (Losses) £	Carried Forward £
Designated funds					
Education Development Fund	323,098	-	-	27,940	351,038
General funds					
General Fund	152,338	1,071	7,393	-	160,802
Total Unrestricted funds	475,436	1,071	7,393	27,940	511,840
Restricted funds					
Liverpool College 1840 Foundation	433,156	3,829	(46,642)	36,987	427,330
Brenikov Music Scholarship	-	25,000	-	-	25,000
	433,156	28,829	(46,642)	36,987	452,330
Total of funds	908,592	29,900	(39,249)	64,927	964,170

Summary of funds

	Brought Forward £	Income £	Expenditure £	Gains/ (Losses) £	Carried Forward £
Designated funds	323,098	-	-	27,940	351,038
General funds	152,338	1,071	7,393	-	160,802
	475,436	1,071	7,393	27,940	511,840
Restricted funds	433,156	28,829	(46,642)	36,987	452,330
	908,592	29,900	(39,249)	64,927	964,170

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

The Liverpool College 1840 Foundation is for educational development.

These funds comprise a number of historic donations. 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 2017

18. Statement of funds (continued)

The Brenikov Music Scholarship

The Brenikov Music Scholarship is to be invested for income and growth, with a commitment to use 3% of the capital annually to fund music lessons for pupils who show talent in music but who cannot afford music lessons.

19. Analysis of net assets between funds

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Tangible fixed assets	301,000	-	301,000	291,000
Fixed asset investments	351,038	464,693	815,731	750,804
Current assets	122,541	23,869	146,410	105,512
Creditors due within one year	(262,739)	(36,232)	(298,971)	(291,595)
	<u>511,840</u>	<u>452,330</u>	<u>964,170</u>	<u>908,592</u>

20. 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.

21. Capital commitments

The Company had no capital commitments at 31 August 2017 or 31 August 2016.

22. Pension commitments

Included in creditors is £Nil (2016: £1,224) outstanding due to the defined benefit multi-employer pension scheme. The total contribution made during the year was £Nil (2016: £9,215).

Notes to the Financial Statements

For the year ended 31 August 2017

23. Operating lease commitments

At 31 August 2017 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

	Land and buildings	
	2017	2016
	£	£
Amounts payable:		
Between 1 and 5 years	-	568,176

24. Related party transactions

Included within other debtors due after one year is a loan for £52,871 (2016: £52,871) due from the Principal of the Academy which is repayable on 1 December 2019. This balance incurred interest of £1,071 (2016: £1,071) which was received during the year.

25. 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.

On 31 July 2013, the Company granted a 125 lease of the whole school campus and the buildings thereon at a peppercorn rent. 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.