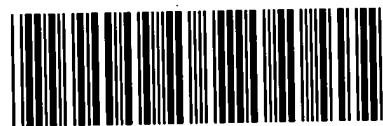


Channing House Incorporated, Highgate
(Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

For the year ended
31 August 2017

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COMPANIES HOUSE

Company No: 00063121

Registered Charity No. 312766

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS, OFFICERS AND ADVISERS

To be presented at the Annual General Meeting of the company to be held at Channing School, The Bank, Highgate Hill, London N6 5HF on 15 March 2018.

GOVERNORS

The Board of Governors may appoint any member of the Association as a Governor, either to fill a casual vacancy or by way of addition to the board. All Governors are required to confirm that they will support the Unitarian traditions of the School. Except as otherwise indicated the following were Governors during the year and to the date of signing this report:

Ms C Peck *	LLB (Bristol) (Chair)	
Mr JAG Alexander *	FCA	
Mr G Algar-Faria	MSc (Durham)	
Mr A Appleyard *	BSc (Reading)	
Mrs J Burns	BA (Southampton)	
Rev D Costley	BA (Open University)	
Mrs EJ de Swiet *	MA (Cantab)	
Ms M Jayaweera *	MA (Cantab)	(Retired 26 April 2017)
Ms D Patman *	FRICS ACIArb	
Ms B Rentoul	MA (Yale)	
Mr WJH Spears	BA (SOAS), MBA	
Dr A Sutton	MB ChB	
Ms A Thomas	Cert. Ed.	
Mr C Underhill	MNAEA	
Dr I Wassenaar	MA, DPhil	
Dr Ruth Williams	BSc, MSc, PhD	

* Members of the Finance and General Purposes Committee

MEMBERS OF ASSOCIATION

The Members of the Association, except as otherwise indicated, throughout the year were, in addition to the Governors listed above:

Mr G A Auger	FCCA	
Mrs M Banks	MBE Med	(Died November 2016)
Mr SD Barber	BSc (Econ) FCA	
Professor HG Beale	MA (Oxon)	
Mrs D Bond	BA (Cantab)	
Mr S M D Brown	JP BA (Dunelm)	
Ms CEA Budgett-Meakin	BA (Kent)	
Mr JM Burns	MA (Oxon)	
Baroness J Coussins	MA (Cantab)	
Baroness C Cox	MSc (Econ) PhD	
Dr J Dacre	BSc	
Miss JAM Davidson	BSc (London)	
Dr AP Hogg	MA (Oxon) PhD (London)	
Mrs S Moloney	SRN RHV	
Mrs C Richards	BSc.Arch (London)	
Miss M Rudland	BSc	
Mrs VA Schilling	MCSP	
Mr M Steiner	MA (Oxon)	
Dr T Stone	MA (Cantab) PhD	
Mr ME Thorncroft	BSc (Est Man) (Lond) FRICS	
Dr K J I Thorne	MA PhD (Cantab)	
Miss EM Tucker	MA (Cantab)	
Dr AG White	MB ChB FRCP DPhys Med	
Dr DJ Williams	MB BCh	
Dr DL Wykes	BSc PhD	

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS, OFFICERS AND ADVISORS

OFFICERS

The Headmistress

Mrs B M Elliott MA (Cantab)

The Bursar

Mr R K J Hill OBE MA ACMA

Address

Channing School
Highgate
London
N6 5HF

BANKERS

Lloyds Bank plc
Hampstead Branch
PO Box 1000
BX1 1LT

SOLICITORS

Dentons UKMEA LLP
One Fleet Place
London
EC4M 7WS

AUDITORS

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

REGISTERED OFFICE

Channing School
Highgate Hill
Highgate
London
N6 5HF

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS' REPORT

REFERENCE AND ADMINISTRATIVE INFORMATION

The School was incorporated in England and Wales on 27 July 1899 and is a company limited by guarantee, its members being members of the Association, having a liability not exceeding £5 each. The School was established under a Memorandum of Association which established the objects and powers of the charitable School and is governed under its Articles of Association. The company is a registered charity with charity number 312766 and company number 00063121. The Governors of the School, who are also the charity trustees and company directors, and the School's principal officers and advisers are listed on pages 1 and 2. Whenever Governors are referred to in this report this subsumes their roles as both charity trustees and company directors of Channing House Incorporated, Highgate within the meaning of Company Law.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Governors determine the general policy of the School. The day-to-day management of the School is delegated to the Headmistress and the Bursar. Governors determine the remuneration of key management personnel through a Remuneration Committee. In setting the remuneration of key personnel this committee takes note of national pay scales, individual performance and internal and external benchmarking as necessary.

There have been no transactions with the related parties of the School.

RECRUITMENT AND TRAINING OF GOVERNORS

Governors are appointed as vacancies arise. In making appointments Governors take into account Charity Commission guidance and the skills that are required by the School. Potential candidates who possess the requisite personal and specialist skills are identified, discussed by Governors and invited to become a Governor as appropriate.

New Governors are provided with information about the School and appropriate training and induction is arranged. On appointment, Governors are briefed on their responsibilities as Directors, Trustees and Governors. They are also encouraged to attend training courses on the roles of Governors run by The Association of Governing Bodies of Independent Schools (AGBIS). Governors are also given regular presentations by Heads of Department on specific curricular developments and they are invited and encouraged to link up with a Department and observe lessons and activities at first hand.

PUBLIC BENEFIT

The Governors confirm that, to the best of their knowledge and belief, they have complied with the duty in the Charities (Accounts and Reports) Regulations 2008 in respect to having due regard to the public benefit guidance published by the Charity Commission.

The School provides public benefit in many ways. The School provides Bursaries on entry to the School at Year 7 and Year 12. The School implemented, in 2010, a revised policy of the Governing Body designed to increase the availability of awards made on the basis of ability to pay. This has resulted in Bursaries and concessions increasing to £870,080 during the current year (2016: £849,693). The School also provides hardship support for families of current pupils whose circumstances change significantly such that their ability to pay is affected.

Additionally the School actively participates in the East London Consortium ISSP, an Independent/State School Partnership. Invitations are extended to local Schools to attend workshops, training events and presentations from visiting speakers. The School also makes available its facilities for use by the local community for sporting events and occasional conferences and meetings. The school is particularly supportive of girls sport and provides its facilities for use both by Middlesex County and two local netball clubs, at a significantly reduced cost or free of charge.

OBJECTIVES AND ACTIVITIES

The School's principal purpose is to carry on a day School for girls.

STATEMENT OF PROVISION OF INFORMATION TO AUDITORS

The Governors in office on the date of this report have confirmed, as far as they are aware, that there is no relevant audit information of which the charitable company's auditor is unaware. Each of the Governors has confirmed that they have taken all the steps that they ought to have taken as Governors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Channing House Incorporated, Highgate

(Limited by Guarantee)
GOVERNORS' REPORT

AUDITOR

RSM UK Audit LLP has indicated its willingness to continue in office.

STRATEGIC REPORT:

REVIEW OF ACHIEVEMENTS AND PERFORMANCE

The School has a vision that all girls at the School will enjoy success.

The School's overall mission is to ensure that its pupils develop scholarship, integrity, altruism and independence.

During the year the School has continued to work towards achieving its published strategic objectives which support the School's mission. The objectives were reviewed at the start of this financial year and cover the period 2015-2020. These objectives are as follows:

1. To provide an exceptional and relevant education, free from undue pressure, that challenges all pupils to learn and achieve their full potential.

The School continues to deliver outstanding academic results. In summer 2017 88.4% (2016: 90.7%) of pupils gained A*-B grades at A level and 83.8% (2016: 83.5%) gaining A/A* at GCSE. The School is very proud that these results have been achieved whilst at the same time identifying ways to reduce the pressure on students. The School is also further developing its Adelante (Spanish for all) strategy across the School aiming to offer all pupils the opportunity to learn Spanish at School. Spanish is now the first language taught on entry to both the Junior and Senior Schools. The school also continues to develop a personalised approach to learning with an increased focus on pupil tracking alongside extensive use of mobile technology.

2. To promote personal development.

The School has continued to identify means to improve its enviable reputation for its pastoral care, which places the pupils at the heart of the School. Working alongside parents and Alumnae, the School continues to make considerable enhancements to its careers programme offering increased opportunities for pupils at the School in relation to their future careers. The school has also sought to extend opportunities for pupil leadership alongside changes to the House structure to further enhance pastoral support across the school.

3. To embrace modern technology and use it as a means to enhance pupils' independence as learners and prepare for the future.

The School continues to invest in new technology, recognising the opportunities it provides to enhance independence as well as collaboration amongst students. The school has recently appointed a new Director of Science Technology and Engineering and it is intended that this appointment will provide further leadership in this key area. The School is also aware of the risks that technology can present to young people and is working to address these through educating pupils and supporting parents.

4. To provide a secure, safe and healthy environment.

The School continues to put pupil safeguarding at the heart of the School's operation ensuring that staff and pupils are aware of the strategies and procedures in place to minimise the risk to pupils. The School is also developing well-being strategies for both pupils and staff and is seeking accreditation in the 'Food for Life' programme.

5. To manage the School's resources effectively, ensuring that the School is able to continue to invest in improving its provision for current and future pupils.

As a result of exercising sound control over the School's finances and successfully identifying new sources of income through the development office, the School has been able to continue to invest in improved facilities in both the Junior and Senior school. Recent changes, including the opening of the Performing Arts Building, have seen investment into the School Library, Junior School music facilities and also a significant landscaping programme to improve the setting in which the girls learn and develop.

Channing House Incorporated, Highgate

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GOVERNORS' REPORT

6. To develop further opportunities for Physical Education, Sport and the Performing Arts.

During the year the School's new Performing Arts Building was completed. The school is now using this facility for lessons and performances and the facility will significantly enhance the school's curricular and extra curricular provision for all of the Performing Arts.

7. To raise the profile of the School as a centre of excellence.

The School continues to identify opportunities to promote the School's vision of 'girls enjoying success'.

Review of other achievements

The School continues to support a large number of charitable and cultural activities and in particular makes a significant contribution to the community through many local activities including musical and sporting events as well as participating in local sporting and community events. The School has also hosted events for external attendees during the year and continues to support a number of charities. The Young Enterprise scheme and the Duke of Edinburgh Awards programme continue to enjoy significant popularity and success within the School and a Forest School learning programme has been introduced in the Junior School. The School is also increasing its involvement in the local community with pupils across the school undertaking a wide variety of activities.

The school also made significant progress against Key Financial Performance Indicators set at the start of the year.

Bursary Provision – a target of 5% of tuition fee income was set compared to an achievement in the year of 5.1%

Fundraising – a fundraising target of £3million was set for the Capital Challenge. £494,100 was raised in the year bringing the total raised to date to almost £2.2million.

Cost of the Performing Arts Building – careful cost management and budgetary control has ensured that the Performing Arts Building has been completed at a cost of £8,574,600 on time and in line with the budget parameters agreed at the start of the year.

FINANCIAL REVIEW

The Statement of Financial Activities on page 12 shows net income before transfers and investment gains/(losses) for the year of £2,452,300 (2016: £2,274,500).

The level of activity and year end financial position of the School is considered satisfactory and is consistent with the school's planning target. Furthermore net income before transfers and investment gains/(losses) has increased compared to the previous year.

During the year capital expenditure of £5,903,200 (2016: £2,285,200) has been incurred. This expenditure includes £5,578,500 (2016: £2,080,900) in respect of the new Performing Arts Building which was largely completed by June 2017. The School has also continued to invest in the fabric of the School both in terms of necessary maintenance as well as to provide enhancements for the pupils and staff, including new and refurbished library facilities and Junior School classrooms and music facilities. This investment in the fabric of the School has been funded from the School's available cash resources generated from net income arising in the year, and will ensure the needs of succeeding generations of pupils are met, as well as the current.

The Balance Sheet on page 13 shown net current liabilities of £1,668,200 (2016: net current assets £731,700) which are more than covered by a £2.4 million forward fixed loan arrangement repayable over 15 years entered into by the School prior to the year end and to be drawn down in December 2017. Details of the arrangement are contained in Note 9 (c) on page 23.

DONATIONS

Income for the year includes £480,400 (2016: £461,600) of restricted Donations. £472,300 (2016: £444,100) of the Donations were attributable to the Capital Challenge fund-raising in respect of the new Sport, Sixth Form, Music and Performing Arts facilities.

Due to the generous support of parents, alumnae, Governors, Educational Foundations and supporters of the school the Capital Challenge has raised almost £2.2million to date. This, together with pledges of further amounts in future years, should enable the school to get close to achieving its initial fundraising target for the Capital Challenge of £3million. The donations received have provided a valuable contribution to funding the investment in the new Sports Hall, Sixth Form Centre and Performing Arts Building.

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS' REPORT

FUTURE PLANS

These are set out in the strategic objectives identified above, the overall aim of which is that Channing pupils enjoy success. As identified above, the School has recently finished constructing a new Performing Arts facility and is currently working to enhance the landscaping around the school.

FUNDS HELD

Note 10 to the financial statements sets out an analysis of the School's restricted and unrestricted funds and their attributable assets and liabilities. These net assets are sufficient to meet the charity's obligations on a fund by fund basis. The School's tangible assets are all held for use in the School.

It is the School's long term policy to build and maintain the School's free reserves, though the Governors recognise that achieving any material increase in free reserves will not be possible whilst the School has bank loans to repay and continues to develop its buildings and facilities for the benefit of its current and succeeding generations of pupils. In considering the level of the School's free reserves the Governors take into account the long term bank facilities/loans in place but undrawn at the year end and creditors falling due in more than one year, currently comprising the funds held in respect of final term deposits and advance fees, and long term bank loans drawn down.

Governors have invested substantial sums into the School over recent years and have a continuing programme of refurbishment, development and investment to develop and maintain excellent facilities for pupils.

Free reserves at the year end comprise the sum of the School's confirmed bank loan facilities undrawn less net current liabilities. Taking account of these factors at the year end the School's free reserves were maintained at around £700,000.

The Governors consider that, given the strength of the School's balance sheet, forecast net income for the year to 31 August 2018 and the market value of the School's property, which is not currently reflected in the reserves, the School's level of reserves at the year end are satisfactory given that the School has an ongoing development programme. Additionally Governors ensure robust budgeting and cash flow monitoring are exercised to ensure the School can meet its ongoing educational needs and continue to invest in its estate and facilities. The Governors are satisfied that the School has sufficient available cash and facilities to meet its strategic objectives.

Restricted Funds

Scholarship, Prize and Bursary Funds

This represents bequests and donations received by the School, which are subject to the specific wishes of the donor. These funds are matched by investments. Movement in the fund during the year comprised donations, investment income and interest. The investment income and interest is used to fund Scholarships and Bursaries for pupils attending the School.

Capital Challenge

In 2013 the School launched the Capital Challenge. The Capital Challenge is a fundraising programme to raise funds to build a new Sports Hall and Sixth Form Centre and new Performing Arts facility. At the end of each financial year the funds raised have been applied against the cost incurred of building the new Sports Hall and Sixth Form Centre and new Performing Arts Building.

Channing Alumnae

The Channing Alumnae Fund is a restricted fund of the School held for the purpose of promoting school alumnae. The fund is used to promote communication between the School and alumnae and also amongst alumnae. A number of reunion events are also held throughout the year. The Channing Alumnae fund is managed by the Alumnae committee, and an appropriate balance maintained.

Channing Association

The Channing Association is a restricted fund of the School for the purpose of fostering support for the School from the wider Channing community including current and former parents and friends of the School. The Channing Association organises social events for both parents and pupils and also helps support a number of school events during the year. The Association also undertakes occasional fundraising for the School, but this is incidental to its core purpose. The Channing Association has its own committee structure, which determines both its activities and

Channing House Incorporated, Highgate

(Limited by Guarantee)
GOVERNORS' REPORT

expenditure for the year. The Channing Association fund is managed by the Channing Association committee and an appropriate balance maintained.

Unrestricted Funds

The Governors intend to maintain undesignated unrestricted funds at a level appropriate to meet the School's ongoing working capital requirements.

The School's funds continue to be reviewed annually by the Governors in the context of the School's needs and obligations and future plans.

INVESTMENTS

The Governors have agreed that investments are held to create income to help fund the Scholarships and Bursaries awarded. Investments are held in a mixture of listed investments and cash deposits and are managed and benchmarked appropriately so as to maintain their contribution whilst preserving the real value of the investments. Governors have taken account of the ethical considerations of the investments held and adopted a low risk approach, as such that the vast majority of the School's listed investments are held in recognised charity funds. During the year cash deposit investments totalling £2,400 were expended (2016: £20,900 additional cash deposit investments in respect of Bursary, Channing Association and other funds were received). The market value of the School's investments have increased by £21,700 (2016: decreased by £1,600).

RISK MANAGEMENT

The School maintains a comprehensive risk register which is regularly reviewed and is presented to the Governors at every meeting. The Governors routinely consider both the major risks and other possible risks facing the School and the probability of the risks arising. They are assisted in this regard by the Headmistress, Bursar and other members of the School's Senior Leadership Team. General controls used by the Governors to identify and assess risks during the year include:

- Formal agenda items for Governors' Committee meetings
- Regular review of the School's Risk Register which is reviewed termly by the Governing Body
- Sub Committees to oversee key areas of School activity including education, strategy, estates and finance. Ad hoc Committees are also established from time to time to review specific aspects of School activity including such areas as marketing and the appointments of new governors
- Comprehensive strategic planning, budgeting and management accounting
- Established organisational structure and lines of reporting
- Formal authorisation and approval levels for financial transactions and approval of contracts
- Regular Health and Safety reviews and inspections
- Maintaining appropriate insurance
- Regular Inspection by the Independent Schools' Inspectorate

Through the above risk management processes the Governors are satisfied that major risks are identified and as far as practicable adequately mitigated. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

The main risks that the Governors have identified and the plans to manage those risks are:

- A risk to the reputation of the school brand such that there is a material impact on current and future pupil numbers and the ability of the school to attract high quality staff. In order to manage this risk the school

Channing House Incorporated, Highgate

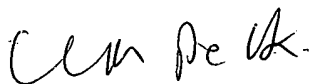
(Limited by Guarantee)

GOVERNORS' REPORT

ensures that its policies for recruitment, safeguarding and Health and Safety put pupil safety and wellbeing at the heart of the school. A comprehensive training programme for staff, ongoing monitoring and management of policies and a culture of openness and trust between pupils and staff are also intended to safeguard against this risk.

- A risk that the school ceases to be financially viable as a result of deteriorating finances. Financial stability is a key priority for the school, in particular to generate sufficient cash flow to provide adequate resources to ensure a safe and secure educational environment, to meet loan obligations and to continue investing in the school's facilities. This risk is managed by ensuring sound long term planning with clear and challenging financial targets which not only consider the operation of the school, but also the wider context in which the school operates. Governors with significant financial and business experience provide oversight of the School's finances alongside the Finance Committee which reviews the detailed finances of the school at least termly drawing on external advice as required.
- A risk that with an increasing reliance on Information Technology in all aspects of the school that insufficient investment in system integrity, system security and resilience jeopardises the school's ability to effectively educate pupils. The school manages this risk by continuing to update and invest in the school's systems and staff to ensure they meet the school's needs and by taking advice and guidance from professional consultants.

The Governors' Report and the Strategic Report incorporated within it were approved by the board of Governors and Signed on its behalf by



C Peck
Chair of Governors
23 November 2017



R K J Hill
Bursar and Company Secretary
23 November 2017

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Governors are responsible for preparing the Governors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

Channing House Incorporated, Highgate (Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Opinion on financial statements

We have audited the financial statements of Channing School (the 'charitable company') for the year ended 31 August 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Channing House Incorporated, Highgate (Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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

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

Responsibilities of Governors

As explained more fully in the Statement of Governors' responsibilities set out on page 9, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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

27 November 2017

Channing House Incorporated, Highgate (Limited by Guarantee)

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STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)

For the year ended 31 August 2017

	Note	Unrestricted Funds £'000	Restricted Funds £'000	2017 £'000	Unrestricted Funds £'000	Restricted Funds £'000	2016 £'000
INCOME FROM:							
Donations		6.5	480.4	486.9	6.3	461.6	467.9
Charitable Activities:							
School Fees receivable	1	14,746.2	-	14,746.2	13,092.8	-	13,092.8
Other income	2	586.1	68.8	654.9	577.7	73.1	650.8
Investments							
Investment income		-	8.9	8.9	-	7.8	7.8
Bank interest		26.9	0.8	27.7	39.6	1.1	40.7
Other incoming resources		-	-	-	-	-	-
Total Income		<u>15,365.7</u>	<u>558.9</u>	<u>15,924.6</u>	<u>13,716.4</u>	<u>543.6</u>	<u>14,260.0</u>
EXPENDITURE ON:							
Raising funds:							
Fundraising and Development		74.7	-	74.7	74.1	-	74.1
Bank loan interest		153.3	-	153.3	155.8	-	155.8
		<u>228.0</u>	<u>-</u>	<u>228.0</u>	<u>229.9</u>	<u>-</u>	<u>229.9</u>
Charitable activities:							
School operating costs		13,177.1	67.2	13,244.3	11,682.3	73.3	11,755.6
Total Expenditure	3	<u>13,405.1</u>	<u>67.2</u>	<u>13,472.3</u>	<u>11,912.2</u>	<u>73.3</u>	<u>11,985.5</u>
Gain/(Loss) on revaluation of investments - unrealised	6	-	21.7	21.7	-	(1.6)	(1.6)
Net Income before transfers		<u>1,960.6</u>	<u>513.4</u>	<u>2,474.0</u>	<u>1,804.2</u>	<u>468.7</u>	<u>2,272.9</u>
Transfers between funds	10(a)	494.1	(494.1)	-	449.4	(449.4)	-
Net movement in funds		<u>2,454.7</u>	<u>19.3</u>	<u>2,474.0</u>	<u>2,253.6</u>	<u>19.3</u>	<u>2,272.9</u>
Balances brought forward at 1 September		8,520.6	382.6	8,903.2	6,267.0	363.3	6,630.3
Balances carried forward at 31 August	10	<u>10,975.3</u>	<u>401.9</u>	<u>11,377.2</u>	<u>8,520.6</u>	<u>382.6</u>	<u>8,903.2</u>

The net movement in funds for the year arises from the School's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Statement of Financial Activities.


Channing House Incorporated, Highgate (Limited by Guarantee)

BALANCE SHEET

As at 31 August 2017

	<i>Notes</i>	2017 £'000	2016 £'000
FIXED ASSETS:			
Tangible assets	5	20,858.2	15,426.3
Investments	6	401.9	382.6
		<hr/>	<hr/>
		21,260.1	15,808.9
		<hr/>	<hr/>
CURRENT ASSETS:			
Debtors	7	310.2	334.8
Cash at bank and in hand		4,624.4	6,502.8
		<hr/>	<hr/>
		4,934.6	6,837.6
		<hr/>	<hr/>
CREDITORS: Amounts falling due within one year	8	(6,602.8)	(6,105.9)
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(1,668.2)	731.7
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		19,591.9	16,540.6
		<hr/>	<hr/>
CREDITORS: Amounts falling due after more than one year	9	(8,214.7)	(7,637.4)
		<hr/>	<hr/>
TOTAL NET ASSETS		11,377.2	8,903.2
		<hr/>	<hr/>
REPRESENTED BY:			
RESTRICTED FUNDS	10 (a)	401.9	382.6
UNRESTRICTED FUNDS			
Retained Income	10 (b)	10,975.3	8,520.6
		<hr/>	<hr/>
TOTAL FUNDS		11,377.2	8,903.2
		<hr/>	<hr/>

These financial statements were approved by the Board of Governors and authorised for issue on 23 November 2017 and signed on its behalf by:



 C Peck (Chair)

Channing House Incorporated, Highgate (Limited by Guarantee)

STATEMENT OF CASH FLOWS

For the year ended 31 August 2017

	<i>Notes</i>	2017 £'000	2016 £'000
Net cash provided by operating activities	(A)	4,390.3	4,330.4
Cash flows from investing activities	(B)	(6,017.5)	(2,413.3)
		(1,627.2)	1,917.1
Cash flows from financing activities	(C)	(251.2)	(243.0)
Increase in Cash in the year		(1,878.4)	1,674.1
Cash and cash equivalents at 1 September		6,502.8	4,828.7
Total cash and cash equivalents at 31 August		4,624.4	6,502.8
A) - Net cash provided by operating activities			
Net Incoming Resources (as per the statement of financial activities)		2,474.0	2,272.9
<u>Adjusted for:</u>			
Unrealised (Gain)/loss on revaluation of investments		(21.7)	1.6
Depreciation (note 5)		471.3	437.9
Bank loan interest payable		153.3	155.8
Investment income receivable		(8.9)	(7.8)
Bank interest receivable		(27.7)	(40.7)
Decrease / (Increase) in debtors		24.6	(118.4)
Increase in creditors		1,325.4	1,629.1
Net cash provided by operating activities		4,390.3	4,330.4
(B) – Cash flows from investing activities			
Investment Income		8.9	7.8
Bank interest received		27.7	40.7
Bank loan interest paid		(153.3)	(155.7)
Purchase of tangible assets		(5,903.2)	(2,285.2)
Increase in investment cash		2.4	(20.9)
		(6,017.5)	(2,413.3)
(C) – Cash flows from financing activities			
Repayments of bank loans		(251.2)	(243.0)
Cash inflows from new bank borrowing		-	-
		(251.2)	(243.0)

Channing House Incorporated, Highgate (Limited by Guarantee)

ACCOUNTING POLICIES

For the year ended 31 August 2017

BASIS OF FINANCIAL STATEMENTS

The accounts of the School are prepared in accordance with the Companies Act 2006, and with the Charities Statement of Recommended Practice ('SORP (FRS102)' effective 1 January 2015) and Financial Reporting Standard 102. The accounts are drawn up on the historical accounting basis except that investments held as fixed assets are carried at market value.

The School meets the definition of a public benefit entity under FRS102.

The nature of the School's activities is such that fee income represents the majority of the School's income. Fee income is billed and received one term in advance. Forecasts are produced taking account of the timing and quantity of fee income, likely expenditure profile, the cost of completing the new Performing Arts facilities and the bank facilities available. These forecasts are provided to the Governors. On this basis no material uncertainties that may cast significant doubt about the ability of the School to continue as a going concern have been identified by the Governors. Therefore the Governors have concluded to prepare the accounts on a going concern basis.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the accounting policies, where the value of assets and liabilities are not readily apparent from other sources, accounting estimates and judgements are made based on historical experience and other factors, including future expectations, which are considered to be reasonable in the circumstances.

The estimates and underlying assumptions concerning the future are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Accounting estimates and assumptions, will, by definition, seldom equal the actual results.

DONATIONS, LEGACIES, GRANTS AND OTHER VOLUNTARY INCOME

Voluntary income is accounted for as and when entitlement arises, the amount can be reliably quantified and the economic benefit to the School is considered probable.

Voluntary income for the School's general purpose is accounted for as unrestricted and is credited to Retained Income.

Where the donor or an appeal has imposed restrictions, voluntary income is credited to the relevant restricted fund.

FEES RECEIVABLE AND SIMILAR INCOME

Fees receivable comprise fees charged to pupils net of Scholarships, Bursaries and allowances, and are accounted for in the year in which the service is provided.

EXPENDITURE

Expenditure is accrued as soon as a liability is considered probable. Expenditure attributable to more than one cost category in the Statement of Financial Activities is apportioned on the basis, of the activities staff are involved in. Certain costs are netted off against related income when it is appropriate to do so.

The School is not registered for Value Added Tax. All expenditure is therefore included in the expense category to which it relates inclusive of any Value Added Tax.

TANGIBLE FIXED ASSETS

Land and buildings are carried in the balance sheet at original cost less accumulated depreciation as the Governors consider that it is not appropriate to incur the expense of obtaining valuations of such assets. The cost of new buildings is added to fixed assets although repairs, alterations and improvements that do not materially enhance the economic benefit of the buildings are expensed as incurred; such costs are often substantial. Costs incurred in arranging long term debt to fund material additions to the School's land and buildings are included in fixed asset additions. The insured value of the School's assets is shown in note 5.

Furniture and teaching equipment are expensed in the period of acquisition. Such items will generally cost less than £12,500 per individual item and will include computers and ancillary items.

DEPRECIATION

Channing House Incorporated, Highgate (Limited by Guarantee)

ACCOUNTING POLICES

For the year ended 31 August 2017

Depreciation is calculated by reference to the cost of fixed assets using a straight line basis at rates considered appropriate having regard to the expected lives of the assets. Depreciation is not provided on freehold land.

The annual rates of depreciation in use are:

Freehold buildings	1% - 2.5%
Buildings in the course of construction	Nil
Plant, Equipment, Fixtures and Fittings	10% - 33.3%
Motor Vehicles	25%

Governors have considered the impairment of those freehold buildings with an estimated useful life of over 50 years and are satisfied, having considered both realisable value and value in use, that the buildings have not been materially impaired.

INVESTMENTS

Investments held, as fixed assets to provide an investment return, are stated in the balance sheet at their open market value as at the balance sheet date. Any resulting unrealised gain or loss is taken to the fund to which it relates.

FUNDS

The funds of the School are segregated between:

(i) Restricted Funds

- **Scholarship, Prize and Bursary Funds**
The School receives some of its income primarily for the provision of Scholarships, Bursaries and Prizes. This income is credited directly to the relevant fund account. All expenditure in relation to this income is charged directly to the relevant fund account.
- **Capital Challenge**
In 2013 the School launched the Capital Challenge. The Capital Challenge is a fundraising programme to raise funds to build a new Sports Hall and Sixth Form Centre and new Performing Arts facility. The funds raised are credited to the Capital Challenge and transferred to Unrestricted Funds as and when expenditure in respect of the new Sports Hall and Sixth Form Centre and Performing Arts facility is incurred.
- **Channing Alumnae**
The Channing Alumnae Fund is a restricted fund of the School for the purpose of promoting school alumnae. The fund is used to promote communication between the School and alumnae and also amongst alumnae. A number of reunion events are also held throughout the year. The Channing Alumnae fund is managed by the Alumnae committee.
- **Channing Association**
The Channing Association is a restricted fund of the School for the purpose of fostering support from the wider Channing community including current and former parents and friends of the school. The Channing Association organises social events for both parents and pupils and also helps support a number of school events during the year. The Association also undertakes occasional fundraising for the School, but this is incidental to its core purpose. The Channing Association has its own committee structure, which determines both its activities and expenditure for the year.

(ii) Unrestricted Funds

- **Retained Income**
The School seeks to maintain undesignated unrestricted funds at a level appropriate to meet the School's ongoing working capital requirements.

FINANCIAL INSTRUMENTS

Channing House Incorporated, Highgate (Limited by Guarantee)

ACCOUNTING POLICES

For the year ended 31 August 2017

The School only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. As such, financial instruments are initially recognised at transaction value and subsequently measured and held at amortised cost using the effective interest rate method.

Financial assets comprise cash at bank and in hand together with debtors less prepayments and are recognised when the School becomes contractually entitled to receive cash or other financial assets from a third party.

Financial liabilities comprise creditors falling due both within and after one year excluding deferred income and other tax and social security liabilities and are recognised when the School incurs a legal or constructive obligation to deliver cash or another financial asset to a third party.

All financial instruments are held for the sole purpose of managing the cash flow of the School on a day-to-day basis or arise from normal operating activities.

PENSION COSTS

Retirement benefits for most teachers of the School are provided by the Teachers' Pension Scheme (TPS). The TPS is a multi employer defined benefit pension scheme. It is not possible to identify the School's share of the underlying assets and liabilities of the Scheme. Accordingly, as required by FRS102, the School has accounted for its contributions to the Scheme as if it were a defined contribution scheme.

The School also operates defined contribution schemes for other staff. Contributions to these schemes are charged to the Statement of Financial Activities in the year in which they are incurred.

OPERATING LEASES

Rental payments on operating leases are charged to the Statement of Financial Activities on a straight-line basis over the life of the lease.

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

1 CHARITABLE ACTIVITIES – SCHOOL FEES RECEIVABLE

Fees receivable are stated net of Scholarships and Bursaries awarded and allowances given. Scholarships, Bursaries and allowances totalled £1,329,592 (2016: £1,287,417).

2 CHARITABLE ACTIVITIES - OTHER INCOME	2017 £'000	2016 £'000
Educational visits and other recoverable items	453.5	402.4
Registration fees and fees in lieu of notice	103.8	140.2
Other income including discount on fees insurance	97.6	108.2
	654.9	650.8

3 TOTAL EXPENDITURE	Staff costs (note 4) £'000	Depreciation £'000	Other costs £'000	2017 Total £'000	2016 Total £'000
Raising funds:					
Fundraising and Development	60.9	-	13.8	74.7	74.1
Bank Loan interest	-	-	153.3	153.3	155.8
Total Cost of Raising Funds	60.9	-	167.1	228.0	229.9
Charitable activities:					
School operating costs:					
Teaching	6,532.1	-	1,502.7	8,034.8	7,292.9
Welfare and Catering	503.9	-	359.1	863.0	769.2
Premises and occupancy	185.4	471.3	1,041.8	1,698.5	1,536.6
Property repair and maintenance	-	-	1,150.2	1,150.2	846.8
Administration and support	1,030.2	-	400.1	1,430.3	1,238.5
Governance	27.8	-	26.9	54.7	59.7
Grants, awards and prizes	-	-	12.8	12.8	11.9
Total Charitable expenditure	8,279.4	471.3	4,493.6	13,244.3	11,755.6
TOTAL EXPENDITURE	8,340.3	471.3	4,660.7	13,472.3	11,985.5
2016:	7,544.3	437.9	4,003.3		

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

3	TOTAL EXPENDITURE (Continued)	2017	2016
		£'000	£'000

Charitable expenditure includes:

Operating lease rentals	132.1	116.3
Auditor's remuneration:		
For audit services - RSM UK Audit LLP (exclusive of VAT)	21.2	24.4
For payroll services - RSM Employer Services Limited	19.1	18.7

4 STAFF COSTS

The aggregate staff costs (note 3) were as follows:

Wages and salaries	6,749.2	6,095.9
Social security costs	686.3	593.6
Pension contributions	904.8	854.8
	8,340.3	7,544.3

The average monthly number of employees during the year was made up as follows:

	2017		2016	
	Full Time	Part Time	Full time	Part time
Teaching	68	33	66	27
Technical and support	7	6	6	6
Catering	15	4	14	4
Maintenance and caretaking	4	1	4	1
Administrative	14	5	12	5
	108	49*	102	43*

* Equivalent to approximately 25 (2016: 22) number of full time employees. In addition to the above, the School also made payments to 31 peripatetic music teachers (2016: 30).

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

4 STAFF COSTS (continued)

The number of employees whose emoluments (excludes employer's pension contribution) exceeded £60,000 was:

	2017	2016
£60,001 – £70,000	10	8
£70,001 – £80,000	3	3
£80,001 – £90,000	1	1
£110,001 – £120,000	-	-
£120,001 – £130,000	-	1
£130,001 – £140,000	1	-
£180,001 – £190,000	-	1
£210,001 – £220,000	1	-

Contributions of £139,556 (2016: £142,833) were made to the Teachers' Pension Scheme, which is a defined benefits scheme, for 13 (2016: 13) higher paid employees. A contribution of £31,340 (2016: £24,470) was also made to a defined contribution scheme for 3 (2016: 2) higher paid employee.

Aggregate employee-benefits of key management personnel (including employer pension and national insurance contributions)	£430,341	£ 394,871
--	-----------------	------------------

No member of the Association or Board of Governors received any remuneration or other benefits from the School. Two (2016: four) Governors were reimbursed travelling and incidental expenses totalling £1,579 (2016: £1,880). The insurance premium paid by the School includes an element of cover for 'directors' (Governors).

Transactions with Related Parties

There were no transactions with related parties during the year to 31 August 2017 or 31 August 2016 and there were no balances outstanding at the previous or current year-end.

5 TANGIBLE FIXED ASSETS	Freehold land and buildings	Buildings in the course of construction	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Total
Cost:	£'000	£'000	£'000	£'000	£ '000
31 August 2016	12,475.9	3,269.2	1,531.5	33.1	17,309.7
Additions	-	5,578.5	297.8	26.9	5,903.2
Transfer in respect of completed building	8,574.8	(8,574.8)	-	-	-
31 August 2017	21,050.7	272.9	1,829.3	60.0	23,212.9
Depreciation:					
31 August 2016	828.3	-	1,022.0	33.1	1,883.4
Charged in the year	292.3	-	177.9	1.1	471.3
31 August 2017	1,120.6	-	1,199.9	34.2	2,354.7
Net book value:					
31 August 2017	19,930.1	272.9	629.4	25.8	20,858.2
31 August 2016	11,647.6	3,269.2	509.5	-	15,426.3

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

5. TANGIBLE FIXED ASSETS (Continued)

Freehold land and buildings include an estimate by the Governors of the original cost of the land and buildings at £56,000 (2016: £56,000) of which £18,000 is estimated to be the original cost of the land. The School's buildings (excluding the value of freehold land) have been valued at £19,000,000 for insurance purposes. The Governors believe that the value of the School's land, comprising just under 3 hectares in North London is very significantly in excess of its original cost.

During the year the construction of a new Performing Arts Building was completed. Costs incurred in arranging long term debt to fund the Performing Arts Building and included in additions amounted to £nil (2016: nil).

6 INVESTMENTS	2017 £'000	2016 £'000
Market value at 1 September 2016	382.6	363.3
(Disposals)/Additions	(2.4)	20.9
Revaluations	21.7	(1.6)
Market value at 31 August 2017	401.9	382.6
Historical cost of Investments	203.9	206.4
Investments comprise the following:		
Listed on Stock Exchange	228.2	206.5
Cash deposits	173.7	176.1
	401.9	382.6
The School had investment holdings of greater than 5% of overall market value in the following:		
Charities Official Investment Fund	160.6	145.4
J.P. Morgan UK Strategic Equity Income Fund	34.2	29.2
M&G Equities Investment Fund for Charities	26.9	25.5

7 DEBTORS

Fees receivable	25.3	18.3
Other debtors *	70.5	62.5
Prepayments and accrued income	214.4	254.0
	310.2	334.8

* Included in other debtors is £30,544 (2016: £16,886) falling due in more than one year

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

8 CREDITORS: Amounts falling due within one year	2017	2016
	£'000	£'000
Advanced Fees received 1 year in advance (see Note 9(a))	4,071.6	3,845.7
Other Fees received in advance	634.4	469.6
Bank Loans repayable within 1 year (see Note 9 (c))	260.2	262.0
Other taxes and National Insurance contributions	180.5	159.6
Trade Creditors	396.6	394.3
Other creditors	113.1	98.8
Accruals	946.4	875.9
	6,602.8	6,105.9

9 CREDITORS: Amounts falling due after more than one year		
Advanced fees (see Note 9(a))	4,111.9	3,526.2
Final term deposits (see Note 9(b))	900.1	659.1
Bank loans (see Note 9(c))	3,202.7	3,452.1
	8,214.7	7,637.4

9 (a) Advanced fees

Parents are offered the opportunity to pay tuition fees in advance. Certain parents have taken advantage of this offer and have entered into an arrangement with the School to pay tuition fees in advance. Advance Fee payments are paid direct to the School and may be returned, subject to specific conditions, on the receipt of one term's notice. Assuming pupils will remain with the School the amounts held in respect of fees falling due in more than one year will be applied to offset tuition fees as follows:

Fees due in 1 – 2 years	2,282.0	1,943.2
Fees due in 2 – 5 years	1,662.2	1,468.1
Fees due in more than 5 years	167.7	114.9
	4,111.9	3,526.2

Fees due within 1 year (see Note 8)	4,071.6	3,845.7
	8,183.5	7,371.9

The movements during the year were as follows:-

Balance at 1 September	7,371.9	6,426.9
Amounts received (net of refunds) during the year	4,657.3	3,913.7
Amounts utilised in payment of fees	(3,845.7)	(2,968.7)
	8,183.5	7,371.9

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

9 (b) Final Term Deposits

All new pupils are required to pay a deposit which is then applied against the pupil's final term's fee bill. Applying reasonable assumptions regarding the time pupils will remain with the School the deposits held will be applied to offset fees for their final term as follows: -

	2017	2015
	£'000	£'000
Deposits due to be refunded in 1 – 2 years	104.4	80.3
Deposits due to be refunded in 2 – 5 years	344.0	244.7
Deposits due to be refunded in more than 5 years	451.7	334.1
	<u>900.1</u>	<u>659.1</u>

9 (c) Bank Loans

Bank Loans are repayable as follows as follows: -

Repayments within 1 – 2 years	271.7	263.7
Repayments within 2 – 5 years	894.9	860.1
Repayments in more than 5 years	2,036.1	2,328.3
	<u>3,202.7</u>	<u>3,452.1</u>
Repayments within 1 year (see Note 8)	260.2	262.0
	<u>3,462.9</u>	<u>3,714.1</u>

The School has, in previous years drawn down bank loan facilities totaling £4.1m to part fund the construction of the new Sports Hall and Sixth Form Centre. These facilities are secured on the School's freehold land and buildings. Of the £4.1m loan facilities drawn down, £1m was converted to a fixed term loan repayable over 10 years commencing on 29 August 2014 at an interest rate fixed at 4.47% p.a. for the duration of the loan. £2m was converted to a fixed term loan repayable over 15 years commencing on 1 December 2015 at an interest rate fixed at 4.73% p.a. for the duration of the loan. £1.1m was converted to a fixed term loan repayable over 15 years commencing on 29 August 2015 at a variable interest rate of 2.0% p.a. above the Base Rate. This loan was subsequently on 16 October 2016 converted to a fixed term loan repayable over 14 years at an interest rate fixed at 3.4% p.a. for the duration of the loan.

Prior to the year end, the School entered into a forward fixed loan agreement such that with effect from 20 December 2017, £2.4m of the school's development loan facility secured in respect of the Performing Arts Building will be drawn down on the basis of a fixed term loan, repayable over 15 years at an interest rate fixed at 3.64% p.a. for the duration of the loan.

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

10	FUNDS - ALLOCATION OF NET ASSETS	Tangible fixed assets	Investments	Net current liabilities	Creditors falling due after more than 1 year	2017	2016
		£'000	£'000	£'000	£'000	Total £'000	Total £'000
	Restricted funds*	-	401.9	-	-	401.9	382.6
	Unrestricted funds	20,858.2	-	(1,668.2)	(8,214.7)	10,975.3	8,520.6
		20,858.2	401.9	(1,668.2)	(8,214.7)	11,377.2	8,903.2

*Included in Restricted Funds are cumulative unrealised gains of £197,925 (2016: £176,209).

10(a)	RESTRICTED FUNDS	Balance 31 August 2016 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	Gain on revaluation of investments £'000	Balance 31 August 2017 £'000
	Scholarship, Prize and Bursary Funds	354.2	14.7	(12.8)	-	21.7	377.8
	Capital Challenge	-	475.4	-	(475.4)	-	-
	Channing Alumnae	1.2	9.3	(7.8)	-	-	2.7
	Channing Association	27.2	59.5	(46.6)	(18.7)	-	21.4
		382.6	558.9	(67.2)	(494.1)*	21.7	401.9

* This transfer relates to donations received for the purpose of developing new Sports Hall, Sixth Form Centre, Music and Performing Arts facilities. The restriction placed on the income received was discharged during the year in that expenditure was incurred and capitalised within fixed assets. Consequently the funds were transferred to unrestricted funds.

A description of each restricted fund and its use can be found on page 6.

10(b) UNRESTRICTED FUNDS - RETAINED INCOME

The Governors seek to maintain unrestricted funds at a level appropriate to meet the School's on going working capital requirements.

11 SHARE CAPITAL

The company is limited by guarantee and has no share capital, members having a liability not exceeding £5 each.

12 PENSION COMMITMENTS

a. Teachers

Teachers are members of the Teachers' Pension Scheme England and Wales (TPS). This scheme is a multi-employer, statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

Scheme Regulations 2014. Membership is automatic for full-time teachers and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the year the employee contribution rate ranged between 7.4% and 11.7% depending on a member's salary. The employer contribution rate was increased from 14.1% to 16.4% from September 2015. The TPS valuation for 2012 determined the employer rate of 16.4% from September 2015, which will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

The pension charge includes contributions payable to the scheme, which amounted to £687,513 (2016: £660,463). As at 31 August 2017 there were outstanding contributions payable to the scheme of £88,759 (2016: £83,068) included in other creditors. The contributions of the School represent a minor proportion of the payments into the scheme.

b) Other staff

The School also operates defined contribution schemes for other staff. The assets of these schemes are held separately from those of the School in funds administered by insurance companies. The pension cost charge represents contributions payable in respect of these schemes and amount to £217,338 (2016: £194,296). £24,358 (2016: £1,952) included in other creditors was payable to these schemes at the year end.

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

13 COMMITMENTS

As at 31 August 2017 the School had the following commitments:

	2017 £'000	2016 £'000
Authorised and contracted for	202	4,500

During 2016 contractual arrangements were entered into regarding the completion of the construction of a new Performing Arts Building, which was completed during the year.

14 OPERATING LEASE ARRANGEMENTS

As at 31 August 2017 the School had minimum lease payments under non-cancellable operating leases, in aggregate, as follows:-

	Buildings £'000	Other £'000	2017 £'000	2016 £'000
Amounts payable:-				
Within one year	25.8	65.5	91.3	27.9