

Channing House Incorporated, Highgate
(Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

For the year ended
31 August 2014

FRIDAY



L3M3MUDN

LD5 05/12/2014 #114
COMPANIES HOUSE

Company No: 63121

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 19 March 2015.

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 Leslie *	LLB (Bristol) (Chair)	
Mr JAG Alexander *	FCA	
Mr A Appleyard *	BSc (Reading)	(Vice Chair from 19 June 2014)
Mrs J Burns	BA (Southampton)	
Rev D Costley	BA (Open University)	
Mrs EJ de Swiet *	MA (Cantab)	
Ms M Jayaweera *	MA (Cantab)	
Mrs J Otterburn-Hall	BSc (Bristol)	
Ms D Patman *	FRICS ACI Arb	
Ms B Rentoul	MA (Yale)	
Mrs C Richards	BSc Arch (London)	
Miss M Rudland	BSc	(Retired 19 June 2014)
Mr W Spears	MBA	
Mrs C Stephenson	Cert. Ed.	
Dr T Stone *	MA (Cantab) PhD (Vice Chair)	(Retired 19 June 2014)
Dr A Sutton	MB ChB	(Appointed 20 March 2014)

* 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:

Dr M Agass	FRCGP	
Mr G A Auger	FCCA	
Mrs M Banks	MBE MEd	
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	
Miss JAM Davidson	BSc (London)	
Dr AP Hogg	MA (Oxon) PhD (London)	
Mrs S Moloney	SRN RHV	
Miss M Rudland	BSc	(Appointed 19 June 2014)
Mrs VA Schilling	MCSP	
Mr M Steiner	MA (Oxon)	
Dr T Stone	MA (Cantab) PhD (Vice Chair)	(Appointed 19 June 2014)
Mr ME Thorncroft	BSc (Est Man) (Lond) FRICS	
Dr K J I Thorne	MA PhD (Cantab)	
Miss EM Tucker	MA (Cantab)	
Mrs L Turner	MA B.Lit (Oxon)	
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 ADVISERS

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

ADVISERS

Bankers	Lloyds Bank plc Hampstead Branch PO Box 1000 BX1 1LT
Solicitors	Dentons UKMEA LLP One Fleet Place London EC4M 7WS
Auditor	Baker Tilly 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 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 School's Memorandum and Articles of Association were last updated on 24 June 2010. The company is a registered charity with charity number 312766 and company number 63121. The Governors of the School, who are also the charity trustees, and the School's principal officers and advisers are listed on pages 1 and 2.

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.

There have been no transactions with the related parties of the School, other than as disclosed in Note 3 on page 15, during the year.

RECRUITMENT AND TRAINING OF GOVERNORS

Governors are appointed as vacancies arise. In making appointments Governors take into account 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 and Governors. They are also encouraged to attend training courses on the roles of Governors run by AGBIS.

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 £792,429 during the current year (2013: £595,064). 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 of State and Independent Schools, invitations are extended to local Schools to attend workshops and presentations from visiting speakers and the School also makes available its facilities including for use by local Schools and community.

OBJECTIVES AND ACTIVITIES

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

STATEMENT AS TO DISCLOSURE 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 auditors are unaware. Each of the Governors has confirmed that they have taken all the steps that they ought to have taken as Governors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

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

STRATEGIC REPORT:

REVIEW OF ACHIEVEMENTS AND PERFORMANCE

During the year the School has continued to work towards achieving its published strategic objectives, which were reviewed at the start of this financial year.

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS' REPORT

1. To provide exceptional and inspirational teaching across a broad and intellectually stimulating curriculum and to offer all girls the opportunity to explore and develop their talents beyond the academic curriculum.

The school continues to deliver outstanding academic results with 91.9 percent of pupils gaining A*-B grades at A level and 85.7% gaining A/A* at GCSE. We also continue to develop the programme for Independent Investigation in Year 7 as well as the Extended project qualification in the Upper School and Sixth Form which aims to ensure our pupils have the best research skills to enhance their opportunities at University.

2. To offer excellent pastoral care in a school that is safe, healthy, secure and environmentally aware.

The school enjoys an enviable reputation for its pastoral care, which places the pupils at the heart of the school. The school continues to develop health and safety across the school and this has become particularly relevant as the school delivers a major building programme. The school was re-awarded its Green Flag status during the year.

3. To raise the profile of Channing School as a centre of academic excellence, intellectual enjoyment and outstanding pastoral care.

The school continues to extend its outreach programme in the local community as well as re-engaging with Alumnae. This provides opportunities both for the school to support local and other initiatives as well as enabling our pupils and staff to act as ambassadors for the school. The school also continues to review other marketing opportunities available to promote the school.

4. To optimise the use of the school's resources including staff, ICT, infrastructure, land and buildings for the benefit of current and future pupils and to enhance the school's facilities for sport, music and the performing arts.

The school continues to exercise strict control over its resources to ensure that the delivery of education remains both efficient and effective. The school is also very proud to be an Apple Mac school and will continue to invest in, and promote the use of, ICT throughout the school in order to prepare the girls for both University and employment. All pupils in the Senior School have iPads issued for use in the School to support their learning.

A new Sports Hall and Sixth Form Centre is currently under construction. It is due to be completed early in 2015. Planning permission has also been obtained for a new Performing Arts facility, the detailed construction planning for which is currently in hand. It is hoped that the new performing arts facility will come on line within 24 months of the completion of the Sports Hall and Sixth Form Centre. Bringing to fruition these projects will considerably enhance the School's Sport, Music and Performing Arts facilities, as well as providing a contemporary and enhanced Sixth Form facility.

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 events. The school has also held events 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 within the School and a growing number of pupils have now successfully completed the Gold Duke of Edinburgh Award. The school is also increasing its involvement in the local community with Sixth Formers undertaking a wide variety of activities including work with Oxfam and the Hill Homes Foundation.

FINANCIAL REVIEW

The Statement of Financial Activities on page 9 shows Net Incoming Resources for the year of £1,445,051 (2013: Net Incoming Resources of £1,204,106).

The level of activity and year end financial position of the School is considered satisfactory. Net Incoming Resources show an increase compared to the previous year. This increase was partially attributable to the receipt of £478,708 (2013: £189,265) of restricted voluntary income, £442,455 (2013: £148,641) of which was attributable to the Capital Challenge fund-raising in respect of the new Sport, Music and Performing Arts facilities.

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS' REPORT

During the year capital expenditure of £6,375,883 (2013: £2,378,821) has been incurred. This expenditure includes £4,844,637 (2013: £1,361,930) in respect of the new Sports Hall and Sixth Form Centre, the construction of which commenced in July 2013 and is due to be completed early in 2015, and £760,972 (2013: £nil) in respect of a new Performing Arts Facility. In addition the school has continued to invest in the fabric of the School both to advance essential maintenance as well as to provide enhancements for the pupils and staff, including refurbished classrooms and science and ICT facilities. This included expenditure in respect of the provision of additional facilities at the Junior School and the conversion of Founders' Hall, on the Senior School site, to a dedicated state of the art Music facility. The investment in the fabric of the school has been funded from the school's available cash resources. As a result at the year end the school had net current liabilities of £2,873,963 (2013: net current assets £422,432). The current liabilities are fully funded by long term bank loans repayable over 15 years previously agreed with the school's bankers. During the year the school has utilised its available cash resources and a £1 million loan repayable over 10 years rather than draw down the bank loans repayable over 15 years.

FUTURE PLANS

These are set out in the strategic objectives identified above, the overall aim of which is to ensure that Channing School is the first choice girls' school for local families. As identified above, the school has commenced constructing a new Sports Hall and Sixth Form Centre and continues to progress plans for a new Performing Arts facility.

The Governors' current policy is to build up reserves out of net incoming resources, subject to ensuring the School is equipped with the up to date facilities needed to maintain the standard of educational services.

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. 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, 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 the last six years and have a continuing programme of refurbishment, development and investment to develop and maintain excellent facilities for pupils.

The Governors consider that, given the strength of the School's balance sheet, available undrawn down facilities, forecast net income for the year to 31 August 2015 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.

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 investment income and interest. This income 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.

Channing Alumnae Association

During the year the Channing Alumnae Association transferred to the School their available funds and agreed that going forward the Association would be run as a restricted fund of the School. The funds held are to be applied for the purpose of promoting the Alumnae Association in order to enable it to support the activities of the School.

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS' REPORT

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 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 by ensuring that the vast majority of the School's listed investments are held in recognised charity funds. During the year additional cash deposit investments totalling £34,868 (2013: £40,624) in respect of Bursary funds have been received and the market value of the School's investments have increased by £14,688 (2013: increased by £16,683).


RISK MANAGEMENT

Governors are responsible for the management of the risks faced by the School. The Governors routinely consider any perceived risks facing the School and are assisted in this regard by the Headmistress, Bursar and other members of the School's Senior Management Team. Key controls used by the Governors to identify and assess risks during the year include:

- Formal agenda items for Governors' Committee meetings
- 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 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 School maintains a comprehensive risk register which is regularly reviewed and is presented to the Governors at least annually. The major risks which the School must ensure it manages effectively include application of safeguarding principles to ensure that the welfare of pupils is paramount, unexpected loss or damage to property and buildings, maintaining the robustness and integrity of the School's ICT systems and ensuring that the School is in a strong position to continue developing its aims and objectives during the current uncertain economic climate.

The Governors' Report and the Strategic Report incorporated within it were approved by the board of Governors, in their capacity as Directors, and Signed on its behalf by


C Leslie
Chair of Governors
27 November 2014


R K J Hill
Bursar and Company Secretary
27 November 2014

Channing House Incorporated, Highgate

(Limited by Guarantee)

GOVERNORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Governors (who are also directors of Channing House Incorporated, Highgate for the purposes of company law) 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 trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and 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;
- 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

We have audited the financial statements of Channing House Incorporated, Highgate for the year ended 31 August 2014 on pages 9 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Governors (Trustees) and auditor

As explained more fully in the Statement of Governors' responsibilities set out on page 7, the Governors (who are also the directors of the 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

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 2014 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 Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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:

- the charitable company has not kept adequate accounting records, 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.

Baker Tilly UK Audit LLP

HANNAH CATCHPOOL (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

1 December 2014

Channing House Incorporated, Highgate (Limited by Guarantee)
STATEMENT OF FINANCIAL ACTIVITIES (INCL AN INCOME AND EXPENDITURE ACCOUNT)
For the Year Ended 31 August 2014

	Notes	Unrestricted Funds £	Restricted Funds £	2014 £	2013 £
INCOMING RESOURCES					
Incoming resources from					
Generated Funds					
Voluntary income - donations		1,857	478,708	480,565	192,228
Investment income		-	7,428	7,428	7,473
Bank interest		12,280	1,500	13,780	30,179
Income from Charitable Activities					
Tuition fees receivable	1	9,893,983	-	9,893,983	9,278,350
Sundry other income	2	175,210	-	175,210	160,578
Total Incoming Resources		10,083,330	487,636	10,570,966	9,668,808
RESOURCES EXPENDED					
Cost of generating funds:					
Cost of generating voluntary income		75,365	-	75,365	-
Bank loan interest		8,486	-	8,486	-
Charitable activities:					
Teaching costs		5,988,944	-	5,988,944	5,477,106
Catering		185,031	-	185,031	259,175
Maintenance, premises and occupancy		1,749,753	-	1,749,753	1,630,387
Administration and School expenses		1,052,836	1,385	1,054,221	1,035,105
Grants, awards and prizes		-	8,928	8,928	8,973
Governance costs		55,187	-	55,187	53,956
Total Resources Expended	4	9,115,602	10,313	9,125,915	8,464,702
Net incoming resources before transfers		967,728	477,323	1,445,051	1,204,106
Transfers between funds	10(a)	442,455	(442,455)	-	-
Net Income for the year		1,410,183	34,868	1,445,051	1,204,106
Gain on revaluation of investments - unrealised	6	-	14,688	14,688	16,683
Net movement in funds		1,410,183	49,556	1,459,739	1,220,789
Balances brought forward at 1 September 2013		1,640,635	287,692	1,928,327	707,538
Balances carried forward at 31 August 2014	10	3,050,818	337,248	3,388,066	1,928,327

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.

The costs associated with generating voluntary income were £69,612 in 2012/13.

Channing House Incorporated, Highgate

(Limited by Guarantee)

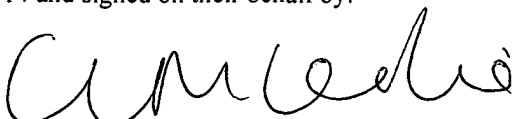
Company Number: 63121

BALANCE SHEET

As at 31 August 2014

	Notes	2014 £	2013 £
FIXED ASSETS			
Tangible assets	5	10,314,826	4,200,692
Investments	6	337,248	287,692
		<u>10,652,074</u>	<u>4,488,384</u>
CURRENT ASSETS			
Debtors	7	291,886	352,202
Cash at bank and in hand		1,611,062	3,596,450
		<u>1,902,948</u>	<u>3,948,652</u>
CREDITORS: Amounts falling due within one year	8	(4,776,911)	(3,526,220)
NET CURRENT (LIABILITIES) / ASSETS		<u>(2,873,963)</u>	<u>422,432</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,778,111	4,910,816
CREDITORS: Amounts falling due after more than one year	9	(4,390,045)	(2,982,489)
NET ASSETS		<u>3,388,066</u>	<u>1,928,327</u>
RESTRICTED FUNDS	10(a)	337,248	287,692
UNRESTRICTED FUNDS			
Retained Income	10(b)	3,050,818	1,640,635
TOTAL FUNDS		<u>3,388,066</u>	<u>1,928,327</u>

The financial statements were approved and authorised for issue by the Board of Governors on 27 November 2014 and signed on their behalf by:


.....
C Leslie (Chair)

Channing House Incorporated, Highgate
(Limited by Guarantee)
CASH FLOW STATEMENT
for the year ended 31 August 2014

	Notes	2014 £	2013 £
Net cash flow from operating activities	(A)	2,986,644	2,583,002
Returns on investments and servicing of finance:			
Investment income		7,428	7,473
Bank interest received		13,780	30,179
Bank loan interest paid		(6,472)	-
Capital expenditure:			
Payments to acquire tangible fixed assets		(5,951,900)	(1,932,702)
Payments to acquire investments		(7,016)	-
Cash (outflow)/inflow before management of liquid resources and financing		(2,957,536)	687,952
Financing:			
Advance of long term debt		1,000,000	-
(Decrease)/Increase in cash in the year	(B)	(1,957,536)	687,952

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET RESOURCES

	2014 £	2013 £
(Decrease) / Increase in cash in the year	(1,985,388)	647,328
Net resources at 1 September 2013	3,596,450	2,949,122
Net resources as at 31 August 2014	1,611,062	3,596,450

A – RECONCILIATION OF NET INCOMING RESOURCES TO OPERATING CASH FLOWS

	2014 £	2013 £
Net incoming resources	1,445,051	1,204,106
Add: Depreciation	261,749	227,644
Bank loan interest	8,486	-
Less: Investment income and bank interest	(7,428)	(7,473)
Bank Interest	(13,780)	(30,179)
Decrease / (Increase) in debtors	60,316	(153,413)
Increase in creditors	1,232,250	1,342,317
	2,986,644	2,583,002

B – ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET

	At 1st September 2013 £	Cash flow £	At 31st August 2014 £
Cash at bank and in hand	3,596,450	(1,985,388)	1,611,062
Investments – cash at bank	115,707	27,852	143,559
	3,712,157	(1,957,536)	1,754,621

Channing House Incorporated, Highgate

(Limited by Guarantee)

ACCOUNTING POLICIES

For the year ended 31 August 2014

BASIS OF FINANCIAL STATEMENTS

The accounts of the School are prepared in accordance with the Companies Act 2006, and with applicable accounting standards. They are also prepared in accordance with the Charities (Accounts and Reports) Regulations and the Statement of Recommended Practice "Accounting and Reporting by Charities 2005". The accounts are drawn up on the historical accounting basis except that investments held as fixed assets are carried at market value.

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. The capital commitments referred to in note 13, principally the development of a new Sports Hall and Sixth Form Centre, are to be funded from the School's available cash resources, future fund raising and agreed bank loan facilities. Forecasts are produced taking account of the timing and quantity of fee income, the cost of completing the new Sports Hall and Sixth Form Centre and the available bank loan 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.

FEES RECEIVABLE AND SIMILAR INCOME

Fees receivable comprise tuition fees charged to pupils net of Scholarships, concessions and Bursaries, and are accounted for in the year to which they relate.

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 £10,000 per individual item and will include computers and ancillary items.

DEPRECIATION

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

Channing House Incorporated, Highgate

(Limited by Guarantee)

ACCOUNTING POLICIES

For the year ended 31 August 2014

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 Association

During the year the Channing Alumnae Association transferred to the School their available funds and agreed that going forward the Association would be run as a restricted fund of the School. The funds held are to be applied for the purpose of promoting the Alumnae Association in order to enable it to support the activities of the School.

(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.

VALUE ADDED TAX

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.

VOLUNTARY INCOME

Voluntary donations received for the general purposes of the School are credited to the School's General funds on a receivable basis when there is entitlement and certainty of receipt and when the value can be reliably measured. Donations subject to specific wishes of the donors are carried to the relevant restricted fund.

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. The School is unable to identify its share of the underlying assets and liabilities of the Scheme. Accordingly, the School has taken advantage of the exemption in FRS 17 and 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.

RESOURCES EXPENDED

Costs are apportioned to the charitable activities on a reasonable basis, such as the department that staff are primarily employed by. Certain costs are netted off against related income when it is appropriate to do so.

Costs are recognised when a liability, or constructive obligation, has occurred.

Governance costs are those expenses related to the strategic governance of the School and include external audit fees, costs relating to the governors such as training and reimbursed expenses, and an appropriate proportion of the costs of certain staff which are deemed to relate to the governance of the School.

Support costs are applied directly to the cost category to which they relate.

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 2014

1 TUITION FEES RECEIVABLE

Fees receivable are stated net of Scholarships, Concessions, Discounts and Bursaries awarded. In 2014 Scholarships, Concessions, Discounts and Bursaries awarded totalled £1,184,471 (2013: £972,981).

2	SUNDRY OTHER INCOME	2014	2013
		£	£
	Recharges to pupils (net surplus)	63,124	60,794
	Entrance and registration fees	76,156	68,450
	Rental and other income	35,407	30,146
	Hire of facilities	523	1,188
		175,210	160,578

3	RESOURCES EXPENDED	2014	2013
		£	£
	Charitable activities includes:		
	Repair and maintenance of buildings	665,442	797,873
	Operating lease rentals	131,387	31,475
	Depreciation	261,749	227,644
	Auditor's remuneration:		
	For audit services - Baker Tilly UK Audit LLP (net of VAT)	21,023	21,501
	For payroll services - Baker Tilly Revas Limited	17,460	17,580
	For tax and other services – Baker Tilly Tax and Accounting Limited	4,587	-
	Staff costs (see note 4) comprise:		
	Wages and salaries	5,471,301	5,152,942
	Social security costs	491,424	466,625
	Pension contributions	680,725	589,299
		6,643,450	6,208,866

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

	2014		2013	
	Full time	Part time	Full time	Part time
Teaching	61	27	61 ⁺	26 ⁺
Technical and support	6	5	5	5
Catering	14	3	13 ⁺	3 ⁺
Maintenance and caretaking	3	1	4	-
Administrative	13	3	13	3
	97	39*	96	37*

* Equivalent to approximately 20 (2013: 18) number of full time employees.
The School also made payments to 26 peripatetic teachers (2013: 26).

⁺ Restated to reflect a more appropriate split between full and part time employees

Channing House Incorporated, Highgate (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

3 RESOURCES EXPENDED (*continued*)

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

	2014	2013
£60,000 – £70,000	3	4
£70,001 - £80,000	1	-
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-
£120,000 - £130,000	-	1
£140,000 - £150,000	1	-

Contributions were made to the Teachers' Pension Scheme, which is a defined benefits scheme, for 5 higher paid employees. A contribution of £13,383 (2013: £12,628) was also made to a defined contribution scheme for 1 higher paid employee.

No member of the Association or Board of Governors received any remuneration or other benefits from the School. Five (2013: three) Governors were reimbursed travelling and incidental expenses totalling £1,344 (2013: £1,103). The insurance premium paid by the School includes an element of cover for 'directors'. The Board of Governors are also company directors, for Companies Act purposes.

During the year expenditure of £2,400 including VAT (2013: £nil) was incurred in respect of charges by Netiqet Limited in respect of creative services. Mrs J. Otterburn-Hall is a Governor of the School and a director of Netiqet Limited. No balances were outstanding at the year end.

4 ANALYSIS OF TOTAL RESOURCES EXPENDED	Staff costs £	Other costs £	Depreciation £	2014 Total £	2013 Total £
Cost of generating funds:					
Cost of generating voluntary income	59,745	15,620	-	75,365	-
Bank Loan interest	-	8,486	-	8,486	-
Charitable activities:					
Teaching costs	5,018,074	967,248	3,622	5,988,944	5,477,106
Catering (* Other support costs are net of lunch recharges)	382,213	(197,182)	-	185,031	259,175
Maintenance, premises and occupancy	150,709	1,340,917	258,127	1,749,753	1,630,387
Administration and School expenses	746,415	307,806	-	1,054,221	1,035,105
Grants, awards and prizes	-	8,928	-	8,928	8,973
Governance costs	27,515	27,672	-	55,187	53,956
	6,384,671	2,479,495	261,749	9,125,915	8,464,702
Peripatetic teaching costs recharged to pupils	258,779			258,779	229,954
	6,643,450			9,384,694	8,694,656
2013:	6,208,866	2,258,146	227,644		

Channing House Incorporated, Highgate (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

5	TANGIBLE FIXED ASSETS	Freehold land and buildings £	Buildings in the course of construction £	Plant, Equipment, Fixtures and Fittings £	Motor Vehicles £	Total £
	Cost:					
	1 September 2013	2,417,683	1,361,930	1,146,709	33,119	4,959,441
	Additions	682,605	5,605,609	87,669	-	6,375,883
	31 August 2014	3,100,288	6,967,539	1,234,378	33,119	11,335,324
	Depreciation:					
	1 September 2013	312,135	-	420,738	25,876	758,749
	Charged in the year	58,421	-	199,706	3,622	261,749
	31 August 2014	370,556	-	620,444	29,498	1,020,498
	Net book value:					
	31 August 2014	2,729,732	6,967,539	613,934	3,621	10,314,826
	31 August 2013	2,105,548	1,361,930	725,971	7,243	4,200,692

Freehold land and buildings include an estimate by the Governors of the original cost of the land and buildings at £56,000 (2013: £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.

Buildings in the course of construction comprise £6,206,567 in respect of the new Sports Hall and Sixth Form Centre, scheduled to complete in early 2015, and £760,972 in respect of the Performing Arts Block.

Additions to buildings in the course of construction include £101,222 (2013: £25,412) in respect of costs incurred in arranging long term debt to fund the Sports Hall and Sixth Form Centre and the Performing Arts Block.

Since 1 September 2008 additions to Tangible Fixed Assets have totalled £10,935,000.

6	INVESTMENTS	2014 £	2013 £
	Market value at 1 September 2013	287,692	230,385
	Additions	34,868	40,624
	Revaluations	14,688	16,683
	Market value at 31 August 2014	337,248	287,692
	Historical cost of Investments	175,074	140,207
	Investments comprise the following:		
	Listed on Stock Exchange	193,689	171,985
	Cash deposits	143,559	115,707
		337,248	287,692
	The School had investment holdings of greater than 5% of overall market value in the following:		
	Charities Official Investment Fund	130,730	121,416
	J.P. Morgan UK Strategic Equity Income Fund	29,565	25,963
	M&G Equities Investment Fund for Charities	24,757	23,366

Channing House Incorporated, Highgate (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

7	DEBTORS	2014	2013
		£	£
	Fees receivable	3,154	10,877
	Other debtors *	59,683	59,502
	Prepayments and accrued income	229,049	281,823
	<i>* Included in other debtors is £32,503 (2013: £30,176) falling due in more than one year</i>	291,886	352,202
8	CREDITORS: Amounts falling due within one year	2014	2013
		£	£
	Advanced Fees received 1 year in advance (see Note 9(a))	2,801,568	2,187,963
	Other Fees received in advance	317,049	338,217
	Bank Loan repayable within 1 year (see Note 9 (c))*	81,277	-
	Other taxes and national insurance contributions	132,545	132,632
	Other creditors	354,939	184,108
	Accruals	1,089,533	683,300
		4,776,911	3,526,220
	<i>*The Bank Loan is secured on the School's freehold land and buildings.</i>		
9	CREDITOR: Amounts falling due after more than one year	2014	2013
		£	£
	Advanced Fees (see Note 9(a))	3,092,072	2,724,489
	Final Term Deposits (see Note 9(b))	379,250	258,000
	Bank Loan (see Note 9(c))	918,723	0
		4,390,045	2,982,489
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:		
		2014	2013
		£	£
	Fees due in 1 – 2 years	1,475,460	1,359,960
	Fees due in 2 – 5 years	1,495,882	1,260,084
	Fees due in more than 5 years	120,730	104,445
		3,092,072	2,724,489
	Fees due within 1 year (see Note 8)	2,801,568	2,187,963
		5,893,640	4,912,452
	The movements during the year were as follows:-		
	Balance at 1 September	4,912,452	3,241,040
	Amounts received (net of refunds) during the year	3,705,678	3,157,743
	Amounts utilised in payment of fees	(2,724,490)	(1,486,331)
	Balance at 31 August	5,893,640	4,912,452

Channing House Incorporated, Highgate (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

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: -

	2014 £	2013 £
Deposits due to be refunded in 1 – 2 years	12,750	3,000
Deposits due to be refunded in 2 – 5 years	76,063	81,000
Deposits due to be refunded in more than 5 years	290,437	174,000
	379,250	258,000

9 (c) Bank Loan

The Bank Loan is repayable as follows as follows: -

Repayments within 1 – 2 years	84,438	-
Repayments within 2 – 5 years	278,657	-
Repayments in more than 5 years	555,628	-
	918,723	-
Repayments within 1 year	81,277	-
	1,000,000	-

The School has agreed bank loan facilities of £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. At the year end £1m of these facilities had been drawn down. The £1m drawn down was converted to a fixed term loan repayable over a period of 10 years commencing on 29 August 2014. The interest rate on this loan is fixed at 4.47% p.a. for the duration of the loan.

10	FUNDS - ALLOCATION OF NET ASSETS	Tangible fixed assets £	Investments £	Net current liabilities £	Creditors falling due after more than 1 year £	2014 Total £	2013 Total £
	Restricted funds	-	337,248	-	-	337,248	287,692
	Unrestricted funds	10,314,826	-	(2,873,963)	(4,390,045)	3,050,818	1,640,635
		10,314,826	337,248	(2,873,963)	(4,390,045)	3,388,066	1,928,327

Included in Restricted Funds are cumulative unrealised gains of £162,174 (2013: £147,485).

10(a)	RESTRICTED FUNDS	Balance 31 August 2013 £	Incoming resources £	Resources expended £	Transfers £	Gain on revaluation of investments £	Balance 31 August 2014 £
	Scholarship, Prize and Bursary Funds	287,692	27,803	(10,313)	-	14,688	319,870
	Capital Challenge	-	442,455	-	(442,455) *	-	-
	Channing Alumnae Association	-	17,378	-	-	-	17,378
		287,692	487,636	(10,313)	(442,455)	14,688	337,248

* This transfer relates to voluntary income received for the purpose of developing new Sports Hall and Sixth Form Centre 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.

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

10(b) UNRESTRICTED FUNDS - RETAINED INCOME

The Governors seek to maintain undesignated unrestricted funds at a level appropriate to meet the School's ongoing 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

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Membership is automatic for full-time teachers and from 1 January 2007 automatic too for teachers in part-time employment following appointment or a change of contract. Teachers are able to opt out of the TPS.

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. 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. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

Employer and employee contribution rates

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

From 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14.1% cap on employer contributions payable.

The employee contribution rate from 1 April 2013 to 31 March 2014 ranged between 6.4% and 11.2% depending on a member's Full Time Equivalent salary. The employee contribution rate from 1 April 2014 ranges between 6.4% and 12.4% again depending on a member's Full Time Equivalent salary.

The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The School is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the School has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The School has set out above the information available on the scheme and the implications for the School in terms of the anticipated contribution rates.

The pension charge includes contributions payable to the scheme which amounted to £523,858 (2013: £453,924). As at 31 August 2014 there were outstanding contributions payable to the scheme of £72,200 (2013: £64,310). 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 £156,868 (2013: £135,375). £1,707 (2013: £1,422) was payable to these schemes at the year end.

13 COMMITMENTS

As at 31 August 2014 the School had the following commitments:

	2014	2013
	£	£
Contracted building improvement and repairs	43,000	96,000
Sports Hall and Sixth Form Centre	2,838,000	6,238,000
	2,881,000	6,334,000

In July 2013 construction of a new Sports Hall and Sixth Form Centre commenced. The cost of completing this project is expected to be £2,838,000. The total cost of this project is expected to be in the region of £9m, of which £6,206,567 had been incurred prior to the year end and is included within Tangible Fixed Assets as a building in the course of construction. The balance of the costs are to be funded from future operating surpluses, fundraising and bank loan facilities that have been agreed with the School's bankers and remain not drawn down at the year end.

Channing House Incorporated, Highgate (Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

14 OPERATING LEASE ARRANGEMENTS

As at 31 August 2014 the School had minimum lease payments under non-cancellable operating leases, in aggregate, as follows:-

	2014 £	2013 £
Amounts due on operating leases expiring:-		
Within one year	205,536	1,809
Between two and five years	4,560	88,281
	<u>210,096</u>	<u>90,090</u>

Operating lease payments represent rents payable for Land and Buildings and other leases comprising photocopiers and other equipment, and include £188,785 (2013: £nil) expiring within one year relating to rents payable for temporary buildings.