

Highfield School (Liphook) Limited
Consolidated
Financial Statements
31 August 2017



Highfield School (Liphook) Limited

Financial Statements

Year ended 31 August 2017

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Highfield School (Liphook) Limited

Officers and Professional Advisers

The board of directors

PGS Evitt
JA Herring
J Leigh
WS Mills
JW Wardrobe

Company secretary

M Harris

Registered office

Highfield School
Highfield Lane
Liphook
Hampshire
GU30 7LQ

Auditor

Shipleys LLP
Chartered accountant & statutory auditor
5 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

Highfield School (Liphook) Limited

Strategic Report

Year ended 31 August 2017

The directors present their report for the year ended 31 August 2017.

BUSINESS REVIEW

The principal activity of the group during the year was the running of an independent nursery, pre-preparatory and preparatory school for boys and girls between the ages of 2 and 13. The group also includes a company which produces energy to supply the school. Brookham School is the Nursery and pre-preparatory, and Highfield School is the preparatory school. The schools aim to offer innovative education to an exceptional standard with a good balance of day and boarding pupils, making full use of its 175 acre site.

The school ended the 2016/17 year with 493 pupils: 191 at Brookham School (a decrease of 8 pupils on the prior year) and 302 at Highfield School (an increase of 13 on the prior year). Boarding numbers have increased throughout the course of the year to 116 pupils at the year end in comparison to 111 the previous year.

An International Summer School was held for a third year in July 2017 which 44 students attended and 2018 enrolments are currently at 18.

Overall revenue generation for 2016/17, including other operating income, was £8.8m, an increase of £458k (5.47%) compared to 2015/16 and £443k in excess of the planned budget, due largely to discounts being lower at 5.88% and increased pupil numbers in comparison to the Budget of 475.

Direct costs and overheads in the year of £8.2m exceeded the budget by £240k. Most of this was due to refurbishment projects that were not planned at the level that was undertaken. A summary of the refurbishments completed are listed below:

Windows rolling project £64.5k
Theatre/DT £230.8k
Dorm refurb rolling project £57.7k
Brookham Landscaping £48.7k
Brookham Decoration £37k
Grounds Buildings £22k

Overall profit before tax for the year of £614k (6.95% return on revenue) was £82k less than 2015/16 when the return was 8.3%. The variance is due to the refurbishment projects as explained above.

During the year (March 2017) the loan facility repayments began and there was no point at which the overdraft facility of £1.5m was exceeded. Debts remained low and there was an overall net increase in cash in the year of £280k.

KEY PERFORMANCE INDICATORS

The main contributing factor that demonstrates the success of the school is the pupil numbers. School fees generated 88% of the total revenue. The pupil statistics, as outlined above, give an immediate snapshot of the school's position in comparison to previous years and Budgets.

FUTURE DEVELOPMENTS

There has been a slight decline at the start of 2017/18 in our pupil numbers. Highfield numbers have dropped slightly to 293, with 115 boarders including part time boarders. Although as in previous years we expect this figure to increase over the course of the Academic year. Brookham's numbers are significantly lower at 163 with the decline being in Nursery and Reception. A number of initiatives are being introduced to make the local community aware of the presence of the school.

The group investment in the school continues with extensive repairs and maintenance programmes planned for the school and grounds for the forthcoming ten years following an extensive buildings

Highfield School (Liphook) Limited

Strategic Report *(continued)*

Year ended 31 August 2017

survey completed by McBaines Cooper in March 2017. Work continues with the South Downs National Park. We are awaiting endorsement on our Whole Estate Plan, covering all plans for the Estate over the next 10 years. The outcome will be delivered by March 2018. This year the major developments have included improvements to the Theatre and total refurbishment of the DT building.

PRINCIPAL RISKS AND UNCERTAINTIES

The group is concerned about the impact of the Government's austerity measures and continues to monitor both pupil numbers and bad debts very closely.

One of the impacts of Brexit is that we have struggled to recruit in areas such as Catering. A large proportion of Catering and Cleaning staff tend to be European. However with the uncertainty around Brexit and future status, there seems to be fewer candidates available. With regards to pupil numbers, we should see little impact as a result of Brexit as our International students represent only 5-6% of our student body.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's instruments comprise cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The board manages the financial risks of ensuring that there are sufficient funds to meet large payments by producing detailed monthly management accounts and cash flow reports.

In the current market the group is exposed to price risk and it is a difficult climate in which to increase prices as market conditions are holding prices down.

The group is exposed to cash flow risk. Additional working capital in the form of a bank loan was obtained to fund the initial costs of the Biomass System through Brookham Energy Limited.

The group's cash flow is also dependent on fees being paid in advance and if the current economic climate causes a reduction in fees being paid in advance this will impact on the group's cash flow. The group has secured facilities with its bankers to cover the potential shortfall.

The exposure of the group to credit risk is carefully monitored at finance meetings and legal action is taken where appropriate against outstanding fees to minimise this risk.

The group is exposed to liquidity risk to the extent its current liabilities exceed its current assets. The significant current liabilities include deferred income relating to the next terms fees.

Highfield School (Liphook) Limited

Strategic Report *(continued)*

Year ended 31 August 2017

This report was approved by the board of directors on and signed on behalf of the board by:



26/4/18

WS Mills
Director

Registered office:
Highfield School
Highfield Lane
Liphook
Hampshire
GU30 7LQ

Highfield School (Liphook) Limited

Directors' Report

Year ended 31 August 2017

The directors present their report and the financial statements of the group for the year ended 31 August 2017.

Directors

The directors who served the company during the year were as follows:

PGS Evitt
JA Herring
J Leigh
WS Mills
JW Wardrobe

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, various matters previously dealt with in the Directors' Report are now included in the Strategic Report, including Financial Risk Management Objectives and Policies and Future Developments.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Highfield School (Liphook) Limited

Directors' Report *(continued)*

Year ended 31 August 2017

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on and signed on behalf of the board by:



26/4/18

WS Mills
Director

Registered office:
Highfield School
Highfield Lane
Liphook
Hampshire
GU30 7LQ

Highfield School (Liphook) Limited

Independent Auditor's Report to the Members of Highfield School (Liphook) Limited

Year ended 31 August 2017

Opinion

We have audited the financial statements of Highfield School (Liphook) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, 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).

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

Highfield School (Liphook) Limited

Independent Auditor's Report to the Members of Highfield School (Liphook) Limited (continued)

Year ended 31 August 2017

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Highfield School (Liphook) Limited

Independent Auditor's Report to the Members of Highfield School (Liphook) Limited *(continued)*

Year ended 31 August 2017

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors 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 directors 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 directors are responsible for assessing the group's and the parent 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 directors either intend to liquidate the group or the parent 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.

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

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

Highfield School (Liphook) Limited

Independent Auditor's Report to the Members of Highfield School (Liphook) Limited *(continued)*

Year ended 31 August 2017

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



STEPHEN FOSTER (Senior Statutory Auditor)

For and on behalf of
Shipleys LLP
Chartered accountant & statutory auditor

5 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

30 APRIL 2018

Highfield School (Liphook) Limited
Consolidated Statement of Comprehensive Income
Year ended 31 August 2017

	Note	2017 £	2016 £
Turnover	4	8,721,422	8,283,515
Cost of sales		(4,223,495)	(4,183,764)
Gross profit		4,497,927	4,099,751
Administrative expenses		(3,979,502)	(3,490,587)
Other operating income	5	121,912	101,443
Operating profit	6	640,337	710,607
Interest payable and similar expenses	10	(26,023)	(13,484)
Profit before taxation		614,314	697,123
Tax on profit	11	(121,894)	(130,978)
Profit for the financial year and total comprehensive income		<u>492,420</u>	<u>566,145</u>

All the activities of the group are from continuing operations.

The notes on pages 17 to 31 form part of these financial statements.

Highfield School (Liphook) Limited

Consolidated Statement of Financial Position

31 August 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	9,244,539	9,225,072
Current assets			
Stocks	14	83,769	72,415
Debtors	15	595,963	506,343
Cash at bank and in hand		36,522	10,084
		<u>716,254</u>	<u>588,842</u>
Creditors: amounts falling due within one year	17	<u>(3,102,073)</u>	<u>(2,777,771)</u>
Net current liabilities		<u>(2,385,819)</u>	<u>(2,188,929)</u>
Total assets less current liabilities		<u>6,858,720</u>	<u>7,036,143</u>
Creditors: amounts falling due after more than one year	18	<u>(935,315)</u>	<u>(1,586,005)</u>
Provisions			
Taxation including deferred tax	19	<u>(294,103)</u>	<u>(313,256)</u>
Net assets		<u>5,629,302</u>	<u>5,136,882</u>
Capital and reserves			
Called up share capital	23	6,500	6,500
Profit and loss account	24	5,622,802	5,130,382
Members funds		<u>5,629,302</u>	<u>5,136,882</u>

These financial statements were approved by the board of directors and authorised for issue on, and are signed on behalf of the board by:


 26/4/18
 WS Mills
 Director

Company registration number: 1220993

The notes on pages 17 to 31 form part of these financial statements.

Highfield School (Liphook) Limited

Company Statement of Financial Position

31 August 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	8,316,846	8,269,815
Investments	13	<u>100</u>	<u>100</u>
		8,316,946	8,269,915
Current assets			
Stocks	14	83,769	72,415
Debtors	15	1,951,377	1,852,766
Cash at bank and in hand		<u>1,204</u>	<u>1,688</u>
		2,036,350	1,926,869
Creditors: amounts falling due within one year	17	<u>(3,059,276)</u>	<u>(2,757,986)</u>
Net current liabilities		(1,022,926)	(831,117)
Total assets less current liabilities		7,294,020	7,438,798
Creditors: amounts falling due after more than one year	18	(935,315)	(1,586,005)
Provisions			
Taxation including deferred tax	19	<u>(199,687)</u>	<u>(216,600)</u>
Net assets		<u>6,159,018</u>	<u>5,636,193</u>
Capital and reserves			
Called up share capital	23	6,500	6,500
Profit and loss account	24	6,152,518	5,629,693
Members funds		<u>6,159,018</u>	<u>5,636,193</u>

The profit for the financial year of the parent company was £522,825 (2016: £721,811).

These financial statements were approved by the board of directors and authorised for issue on, and are signed on behalf of the board by:



26/4/18

WS Mills
Director

Company registration number: 1220993

The notes on pages 17 to 31 form part of these financial statements.

Highfield School (Liphook) Limited
Consolidated Statement of Changes in Equity
Year ended 31 August 2017

	Called up share capital £	Profit and loss account £	Total £
At 1 September 2015	6,500	4,564,237	4,570,737
Profit for the year		566,145	566,145
Total comprehensive income for the year	—	566,145	566,145
At 31 August 2016	6,500	5,130,382	5,136,882
Profit for the year		492,420	492,420
Total comprehensive income for the year	—	492,420	492,420
At 31 August 2017	<u>6,500</u>	<u>5,622,802</u>	<u>5,629,302</u>

The notes on pages 17 to 31 form part of these financial statements.

Highfield School (Liphook) Limited
Company Statement of Changes in Equity
Year ended 31 August 2017

	Called up share capital £	Profit and loss account £	Total £
At 1 September 2015	6,500	4,907,882	4,914,382
Profit for the year	<u> </u>	721,811	721,811
Total comprehensive income for the year	—	721,811	721,811
At 31 August 2016	6,500	5,629,693	5,636,193
Profit for the year	<u> </u>	522,825	522,825
Total comprehensive income for the year	—	522,825	522,825
At 31 August 2017	<u>6,500</u>	<u>6,152,518</u>	<u>6,159,018</u>

The notes on pages 17 to 31 form part of these financial statements.

Highfield School (Liphook) Limited

Consolidated Statement of Cash Flows

Year ended 31 August 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the financial year		492,420	566,145
<i>Adjustments for:</i>			
Depreciation of tangible assets		402,147	373,704
Interest payable and similar expenses		26,023	13,484
Gains on disposal of tangible assets		(3,950)	(211)
Tax on profit		121,894	130,978
<i>Changes in:</i>			
Stocks		(11,354)	4,926
Trade and other debtors		(89,620)	(136,739)
Trade and other creditors		73,482	(19,873)
Cash generated from operations		1,011,042	932,414
Interest paid		(26,023)	(13,484)
Tax paid		(115,124)	(156,479)
Net cash from operating activities		<u>869,895</u>	<u>762,451</u>
Cash flows from investing activities			
Purchase of tangible assets		(436,014)	(1,505,394)
Proceeds from sale of tangible assets		18,350	211
Net cash used in investing activities		<u>(417,664)</u>	<u>(1,505,183)</u>
Cash flows from financing activities			
Proceeds from borrowings		–	1,000,000
Repayments of borrowings		(172,003)	(213,889)
Net cash (used in)/from financing activities		<u>(172,003)</u>	<u>786,111</u>
Net increase in cash and cash equivalents		280,228	43,379
Cash and cash equivalents at beginning of year		(816,727)	(860,106)
Cash and cash equivalents at end of year	16	<u>(536,499)</u>	<u>(816,727)</u>

The notes on pages 17 to 31 form part of these financial statements.

Highfield School (Liphook) Limited

Notes to the Financial Statements

Year ended 31 August 2017

1. General information

Highfield School (Liphook) Limited is a private company limited by shares and incorporated in England under registration number 1220993. Its registered office is Highfield School, Highfield Lane, Liphook, Hampshire, GU30 7LQ. The principal activities of the group are set out on page 2.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

At the year end the group has net current liabilities of £2,385,819 (2016: £2,188,929). The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least twelve months from approval of these accounts, as they have reviewed the cashflows and there is bank funding in place where necessary. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102 in respect of its separate financial statements:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented for the company.
- (d) Disclosures in respect of share-based payments have not been presented for the company.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel for the company.

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

3. Accounting policies *(continued)*

Consolidation

The financial statements consolidate the financial statements of Highfield School (Liphook) Limited and all of its subsidiary undertakings. Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those of the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Fees received in respect of future school terms are deferred and included in creditors. Deposits are included in creditors until they are due to be returned.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

3. Accounting policies *(continued)*

Income tax *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line
Plant & machinery	-	5% straight line
Fixtures & Fittings	-	25%, 10% & 5% Straight Line
Swimming Pool Complex	-	10% & 2% Straight Line
Other assets	-	10%, 20% & 33% Straight Line

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

3. Accounting policies *(continued)*

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial assets and liabilities

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Trade and other debtors

Trade and other debtors that are receivable within one year and do not constitute a financing transaction are recorded at the undiscounted amount expected to be received, net of impairment. Those that are receivable after more than one year or constitute a financing transaction are recorded initially at fair value less transaction costs and subsequently at amortised cost, net of impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings or current liabilities.

Trade and other creditors

Trade and other creditors are initially recognised at the transaction price and are thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

3. Accounting policies *(continued)*

Defined contribution plans

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

The school also contributes to the Teachers' Pension Benefits Scheme at rates set by the scheme actuary and advised to the school by the scheme administrator. The scheme is a multi-employer pension scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the School. In accordance with FRS 102 the scheme is accounted for as a defined contribution scheme and contributions are accounted for when advised as due by the scheme administrator.

4. Turnover

Turnover arises from:

	2017 £	2016 £
Sale of goods	8,470	2,781
Provision of educational services	8,653,001	8,234,446
Grants	59,951	46,288
	<u>8,721,422</u>	<u>8,283,515</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Other operating income

	2017 £	2016 £
Rental income	95,590	83,599
Management charges receivable	18,173	6,945
Other operating income	8,149	10,899
	<u>121,912</u>	<u>101,443</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible assets	402,147	373,704
Gains on disposal of tangible assets	(3,950)	(211)
Impairment of trade debtors	236	(9,600)
	<u>402,147</u>	<u>373,704</u>

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

7. Auditor's remuneration

	2017 £	2016 £
Fees payable for the audit of the financial statements	<u>14,600</u>	<u>14,600</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>4,326</u>	<u>4,326</u>

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2017 No.	2016 No.
Summer School	–	1
Activities & Sports	18	19
Administrative staff	16	14
Management staff	2	2
Teaching Staff	50	49
Teaching Assistants	48	50
Domestic & Catering	31	31
Finance	4	4
Maintenance & Cleaning	23	23
	<u>192</u>	<u>193</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017 £	2016 £
Wages and salaries	3,717,110	3,577,163
Social security costs	347,804	300,840
Other pension costs	411,448	397,225
	<u>4,476,362</u>	<u>4,275,228</u>

The total remuneration for key management personnel was £888,219 (2016: £833,505).

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017 £	2016 £
Remuneration	99,500	97,000
Company contributions to defined contribution pension plans	16,398	15,986
	<u>115,898</u>	<u>112,986</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2017 No.	2016 No.
Defined contribution plans	<u>1</u>	<u>1</u>

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

10. Interest payable and similar expenses

	2017 £	2016 £
Interest on banks loans and overdrafts	25,699	13,052
Other interest payable and similar charges	324	432
	<u>26,023</u>	<u>13,484</u>

11. Tax on profit

Major components of tax expense

	2017 £	2016 £
Current tax:		
UK current tax expense	141,047	115,124
Deferred tax:		
Origination and reversal of timing differences	(1,750)	45,594
Impact of change in tax rate	(17,403)	(29,740)
Total deferred tax	<u>(19,153)</u>	<u>15,854</u>
Tax on profit	<u>121,894</u>	<u>130,978</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.58% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	614,314	697,123
Profit on ordinary activities by rate of tax	120,290	139,425
Effect of expenses not deductible for tax purposes	18,746	27,333
Impact of change in tax rate	(17,142)	(34,806)
Sundry tax adjusting items	—	(974)
Tax on profit	<u>121,894</u>	<u>130,978</u>

Highfield School (Liphook) Limited

Notes to the Financial Statements (continued)

Year ended 31 August 2017

12. Tangible assets

Group	Freehold Property £	Plant and machinery £	Fixtures and fittings £	Swimming pool complex £	Other assets £	Total £
Cost						
At 1 Sep 2016	8,089,529	1,153,418	990,229	1,503,499	671,818	12,408,493
Additions	336,960	–	64,492	–	34,562	436,014
Disposals	–	–	(33,688)	–	(9,200)	(42,888)
At 31 Aug 2017	8,426,489	1,153,418	1,021,033	1,503,499	697,180	12,801,619
Depreciation						
At 1 Sep 2016	1,332,890	266,145	728,206	317,936	538,244	3,183,421
Charge for the year	174,288	57,670	76,365	30,528	63,296	402,147
Disposals	–	–	(19,288)	–	(9,200)	(28,488)
At 31 Aug 2017	1,507,178	323,815	785,283	348,464	592,340	3,557,080
Carrying amount						
At 31 Aug 2017	6,919,311	829,603	235,750	1,155,035	104,840	9,244,539
At 31 Aug 2016	6,756,639	887,273	262,023	1,185,563	133,574	9,225,072
Company						
	Freehold Property £	Plant and machinery £	Fixtures and fittings £	Swimming pool complex £	Other assets £	Total £
Cost						
At 1 Sep 2016	8,048,649	85,049	990,229	1,503,499	594,368	11,221,794
Additions	304,238	–	64,492	–	34,562	403,292
Disposals	–	–	(33,688)	–	(9,200)	(42,888)
At 31 Aug 2017	8,352,887	85,049	1,021,033	1,503,499	619,730	11,582,198
Depreciation						
At 1 Sep 2016	1,330,846	54,137	728,206	317,936	520,854	2,951,979
Charge for the year	172,244	4,251	76,365	30,528	58,473	341,861
Disposals	–	–	(19,288)	–	(9,200)	(28,488)
At 31 Aug 2017	1,503,090	58,388	785,283	348,464	570,127	3,265,352
Carrying amount						
At 31 Aug 2017	6,849,797	26,661	235,750	1,155,035	49,603	8,316,846
At 31 Aug 2016	6,717,803	30,912	262,023	1,185,563	73,514	8,269,815

For the group, other assets comprise motor vehicles with a net book value of £27,000 (2016: £37,452) and computer equipment of £77,840 (2016: £96,122).

For the company, other assets comprise motor vehicles with a net book value of £15,600 (2016: £24,152) and computer equipment of £34,003 (2016: £49,362).

Freehold property with a carrying amount of £6,849,797 (2016: £6,717,803) have been pledged to secure borrowings of the group.

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

13. Investments

The group has no investments.

Company

The company owns 100% of the issued ordinary share capital of Brookham Energy Limited, a company incorporated in the United Kingdom. The principal activity of Brookham Energy Limited is the production of energy. The registered office of Brookham Energy is Highfield School, Highfield Lane, Liphook, Hampshire, GU30 7LQ.

14. Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Finished goods and goods for resale	<u>83,769</u>	<u>72,415</u>	<u>83,769</u>	<u>72,415</u>

15. Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	50,810	11,305	50,718	7,515
Amounts owed by group undertakings	—	—	1,406,971	1,355,983
Prepayments and accrued income	496,880	453,713	449,948	450,648
Other debtors	<u>48,273</u>	<u>41,325</u>	<u>43,740</u>	<u>38,620</u>
	<u>595,963</u>	<u>506,343</u>	<u>1,951,377</u>	<u>1,852,766</u>

16. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2017	2016
	£	£
Cash at bank and in hand	36,522	10,084
Bank overdrafts	<u>(573,021)</u>	<u>(826,811)</u>
	<u>(536,499)</u>	<u>(816,727)</u>

17. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts	917,027	826,811	917,027	826,811
Trade creditors	303,960	379,704	301,518	363,082
Accruals and deferred income	1,068,381	884,064	1,064,858	880,901
Corporation tax	141,047	115,124	141,047	115,124
Social security and other taxes	98,895	95,433	98,895	95,433
Other creditors	<u>572,763</u>	<u>476,635</u>	<u>535,931</u>	<u>476,635</u>
	<u>3,102,073</u>	<u>2,777,771</u>	<u>3,059,276</u>	<u>2,757,986</u>

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

17. Creditors: amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2017 £	2016 £	2017 £	2016 £
Bank loans and overdrafts	917,027	826,811	917,027	826,811

Further details of security on bank loans and overdrafts is provided in note 18.

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Bank loans and overdrafts	483,991	1,000,000	483,991	1,000,000
Other creditors	451,324	586,005	451,324	586,005
	935,315	1,586,005	935,315	1,586,005

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2017 £	2016 £	2017 £	2016 £
Bank loans and overdrafts	483,991	1,000,000	483,991	1,000,000

On 25 November 2011, HSBC Bank Plc issued a first legal charge over the freehold land and buildings known as Highfield School and Brookham School as security for all the company's liabilities due to HSBC Bank Plc.

On 25 November 2011, HSBC Bank Plc also issued a debenture over all present freehold and leasehold property as follows: First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; And First Floating Charge over all assets and undertaking both present and future.

The bank loan is repayable in equal instalments over a term of three years. Interest is payable at 1.8% per annum over the Bank of England Base Rate.

Included within creditors: amounts falling due after more than one year is an amount of £61,700 (2016: £46,500) for the group and £61,700 (2016: £46,500) for the company in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Amounts which fall due for payment after more than five years from the reporting date relate to pupil deposits.

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

19. Provisions

Group		Deferred tax (note 20) £
At 1 September 2016		313,256
Charge against provision		(19,153)
At 31 August 2017		<u>294,103</u>
Company		Deferred tax (note 20) £
At 1 September 2016		216,600
Charge against provision		(16,913)
At 31 August 2017		<u>199,687</u>

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Included in provisions (note 19)	<u>294,103</u>	<u>313,256</u>	<u>199,687</u>	<u>216,600</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Accelerated capital allowances	<u>294,103</u>	<u>313,256</u>	<u>199,687</u>	<u>216,600</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £411,448 (2016: £397,225).

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

21. Employee benefits *(continued)*

The School participates in the Teachers' Pension Scheme (England and Wales) ("the Scheme"), for its teaching staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to identify the assets and liabilities of the Scheme which are attributable to the School.

The School's contributions to the Teachers Pension Scheme in the year were £338,863 (2016: £323,800).

Employer contribution rates continued at 16.48% (including the 0.08% administration levy), with employee rates varying between 7.4% and 11.7%.

The school also runs schemes for its non-teaching staff, which are defined contribution schemes. The School's contributions in the year were £72,585 (2016: £73,425).

The total outstanding contributions at the year end were £42,350 (2016: £47,619). Of this, £42,350 (2016: £36,279) relates to the Teachers Pension Scheme.

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group	
	2017	2016
	£	£
Financial assets that are debt instruments measured at amortised cost	<u>87,332</u>	<u>21,389</u>

Financial liabilities measured at amortised cost

	Group	
	2017	2016
	£	£
Financial liabilities measured at amortised cost	<u>1,774,562</u>	<u>2,298,168</u>

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

22. Financial instruments *(continued)*

Financial assets that are debt instruments measured at amortised cost

	2017	2016
	£	£
Trade debtors	50,810	11,305
Cash at bank and in hand	36,522	10,084
	<u>87,332</u>	<u>21,389</u>

Financial liabilities measured at amortised cost

	2017	2016
	£	£
Bank overdrafts	(573,021)	(826,811)
Trade creditors	(303,960)	(379,704)
Bank loans	(827,997)	(1,000,000)
Other creditors	(69,584)	(91,653)
	<u>(1,774,562)</u>	<u>(2,298,168)</u>

The group's expenses in respect of financial instruments are summarised in notes 6 and 10.

23. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

24. Reserves

The profit and loss account records retained earnings and accumulated losses.

Highfield School (Liphook) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 August 2017

25. Related party transactions

Company

W S Mills, a director of the company, had a child being educated at the school during the year.

At the balance sheet date the company owed £69,584 (2016: £91,653) to S Mills, mother of W S Mills. During the year the company paid loan interest of £324 (2016: £432) on the balance of the loan due to S Mills. S Mills paid rent of £21,300 (2016: £21,300) to the company for renting a property within the school grounds.

During the year, W S Mills supplied the company's subsidiary, Brookham Energy, with timber at market rate and charged £30,549. Brookham Energy supplied W mills with wood chip at market rate and charged £20,086.

During the year, the company paid invoices of £55,471 on behalf of W S Mills (2016: £45,473). At the year end, W S Mills owed the company an amount of £nil (2016: £nil).

No further transactions with related parties were undertaken such as are required to be disclosed under FRS 102.

26. Controlling party

The company was under the control of W S Mills.

Highfield School (Liphook) Limited

Management Information

Year ended 31 August 2017

The following pages do not form part of the financial statements.