

COMPANY REGISTRATION NUMBER 01855026

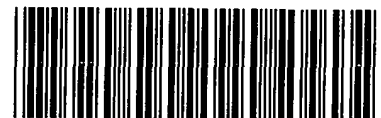
**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE
FINANCIAL STATEMENTS
31st AUGUST 2015**



**The Percy Hedley
Foundation**

Charity Number 515943

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**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

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THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS

Registered Charity Name The Percy Hedley Foundation

Charity Number 515943

Company Registration Number 01855026

Principal office Hampeth Lodge
Station Road
Newcastle upon Tyne
NE12 8YY

Registered office Hampeth Lodge
Station Road
Newcastle upon Tyne
NE12 8YY

Trustees Mr N Swales
Mr P Wignall
Prof J Potts
Mr D Burdus
Mr J Jowett
Ms A Curran
Dr J Jackson
Mr D Arthur
Mr G Walker
Ms S Jopling
Dr M Gibson
Mr R Johnstone
Mr D Kent

Secretary Mrs S Turner

Chief executive Mrs C Harder

Auditor Ryecroft Glenton
Chartered Accountants
& Statutory Auditor
32 Portland Terrace
Jesmond
Newcastle upon Tyne
NE2 1QP

Bankers Barclays Bank plc
Newcastle Group
Newcastle upon Tyne
NE99 1JA

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS *(continued)*

Solicitors

Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT

YEAR ENDED 31st AUGUST 2015

The Trustees, who are also directors for the purposes of company law, have pleasure in presenting their report and the financial statements of the company for the year ended 31st August 2015.

REFERENCE AND ADMINISTRATIVE DETAILS

Reference and administrative details are shown in the schedule of members of the Board and professional advisers on pages 1 to 2 of the financial statements.

THE TRUSTEES

The Trustees who served the company during the period were as follows:

Mr N Swales	
Mr P Wignall	
Prof J Potts	
Mr D Burdus	
Mr J Jowett	
Ms A Curran	
Dr J Jackson	
Mr D Arthur	
Mr G Walker	
Ms S Jopling	
Dr M Gibson	
Mr R Johnstone	(Appointed 2nd June 2015)
Mr D Kent	(Appointed 2nd June 2015)
Ms J Shepstone	(Resigned 8th November 2014)

STRUCTURE, GOVERNANCE AND MANAGEMENT

LEGAL STATUS

The company is limited by guarantee, company number 1855026, it is also a Registered Charity, number 515943.

ORGANISATION

The Foundation was founded in 1953 and is registered under the Charities Act 1960. Its governing documents are its Articles of Association incorporated on 12 October 1984 adopted on 1 November 2005 and amended by special resolutions dated 8 December 2008 and 8 November 2014. Northern Counties School, now an integrated part of the overall organisation as a result of the merger in October 2005, was founded in 1838.

The Board of Trustees has responsibility for all aspects of the running of the Foundation. Members of the Board of Trustees are appointed for a three year term, and appointments are made in accordance with the Articles of Association.

All Trustees give their time voluntarily to the charity and do not receive any financial benefits or emoluments from the charity. Any expenses claimed are set out in note 13 to the accounts. Each member of the Board of Trustees agrees to contribute £1 in the event of the charity winding up.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

Our Trustees have experience from all walks of life and are encouraged to keep these skills and knowledge up to date. Trustees' meetings are held periodically and issues are identified where new skills may be required and matched against specific Trustees.

Recruitment of new Trustees is carried out through a process of open advertisement followed by interview and selection by the Nominations Committee, a sub group of the Board, whose proposals are reviewed and approved by the full Board of Trustees. New Trustees receive induction and training as necessary, including visits to services to ensure they have a thorough understanding of the working of the Foundation.

Appraisals are carried out to review and support individual Trustee's needs. The Trustees delegate the day to day operation of the Foundation and its services to the senior management team, led by the Chief Executive, Carole Harder.

OBJECTIVES AND ACTIVITIES

The Percy Hedley Foundation was established, for the public benefit, to promote the care, welfare, interest, opportunities (including opportunities to gain meaningful employment), education and advancement of disabled people.

The charity meets these objects through the provision of a range of high quality, specialist and personalised services.

Since 1953, when the original Percy Hedley School was established, the organisation has established a number of services in response to the needs of disabled children, adults and their families from across the North East. The Foundation is recognised nationally and internationally as leading the way in the provision of education and care services for a range of disabled people including those with cerebral palsy, communication impairment, sensory impairment and complex learning and therapeutic needs.

As one of the UK's largest regional disability charities we provide specialist pre-school, primary, secondary and post-16 education services, as well as a specialist FE college, a disability sports academy and a wide variety of day services for adults (Able2). In addition, we provide residential services for all ages, transition and employability support and a range of training courses and workshops for parents and professionals, many of whom visit from organisations from across the world.

The charity is reliant on the support of donors and fundraisers - individuals, companies and organisations - who support our work. There are also many valued individuals who support us through giving time, helping to organise events and encourage others by acting as ambassadors for the Foundation.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

At The Percy Hedley Foundation our aim is to provide a range of high quality services and seek out opportunities to inspire and support disabled people to achieve their ambitions.

Our mission and values

We are an ambitious, entrepreneurial and innovative charitable business working in a person centred way to meet the needs of disabled people and their families.

We provide a range of high quality services and seek out opportunities to inspire and support disabled people to achieve their ambitions.

We believe that working together as one Foundation we achieve more than individual services would achieve alone.

Our influence will be regional, national and international.

Our Vision is :
Achievement for All

Our Mission is :
Our passion is to inspire disabled people to Live, Learn and Do something different

Our Values are :
Service users at the heart of everything we do
Achievement - no boundaries on potential
Excellence - quality in everything
Innovation - new and different solutions
Respect - everyone is valued

Our Strategy Priorities are :
Business Success - Planning for the future
Quality and impact - High quality services changing lives
Working together- To achieve great things

Our strategic aims for both existing and new business are driven by these three key priorities and they form the focus of the charity's five year plan (2013 – 2018).

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

Our Strategic Objectives

Business Success Planning for the future	Quality and Impact High quality services changing lives	Working Together Achieving great things
Fit for purpose, fit for the future <ul style="list-style-type: none"> • Clear vision for the Foundation and services • Robust business plans • Stakeholder engagement in developing and delivering the vision • High performing Board • Strong governance, leadership and management • Quality accommodation • Effective IT systems • Financial sustainability • Effective central services support 	Continuous Quality Improvement <ul style="list-style-type: none"> • Quality at the heart of the organisation culture • Quality framework • Quality assurance 	Pride in our organisation <ul style="list-style-type: none"> • Shared values • Recruiting and retaining high quality motivated staff • Creating opportunities for staff to shape the organisation
Seeking opportunities to grow <ul style="list-style-type: none"> • Listening to our commissioners and customers • Increasing capacity for existing services • Developing new services • Exploring expansion into new geographical areas across the North East • Actively seeking out partnerships to help us grow and develop 	Focus on excellence and achievement <ul style="list-style-type: none"> • Measuring how we make a difference • Challenging performance indicators and targets • Publicising our results • Recognising and rewarding achievement • Meeting and exceeding national minimum standards Ofsted, CQC • Seeking out opportunities for external recognition and awards 	Celebrating what we do <ul style="list-style-type: none"> • Effective internal and external communication • Recognition for individuals and teams • Engaging and recognising our supporters • Raising our profile locally, regionally and nationally

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

Performance against our strategic plan objectives

The Foundation has seen rapid growth over the last 4 years (2011-2015) despite the difficult economic climate seeing turnover rise by 38% and staff numbers increase by 50%. The charity provides a wide range of services to people with a disability and to their families, with these organised under Education, Adult and Residential Services - all branded as Hedleys. The charity was set up by parents to meet the needs of children and the ethos of putting service users and their families at the heart of everything we do continues today. Our objective is to continue the journey to ensure that The Percy Hedley Foundation remains a high quality, high performing organisation that is fit for purpose and fit for the future.

We have seen significant progress against the milestones outlined in our 2013-18 Strategic Plan which includes:

- Increased referrals to our services;
- Expansion of our services e.g. Teaching School;
- An increase in staff. We now are one of the largest employers in the North East employing 904 staff;
- Continued partnership arrangements with other agencies for example being awarded a Social prescribing contract which includes Age UK as a partner;
- Development of a 26 bed residential unit and hydrotherapy pool due for completion in Spring 2016.
- Completion of an extension and conservatory at Tyne House, one of our adult residential sites;
- Review of our brand which has been refreshed by the introduction of a new brand 'Hedleys' for all services;
- Development and investment in systems and processes including a new HR and payroll system.

The total number of children, young people and adults who attended our services during 2014/2015 is as follows:

	Residential	Day	Total
Percy Hedley School	13	162	175
Northern Counties School	11	79	90
Percy Hedley College	10	64	74
Adult Services	63	176	239
Total	<u>97</u>	<u>481</u>	<u>578</u>

Education

Over the past year our education services continue to see many changes in the political and economic climate in which we operate, including changes to legislation and guidance that has been following the introduction of the Children and Families Bill. This Bill is the biggest change in special needs in recent times and one of the consequences of this has been an increase in the administrative burden within both the local authorities and our school services. Percy Hedley and Northern Counties Schools have responded well and local authorities have used some of our model monitoring information within their systems and processes.

The main twelve local authorities in the North East are working together to implement a tendering process for independent and non maintained schools and colleges. We have modelled the financial framework and will continue to work proactively on a national level to ensure the Foundation is best placed to sustain outstanding services.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

All education provisions face Ofsted inspections in 2015/16. It is very unusual that all services are within the Ofsted 'window' and services are working hard to prepare and ensure we achieve best outcomes.

The Teaching School was successful in securing two applications to provide support of best practice in special needs across the north east. Plans are in place to work in partnership with Northumberland Local Authority and this will support Business Plan outcomes.

The Foundation's Employability Project, which seeks to enable disabled people to develop the skills and confidence needed to engage with the world of work, has received funding for the next three years from the Big Lottery. The funding will enable the project to work with more employers, increasing their disability awareness and confidence whilst creating real work opportunities for disabled people.

Adult Services

Tyne House residents held a big summer barbeque with family and friends to celebrate the service being 5 years old. The new 'garden room' extension to Tyne House has enabled residents to enjoy more communal space and time together. A Summer Fair was held in Chipchase grounds in July and was enjoyed by all. Residents and their families helped run many of the stalls and entertainment.

A number of residents have been involved in fundraising activities for the Foundation's Capital Appeal this year, including organising a 'musical extravaganza' at the Village Hotel.

Residents have been involved in developing and delivering a training course for employers about Customer Service to raise awareness of issues affecting disabled people. The course has been a huge success and has been delivered to over 20 employers.

The residential service at Chipchase House received an impressive score of 93% in a Local Authority Quality Monitoring visit.

Fundraising

During 2014/15 the Foundation continued to fundraise for its Capital Appeal which aims to raise money for the development of the new hydrotherapy pool and residential accommodation at Percy Hedley Upper School, Killingworth. During the year the Trustees designated £92,000 of income which was generated from our calendar of fundraising events bringing the total designated funds received to £761,000 of which £501,000 had been spent on the construction of the two buildings, leaving a fund of £260,000 at 31 August 2015.

In addition during the year we were successful in securing support from a number of grants and foundations, totalling £902,500, and these were set aside in a restricted fund for the Capital Appeal. All monies were spent during the financial year on the construction and furniture, fixtures and fittings for the 2 new buildings. We will continue our appeal during the early part of the 2015/16 financial to fundraise for equipment needed within the hydrotherapy pool and the children's residential to bring these buildings to life. It is expected that the buildings will be brought into use in early 2016.

We continue to be very grateful to all the service users, parents, families, staff, individuals and companies that support us in our fundraising.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

FINANCIAL REVIEW

In the year to 31 August 2015 the Foundation made a surplus of £1,772,000 (2013/14 : £2,168,000) before actuarial gains and losses. Included within this amount is £903,000 which is restricted towards the Foundation's Capital Appeal and income generated from general fundraising events of which £92,000 of this was designated towards the Capital Appeal.

Incoming resources from charitable activities relates to the fee income received from health and local authorities in relation to the services provided by the Percy Hedley Foundation to children and adults. This income has increased by 5% during the year to £21,786,000 and this is primarily due to a steady growth in pupil numbers across our education services.

We continue to experience increased pressure on fees from our public funders across all services however this has been particularly evident for our adult services, both day and residential. Here inflationary increases in fees have not matched changes in salaries and non staff costs and whilst this has been the pattern for a number of years the full impact of this disparity is now being realised. During 2014/15 a significant amount of work has been carried out to review our cost base to allow the services to move to a financially sustainable position without adversely affecting the quality or variety of offer available to the disabled adults attending. This work will continue during 2015/16 as we continue to review our expenditure, identify any areas of efficiency and ensure that we are always able to demonstrate value for money for the services we provide.

A reduced long term gilt rate at 31 August 2015 has contributed to an actuarial loss of £1,634,000 in relation to the defined benefit pension schemes and this has reduced the movement in net funds to an increase of £138,000.

The balance sheet highlights an increase in net book value of tangible fixed assets of £3,440,000 to £12,320,000 and a decrease in cash of £313,000. A successful year of fundraising has meant that we have been able to progress our plans to expand Percy Hedley School with a new hydrotherapy pool and residential accommodation. It has also meant that the Foundation has been able to continue its programme of reinvestment across the wider estate, some of which is in poor condition, to ensure that all of our buildings provide a safe environment for our pupils and service users and also one which is conducive to learning.

Capital expenditure during 2014/15 includes:

- £2,209,000 spent on our development of a hydrotherapy pool and 26 bed residential children's home, to be known as Bradbury View, with a further £1,398,000 committed at the end of the year to complete the project by Spring 2016;
- £345,000 invested across the Foundation to improve the IT systems and infrastructure that supports both our staff and those that use our services; and
- £468,000 invested in refurbishments across the Foundation to improve the general condition of buildings.

As a result of the above investments general unrestricted reserves, being those reserves not allocated for specific purposes and excluding tangible fixed assets (primarily buildings which are held for charitable purposes), have fallen from £3,413,000 in 2013/14 to £3,004,000 as 31 August 2015.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

In the prior year Trustees designated a specific fund for the Foundation's obligations to make additional payments to the Tyne and Wear Local Government Superannuation Scheme (LGSS). The LGSS is a multi employer pension scheme and the charity is part of a group of bodies admitted to the pension scheme whose assets and liabilities are pooled, consequently the charity is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the charity has taken advantage of the exemption under FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. An increase to this designated reserve of £20,000 has been made bringing the total set aside to £1,008,000 (2014: £988,000) and this amount is equivalent to the charity's future expected additional contributions towards the past service deficiency.

POLICIES

There have been no material changes in policy since the last report regarding the furtherance of the objects of the organisation.

RESERVES POLICY

The Trustees consider that unrestricted and undesignated reserves should be kept to between £2,900,000 and £4,450,000. This allows for the Foundation to react to unforeseen circumstances, whilst providing sufficient flexibility to operate on a day to day basis and take any appropriate decisions to further the Foundation's strategic development.

The lower end of this range reflects 4 months or 1 term of staff costs at the Foundation's 2 largest services (Able2 Day Services and Percy Hedley School). In addition the Foundation continues to recognise the need to refurbish its estate to ensure that older buildings are fit for purpose for the children, young people and adults for whom they are designed. Significant investment was made in this regard during the financial year and this is planned to continue during 2015/16. The upper limit of the free reserves range to be held reflects this intention.

The Foundation has unrestricted reserves, excluding designated funds and tangible fixed assets of £3,004,000 - this is within the range set by the Trustees. This calculation includes investments in cash which are readily accessible.

INVESTMENT POLICY

Short and fixed term cash deposits, accessible in a period less than 1 year are managed in order to secure the best possible return from working capital or cash balances. This remains the objective, despite the continuing low level of interest rates. However, as the Foundation is now moving into a period of stability, it is the intention to review the investment policy with a view to moving the lower end of our reserves target in to longer term financial investments.

STAFFING POLICY

The Percy Hedley Foundation employs over 900 staff delivering person centred services to disabled people across a wide range of services including schools, colleges, residential and adult day centres. Our staff are essential to the Foundation in being able to deliver its services and as such staff are recognised through the values which encourage and recognise achievement, excellence, equality and innovation.

The Foundation's ambitions to continue its growth and improve further in all areas of service delivery will only be achieved through its people, and the leadership, motivation, engagement and development of our people is central to the Foundation's plan.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

Our people are crucial to our ability to build the reputation of The Percy Hedley Foundation for excellence, innovation, equality and achievement. The Foundation aims to build and develop an environment in which our people can develop and contribute to the achievement of our goals. This means developing a high performing culture, becoming a learning organisation, boosting capacity, maximising the sharing of best practice and ideas and pooling resources.

The Percy Hedley Foundation is committed to supporting the learning and development of staff. We believe if staff receive the learning and development they need to do their work, they will be more motivated, effective and the organisation will benefit as a result.

The company gives full and fair consideration to applications for employment, in accordance with the Foundation's Equal Opportunity Policy and its Safer Recruitment and Selection Policy. The Foundation continues to hold the 'Positive about Disabled People' award. The Foundation is committed to adherence to good employment practice.

PLANS FOR FUTURE PERIODS

At The Percy Hedley Foundation we are an ambitious, entrepreneurial and innovative charitable business working in a person centred way to meet the needs of disabled people and their families. Our future plans are focussed on expanding the range of high quality services that we provide and in seeking out opportunities to inspire and support disabled people to achieve their ambitions. Our intention is to further develop our influence at regional, national and international level.

The new hydrotherapy pool and residential units, referred to previously, are just the start of our future ambitions. A major review of the Foundation's services and estate has led to proposals that will reach out to help many more disabled children and adults by establishing a new national centre of excellence for special education, rehabilitation, training and outreach support at Percy Hedley School.

The new campus will transform the lives of disabled children, adults and their families:

Phase 1: is the hydrotherapy pool and the residential units. It is expected that this will be commissioned for use in Spring 2016.

Phase 2: is the creation of a new junior school at the Percy Hedley Upper School campus. This will allow us to develop our education services for younger children in new teaching facilities which will provide a state of the art learning environment. Work to draw up plans and specifications for this new building has begun and will crystallise into a development plan during 2015/16.

In September 2015 we welcomed a further 34 students into Percy Hedley College. As a temporary measure students access services across two sites depending on their needs however it is the intention to identify a single campus for Percy Hedley College.

The organisation continues to develop innovative ways to meet the identified needs of disabled people and their families. Plans are in development for a residential facility to support the housing needs of a group of young adults with profound and multiple learning disabilities.

A Foundation wide strategic review will be conducted to ensure that all services remain on track to deliver the charity's strategic aims.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

PRINCIPAL RISKS AND UNCERTAINTIES

The Foundation uses a recognised risk register system which identifies risks in a number of key areas including strategic, operational, financial and reputational. Registers are regularly updated in all services and are reported at least annually to the Board of Trustees. Senior officers are identified with responsibility in all key areas. The Trustees therefore monitor risk and are satisfied that the necessary plans and controls are in place to manage and minimise those risks.

The financial environment, across the charitable sector, remains dominated by the 'austerity' agenda. Reduced levels of public sector funding coupled with an increase in demand for services has meant that the sector is operating in a challenging environment. The Foundation constantly monitors its income and expenditure, as well as managing its costs, to ensure that value for money and quality of service provision are maintained.

The nature of the Foundation's income means that it is not over reliant on a small number of funders but instead has a wide basket of income sources. Fundraising efforts augment the generated income and have proven, yet again, to be very successful.

The outlook for the Foundation remains positive, even in the face of this difficult environment. The charity continues to grow both in its financial income and the number of beneficiaries accessing its services.

PUBLIC BENEFIT

The Percy Hedley Foundation is required with its Financial Statements to demonstrate "public benefit". Public Benefit is defined by the Charity Commission as:

"The legal requirement that every organisation set up for one or more charitable aims must be able to demonstrate that its aims are for the **public benefit** if it is to be recognised, and registered, as a Charity in England or Wales."

Charities and Public Benefit, The Charity Commission, January 2008

The Foundation's objectives are felt to be fully consistent with this concept of public benefit, most notably the following charitable purpose listed in the 2006 Charities Act:-

The relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage.

It is believed that the following review of activities will demonstrate that the charity fully meets its public benefit requirements. Further information is also available in Percy Hedley's latest Annual Review, Achievement for All, which is now available as both a publication and DVD.

TRUSTEES' RESPONSIBILITIES STATEMENT

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

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

YEAR ENDED 31st AUGUST 2015

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

A resolution to re-appoint Ryecroft Glenton as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

This report, incorporating the strategic report, was approved by the Trustees, in their capacity as directors and signed on their behalf by:



Mr N Swales
Chairman

26th January 2016

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PERCY HEDLEY FOUNDATION

YEAR ENDED 31st AUGUST 2015

We have audited the financial statements of the Percy Hedley Foundation for the year ended 31st August 2015 set out on pages 16 to 40. 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 TRUSTEES AND AUDITOR

As explained more fully in the Trustees' Responsibilities Statement set out on pages 12 to 13, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PERCY HEDLEY FOUNDATION (continued)

YEAR ENDED 31st AUGUST 2015

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st August 2015 and of its incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

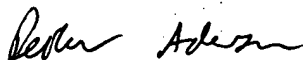
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' annual report incorporating the 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:

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



Detlev Anderson (Senior Statutory Auditor)
For and on behalf of
Ryecroft Glenton
Chartered Accountants & Statutory Auditor
32 Portland Terrace
Jesmond
Newcastle upon Tyne
NE2 1QP

28th January 2016

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND
EXPENDITURE ACCOUNT)**

YEAR ENDED 31st AUGUST 2015

	Note	Unrestricted Funds £000	Restricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income	2	12	919	931	721
Activities for generating funds	3	364	—	364	305
Investment income	4	40	—	40	38
Incoming resources from charitable activities	5	21,572	214	21,786	20,668
TOTAL INCOMING RESOURCES		21,988	1,133	23,121	21,732
RESOURCES EXPENDED					
Costs of generating funds:					
Fundraising trading: cost of goods sold and other costs	6	(91)	—	(91)	(116)
Charitable activities	7/8	(20,751)	(233)	(20,984)	(19,376)
Governance costs	9	(70)	—	(70)	(72)
Other resources expended	10	(204)	—	(204)	—
TOTAL RESOURCES EXPENDED		(21,116)	(233)	(21,349)	(19,564)
NET INCOMING RESOURCES BEFORE TRANSFERS	12	872	900	1,772	2,168
Transfer between funds	22 & 23	2,008	(2,008)	—	—
NET INCOME FOR THE YEAR BEFORE OTHER RECOGNISED GAINS AND LOSSES		2,880	(1,108)	1,772	2,168
Actuarial losses in respect of defined benefit pension schemes		(1,634)	—	(1,634)	(317)
NET MOVEMENT IN FUNDS		1,246	(1,108)	138	1,851
RECONCILIATION OF FUNDS					
Total funds brought forward		11,701	1,258	12,959	11,108
TOTAL FUNDS CARRIED FORWARD		12,947	150	13,097	12,959

The Statement of Financial Activities includes all gains and losses in the year and therefore a statement of total recognised gains and losses has not been prepared

The notes on pages 19 to 40 form part of these financial statements.

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE
COMPANY REGISTRATION NUMBER: 01855026
BALANCE SHEET
31st AUGUST 2015**

	Note	2015 £000	2014 £000
FIXED ASSETS			
Tangible assets	14	12,320	8,880
CURRENT ASSETS			
Debtors	15	1,227	2,072
Investments	16	1,899	1,889
Cash at bank and in hand		4,719	5,032
		<u>7,845</u>	<u>8,993</u>
CREDITORS: amounts falling due within one year	17	<u>(2,422)</u>	<u>(1,723)</u>
NET CURRENT ASSETS		<u>5,423</u>	<u>7,270</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,743</u>	<u>16,150</u>
CREDITORS: amounts falling due after more than one year	18	<u>(981)</u>	<u>(922)</u>
		<u>16,762</u>	<u>15,228</u>
PROVISIONS FOR LIABILITIES			
Pensions	20	<u>(3,665)</u>	<u>(2,269)</u>
NET ASSETS		<u>13,097</u>	<u>12,959</u>
FUNDS			
Restricted income funds	22	150	1,258
UNRESTRICTED INCOME FUNDS:			
Unrestricted income funds excluding pension liability	23	16,612	13,970
Pension reserve	20	<u>(3,665)</u>	<u>(2,269)</u>
TOTAL UNRESTRICTED INCOME FUNDS		<u>12,947</u>	<u>11,701</u>
TOTAL FUNDS		<u>13,097</u>	<u>12,959</u>

These financial statements were approved by the members of the committee on the 26th January 2016 and are signed on their behalf by:

Mr N Swales
Chairman

Mr P Wignall
Trustee

The notes on pages 19 to 40 form part of these financial statements.

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

CASH FLOW STATEMENT

YEAR ENDED 31st AUGUST 2015

	Note	2015 £000	2014 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	27	3,323	2,484
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from other investments	40	38	
Loan interest paid	(21)	(31)	
Net cash inflow from returns on investments and servicing of finance		19	7
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	(3,666)	(422)	
Acquisition of other current asset investments	(10)	(18)	
Net cash outflow from capital expenditure		(3,676)	(440)
Cash (outflow)/ inflow before financing		(334)	2,051
FINANCING			
Net inflow/(outflow) from bank loans	29	21	(56)
Net cash inflow/(outflow) from financing		21	(56)
(DECREASE)/INCREASE IN CASH	28	(313)	1,995

**STATEMENT OF CHANGES IN RESOURCES APPLIED FOR FIXED ASSETS FOR
CHARITY USE**

	Unrestricted Funds £000	Restricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Net movement for the year	1,246	(1,108)	138	1,851
Resources used for net acquisitions of tangible fixed assets	(3,440)	—	(3,440)	—
NET MOVEMENT IN FUNDS AVAILABLE FOR FUTURE ACTIVITIES	(2,184)	(1,118)	(3,302)	721

The notes on pages 19 to 40 form part of these financial statements.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 (SORP 2005) and the Companies Act 2006.

The Percy Hedley Foundation has a wholly owned subsidiary, NCS Developments Limited. Each year, consideration is given as to whether users can see a complete picture of the activities of the organisation without consolidating the financial statements of NCS Developments Limited. As at 31 August 2015, the financial statements have not been consolidated on the grounds of materiality.

Incoming resources

All income is recognised in the statement of financial activities when the conditions for receipt have been met and there is reasonable assurance of receipt.

Voluntary income

Income by way of donations, grants and gifts to the charity is included in the statement of financial activities when received. Grants received are credited to the statement of financial activities when there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Charitable services income

Fees and other income arising from the provision of charitable services are accounted for when earned.

Fees received in advance

Fees received during the period in respect of periods after 31 August 2015 are included within creditors.

Investment income

Investment income is recognised on a receivable basis.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

1. ACCOUNTING POLICIES *(continued)*

Fund accounting

Designated funds

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.

Unrestricted funds

Unrestricted funds are incoming resources received or generated for the charitable purposes. They are available for use in furtherance of the general objectives of the charity.

Restricted funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overheads and support costs.

Where capital items have been purchased from restricted funds then these assets are capitalised, the fund is transferred to unrestricted on completion and the depreciation written off against the fund over the life of the asset.

Resources expended

Expenditure is recognised when a liability is incurred. Expenditure includes any irrecoverable VAT and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

All costs are allocated between the expenditure categories of the statement of financial activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned reflecting their usage.

Fixed assets

All fixed assets are initially recorded at cost.

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

1. ACCOUNTING POLICIES *(continued)*

Depreciation

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

Freehold Buildings: 40 - 100 years
Leasehold Properties: 100 years or length of lease if less
Refurbishments: 10-15 years
Fixtures, Fittings & Equipment: 3 years
Computer Equipment: 3 years
Motor Vehicles: 3 years

Freehold land and assets in the course of construction are not depreciated.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

1. ACCOUNTING POLICIES *(continued)*

Pension costs

Retirement benefits to employees of the Charity are provided by the Teachers' Pension Scheme (TPS), the Tyne and Wear Local Government Superannuation Scheme (LGSS) and the Percy Hedley Pension Scheme (PHPS). These are defined benefit schemes, which are funded, with the assets being held separately from the charity.

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the Foundation in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGSS and PHPS and quinquennial valuations using a prospective benefit method for the TPS.

The assets of the PHPS are measured using fair value. PHPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised within the Statement of Financial Activities.

The LGSS is a multi-employer pension scheme. The charity is part of a group of bodies admitted to the pension scheme whose assets and liabilities are pooled, consequently the charity is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the charity 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.

Fixed asset investments

Fixed asset investments are included at cost less any provision for permanent diminution in value. Market value of listed investments is included by disclosure.

Current asset investments

Investments are held at cost on the balance sheet date and are made up of fixed term deposits and are held with a fund manager.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

1. ACCOUNTING POLICIES *(continued)*

Financial instruments

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 entity after deducting all of its financial liabilities.

Going concern

The company has cash resources and has no requirement for external funding for its day to day activities. The Trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They continue to believe the going concern basis of accounting appropriate in preparing the annual financial statements.

2. VOLUNTARY INCOME

	Unrestricted Funds £000	Restricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Donations				
Donations and similar income	12	919	931	502
Legacies				
Legacies	—	—	—	219
	<u>12</u>	<u>919</u>	<u>931</u>	<u>721</u>

3. INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Fundraising events	<u>364</u>	<u>364</u>	<u>305</u>

4. INVESTMENT INCOME

	Unrestricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Investment income	<u>40</u>	<u>40</u>	<u>38</u>

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted Funds £000	Restricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Percy Hedley School	5,557	68	5,625	5,319
Leybourne	800	10	810	788
Northern Counties School	5,202	34	5,236	4,569
Sports Academy	48	—	48	61
Chipchase / Ferndene	2,103	—	2,103	2,528
Moor View and Tyne House	841	—	841	1,202
Day Centre	3,767	—	3,767	3,053
Percy Hedley College	3,150	57	3,207	2,949
Conductive Education	29	—	29	44
Employability	—	45	45	147
PHS Teaching Schools	71	—	71	—
Other	4	—	4	8
	<u>21,572</u>	<u>214</u>	<u>21,786</u>	<u>20,668</u>

6. FUNDRAISING TRADING: COST OF GOODS SOLD AND OTHER COSTS

	Unrestricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Fundraising activities	<u>91</u>	<u>91</u>	<u>116</u>

7. COSTS OF CHARITABLE ACTIVITIES BY FUND TYPE

	Unrestricted Funds £000	Restricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Percy Hedley School	5,086	45	5,131	4,627
Leybourne	699	—	699	677
Northern Counties School	4,399	39	4,438	3,723
PHS Teaching Schools	66	—	66	—
Chipchase and Ferndene	2,119	—	2,119	1,903
Moor View and Tyne House	743	—	743	705
Day Centre	3,616	—	3,616	3,507
Percy Hedley College	2,692	51	2,743	2,382
Employability	—	91	91	130
Sports Academy	96	7	103	92
Conductive Education	25	—	25	27
Support costs	1,210	—	1,210	1,603
	<u>20,751</u>	<u>233</u>	<u>20,984</u>	<u>19,376</u>

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

8. COSTS OF CHARITABLE ACTIVITIES BY ACTIVITY TYPE

	Provision of Charitable Services £000	Support costs £000	Total Funds 2015 £000	Total Funds 2014 £000
Percy Hedley School	5,131	—	5,131	4,633
Leybourne	699	—	699	677
Northern Counties School	4,438	—	4,438	3,721
PHS Teaching Schools	66	—	66	—
Chipchase and Ferndene	2,119	—	2,119	1,903
Moor View and Tyne House	743	—	743	705
Day Centre	3,616	—	3,616	3,507
Percy Hedley College	2,743	—	2,743	2,382
Employability	91	—	91	130
Sports Academy	103	—	103	91
Conductive Education	25	—	25	27
Support costs	—	1,210	1,210	1,600
	<u>19,774</u>	<u>1,210</u>	<u>20,984</u>	<u>19,376</u>

9. GOVERNANCE COSTS

	Unrestricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Accountancy fees	18	18	14
Audit fees	12	12	11
Legal fees	19	19	16
Interest payable	21	21	31
	<u>70</u>	<u>70</u>	<u>72</u>

10. OTHER RESOURCES EXPENDED

	Unrestricted Funds £000	Total Funds 2015 £000	Total Funds 2014 £000
Losses on disposal of tangible fixed assets for charity's own use	204	204	—

The loss on disposal of tangible fixed assets arises, primarily, from a review held during the year to identify and write off those assets no longer held by the charity.

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

11. ANALYSIS OF SUPPORT COSTS

	Support costs	Total 2014
	£000	£000
Depreciation	5	505
Wages and salaries	885	680
Employers NIC	84	62
Pension costs	212	182
Other establishment costs	158	187
Motor and travel costs	11	7
Telephone	3	4
Other office costs	88	22
Other costs including governance	2	9
FRS17 pension costs	(238)	(58)
	<u>1,210</u>	<u>1,600</u>

12. NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging:

	2015	2014
	£000	£000
Employer pension contributions	1,203	1,121
Depreciation	556	835
Auditors' remuneration:		
- audit of the financial statements	12	11
Operating Leases	<u>119</u>	<u>138</u>

13. STAFF COSTS AND REMUNERATION

Total staff costs were as follows:

	2015	2014
	£000	£000
Wages and salaries	14,962	13,198
Social security costs	1,050	906
Other pension costs	1,203	1,121
	<u>17,215</u>	<u>15,225</u>

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

13. STAFF COSTS AND REMUNERATION *(continued)*

Trustees' remuneration

None of the Trustees received any remuneration during the period. Expenses, relating to travelling of £nil (2014 £nil) in total were reimbursed.

Included within insurance is an annual charge of £2,675 (2014: £2,675) for Trustees Indemnity Insurance.

Other pension costs above represent the amount contributed by the employer included in resources expended in the statement of financial activities and does not include amounts included in other recognised gains and losses (see note 20).

Particulars of employees:

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

	2015	2014
	No	No
Operational staff	775	692
Admin and support	50	52
Management	4	4
	<u>829</u>	<u>748</u>

The full time equivalent number of employees within the Foundation is 743 (2014: 640).

The number of employees whose remuneration for the year fell within the following bands, were:

	2015	2014
	No	No
£60,000 to £69,999	3	2
£70,000 to £79,999	1	1
£80,000 to £89,999	1	1
£110,000 to £119,999	1	1
	<u>6</u>	<u>5</u>

Of the above employees 3 are members of the Teachers Pension Scheme (2014: 2) and 2 are members of the Percy Hedley Pension Scheme (2014: 2).

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

14. TANGIBLE FIXED ASSETS

	Freehold property & Refurbishment £000	Leasehold Property £000	Fixtures & Fittings £000	Assets Under Construction £000	Other Assets £000	Total £000
COST						
At 1 Sep 2014	5,387	6,307	160	19	358	12,231
Additions	469	135	50	2,844	702	4,200
Disposals	(391)	—	—	—	—	(391)
At 31 Aug 2015	<u>5,465</u>	<u>6,442</u>	<u>210</u>	<u>2,863</u>	<u>1,060</u>	<u>16,040</u>
DEPRECIATION						
At 1 Sep 2014	1,816	1,353	70	—	112	3,351
Charge for the year	269	79	42	—	166	556
On disposals	(187)	—	—	—	—	(187)
At 31 Aug 2015	<u>1,898</u>	<u>1,432</u>	<u>112</u>	<u>—</u>	<u>278</u>	<u>3,720</u>
NET BOOK VALUE						
At 31 Aug 2015	<u>3,567</u>	<u>5,010</u>	<u>98</u>	<u>2,863</u>	<u>782</u>	<u>12,320</u>
At 31 Aug 2014	<u>3,571</u>	<u>4,954</u>	<u>90</u>	<u>19</u>	<u>246</u>	<u>8,880</u>

INVESTMENTS

During the year the foundation held a £1 unrestricted investment (2014: £1).

The investment comprises a holding of 100% of the issued ordinary share capital of NCS Developments Limited, a company incorporated and registered in England and Wales. The principal activity of this company is the lease of a hydrotherapy pool.

The aggregate share capital and reserves of NCS Developments Limited are £nil at 31st August 2015 (2014: £403). The loss for the year ended 31st August 2015 was £304 (2014: £nil).

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

15. DEBTORS

	2015 £000	2014 £000
Trade debtors	1,048	1,738
Other debtors	5	4
Prepayments	174	330
	<u>1,227</u>	<u>2,072</u>

16. INVESTMENTS

	2015 £000	2014 £000
Investments	<u>1,899</u>	<u>1,889</u>

Investments are cash deposits held at the bank.

17. CREDITORS: Amounts falling due within one year

	2015 £000	2014 £000
Bank loans and overdrafts	19	57
Trade creditors	937	292
PAYE and social security	314	276
Pension contributions	132	130
Other creditors	120	133
Accruals	311	194
Deferred income	589	641
	<u>2,422</u>	<u>1,723</u>

Deferred income represent fees received that relate to attendance for future periods.

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

	2015 £000	2014 £000
Bank loans and overdrafts	<u>19</u>	<u>57</u>

18. CREDITORS: Amounts falling due after more than one year

	2015 £000	2014 £000
Bank loans and overdrafts	<u>981</u>	<u>922</u>

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

18. CREDITORS: Amounts falling due after more than one year *(continued)*

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

	2015 £000	2014 £000
Crown Mortgage	—	305
Social Investment Business Loan	—	617
Barclays Refinance	981	—
	<u>981</u>	<u>922</u>

During the year the mortgages held with Crown and Social Investment Business were redeemed and replaced with a single mortgage with Barclays. This new loan is secured upon Percy Hedley Foundation freehold and leasehold buildings. The term remaining on the loan is 4 years and 8 months with interest charged at 1.85% above base rate. The ratio of loan to assets over which they are secured is 10%.

19. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2015 £000	2014 £000
Amounts repayable:		
In one year or less or on demand	19	57
In more than one year but not more than two years	56	57
In more than two years but not more than five years	925	229
In more than five years	—	636
	<u>1,000</u>	<u>979</u>

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

20. PENSION AND OTHER POST-RETIREMENT BENEFITS

The charity's employees belong to 3 principal pension schemes: The Teachers' Pensions Scheme England and Wales ("The TPS"); the Tyne and Wear Local Government Superannuation Scheme ("LGSS"); and the Percy Hedley Pension Scheme ("PHPS"). All are defined-benefit schemes. During the period, the PHPS was closed to new members, being replaced with a defined contribution scheme.

Teachers' Pensions Scheme

The school participates in the teachers' pension scheme (England and Wales) ("the TPS"), for its teaching staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to consistently identify the liabilities of the TPS which are attributable to the school. As required by FRS17 "retirement benefits", the school accounts for this scheme as if it were a defined contribution scheme. The pension charge for the year includes contributions payable to the TPS of £237,000 (2014: £216,000). At the year end £21,000 (2014 - £18,000) was accrued in respect of contributions to this scheme.

On 4 July 2012 the Chief Secretary to the Treasury confirmed that the government would be taking forward legislation based on the reformed scheme design for The Teachers' Pension Scheme to be introduced in 2015 as set out in the Teachers' Pension Scheme - proposed final agreement ("the TPS agreement"). The TPS agreement sets out the main parameters for both the provision of future pension benefits and the structuring of the future contributions to the TPS including the basis for increasing average employee contribution rates up to 2015.

On 31 January 2013, the Department for Education published the outcome of the consultation on further contributions increases that will apply to members of the TPS in financial year 2014-15 as well as the removal of provisions governing scheme valuations and cap and share arrangements. A revised eight tier salary and employee contribution rate structure has been introduced from 1 April 2013 with employee rates varying between 6.4% and 11.2%. Employer contributions will continue for this period at the current rate 14.1%.

On 25 April 2013 the public service pensions act 2013 was enacted and provides the arrangements for managing the future TPS costs, including a requirement for scheme regulations which must set an employer cost cap which will be required to be in accordance with Treasury directions. In light of the new arrangements for setting contribution rates the government has concluded that there is now no need to carry out the currently suspended TPS actuarial review or the cap and share processes.

Local Government Superannuation Scheme

The LGSS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period was £189,000 (2014: £192,000) of which employers' contributions totalled £162,000 (2014: £162,000) and employees' contributions totalled £27,000 (2014: £26,000). The employers contribution included an additional payment of £53,000 (2014: £64,000) in respect of past service deficit.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

- Latest actuarial valuation: 31 March 2013
- Actuarial method: Projected Unit
- Investment returns per annum: 5.15% per annum
- Pension increases per annum: 2.4% per annum
- Salary scale increases per annum: 3.9% per annum
- Market value of assets at date of last valuation: £5,432 million
- Proportion of members' accrued benefits covered by the actuarial value of the assets: 81.6%
- Deficit funding period for Percy Hedley: 22 years
- Future contribution rate 1st April 2014 to 31st March 2017 for Percy Hedley: 25.6% (previously 23.9%)

Additional monetary amounts for Percy Hedley:

- 2014: £52,000
- 2015: £54,000
- 2016: £56,100

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the LGSS is a multi-employer pension scheme. The charity is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the charity 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 charity has set out above the information available on the deficit in the scheme and the implications for the charity in terms of anticipated contribution rates.

Percy Hedley Pension Scheme

The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 March 2014 and updated on an approximate basis to 31 August 2015 by a qualified Actuary.

The contributions made by the employer over the financial period have been £628,000 (2014: £607,000).

The amounts recognised in the statement of financial activities are as follows:

	2015 £000	2014 £000
Total operating charge in resources expended		
Current service cost	497	511

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

Amounts included in other finance cost

	2015 £000	2014 £000
Expected return on scheme assets	(885)	(777)
Interest on scheme liabilities	770	814
Other finance cost	(115)	37
Total charge to the statement of financial activities	382	548

The amounts recognised in the balance sheet are as follows:

	2015 £000	2014 £000
Present value of funded obligations	(21,347)	(19,695)
Fair value of scheme assets	17,682	17,426
Net pension liability	(3,665)	(2,269)

Changes in the present value of the defined benefit obligation scheme are as follows:

	2015 £000	2014 £000
Opening defined benefit obligation	19,695	18,391
Current service cost	497	511
Interest on scheme liabilities	770	814
Actuarial loss	802	271
Contributions by scheme participants	164	200
Benefits paid	(581)	(492)
Closing defined benefit obligation	21,347	19,695

Changes in the fair value of scheme assets are as follows:

	2015 £000	2014 £000
Opening fair value of scheme assets	17,426	16,381
Expected return on scheme assets	885	777
Contributions by employer	620	606
Contributions by scheme participants	164	200
Actuarial (loss)/gain	(832)	(46)
Benefits paid	(581)	(492)
Closing fair value of scheme assets	17,682	17,426

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YEAR ENDED 31st AUGUST 2015

The fair value of the major categories of scheme assets are as follows:

	2015 £000	2014 £000
Other equities	16,952	10,991
Other debt instruments	—	5,401
Cash	730	1,034
Fair value of scheme assets	<u>17,682</u>	<u>17,426</u>

The principal actuarial assumptions as at the balance sheet date were:

	2015 %	2014 %
Discount rate	4	4
Rate of increase in salaries	2	2
Rate of increase in pensions in payment	2	2
Inflation	3	2
Revaluation rate for deferred pensioners	2	2

Mortality rates used have been taken from the institute and faculty of actuaries.

Pension scheme liabilities are measured on an actuarial basis using the projected unit valuation method. Discount rates have been calculated using the yield on the markrt iBoxx £ corporates AA 15+ years index, adjusted to allow for the duration of the scheme liabilities (approximately 20 years). As at 31st August 2015 the rate was approximately 3.64% (2014: 3.74%).

Amounts for the current and previous four periods are as follows:

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Defined benefit obligation	(21,347)	(19,695)	(18,391)	(18,878)	(17,206)
Fair value of scheme assets	<u>17,682</u>	<u>17,426</u>	<u>16,381</u>	<u>14,972</u>	<u>13,267</u>
Deficit in the scheme	<u>(3,665)</u>	<u>(2,269)</u>	<u>(2,010)</u>	<u>(3,906)</u>	<u>(3,939)</u>
Experience adjustments on scheme liabilities	<u>249</u>	<u>183</u>	<u>434</u>	618	(28)

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

21. COMMITMENTS UNDER OPERATING LEASES

At 31 Aug 2015 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2015	2014
	£	£
Operating leases which expire:		
Within 1 year	-	55
Within 2 to 5 years	79	-
After more than 5 years	15	15
	<u>94</u>	<u>70</u>

22. RESTRICTED INCOME FUNDS

	Balance at 1 Sep 2014	Incoming resources	Outgoing resources and Transfers	Balance at 31 Aug 2015
	£000	£000	£000	£000
Karten Foundation	2	-	-	2
Sports Equipment Fund	7	-	(7)	-
Employability Project	45	45	(90)	-
Tim Carter Appeal	331	25	(356)	-
Centre of Excellence - restricted	439	878	(1,317)	-
Education Funding Authority Grants	359	129	(384)	104
British Council - Comenius	19	-	(7)	12
PH Bursary Income	23	29	(40)	12
Mini bus appeal	30	10	(40)	-
Pedal for Percy	3	6	-	9
Employability iMUSE	-	11	-	11
	<u>1,258</u>	<u>1,133</u>	<u>(2,241)</u>	<u>150</u>

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

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YEAR ENDED 31st AUGUST 2015

22. RESTRICTED INCOME FUNDS *(continued)*

The **Percy Hedley Foundation Capital Appeal** aims to raise money for the development of a new hydrotherapy pool and on site purpose built residential accommodation for Percy Hedley School. The building of the hydrotherapy pool has been supported, since its inception by The **Tim Carter Appeal**, in association with Sunderland Football Club and these funds have now been spent on the development. Both the hydrotherapy pool and the children's residential are expected to be brought into use in early 2016.

Percy Hedley School, Northern Counties School and Percy Hedley College receive income from the **Education Funding Authority** towards the education of our children and young people. This fund includes grants that are set aside specifically for new sports equipment, building maintenance improvements and for general use within the schools and college.

The transfers between restricted and unrestricted funds shown in the Statement of Financial Activities shows the capital expenditure as these funds are used for the purposes they were given to the Foundation.

The **Karten Foundation** provides funding to cover multimedia and printing costs in our Able 2 adult services project.

The **Sports Equipment Fund** provides valuable support in providing for some of the specialist sporting equipment used within the Percy Hedley Sports Academy. The fund has been spent during the year to replace equipment used by Northern Thunder our powerchair football team.

The **Employability Project** funded by a Big Lottery grant has been set up to develop employment opportunities for disabled people in the form of visits, work experience, placement and actual employment. In March 2015, the project received an extension to continue its valuable work for a further two years.

The **British Council Comenius** has provided a contribution towards the costs of a Percy Hedley led project which seeks to evaluate and improve Conductive Education practice on an international basis.

The **Percy Hedley Bursary Fund** has been set up to award discretionary bursaries to any student that is facing genuine financial barriers to participating in school or college activities.

The **Pedal for Percy Challenge Fund** aims to raise money for the installation of a new sensory room at Percy Hedley School. In 2014, the Foundation received a number of grants towards 2 minibuses for use in Percy Hedley School and children's residential home, delivery of which was taken in the early part of the financial year.

The **Employability iMUSE** fund was set up following a donation from John Lewis Partnership. The aim of this project is to create work placements and experience for disabled people within a mobile service that will allow iMUSE technology (a relaxation based therapeutic activity which uses music and vibration) to be more accessible to disabled people across the region.

THE PERCY HEDLEY FOUNDATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

23. UNRESTRICTED INCOME FUNDS

	Balance at 1 Sep 2014 £000	Incoming resources and transfers £000	Outgoing resources and transfers £000	Gains and losses £000	Balance at 31 Aug 2015 £000
Designated					
Chipchase Fund	20	–	–	–	20
PHF Capital					
Appeal	669	92	(501)	–	260
Pension Fund	988	20	–	–	1,008
Unrestricted					
Pension Scheme					
Deficit	(2,269)	620	(382)	(1,634)	(3,665)
General Funds	12,293	23,264	(20,233)	–	15,324
	<u>11,701</u>	<u>23,996</u>	<u>(21,116)</u>	<u>(1,634)</u>	<u>12,947</u>

In the prior year an unrestricted legacy was received, however a designation of part of the money was made to Chipchase House as the donor had links to that service.

The Trustees have made specific provision for the Foundation's obligations to make additional payments to the Tyne and Wear Local Government Superannuation Scheme (LGSS). The LGSS is a multi-employer pension scheme and the charity is part of a group of bodies admitted to the pension scheme whose assets and liabilities are pooled, consequently the charity is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the charity has taken advantage of the exemption under FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. A designated reserve of £1,008,000 (2014: £988,000) equivalent to the charity's future expected additional contributions towards the past service deficiency has been set aside.

The Foundation's Capital Appeal Fund was set up in 2013 and represents income from fundraising activities that has been set aside to support the development of a new hydrotherapy pool and on-site purpose built residential home. A further £92,000 has been designated to the Capital Appeal this year which represents the Foundation's general fundraising activities, and a total of £500,860 has been spent on bringing these buildings into use, included in transfers, which is expected to be completed in early 2016.

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Tangible fixed assets £000	Net current assets £000	Long term liabilities £000	Total £000
Restricted Income Funds:				
Karten Foundation	—	2	—	2
Education Funding Authority Grants	—	104	—	104
British Council - Comenius	—	12	—	12
PH Bursary Income	—	12	—	12
Pedal for Percy	—	9	—	9
Employability iMUSE	—	11	—	11
	—	<u>150</u>	—	<u>150</u>
Unrestricted Income Funds:				
Designated Funds	—	1,288	—	1,288
Pension Scheme Deficit	—	—	(3,665)	(3,665)
General Funds	<u>12,320</u>	<u>3,985</u>	<u>(981)</u>	<u>15,324</u>
	<u>12,320</u>	<u>5,273</u>	<u>(4,646)</u>	<u>12,947</u>
Total Funds	<u>12,320</u>	<u>5,423</u>	<u>(4,646)</u>	<u>13,097</u>

25. RELATED PARTY TRANSACTIONS

During the accounting period, no trading took place between Percy Hedley Foundation and its 100% subsidiary NCS Developments Limited

Purchases from NCS Developments Limited during the year to 31st August 2014 £27,740. Sales to NCS Developments Limited during the year to 31st August 2014 were £26,250.

The amount owed to Percy Hedley Foundation by NCS Developments Limited at 31st August 2015 was £374 (2014: £403).

During the year the Foundation received services to a value of £15,884 (2014: £3,534) from ITPS Communications Ltd, a company for whom one of our Trustees is also a director.

26. COMPANY LIMITED BY GUARANTEE

The share capital of the company is £nil. The company is limited by guarantee with each member agreeing to contribute up to £1 each in the event of the company being wound up within one year of cessation of membership.

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

**27. RECONCILIATION OF NET INCOMING RESOURCES BEFORE TRANSFERS TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2015	2014
	£000	£000
Net incoming resources before transfers	1,772	2,168
Income from investments	(40)	(38)
Loss on disposal of fixed assets	203	-
Depreciation	556	835
Decrease/(Increase) in debtors	846	(627)
Increase in creditors	203	173
Pension provision adjustment	(238)	(58)
Interest Payable	<u>21</u>	<u>31</u>
Net cash inflow from operating activities	<u>3,323</u>	<u>2,484</u>

28. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET FUNDS

	2015	2014
	£000	£000
(Decrease)/increase in cash in the period	(313)	1,706
Cash inflow/outflow from bank loans	(21)	57
Cash used to increase short term investments	<u>10</u>	<u>18</u>
Change in net funds	(324)	1,781
Net funds at 1 Sep 2014	<u>5,942</u>	<u>3,872</u>
Net funds at 31 Aug 2015	<u>5,618</u>	<u>5,942</u>

29. FINANCING

	2015	2014
	£000	£000
Repayment of bank loans	(979)	(56)
Receipts from new bank loans	<u>1,000</u>	<u>-</u>
	<u>21</u>	<u>(56)</u>

**THE PERCY HEDLEY FOUNDATION
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st AUGUST 2015

30. ANALYSIS OF CHANGES IN NET FUNDS

	1 Sep 14	Cash flows	31 Aug 15
	£000	£000	£000
Cash in hand and at bank	5,032	(313)	4,719
Debt due within 1 year	(57)	38	(19)
Debt due after 1 year	(922)	(59)	(981)
	<u>(979)</u>	<u>(21)</u>	<u>(1,000)</u>
Current asset investments	1,889	10	1,899
	<u>5,942</u>	<u>(324)</u>	<u>5,618</u>

31. CAPITAL COMMITMENTS

Capital commitments contracted for but not provided for in the financial statements are as follows:

	2015	2014
	£	£
Assets in the course of construction	<u>1,398</u>	<u>145</u>

This commitment relates to the construction of the hydro therapy pool and residential unit at Percy Hedley School, Killingworth.

32. ULTIMATE CONTROLLING PARTY

In the opinion of the trustees there is no ultimate controlling party, other than the Trustees themselves.

33. POST BALANCE SHEET EVENTS

The Foundation's policy is to record fixed assets at cost. A property owned by the Foundation at a cost of £nil and marketed for sale at the year end was sold in December for £187,450. The income will be recognised within the 2016 financial statements.