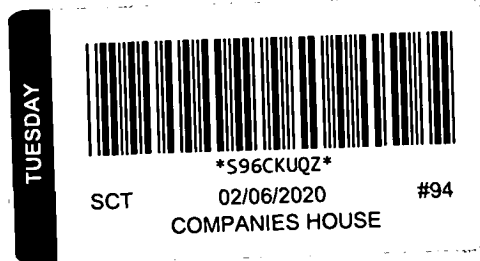


COMPANY REGISTRATION NUMBER: SC119638

CHARITY REGISTRATION NUMBER: SC007157

**Drumduan School Limited**  
**Company Limited by Guarantee**  
**Financial Statements**

**31 July 2019**



**Drumduan School Limited**  
**Company Limited by Guarantee**  
**Financial Statements**  
**Year ended 31 July 2019**

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# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report)**

**Year ended 31 July 2019**

The trustees, who are also the directors for the purposes of company law, present their report and the financial statements of the charity for the year ended 31 July 2019.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 July 2019**

#### **Reference and administrative details**

**Registered charity name** Drumduan School Limited  
**Charity registration number** SC007157  
**Company registration number** SC119638  
**Principal office and registered office** Drumduan  
Clovenside Road  
Forres  
IV36 2RD

#### **The trustees**

Ian Sutherland McCook	(Resigned 25 June 2019)
Matilda Swinton	(Resigned 5 April 2019)
Kolbjorn Borseth	(Resigned 25 June 2019)
Alison Stewart Tomlinson	(Resigned 25 June 2019)
Ahsan Akbar	(Resigned 25 June 2019)
Iain Meuriz Davidson	(Served from 25 June 2019 to 20 November 2019)
Kerstin Heath	(Served from 25 June 2019 to 4 February 2020)
Nicola Catherine Newton	(Appointed 25 June 2019)
Robert McLellan Sim	(Served from 25 June 2019 to 3 April 2020)
Wendy Jane Richardson	(Served from 1 June 2019 to 25 June 2019)
Juanna Ladaga	(Served from 25 June 2019 to 9 August 2019)
Cecile Richardson	(Appointed 9 August 2019)
James Stuart Hall	(Appointed 21 October 2019)
Galen Yarrow Fulford	(Appointed 13 November 2019)
Gillian Ross Barrett	(Appointed 13 November 2019)
Berent Hendrik Korfker	(Appointed 8 January 2020)

**Company secretary** Allan McAlpine Kerr

**Auditor** Muir & Addy  
Chartered Accountants & statutory auditor  
Muir Building  
427 Holywood Road  
Belfast  
BT4 2LT

**Bankers** Bank of Scotland  
102 High Street  
Forres  
IV36 1PA

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 July 2019**

#### **Structure, governance and management**

##### **Change of name**

The name of the company was changed on 3 August 2016 from the Moray Steiner School Limited to Drumduan School Limited.

##### **Governing document**

Drumduan School Limited is a company limited by guarantee governed by its Memorandum and Articles of Association dated 19 July 1989. It is registered as a charity with the Scottish Charity Regulator (Reference number SC007157).

##### **Recruitment and appointment of trustees**

Under the requirements of the Memorandum and Articles of Association, one third of the Trustees stand down at each AGM. They are of course permitted to present themselves for reappointment, and in the interests of continuity this is often approved. The Trustees have a mix of skills including educational, management, financial, PR, and business.

In the event that the appointment of an additional Trustee is deemed desirable, the members will be made aware of this, and the Trustees will also search outside of the school community for appropriate candidates.

##### **Trustees induction and training**

Most new Trustees are already familiar with the work of the charity, but they are encouraged to attend suitable training courses to familiarise themselves with both this work and the general responsibilities of a Trustee.

##### **Organisation**

The Trustees are legally responsible for the running of the school, but on a daily basis they delegate responsibility for managing the school to the Steering Group, the Head of Education, the Head of Operations and the Administration team.

The Head of Education advises on all matters relating to education, The Head of Operations advises on operational matters, the Administration team handles all operational logistics, and the Steering Group is an advisory and decision-making group that meet weekly to ensure that all recommendations and actions from Education, Operations and Administration are integrated and co-ordinated.

##### **Risk management**

The Trustees have carried out a review of the major risks to which the charity might be exposed, and where appropriate have put in place or are putting in place, systems and controls to mitigate the effects of these risks.

#### **Objectives and activities**

##### **Objectives**

The Company was established to advance and develop the educational and social ideas of Dr Rudolf Steiner. Given that these ideas were formulated over one hundred years ago, the company recognises that interpretations have to be found that are compatible with more modern times. The Company also recognises that a fully-rounded education system will always integrate ideas and influences from other sources.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 July 2019**

#### **Objectives and activities *(continued)***

##### **Activities**

The main activity of the Company remains the operation of an educational campus that caters for children from ages 3 to 19.

##### **Achievements and performance**

##### **Financial Performance**

The first eleven months of the year operated under a previous set of trustees. This period was characterised by substantially higher spending on staff, particularly on senior administrative staff. There had also been a history of regular and substantial donations which were planned for a specific period until June 2019 thus would ideally have required more forward planning for their coming to an end. Some other patronage was found, but both of these contributions ended slightly earlier in the year than anticipated, with the last such payment made at the end of March 2019. This lack of income combined with a disproportionately high salaries spend left the school in a precarious financial position.

The previous board resigned en masse at an EGM held on 25 June 2019, leaving total creditors of almost £400,000. Five new trustees stepped forward and formed a new board.

After the financial year end, the new school board negotiated a deal with Ekopia Social Investments Investments Limited ('Ekopia') whereby the school building and immediate grounds were sold to Ekopia and the £400K generated was strictly reserved to pay off existing creditors. This was done and the school now rents the premises back from Ekopia. The school has retained ownership of the extended grounds and the upperschool grounds and buildings, currently valued at around £60k.

The current board has worked extremely hard, since the year end year, to try to move the school to a solid and sustainable financial footing where the fees generated cover the budgetary requirements of the school.

A review of staffing resulted in 5 staff being made redundant and all remaining salaries being capped at £20k in order to effectively manage the salary spend on budget.

Expenses for the school have been stringently vetted to ensure that only essential spend is authorised and the budget and cashflow are being monitored and reported to Trustees weekly by the book keeper.

As Drumduan School is now solely dependent on fees, we have suffered significant impact from Covid19 as family incomes have been reduced and some parents have been unable to meet their responsibilities with regards fee payment. However, this has been off set by accessing the Furlough Scheme and, pending reapplication, the 3rd Sector resilience Fund, which will allow us to reach year end without incurring further unplanned debt.

##### **Financial review**

##### **Results for the year**

The income for the year was £533,963 (2018 £741,101). Of this income 70% was fee income, 22% was donations, and 8% grants, fund-raising and other income. Including the movement in restricted funds the result for the year was a deficit of £178,402 (2018 surplus of £67,093). The main reason for the deficit this year was the fall of over £250,000 in donations.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 July 2019**

#### **Financial review *(continued)***

##### **Reserves policy**

The Trustees have examined the charity's requirement for reserves in light of the main risks to the funding of the organisation. Unrestricted income funds are currently in deficit by £124,444. Unrestricted reserves are needed to sustain the day-to-day operations of the school. The Trustees consider that the ideal level of reserves to meet the running costs for a period of 3 months to be in the region of £175,000. The Trustees will aim to increase the unrestricted reserves in future years through fundraising, and through gradually increasing the school roll while simultaneously controlling costs and credit.

##### **Plans for future periods**

There is a significant marketing opportunity for Drumduan School, created by the Covid19 pandemic. As a nation, we are developing a greater awareness of the importance of a strong nature connection and understanding of our ecological impact. People are re evaluating their life choices and, more than ever, are open to trying something that has, in our country, been seen as less conventional.

We are in the process of developing a marketing strategy to maximise our benefit from this opportunity and are currently recruiting for 2.5 additional teachers to support the identified need for additional capacity in the school: we recruited 13 new students last year, despite no marketing being done, and we continue to attract students locally, nationally and from around the world.

To this end, we are actively utilising social media and have begun to showcase samples of the excellent lessons that our teachers have created to support the necessary online curriculum during the Covid19 Pandemic. This demonstrates the school's ability to respond rapidly and creatively to a current issue while demonstrating the high quality of the education being provided.

We are also considering application for the Government backed Bounce Back Loan so that we can utilise the advantageous terms to ensure that we have the necessary reserves to continue to develop the school in line with the anticipated increase in student roll resultant from the marketing campaign.

The school has a very strong Parents, Teachers and Friends Association and there has been a positive sense of community in the school since June 2019. This is very valuable and has also resulted in more fundraising achievements.

Having carried out a detailed analysis of classes and fees, the board is in the process of developing the budget for next year to ensure that fees are adjusted in order to meet the budgetary requirements of the school.

In addition, a case is being made to the Scottish Government to request that the equivalent per capita payment made to the local council for children in mainstream education should be made to Drumduan School if this is where the health, wellbeing and educational development needs of the individual student are best met. This is already enshrined in legislation and reinforced in council policy and, if successful, this money would be used to further grow and develop the curriculum within the school. However, given the nature of politics, these finances are not being included in budgetary planning, as, at this stage, they are speculative.

Having started the 2019/2020 year with creditors of over £370,000, it is heartening to approach the year end with an anticipated neutral cash flow balance and significant assets, in terms of land and upper school buildings.

With solid financial planning and efficient utilisation of funding opportunities, combined with effective marketing of the excellent, innovative and highly relevant curriculum on offer at Drumduan School; the board is looking forward to a period of growth and increasing financial security in the coming year.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 July 2019**

#### **Trustees' responsibilities statement**

The trustees, who are also directors for the purposes of company law, are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the charity trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charitable company and the incoming resources and application of resources, including the income and expenditure, 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 applicable Charities SORP;
- 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 charity will continue in business.

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

#### **Auditor**

Each of the persons who is a trustee 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 charity's auditor is unaware; and
- they have taken all steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

#### **Small company provisions**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.



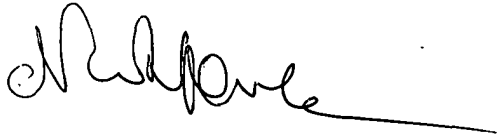
**Drumduan School Limited**

**Company Limited by Guarantee**

**Trustees' Annual Report (Incorporating the Director's Report) *(continued)***

**Year ended 31 July 2019**

The trustees' annual report was approved on 21 May 2020 and signed on behalf of the board of trustees by:

A handwritten signature in black ink, appearing to read 'Nicola Catherine Newton', with a long horizontal line extending to the right.

Nicola Catherine Newton  
Trustee

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Independent Auditor's Report to the Members of Drumduan School Limited**

**Year ended 31 July 2019**

#### **Opinion**

We have audited the financial statements of Drumduan School Limited (the 'charity') for the year ended 31 July 2019 which comprise the statement of financial activities (including income and expenditure account), statement of financial position, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **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 charity 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 the provisions available for small entities, in the circumstances set out below, 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.

In common with many other businesses of this size and nature we, as auditors, assist with the preparation of the financial statements.

#### **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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity'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.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Independent Auditor's Report to the Members of Drumduan School Limited** (continued)

**Year ended 31 July 2019**

#### **Emphasis of matter - going concern**

In forming our opinion on the financial statements, we have considered the adequacy of the disclosure in note 28 to the financial statements concerning the company's ability to continue as a going concern.

We consider that this matter should be brought to your attention, but our opinion is not qualified in this respect.

#### **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 trustees 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 trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report has been prepared in accordance with applicable legal requirements.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Independent Auditor's Report to the Members of Drumduan School Limited**

*(continued)*

**Year ended 31 July 2019**

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

#### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the charity'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 trustees either intend to liquidate the charity 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.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Independent Auditor's Report to the Members of Drumduan School Limited**

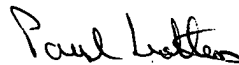
*(continued)*

**Year ended 31 July 2019**

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

#### **Use of our report**

This report is made solely to the charity's members, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Leathem (Senior Statutory Auditor)

For and on behalf of  
Muir & Addy  
Chartered Accountants & statutory auditor

Muir Building  
427 Holywood Road  
Belfast  
BT4 2LT

21 May 2020

**Drumduan School Limited**  
**Company Limited by Guarantee**  
**Statement of Financial Activities**  
**(including income and expenditure account)**  
**Year ended 31 July 2019**

		Unrestricted funds	2019 Restricted funds	Total funds	2018 Total funds
	Note	£	£	£	£
<b>Income and endowments</b>					
Donations and grants	5	136,830	7,202	144,032	390,353
Charitable activities	6	376,029	—	376,029	343,003
Other trading activities	7	13,433	—	13,433	7,585
Other income	8	469	—	469	160
<b>Total income</b>		<u>526,761</u>	<u>7,202</u>	<u>533,963</u>	<u>741,101</u>
<b>Expenditure</b>					
Expenditure on raising funds:					
Costs of raising donations and legacies	9	1,359	—	1,359	2,172
Expenditure on charitable activities	10,11	703,804	7,202	711,006	671,836
<b>Total expenditure</b>		<u>705,163</u>	<u>7,202</u>	<u>712,365</u>	<u>674,008</u>
<b>Net (expenditure)/income and net movement in funds</b>		<u>(178,402)</u>	<u>—</u>	<u>(178,402)</u>	<u>67,093</u>
<b>Reconciliation of funds</b>					
Total funds brought forward		619,321	—	619,321	552,228
<b>Total funds carried forward</b>		<u>440,919</u>	<u>—</u>	<u>440,919</u>	<u>619,321</u>

The statement of financial activities includes all gains and losses recognised in the year.  
All income and expenditure derive from continuing activities.

**Drumduan School Limited**  
**Company Limited by Guarantee**  
**Statement of Financial Position**

**31 July 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible fixed assets	17	785,391	796,075
<b>Current assets</b>			
Stocks	18	4,500	4,500
Debtors	19	23,586	27,578
Cash at bank and in hand		382	314
		<u>28,468</u>	<u>32,392</u>
<b>Creditors: amounts falling due within one year</b>	21	<u>323,273</u>	<u>154,228</u>
<b>Net current liabilities</b>		<b>294,805</b>	<b>121,836</b>
<b>Total assets less current liabilities</b>		<b>490,586</b>	<b>674,239</b>
<b>Creditors: amounts falling due after more than one year</b>	22	<u>49,667</u>	<u>54,918</u>
<b>Net assets</b>		<u><b>440,919</b></u>	<u><b>619,321</b></u>
<b>Funds of the charity</b>			
Unrestricted funds:			
Revaluation reserve		565,363	565,363
Other unrestricted income funds		(124,444)	53,958
<b>Total unrestricted funds</b>		<u>440,919</u>	<u>619,321</u>
<b>Total charity funds</b>	24	<u><b>440,919</b></u>	<u><b>619,321</b></u>

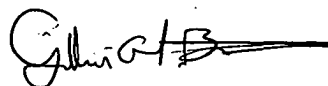
These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved by the board of trustees and authorised for issue on 21 May 2020, and are signed on behalf of the board by:

Galen Yarrow Fulford  
Trustee



Gillian Ross Barrett  
Trustee



The notes on pages 15 to 25 form part of these financial statements.

**Drumduan School Limited**  
**Company Limited by Guarantee**  
**Statement of Cash Flows**  
**Year ended 31 July 2019**

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Net (expenditure)/income		(178,402)	67,093
<i>Adjustments for:</i>			
Depreciation of tangible fixed assets		10,684	11,248
Interest payable and similar charges		6,016	6,864
Accrued expenses/(income)		7,406	(35,865)
<i>Changes in:</i>			
Trade and other debtors		3,992	29,661
Trade and other creditors		156,615	(48,727)
Cash generated from operations		6,311	30,274
Interest paid		(6,016)	(6,864)
Net cash from operating activities		<u>295</u>	<u>23,410</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets		–	(21,600)
Net cash used in investing activities		<u>–</u>	<u>(21,600)</u>
<b>Net increase in cash and cash equivalents</b>		295	1,810
<b>Cash and cash equivalents at beginning of year</b>		(15,306)	(17,116)
<b>Cash and cash equivalents at end of year</b>	20	<u>(15,011)</u>	<u>(15,306)</u>

The notes on pages 15 to 25 form part of these financial statements.



**Drumduan School Limited**  
**Company Limited by Guarantee**  
**Notes to the Financial Statements**  
**Year ended 31 July 2019**

**1. General information**

The charity is a public benefit entity and a private company limited by guarantee, registered in Scotland and a registered charity in Scotland. The address of the registered office is Drumduan, Clovenside Road, Forres, IV36 2RD.

**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', the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)) and the Companies Act 2006.

**3. Accounting policies**

**Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through income or expenditure.

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

**Going concern**

There are no material uncertainties about the charity's ability to continue.

**Fund accounting**

The company is responsible for various types of funds which require separate disclosure as follows:

**Unrestricted funds** - funds which are expendable at the discretion of the trustees in the furtherance of the objects of the charity.

**Designated funds** - funds set aside by the trustees for a specific purpose.

**Restricted funds** - funds earmarked by the donor for a specific purpose.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Notes to the Financial Statements *(continued)***

**Year ended 31 July 2019**

#### **3. Accounting policies *(continued)***

##### **Incoming resources**

All incoming resources are included in the statement of financial activities when entitlement has passed to the charity; it is probable that the economic benefits associated with the transaction will flow to the charity and the amount can be reliably measured. The following specific policies are applied to particular categories of income:

- income from donations or grants is recognised when there is evidence of entitlement to the gift, receipt is probable and its amount can be measured reliably.
- legacy income is recognised when receipt is probable and entitlement is established.
- income from donated goods is measured at the fair value of the goods unless this is impractical to measure reliably, in which case the value is derived from the cost to the donor or the estimated resale value. Donated facilities and services are recognised in the accounts when received if the value can be reliably measured. No amounts are included for the contribution of general volunteers.
- income from contracts for the supply of services is recognised with the delivery of the contracted service. This is classified as unrestricted funds unless there is a contractual requirement for it to be spent on a particular purpose and returned if unspent, in which case it may be regarded as restricted.

##### **Resources expended**

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is classified under headings of the statement of financial activities to which it relates:

- expenditure on raising funds includes the costs of all fundraising activities, events, non-charitable trading activities, and the sale of donated goods.
- expenditure on charitable activities includes all costs incurred by a charity in undertaking activities that further its charitable aims for the benefit of its beneficiaries, including those support costs and costs relating to the governance of the charity apportioned to charitable activities.
- other expenditure includes all expenditure that is neither related to raising funds for the charity nor part of its expenditure on charitable activities.

All costs are allocated to expenditure categories reflecting the use of the resource. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs are apportioned between the activities they contribute to on a reasonable, justifiable and consistent basis.

##### **Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Notes to the Financial Statements *(continued)***

**Year ended 31 July 2019**

#### **3. Accounting policies *(continued)***

##### **Tangible assets *(continued)***

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other recognised gains and losses, unless it reverses a charge for impairment that has previously been recognised as expenditure within the statement of financial activities. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other recognised gains and losses, except to which it offsets any previous revaluation gain, in which case the loss is shown within other recognised gains and losses on the statement of financial activities.

##### **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:

Property	- 2% straight line
Fixtures and fittings	- 15% reducing balance
Motor vehicles	- 25% reducing balance
Books and equipment	- 15% reducing balance

##### **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.

##### **Financial instruments**

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

Basic financial instruments are initially recognised at the amount receivable or payable including any related transaction costs.

Current assets and current liabilities are subsequently measured at the cash or other consideration expected to be paid or received and not discounted.

Debt instruments are subsequently measured at amortised cost.

# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Notes to the Financial Statements *(continued)***

#### **Year ended 31 July 2019**

#### **3. Accounting policies *(continued)***

##### **Financial instruments *(continued)***

Where investments in shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in income and expenditure. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the statement of financial activities, with the exception of hedging instruments in a designated hedging relationship.

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 under the appropriate heading in the statement of financial activities in which the initial gain was recognised.

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 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.

##### **Defined contribution plans**

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.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as an expense in the period in which it arises.

#### **4. Limited by guarantee**

Drumduan School Limited is a company limited by guarantee not having a share capital.

According to the Memorandum of Association of the company every member undertakes to contribute to the assets of the company in the event of its being wound up while he/she is a member, or within one year afterwards, for payment of the debts and liabilities of the company contracted before the time at which he/she ceases to be a member and of the costs, charges and expenses of winding up of the same, and for the adjustment of the rights of the contributories amongst themselves, such as may be required not exceeding £1.

# Drumduan School Limited

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 July 2019

#### 5. Donations and grants

	Unrestricted Funds £	Restricted Funds £	Total Funds 2019 £
<b>Donations</b>			
Donations	107,960	7,202	<b>115,162</b>
<b>Grants</b>			
Pre-school Kindergarten grants	28,870	—	<b>28,870</b>
	<u>136,830</u>	<u>7,202</u>	<u><b>144,032</b></u>
	Unrestricted Funds £	Restricted Funds £	Total Funds 2018 £
<b>Donations</b>			
Donations	362,390	3,676	366,066
<b>Grants</b>			
Pre-school Kindergarten grants	24,287	—	24,287
	<u>386,677</u>	<u>3,676</u>	<u>390,353</u>

#### 6. Charitable activities

	Unrestricted Funds £	Restricted Funds £	Total Funds 2019 £
Parental contributions	<u>376,029</u>	—	<u><b>376,029</b></u>
	Unrestricted Funds £	Restricted Funds £	Total Funds 2018 £
Parental contributions	<u>341,560</u>	<u>1,443</u>	<u><b>343,003</b></u>

#### 7. Other trading activities

	Unrestricted Funds £	Total Funds 2019 £	Unrestricted Funds £	Total Funds 2018 £
Fundraising events	9,013	<b>9,013</b>	7,505	7,505
Class trip fundraising	4,420	<b>4,420</b>	80	80
	<u>13,433</u>	<u><b>13,433</b></u>	<u>7,585</u>	<u>7,585</u>

# Drumduan School Limited

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 July 2019

#### 8. Other income

	Unrestricted Funds	Total Funds 2019	Unrestricted Funds	Total Funds 2018
	£	£	£	£
Other income	469	<u>469</u>	160	<u>160</u>

#### 9. Costs of raising donations and legacies

	Unrestricted Funds	Total Funds 2019	Unrestricted Funds	Total Funds 2018
	£	£	£	£
Costs of generating income	1,359	<u>1,359</u>	2,172	<u>2,172</u>

#### 10. Expenditure on charitable activities by fund type

	Unrestricted Funds	Restricted Funds	Total Funds 2019
	£	£	£
Educational costs	441,847	7,202	<b>449,049</b>
Administration costs	171,401	–	<b>171,401</b>
Premises costs	78,273	–	<b>78,273</b>
Support costs	12,283	–	<b>12,283</b>
	<u>703,804</u>	<u>7,202</u>	<u><b>711,006</b></u>

	Unrestricted Funds	Restricted Funds	Total Funds 2018
	£	£	£
Educational costs	387,614	5,119	392,732
Administration costs	201,119	–	201,119
Premises costs	66,856	–	66,856
Support costs	11,128	–	11,129
	<u>666,717</u>	<u>5,119</u>	<u>671,836</u>

#### 11. Expenditure on charitable activities by activity type

	Activities undertaken directly	Support costs	Total funds 2019	Total fund 2018
	£	£	£	£
Educational costs	449,049	–	<b>449,049</b>	392,732
Administration costs	171,401	–	<b>171,401</b>	201,119
Premises costs	78,273	–	<b>78,273</b>	66,856
Governance costs	–	12,283	<b>12,283</b>	11,129
	<u>698,723</u>	<u>12,283</u>	<u><b>711,006</b></u>	<u>671,836</u>

# Drumduan School Limited

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 July 2019

#### 12. Bursaries

Student bursaries amounting to £40,000 were awarded during the year. In addition to these bursaries, discounts of £43,000 were given in respect of fees for the children of members of the teaching staff attending the school.

#### 13. Net (expenditure)/income

Net (expenditure)/income is stated after charging/(crediting):

	2019	2018
	£	£
Depreciation of tangible fixed assets	10,684	11,248
Operating lease rentals	1,009	4,751

#### 14. Auditors remuneration

	2019	2018
	£	£
Fees payable for the audit of the financial statements	3,000	3,000

#### 15. Staff costs

The total staff costs and employee benefits for the reporting period are analysed as follows:

	2019	2018
	£	£
Wages and salaries	449,272	441,986
Social security costs	25,567	21,251
Employer contributions to pension plans	15,698	16,263
Other employee benefits	21,921	–
	512,458	479,500

The average head count of employees during the year was 25 (2018: 25). The average number of full-time equivalent employees during the year is analysed as follows:

	2019	2018
	No.	No.
Teaching and administrative staff	20	20

No employee received employee benefits of more than £60,000 during the year (2018: Nil).

#### Key Management Personnel

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the charity. The total compensation paid to key management personnel for services provided to the charity was £48,000 (2018: £45,000).

#### 16. Trustee remuneration and expenses

No remuneration or other benefits from employment with the charity or a related entity were received by the trustees.

# Drumduan School Limited

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

#### Year ended 31 July 2019

#### 17. Tangible fixed assets

	Land and buildings £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
<b>Cost</b>					
<b>At 1 August 2018 and 31 July 2019</b>	<u>827,382</u>	<u>47,477</u>	<u>1,602</u>	<u>26,612</u>	<u>903,073</u>
<b>Depreciation</b>					
At 1 August 2018	50,699	31,437	700	24,162	106,998
Charge for the year	<u>7,686</u>	<u>2,406</u>	<u>225</u>	<u>367</u>	<u>10,684</u>
<b>At 31 July 2019</b>	<u>58,385</u>	<u>33,843</u>	<u>925</u>	<u>24,529</u>	<u>117,682</u>
<b>Carrying amount</b>					
<b>At 31 July 2019</b>	<u>768,997</u>	<u>13,634</u>	<u>677</u>	<u>2,083</u>	<u>785,391</u>
At 31 July 2018	<u>776,683</u>	<u>16,040</u>	<u>902</u>	<u>2,450</u>	<u>796,075</u>

The property at Drumduan School was professionally valued by Richard M Smith FRICS on behalf of Allied Surveyors Scotland plc on 28 August 2017. In his opinion the property has a market value of £700,000. The trustees have used this valuation as the basis for valuing the property on transition to FRS 102 on 1 August 2015 and have adopted the revalued property value as the cost going forward.

#### 18. Stocks

	2019 £	2018 £
Raw materials and consumables	<u>4,500</u>	<u>4,500</u>

#### 19. Debtors

	2019 £	2018 £
Trade debtors	<u>23,586</u>	<u>27,578</u>

#### 20. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2019 £	2018 £
Cash at bank and in hand	382	314
Bank overdrafts	<u>(15,393)</u>	<u>(15,620)</u>
	<u>(15,011)</u>	<u>(15,306)</u>



# **Drumduan School Limited**

## **Company Limited by Guarantee**

### **Notes to the Financial Statements *(continued)***

#### **Year ended 31 July 2019**

#### **21. Creditors: amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b>15,393</b>	15,620
Trade creditors	<b>48,492</b>	12,633
Accruals and deferred income	<b>34,347</b>	26,941
Social security and other taxes	<b>86,352</b>	24,647
Other creditors	<b>138,689</b>	74,387
	<b><u>323,273</u></b>	<b><u>154,228</u></b>

Other creditors includes a loan of £40,000 from Ekopia Resource Exchange Limited. This loan is secured by a charge on the property owned by the school at Drumduan House, Forres. The bank overdraft is secured by a bond and floating charge over the whole assets of the school, and a charge over the property at Drumduan House, Forres.

#### **22. Creditors: amounts falling due after more than one year**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Hermes Trust loan	<b><u>49,667</u></b>	<b><u>54,918</u></b>

The Hermes Trust loan is secured by a charge over the buildings owned by the school at Drumduan House, Forres and by a charge over the grounds owned by the school at Drumduan House, Clovenside Road, Forres.

#### **23. Pensions and other post retirement benefits**

##### **Defined contribution plans**

The amount recognised in income or expenditure as an expense in relation to defined contribution plans was £15,698 (2018: £16,263).

# Drumduan School Limited

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 July 2019

#### 24. Analysis of charitable funds

##### Unrestricted funds

	At 1 August 2018	Income	Expenditure	At 31 July 2019
	£	£	£	£
General funds	53,958	526,761	(705,163)	(124,444)
Revaluation reserve	565,363	—	—	565,363
	<u>619,321</u>	<u>526,761</u>	<u>(705,163)</u>	<u>440,919</u>

	At 1 August 2017	Income	Expenditure	At 31 July 2018
	£	£	£	£
General funds	(13,135)	735,982	(668,889)	53,958
Revaluation reserve	565,363	—	—	565,363
	<u>552,228</u>	<u>735,982</u>	<u>(668,889)</u>	<u>619,321</u>

##### Restricted funds

	At 1 August 2018	Income	Expenditure	At 31 July 2019
	£	£	£	£
Bursary Fund	—	7,202	(7,202)	—

	At 1 August 2017	Income	Expenditure	At 31 July 2018
	£	£	£	£
Bursary Fund	—	5,119	(5,119)	—

# Drumduan School Limited

## Company Limited by Guarantee

### Notes to the Financial Statements *(continued)*

Year ended 31 July 2019

#### 25. Analysis of net assets between funds

	Unrestricted Funds	Total Funds 2019
	£	£
Tangible fixed assets	785,391	<b>785,391</b>
Current assets	28,468	<b>28,468</b>
Creditors less than 1 year	(323,273)	<b>(323,273)</b>
Creditors greater than 1 year	(49,667)	<b>(49,667)</b>
<b>Net assets</b>	<b>440,919</b>	<b>440,919</b>

	Unrestricted Funds	Total Funds 2018
	£	£
Tangible fixed assets	796,075	796,075
Current assets	32,392	32,392
Creditors less than 1 year	(154,228)	(154,228)
Creditors greater than 1 year	(54,918)	(54,918)
<b>Net assets</b>	<b>619,321</b>	<b>619,321</b>

#### 26. Related parties

The school was under the control of the board of directors (trustees) throughout the current and previous year.

Payments were made to trustees for teaching and other professional services provided to the school as follows:

Ian Sutherland McCook was paid £24,900 for the provision of consultancy services. His wife, Sophie McCook, is employed by the school as a class teacher.

An interest-free loan of £20,000 has been made to the school by Kolbjorn Borseth, a trustee of the charity.

#### 27. Ethical standards

In common with many businesses of our size and nature we use our auditors to assist with the preparation of the financial statements.

#### 28. Going concern

The school had net current liabilities at 31 July 2019 of £294,805, and was dependent upon the continued support of the bank and other creditors. Since the year end the Trustees have entered into a sale and leaseback arrangement of the school buildings and immediate grounds. The sale proceeds of £400,000 have enabled the school to meet its financial liabilities. As a result of this event after the end of the reporting period the Trustees consider that it is appropriate to prepare the financial statements on a going concern basis. The Trustees are also seeking new sources of funding and are implementing cost-saving measures with the aim of returning the school to profitability in the future.