

COMPANY REGISTRATION NUMBER: SC119638

CHARITY REGISTRATION NUMBER: SC007157

Drumduan School Limited
Company Limited by Guarantee
Financial Statements
31 July 2017



Drumduan School Limited
Company Limited by Guarantee
Financial Statements
Year ended 31 July 2017

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Drumduan School Limited

Company Limited by Guarantee

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

Year ended 31 July 2017

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 2017.

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
Moray
IV36 2RD

The trustees

Ian Sutherland McCook
Matilda Swinton
Kolbjorn Borseth
Allison Stewart Tomlinson
Rupert Hamish Wolfe Murray (Appointed 9 July 2017)
Katrina Luise McPherson (Resigned 9 July 2017)

Company secretary Rachel Phillips

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

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

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).

Drumduan School Limited

Company Limited by Guarantee

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

Year ended 31 July 2017

Structure, governance and management *(continued)*

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 Principal, and the Administration team.

The Principal advises on all matters relating to education, 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 and 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.

Activities

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

Strategic report

The following sections for achievements and performance and financial review form the strategic report of the charity.

Drumduan School Limited

Company Limited by Guarantee

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

Year ended 31 July 2017

Achievements and performance

Financial Performance

This year has been dominated by the process of taking over Moray Steiner School. There have been complications with integrating two different teaching and administrative systems, and challenges resulting from inheriting increased running costs and a large operational deficit.

Drumduan however, is supported by a number of patrons from within and without the community, and they have continued to successfully support this much-enlarged venture. Payrolls are always met, and bills are always paid.

Throughout the school year the pupil roll has slowly but steadily increased from just over 70 to around 84-85. These additions have largely been in the early years, which is encouraging, since it is from these years that the future school roll will grow. Our patrons agree with the Trustees that Drumduan must maintain a solid level of staff in order to attract new families, so these additional students do not require additional staff. The school already has the full complement of teachers and admin, so that all new student fees go straight to the bottom line of the accounts. All the evidence points to this trend continuing, which will in time of course reduce the deficit.

Another reason for Drumduan running a large deficit, is that the Trustees believe strongly that the school must be open to all, irrespective of income, so we provide a comprehensive system of bursaries. No family should be prevented or discouraged from choosing Drumduan because they cannot afford it. In this accounting period Drumduan awarded bursaries totalling £95,965.

Financial review

Results for the year

The income for the year was £676,489 (2016 £220,720). Of this income 48% was fee income, 47% was donations, and 5% grants, fund-raising and other income. Including the movement in restricted funds the result for the year was a deficit of £8,766 (2016 £17,585)

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 funds are currently in deficit by £13,135. 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 £160,000. 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.

Drumduan School Limited

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

Year ended 31 July 2017

Plans for future periods

Drumduan will be challenged for some time by the task of absorbing Moray Steiner School, but that task has proved to be manageable. We have introduced a new management structure that takes the former role of Principal and divides it into two separate roles..... Head of Education and Head of Operations....and this is proving to be successful. The work of the Head of Operations not only frees up the Head of Education to concentrate on pedagogical matters, but it also allows time for attending essential conferences and symposiums that bring back new ideas and methodologies.

Drumduan will continue to promote itself as a school without exams, and this is attracting many families from all socio-economic backgrounds, and from all over the UK and overseas. The twin epidemics of mental health and stress have impacted on so many families that there is an overwhelming desire and demand for schools that concentrate more on the child and less on exam passes. We firmly believe that our future lies in identifying the school as leader in this field.

In this respect we have recently strengthened our staffing capabilities in the field of learning support, and will further develop that capability significantly so as to meet the increased incidence of mental dysfunction among children today.

To achieve our ambition of being open to all irrespective of income, we will continue to talk with the Scottish Government about the prospect of state funding, and we are encouraged by the level of interest shown so far. We believe that Drumduan will be supported by the public purse within three to five years.

Until that time we will expand our network of private and corporate patrons. We have been fortunate to attract solid sponsorship from Teatulia, a Bangladesh-based tea company with offices and operations in UK and USA, and that promises to be a good long-term relationship.

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;
- 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 charity will continue in business.

Drumduan School Limited

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

Year ended 31 July 2017

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.

The trustees' annual report and the strategic report were approved on 23 April 2018 and signed on behalf of the board of trustees by:



Rachel Phillips
Charity Secretary

Drumduan School Limited
Company Limited by Guarantee



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

Year ended 31 July 2017

Opinion

We have audited the financial statements of Drumduan School Limited (the 'charity') for the year ended 31 July 2017 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Year ended 31 July 2017

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The 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.

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.

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

Year ended 31 July 2017

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.

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

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

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

Year ended 31 July 2017

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

A handwritten signature in black ink, appearing to read 'Paul Leathem'.

Paul Leathem (Senior Statutory Auditor)

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

Muir Building
427 Holywood Road
Belfast
BT4 2LT

23 April 2018

Drumduan School Limited

Company Limited by Guarantee

Statement of Financial Activities (including income and expenditure account)

31 July 2017

		Unrestricted funds	2017 Restricted funds	Total funds	2016 Total funds
	Note	£	£	£	£
Income and endowments					
Donations and legacies	5	668,370	2,904	671,273	214,609
Other trading activities	6	4,466	—	4,466	5,600
Investment income	7	—	—	—	2
Other income	8	750	—	750	509
Total income		<u>673,586</u>	<u>2,904</u>	<u>676,489</u>	<u>220,720</u>
Expenditure					
Expenditure on raising funds:					
Costs of raising donations and legacies	9	694	—	694	399
Expenditure on charitable activities	10,11	681,658	2,904	684,561	237,906
Total expenditure		<u>682,352</u>	<u>2,904</u>	<u>685,255</u>	<u>238,305</u>
Net expenditure		<u>(8,766)</u>	<u>—</u>	<u>(8,766)</u>	<u>(17,585)</u>
Transfers between funds		10,535	(10,535)	—	—
Other recognised gains and losses					
Gains from revaluation of fixed assets		—	—	—	565,363
Net movement in funds		<u>1,769</u>	<u>(10,535)</u>	<u>(8,766)</u>	<u>547,778</u>
Reconciliation of funds					
Total funds brought forward		550,459	10,535	560,994	13,216
Total funds carried forward		<u>552,228</u>	<u>—</u>	<u>552,228</u>	<u>560,994</u>

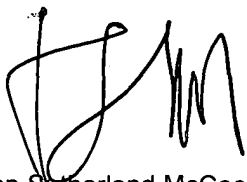
The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.


Drumduan School Limited
Company Limited by Guarantee
Statement of Financial Position

31 July 2017

		2017		2016
		£	£	£
Fixed assets				
Tangible fixed assets	19		785,723	706,210
Current assets				
Stocks	20	4,500		4,500
Debtors	21	57,239		25,364
Cash at bank and in hand		7,439		68
		<u>69,178</u>		<u>29,932</u>
Creditors: amounts falling due within one year	23	<u>243,117</u>		<u>110,745</u>
Net current liabilities			<u>173,939</u>	<u>80,813</u>
Total assets less current liabilities			<u>611,784</u>	<u>625,397</u>
Creditors: amounts falling due after more than one year	24		<u>59,556</u>	<u>64,403</u>
Net assets			<u><u>552,228</u></u>	<u><u>560,994</u></u>
Funds of the charity				
Restricted funds			-	10,535
Unrestricted funds:				
Revaluation reserve		565,363		565,363
Other unrestricted income funds		<u>(13,135)</u>		<u>(14,904)</u>
Total unrestricted funds		<u>552,228</u>		<u>550,459</u>
Total charity funds	26		<u><u>552,228</u></u>	<u><u>560,994</u></u>

These financial statements were approved by the board of trustees and authorised for issue on 23 April 2018, and are signed on behalf of the board by:


Ian Sutherland McCook
Trustee


Allison Stewart Tomlinson
Trustee

The notes on pages 13 to 24 form part of these financial statements.

Drumduan School Limited
Company Limited by Guarantee
Statement of Cash Flows
Year ended 31 July 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net expenditure		(8,766)	(17,585)
<i>Adjustments for:</i>			
Depreciation of tangible fixed assets		6,579	3,666
Other interest receivable and similar income		—	(2)
Interest payable and similar charges		6,866	7,312
Accrued expenses/(income)		55,302	(14,474)
<i>Changes in:</i>			
Trade and other debtors		(31,875)	24,773
Trade and other creditors		71,708	4,849
Cash generated from operations		99,814	8,539
Interest paid		(6,866)	(7,312)
Interest received		—	2
Net cash from operating activities		<u>92,948</u>	<u>1,229</u>
Cash flows from investing activities			
Purchase of tangible assets		(86,092)	—
Net cash used in investing activities		<u>(86,092)</u>	<u>—</u>
Net increase in cash and cash equivalents		6,856	1,229
Cash and cash equivalents at beginning of year		(23,972)	(25,201)
Cash and cash equivalents at end of year	22	<u>(17,116)</u>	<u>(23,972)</u>

The notes on pages 13 to 24 form part of these financial statements.

Drumduan School Limited
Company Limited by Guarantee
Notes to the Financial Statements
Year ended 31 July 2017

1. General information

The charity is 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, Moray, 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 Charities and Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006 (as amended).

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.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 August 2015. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 29.

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 2017

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

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Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

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 2017

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 2017

5. Donations and legacies

	Unrestricted Funds £	Restricted Funds £	Total Funds 2017 £
Donations			
Parental contributions	318,536	–	318,536
Donations	312,504	2,904	315,407
Drumduan Upper School Ltd.	17,939	–	17,939
Grants			
Pre-school Kindergarten grants	19,391	–	19,391
	<u>668,370</u>	<u>2,904</u>	<u>671,273</u>
	Unrestricted Funds £	Restricted Funds £	Total Funds 2016 £
Donations			
Parental contributions	144,799	–	144,799
Donations	51,144	2,693	53,837
Drumduan Upper School Ltd.	–	–	–
Grants			
Pre-school Kindergarten grants	15,973	–	15,973
	<u>211,916</u>	<u>2,693</u>	<u>214,609</u>

6. Other trading activities

	Unrestricted Funds £	Total Funds 2017 £	Unrestricted Funds £	Total Funds 2016 £
Fundraising events	3,106	3,106	5,543	5,543
Class trip fundraising	1,360	1,360	57	57
	<u>4,466</u>	<u>4,466</u>	<u>5,600</u>	<u>5,600</u>

7. Investment income

	Unrestricted Funds £	Total Funds 2017 £	Unrestricted Funds £	Total Funds 2016 £
Bank interest receivable	–	–	2	2
	<u>–</u>	<u>–</u>	<u>2</u>	<u>2</u>

8. Other income

	Unrestricted Funds £	Total Funds 2017 £	Unrestricted Funds £	Total Funds 2016 £
Other income	750	750	509	509
	<u>750</u>	<u>750</u>	<u>509</u>	<u>509</u>

Drumduan School Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

9. Costs of raising donations and legacies

	Unrestricted Funds	Total Funds 2017	Unrestricted Funds	Total Funds 2016
	£	£	£	£
Fundraising costs	694	694	399	399

10. Expenditure on charitable activities by fund type

	Unrestricted Funds	Restricted Funds	Total Funds 2017
	£	£	£
Educational costs	405,612	2,904	408,516
Administration costs	178,914	–	178,914
Premises costs	87,265	–	87,265
Support costs	9,867	–	9,866
	681,658	2,904	684,561

	Unrestricted Funds	Restricted Funds	Total Funds 2016
	£	£	£
Educational costs	148,405	–	148,405
Administration costs	55,909	–	55,909
Premises costs	24,144	–	24,144
Support costs	9,448	–	9,448
	237,906	–	237,906

11. Expenditure on charitable activities by activity type

	Activities undertaken directly	Support costs	Total funds 2017	Total fund 2016
	£	£	£	£
Educational costs	408,516	–	408,516	148,405
Administration costs	178,914	–	178,914	55,909
Premises costs	87,265	–	87,265	24,144
Governance costs	–	9,866	9,866	9,448
	674,695	9,866	684,561	237,906

12. Bursaries

Student bursaries amounting to £95,965 were awarded during the year. In addition to these bursaries, discounts of approximately £30,000 were given in respect of fees for the children of members of the teaching staff attending the school.

Drumduan School Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

13. Net expenditure

Net expenditure is stated after charging/(crediting):

	2017	2016
	£	£
Depreciation of tangible fixed assets	6,579	3,666
Operating lease rentals	<u>1,798</u>	<u>566</u>

14. Auditors remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	<u>3,000</u>	<u>–</u>

15. Independent examination fees

	2017	2016
	£	£
Fees payable to the independent examiner for: Independent examination of the financial statements	<u>–</u>	<u>2,100</u>

16. Staff costs

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

	2017	2016
	£	£
Wages and salaries	421,024	173,073
Social security costs	23,915	5,599
Employer contributions to pension plans	<u>18,789</u>	<u>–</u>
	<u>463,728</u>	<u>178,672</u>

The average head count of employees during the year was 24 (2016: 15). The average number of full-time equivalent employees during the year is analysed as follows:

	2017	2016
	No.	No.
Teaching and administrative staff	<u>19</u>	<u>11</u>

No employee received employee benefits of more than £60,000 during the year (2016: Nil).

17. 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 2017

18. Transfers between funds

There have been transfers this year from restricted funds to unrestricted funds in respect of the following:

1. The Music Fund balance of £441 has been transferred to unrestricted funds. In the opinion of the trustees this fund has been used of the purpose for which it was given and can be treated as unrestricted.

2. The Kindergarten Building Fund balance of £10,094 has been transferred to unrestricted funds. In the opinion of the trustees this fund has been used of the purpose for which it was given and can be treated as unrestricted.

19. Tangible fixed assets

	Land and buildings £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost					
At 1 August 2016	740,443	28,864	–	26,074	795,381
Additions	65,339	18,613	1,602	538	86,092
At 31 July 2017	805,782	47,477	1,602	26,612	881,473
Depreciation					
At 1 August 2016	40,443	25,412	–	23,316	89,171
Charge for the year	2,570	3,195	400	414	6,579
At 31 July 2017	43,013	28,607	400	23,730	95,750
Carrying amount					
At 31 July 2017	762,769	18,870	1,202	2,882	785,723
At 31 July 2016	700,000	3,452	–	2,758	706,210

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.

20. Stocks

	2017 £	2016 £
Raw materials and consumables	4,500	4,500

21. Debtors

	2017 £	2016 £
Trade debtors	52,760	25,364
Other debtors	4,479	–
	57,239	25,364

Drumduan School Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

22. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2017 £	2016 £
Cash at bank and in hand	7,439	68
Bank overdrafts	(24,555)	(24,040)
	<u>(17,116)</u>	<u>(23,972)</u>

23. Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts	24,555	24,040
Trade creditors	58,908	1
Accruals and deferred income	62,806	7,504
Social security and other taxes	–	12,136
Funds held on behalf of others	–	406
Other creditors	96,848	66,658
	<u>243,117</u>	<u>110,745</u>

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.

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

	2017 £	2016 £
Hermes Trust loan	59,556	64,403

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.

25. 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 £18,789 (2016: £Nil).

Drumduan School Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

26. Analysis of charitable funds

Unrestricted funds

	At 1 August 2016	Income £	Expenditure £	Transfers £	At 31 July 2017 £
General funds	(14,904)	673,586	(682,352)	10,535	(13,135)
Revaluation reserve	565,363	—	—	—	565,363
	<u>550,459</u>	<u>673,586</u>	<u>(682,352)</u>	<u>10,535</u>	<u>552,228</u>

Restricted funds

	At 1 August 2016	Income £	Expenditure £	Transfers £	At 31 July 2017 £
Bursary Fund	—	2,904	(2,904)	—	—
Music fund	441	—	—	(441)	—
Kindergarten building fund	10,094	—	—	(10,094)	—
	<u>10,535</u>	<u>2,904</u>	<u>(2,904)</u>	<u>(10,535)</u>	<u>—</u>

27. Analysis of net assets between funds

	Unrestricted Funds £	Total Funds 2017 £	Total Funds 2016 £
Tangible fixed assets	785,723	785,723	706,210
Current assets	69,178	69,178	29,932
Creditors less than 1 year	(243,117)	(243,117)	(110,745)
Creditors greater than 1 year	(59,556)	(59,556)	(64,403)
Net assets	<u>552,228</u>	<u>552,228</u>	<u>560,994</u>

Drumduan School Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

28. 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:

Katrina McPherson was paid £17,448 for the provision of educational services.

Ian Sutherland McCook was paid £10,173 for the provision of architectural services. His wife, Sophie McCook, is employed by the school as a Kindergarten teacher.

The wife of Kolbjorn Borseth, Helena Borseth, is employed by the school as a Kindergarten teacher.

An interest-free loan of £30,000 has been made to the school by Alison Stewart Tomlinson, a trustee of the charity.

29. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The charity transitioned to FRS 102 on 1 August 2015.

Reconciliation of retained funds

	1 August 2015			31 July 2016		
	As previously stated £	Effect of FRS 102 (as transition £	restated) £	As previously stated £	Effect of FRS 102 (as transition £	restated) £
Fixed assets	144,513	–	144,513	140,847	565,363	706,210
Current assets	54,648	–	54,648	29,932	–	29,932
Creditors less than 1 year	(62,409)	–	(62,409)	(110,745)	–	(110,745)
Net current liabilities	(7,761)	–	(7,761)	(80,813)	–	(80,813)
Total assets less current liabilities	136,752	–	136,752	60,034	565,363	625,397
Creditors greater than 1 year	(123,536)	–	(123,536)	(64,403)	–	(64,403)
Net assets	13,216	–	13,216	(4,369)	565,363	560,994
Funds of the charity	2,681	–	2,681	(4,369)	565,363	560,994

Reconciliation of net income or expenditure for the year

No transitional adjustments were required.

Drumduan School Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

29. Transition to FRS 102 *(continued)*

On transition to FRS 102 the trustees have adopted the revalued investment property value of £700,000 as the cost going forward. The Revaluation Reserve of £565,363 will form part of the unrestricted reserves of the charity.

30. Going concern

The school had a deficit on the Unrestricted Income Fund at 31 July 2017 of £13,135, and is dependent upon the continued support of the bank, other creditors and, in particular, the generous donors. The Trustees are confident that this support will continue to be forthcoming and that the financial statements should be prepared on a going concern basis.

The Trustees are hopeful that the merger with the Drumduan Upper School will lead to an improvement in the financial position of the School and that ultimately the School will be funded from the public purse.