

Kedleston Schools Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 05779536

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Kedleston Schools Limited

Company Information

Directors	A Hurran D Brosnan P Brosnan
Company secretary	A Hurran
Registered number	05779536
Registered office	Office Suite No. 1 Ansell Gardens Holloway Lane Harmondsworth West Drayton UB7 0AE
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Kedleston Schools Limited

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Kedleston Schools Limited

Group strategic report For the year ended 31 December 2016

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2016.

Principal activities, review of business and future developments

The principal activity of the company is that of a holding company (and the head office function) for the Group's subsidiary undertakings whose principal activity is that of the operation of residential and day schools together with children's homes for young people with social, emotional and mental health needs.

The sector continues to change and evolve in response to the twin challenges of continuing pressure on Local Authority funding and the consequential impact of the increasing complexity of the young people referred to our schools and children's homes. Whilst placements within day schools and standalone children's homes continue to be steady, the focus of Local Authorities on seeking alternatives to residential school provision has created an evolving challenge for the three residential schools operated by Kedleston.

In response to this Kedleston has begun providing in-house clinical resources in order for the residential schools to be able to respond to increasingly complex referrals and specifically the increase in young people with mental health and emotional well-being issues that often do not meet the criteria for sustained intervention from local Child and Adolescent Mental Health Services (CAMHS).

Within the wider group there is a commitment to further developing the availability of Key Stage 2 provision, working innovatively with Local Authorities to engage with young people who are resistant to attending school through direct work in the community, home and outside of traditional school hours and to replicating the success of High Peak School in developing a dynamic and thriving day school to complement the residential school at both Wings School Cumbria and Wings School Nottingham.

The group is committed to providing the highest possible standards of education and care and during the trading year has invested strongly in ensuring the quality of its operations which can be evidenced by the current Ofsted ratings of the majority of the schools and homes.

During the period the group had 265 residential school and 285 day school places.

During the year, the group disposed of Edington School Limited and Shapwick Senior School (Somerset) Limited and the properties from which they traded. There are no plans to alter the existing operation of the company or its remaining subsidiary undertakings in the future.

Review of financial position

The Group's revenue grew year on year by c £0.7m (£20.4m 2016 Vs £19.7m 2015). This reflects growth in a number of new services and greater stability in other core services in the Group.

As a result of the profit for the year net assets have increased to £11.3m.

Financial key performance indicators

The directors monitor the business activity through key performance indicators which include:

- Ofsted reports/gradings
- Employee turnover and absence
- Safeguarding and compliance reports
- Pupil attendance and absence rates
- Teaching and learning performance
- Financial performance

Kedleston Schools Limited

Group strategic report For the year ended 31 December 2016

Principal risks and uncertainties

The market for special needs schools remains strong despite the challenging economic and increasingly challenging regulatory climate. An increase in the number of children being taken into care combined with an increase in exclusions from mainstream schools will continue to drive demand.

The majority of fees are paid by Local Authorities at the start of a term therefore the credit risk is minimal.

At the year-end the Kyanite Limited group (in which Kedleston School is part of) owed £31.9m in bank facilities on facilities which terminates in 2018. The amount attracts interest at a margin over the prevailing interest rate.

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing of the accounts which show continued compliance with all financial covenants set by the group's funders and being able to meet all its liabilities as they fall due.

The directors acknowledge the group in which this company is part of that has debt which is due for full repayment by September 2018. The group will need to successfully refinance its loan facilities in advance of this date to meet these repayments. Although there can be no guarantee that this will be achieved, the Directors are confident based upon the current improvements in trading and the financial projections of being able to refinance the loan facilities.

The group monitors cash flow as part of its day to day control procedures. The board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary.

This report was approved by the board on 7 April 2017 and signed on its behalf.



P Brosnan
Director

Kedleston Schools Limited

Directors' report For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £2,311,337 (2015 -loss £2,855,240).

The directors do not recommend the payment of a dividend for the year under review (2015: £nil).

Directors

The directors who served during the year were:

A Hurran
D Brosnan
P Brosnan

Market value of Land and Buildings

The directors are of the opinion that there is no material difference between the market value of the group's interests in land and buildings and the amounts at which they are shown in the financial statements.

Employee involvement

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

The put and call option in relation to the non controlling interest was exercised in January 2017 for amounts totalling £100,000.

Kedleston Schools Limited

Directors' report (continued)
For the year ended 31 December 2016

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 7 April 2017 and signed on its behalf.



P Brosnan
Director

Kedleston Schools Limited

Directors' responsibilities statement For the year ended 31 December 2016

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

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

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- 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 Group will continue in business.

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

Kedleston Schools Limited

Independent Auditors' Report to the Member of Kedleston Schools Limited

We have audited the financial statements of Kedleston Schools Limited for the year ended 31 December 2016 which comprise the consolidated Statement of Comprehensive Income Statement, the consolidated and company Statement of Financial Position, the consolidated Statement of Cash Flows, the consolidated and company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Kedleston Schools Limited

Independent Auditors' Report to the Member of Kedleston Schools Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

BDO LLP

Stephen Le Bas (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Southampton
United Kingdom

12/4/2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Kedleston Schools Limited

Consolidated statement of comprehensive income For the year ended 31 December 2016

	Note	Continuing operations 2016 £	Discontin'd operations 2016 £	Total 2016 £	Continuing operations 2015 £	Discontin'd operations 2015 £	Total 2015 £
Turnover	4	19,269,660	1,131,667	20,401,327	16,680,234	3,057,024	19,737,258
Cost of sales		(9,174,829)	(723,688)	(9,898,517)	(4,879,490)	(4,871,193)	(9,750,683)
Gross profit		10,094,831	407,979	10,502,810	11,800,744	(1,814,169)	9,986,575
Administrative expenses		(9,847,468)	(518,183)	(10,365,651)	(12,294,874)	(1,096,582)	(13,391,456)
Other operating income	5	1,566,662	-	1,566,662	-	-	-
Gain from changes in fair value on investment property		234,000	-	234,000	-	-	-
Profit on disposal of operations		-	210,348	210,348	-	-	-
Operating profit/(loss)	6	2,048,025	100,144	2,148,169	(494,130)	(2,910,751)	(3,404,881)
Interest receivable and similar income	10	5,506	-	5,506	6,242	-	6,242
Interest payable and expenses	11	-	-	-	(156,601)	-	(156,601)
Profit/(loss) before taxation		2,053,531	100,144	2,153,675	(644,489)	(2,910,751)	(3,555,240)
Tax on profit/(loss)	12	157,662	-	157,662	700,000	-	700,000
Profit/(loss) for the year		2,211,193	100,144	2,311,337	55,511	(2,910,751)	(2,855,240)
Profit/(loss) for the year attributable to:							
Non-controlling interests		51,406	-	51,406	22,167	-	22,167
Owners of the parent Company		2,159,787	100,144	2,259,931	33,344	(2,910,751)	(2,877,407)
		2,211,193	100,144	2,311,337	55,511	(2,910,751)	(2,855,240)

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 14 to 36 form part of these financial statements.

Kedleston Schools Limited

Registered number:05779536

Consolidated statement of financial position As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	13	511,029	930,838
Tangible assets	14	42,696,042	46,882,595
Investment property	16	575,000	-
		<u>43,782,071</u>	<u>47,813,433</u>
Current assets			
Stocks		11,100	11,100
Debtors: amounts falling due within one year	18	5,120,283	3,885,121
Cash at bank and in hand		2,640,233	3,082,189
		<u>7,771,616</u>	<u>6,978,410</u>
Creditors: amounts falling due within one year	19	(36,980,008)	(42,323,662)
Net current liabilities		<u>(29,208,392)</u>	<u>(35,345,252)</u>
Total assets less current liabilities		<u>14,573,679</u>	<u>12,468,181</u>
Provisions for liabilities			
Deferred taxation	21	(3,269,997)	(3,475,836)
		<u>(3,269,997)</u>	<u>(3,475,836)</u>
Net assets		<u><u>11,303,682</u></u>	<u><u>8,992,345</u></u>
Capital and reserves			
Called up share capital	22	1	1
Profit and loss account	23	9,892,711	7,632,780
Equity attributable to owners of the parent Company		<u>9,892,712</u>	<u>7,632,781</u>
Non-controlling interests		1,410,970	1,359,564
		<u><u>11,303,682</u></u>	<u><u>8,992,345</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

7 APR 2017

P Brosnan
Director

The notes on pages 14 to 36 form part of these financial statements.

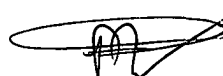
Kedleston Schools Limited
Registered number:05779536

Company statement of financial position
As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	14	83,829	86,087
Investments	15	15,565,414	20,415,867
		<u>15,649,243</u>	<u>20,501,954</u>
Current assets			
Debtors: amounts falling due within one year	18	37,070,534	36,687,582
Cash at bank and in hand		2,249,735	2,440,505
		<u>39,320,269</u>	<u>39,128,087</u>
Creditors: amounts falling due within one year	19	(63,380,182)	(66,425,122)
Net current liabilities		<u>(24,059,913)</u>	<u>(27,297,035)</u>
Total assets less current liabilities		<u>(8,410,670)</u>	<u>(6,795,081)</u>
Net liabilities		<u>(8,410,670)</u>	<u>(6,795,081)</u>
Capital and reserves			
Called up share capital	22	1	1
Profit and loss account	23	(8,410,671)	(6,795,082)
		<u>(8,410,670)</u>	<u>(6,795,081)</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income statement in these financial statements. The loss after tax of the parent Company for the year was £1,615,587 (2015: loss £759,134).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

 7 April 2017

P Brosnan
Director

Kedleston Schools Limited

Consolidated statement of changes in equity For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£
At 1 January 2015	1	10,510,187	10,510,188	1,337,397	11,847,585
Comprehensive income for the year					
Loss for the year	-	(2,877,407)	(2,877,407)	22,167	(2,855,240)
Total comprehensive income for the year	-	(2,877,407)	(2,877,407)	22,167	(2,855,240)
Total transactions with owners	-	-	-	-	-
At 1 January 2016	1	7,632,780	7,632,781	1,359,564	8,992,345
Comprehensive income for the year					
Profit for the year	-	2,259,931	2,259,931	51,406	2,311,337
Total comprehensive income for the year	-	2,259,931	2,259,931	51,406	2,311,337
Total transactions with owners	-	-	-	-	-
At 31 December 2016	1	9,892,711	9,892,712	1,410,970	11,303,682

The notes on pages 14 to 36 form part of these financial statements.

Kedleston Schools Limited

Company statement of changes in equity For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	1	(6,035,948)	(6,035,947)
Comprehensive income for the year			
Loss for the year	-	(759,134)	(759,134)
Total comprehensive income for the year	-	(759,134)	(759,134)
At 1 January 2016	1	(6,795,082)	(6,795,081)
Comprehensive income for the year			
Loss for the year	-	(1,615,589)	(1,615,589)
Total comprehensive income for the year	-	(1,615,589)	(1,615,589)
At 31 December 2016	1	(8,410,671)	(8,410,670)

The notes on pages 14 to 36 form part of these financial statements.

Kedleston Schools Limited

Consolidated statement of cash flows For the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit/(loss) for the financial year	2,311,337	(2,855,240)
Adjustments for:		
Amortisation of intangible assets	419,809	419,809
Depreciation of tangible assets	1,487,789	1,561,351
Impairments of fixed assets	-	2,925,000
(Profit)/loss on disposal of tangible assets	(306,634)	78,318
Interest paid	-	156,601
Interest received	(5,506)	(6,242)
Taxation charge	(157,662)	(700,000)
(Increase)/decrease in debtors	(1,631,603)	379,218
(Decrease) in creditors	(4,523,027)	(766,797)
Net fair value (gains)/losses recognised in P&L	(234,000)	-
Corporation tax (paid)/received	(94,412)	-
(Profit) on sale of subsidiary	(210,348)	-
Net cash generated from operating activities	(2,944,257)	1,192,018
Cash flows from investing activities		
Purchase of tangible fixed assets	(822,055)	(1,506,059)
Sale of tangible fixed assets	2,274,643	403,065
Sale of subsidiary company	1,134,163	-
Cash disposed with business operation	(89,956)	-
Interest received	5,506	6,242
Net cash from investing activities	2,502,301	(1,096,752)
Net (decrease)/increase in cash and cash equivalents	(441,956)	95,266
Cash and cash equivalents at beginning of year	3,082,189	2,986,923
Cash and cash equivalents at the end of year	2,640,233	3,082,189
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,640,233	3,082,189
	2,640,233	3,082,189

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

1. General information

Kedleston Schools Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the Company Information page. The nature of the Group's operations and its principal activities are outlined in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

2.4 Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing of the accounts which show continued compliance with all financial covenants set by the group's funders and being able to meet all its liabilities as they fall due.

The directors acknowledge the group in which this company is part of that has debt which is due for full repayment by September 2018. The group will need to successfully refinance its loan facilities in advance of this date to meet these repayments. Although there can be no guarantee that this will be achieved, the Directors are confident based upon the current improvements in trading and the financial projections of being able to refinance the loan facilities.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

2. Accounting policies (continued)

2.5 Revenue

Turnover represents income from school fees for the period to which they relate. School fees received in advance are treated as deferred income on the balance sheet.

2.6 Intangible assets

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 5 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line with an expected residual value of 20%
Leasehold property	- 2% - 20% straight line
Plant and machinery	- 20% straight line
Motor vehicles	- 33% straight line
Fixtures and fittings	- 10% - 33% straight line
Computer equipment	- 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of comprehensive income.

2.8 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Statement of comprehensive income.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

2. Accounting policies (continued)

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

2.10 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ('CGU') to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

2. Accounting policies (continued)

2.14 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of comprehensive income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.17 Finance costs

Finance costs are charged to the Consolidated Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.18 Capitalisation of interest

Interest incurred on borrowings financing the construction of tangible fixed assets is capitalised gross of tax relief.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

2. Accounting policies (continued)

2.19 Leased assets

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease, or up to the first break clause.

2.20 Pensions

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

2. Accounting policies (continued)

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Key assumptions include:

Operating cash flows

The main assumptions, which are derived from past experience and external information, within the forecast operating cash flows include the achievements of future sale prices and volumes, material input costs, changes in sales mix and the level of ongoing capital expenditure.

Discount rates

The discount rate is a pre-tax adjusted discount rate and reflects management's estimate of the Group's weighted average cost of capital.

Long term growth rates

The management forecasts are extrapolated using growth assumptions relevant for the business sector and are based on industry research.

4. Turnover

Turnover is wholly attributable to the principal activity of the group and relates to school fees which have arisen solely within the United Kingdom.

5. Other operating income

	2016 £	2015 £
Insurance proceeds	1,566,662	-
	<u>1,566,662</u>	<u>-</u>

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of tangible fixed assets	1,487,789	1,561,351
Impairment of tangible fixed assets	-	2,925,000
Amortisation of intangible assets, including goodwill	419,809	419,809
(Profit)/Loss on disposal of tangible fixed assets	(306,634)	78,318
Other operating lease rentals	943,595	221,416
Defined contribution pension cost	478,474	500,251

7. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	3,150	3,000
Fees payable to the Group's auditor and its associates in respect of:		
Audit of the company's subsidiaries	27,000	27,000
Taxation compliance services	15,000	-
Other services relating to taxation	24,000	-
Other non-audit services	44,000	8,000

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

8. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	10,768,202	10,767,551
Social security costs	1,019,744	1,014,503
Cost of defined contribution scheme	478,474	500,251
	<u>12,266,420</u>	<u>12,282,305</u>

The employee costs for the Company, Kedleston Schools Limited, total £1,287,033 (£926,448) for wages and salaries, £150,594 (2015: £115,872) for social security costs and £98,616 (£98,905) for pension costs.

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Administration	<u>494</u>	<u>458</u>

The total number of employees of the company was 22 (2015: 20).

9. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	301,863	366,146
Company contributions to defined contribution pension schemes	59,800	57,100
	<u>361,663</u>	<u>423,246</u>

There were 2 directors in the group's defined contribution pension scheme during the year (2015: 2).

The total amount payable to the highest paid director in respect of emoluments was £215,083 (2015: £254,760).

Company pension contributions of £40,000 (2015: £37,300) were made to a money purchase scheme on their behalf.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

10. Interest receivable

	2016 £	2015 £
Other interest receivable	5,506	6,242

11. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	-	156,601

12. Taxation

	2016 £	2015 £
Corporation tax		
Adjustments in respect of previous periods	61,338	-
Total current tax	61,338	-
Deferred tax		
Origination and reversal of timing differences	27,000	(290,000)
Changes to tax rates	(250,000)	(410,000)
Adjustments to prior periods	4,000	-
Total deferred tax	(219,000)	(700,000)
Taxation on loss on ordinary activities	(157,662)	(700,000)

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 -higher than) the standard rate of corporation tax in the UK of 20% (2015 -20.25%). The differences are explained below:

	2016 £	2015 £
Profit/(loss) on ordinary activities before tax	<u>2,153,675</u>	<u>(3,555,240)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20.25%)	430,735	(719,936)
Effects of:		
Expenses not deductible for tax purposes	126,113	358,153
Deferred tax movement not recognised	11,551	5,312
Losses carried forward	77,668	645,501
Group relief not paid for	(597,183)	(751,091)
Utilisation of tax losses brought forward	-	(123,342)
Tax rate changes	(235,280)	-
Other timing differences	(51,314)	22,275
Prior year adjustment	65,338	-
Effect of rate changes	14,710	(136,872)
Total tax charge for the year	<u>(157,662)</u>	<u>(700,000)</u>

Factors that may affect future tax charges

Following the Summer Budget 2015 announcements, there will be a reduction in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. In the 2016 Budget, the Government announced that the UK corporation tax rate will decrease further to 17% from 1 April 2020. Accordingly, deferred tax balances recognised in the accounts as at the year-end have been calculated using the 17% rate.

The group has estimated trading tax losses carried forward totalling £1.4m and capital losses totalling £283,000. No deferred tax asset has been recognised on these losses which if recognised would total £294,000.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

13. Intangible assets

Group

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2016	5,526	2,099,053	2,104,579
At 31 December 2016	5,526	2,099,053	2,104,579
Amortisation			
At 1 January 2016	5,526	1,168,215	1,173,741
Charge for the year	-	419,809	419,809
At 31 December 2016	5,526	1,588,024	1,593,550
Net book value			
At 31 December 2016	-	511,029	511,029
At 31 December 2015	-	930,838	930,838

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

14. Tangible fixed assets

Group

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation						
At 1 January 2016	51,862,018	1,409,273	1,411,116	448,719	3,751,767	58,882,893
Additions	303,944	111,550	82,103	144,254	180,204	822,055
Disposals	(6,637,429)	(241,018)	(59,114)	(58,083)	(175,096)	(7,170,740)
Transfer to investment property	(458,277)	-	-	-	-	(458,277)
At 31 December 2016	<u>45,070,256</u>	<u>1,279,805</u>	<u>1,434,105</u>	<u>534,890</u>	<u>3,756,875</u>	<u>52,075,931</u>
Depreciation						
At 1 January 2016	7,134,738	542,839	983,828	348,144	2,990,749	12,000,298
Charge for the period on owned assets	817,400	196,360	108,049	63,736	302,244	1,487,789
Disposals	(3,823,597)	(40,530)	(27,064)	(16,964)	(82,766)	(3,990,921)
Transfer to investment property	(117,277)	-	-	-	-	(117,277)
At 31 December 2016	<u>4,011,264</u>	<u>698,669</u>	<u>1,064,813</u>	<u>394,916</u>	<u>3,210,227</u>	<u>9,379,889</u>
Net book value						
At 31 December 2016	<u>41,058,992</u>	<u>581,136</u>	<u>369,292</u>	<u>139,974</u>	<u>546,648</u>	<u>42,696,042</u>
At 31 December 2015	<u>44,727,280</u>	<u>866,434</u>	<u>427,288</u>	<u>100,575</u>	<u>761,018</u>	<u>46,882,595</u>

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

14. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2016 £	2015 £
Freehold	41,058,992	46,796,509
Long leasehold	581,136	3,445
	<u>41,640,128</u>	<u>46,799,954</u>

Company

	Freehold property £	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2016	-	6,497	20,940	184,568	212,005
Additions	198,005	13,181	23,690	15,784	250,660
Disposals	(198,005)	(3,763)	-	-	(201,768)
At 31 December 2016	<u>-</u>	<u>15,915</u>	<u>44,630</u>	<u>200,352</u>	<u>260,897</u>
Depreciation					
At 1 January 2016	-	3,053	12,564	110,301	125,918
Charge for the period on owned assets	790	3,786	7,742	39,622	51,940
Disposals	(790)	-	-	-	(790)
At 31 December 2016	<u>-</u>	<u>6,839</u>	<u>20,306</u>	<u>149,923</u>	<u>177,068</u>
Net book value					
At 31 December 2016	<u>-</u>	<u>9,076</u>	<u>24,324</u>	<u>50,429</u>	<u>83,829</u>
At 31 December 2015	<u>-</u>	<u>3,444</u>	<u>8,376</u>	<u>74,267</u>	<u>86,087</u>

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

14. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2016 £	2015 £
Long leasehold	9,076	3,445
	<u>9,076</u>	<u>3,445</u>

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	22,230,144
Disposals	(4,850,453)
At 31 December 2016	<u>17,379,691</u>
Impairment	
At 1 January 2016	1,814,277
At 31 December 2016	<u>1,814,277</u>
Net book value	
At 31 December 2016	<u>15,565,414</u>
At 31 December 2015	<u>20,415,867</u>

Further details of the Company's subsidiary undertakings can be found in note 30.

During the year the company disposed of Edington School Limited and Shapwick Senior School (Somerset) Limited.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

16. Investment property

Group

	Freehold investment property £
Valuation	
Surplus on revaluation	234,000
Transfers from freehold property	341,000
At 31 December 2016	575,000

Subsequent to a full valuation of investment properties in April 2016, the directors have assessed the valuation of all the investment properties at the year end and have determined that there is no material change in their value.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2016 £	2015 £
Historic cost	341,000	-
Accumulated depreciation and impairments	(117,256)	-
	223,744	-

17. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Raw materials and consumables	11,100	11,100	-	-
	11,100	11,100	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

18. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	3,442,862	3,349,303	15,399	-
Amounts owed by group undertakings	-	10,760	36,781,335	36,395,024
Other debtors	1,202,018	56,521	49,257	13,417
Prepayments and accrued income	303,403	248,611	44,255	22,927
Tax recoverable	172,000	219,926	167,000	219,926
Deferred taxation	-	-	13,288	36,288
	<u>5,120,283</u>	<u>3,885,121</u>	<u>37,070,534</u>	<u>36,687,582</u>

19. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	609,020	640,298	181,075	155,040
Amounts owed to group undertakings	28,300,747	34,103,844	62,554,162	65,912,169
Other taxation and social security	261,327	281,774	32,320	38,765
Other creditors	874,663	540,492	4,466	18,419
Accruals and deferred income	6,934,251	6,757,254	608,159	300,729
	<u>36,980,008</u>	<u>42,323,662</u>	<u>63,380,182</u>	<u>66,425,122</u>

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

20. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>7,285,113</u>	<u>6,498,773</u>	<u>39,095,626</u>	<u>38,848,946</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(35,605,752)</u>	<u>(42,027,799)</u>	<u>(62,745,401)</u>	<u>(66,372,268)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade, other debtors (excluding taxation) and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade and all other creditors (excluding taxation).

21. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	(3,475,836)	(4,175,836)
Credited to profit or loss	219,000	700,000
Disposal of subsidiary	(13,161)	-
At end of year	<u>(3,269,997)</u>	<u>(3,475,836)</u>

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

21. Deferred taxation (continued)

Company

	2016 £	2015 £
At beginning of year	36,288	36,288
Credited to profit or loss	(23,000)	-
At end of year	13,288	36,288

The provision for deferred taxation is made up as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accelerated capital allowances	(127,000)	(147,000)	11,744	6,288
Capital gains	(3,150,000)	(3,400,000)	-	-
Sundry timing differences	7,003	71,164	1,544	30,000
	(3,269,997)	(3,475,836)	13,288	36,288

22. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

23. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

24. Discontinued operations

On 7 June 2016 two trading subsidiaries, Edington School Limited and Shapwick Senior School (Somerset) Limited, were disposed of.

	£
Cash proceeds	1,134,163
	<u>1,134,163</u>
Net assets disposed of:	
Tangible fixed assets	(1,211,811)
Stocks	(10,607)
Debtors	(418,905)
Cash	(89,956)
Creditors	807,554
	<u>(923,725)</u>
Profit on disposal before tax	<u><u>210,438</u></u>

The net inflow of cash in respect of the sale of Shapwick Senior School (Somerset) Limited and Edington School Limited is as follows:

	£
Cash consideration	1,134,163
Cash transferred on disposal	(89,956)
Net inflow of cash	<u><u>1,044,207</u></u>

25. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £478,474 (2015: £500,251). Contributions amounting to £95,272 (2015: £157,408) were payable to the fund and are included in creditors.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

26. Commitments under operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	820,835	752,056
Later than 1 year and not later than 5 years	3,522,880	3,206,000
Later than 5 years	15,679,272	11,845,060
	<u>20,022,987</u>	<u>15,803,116</u>

27. Related party transactions

Controlling parties

The company is controlled by Kyanite Limited, a company incorporated in Jersey, its ultimate parent undertaking.

The directors do not consider there to be an ultimate controlling party.

The company is a wholly owned subsidiary of Kyanite Limited and has taken advantage of the exemption conferred by FRS 102 section 33 not to disclose transactions with Kyanite Limited or other wholly owned subsidiaries within the group.

The following transactions took place between the group and its related parties during the year:

	Management charges received £	Amounts owed by related parties £	Amounts owed to related parties £
2016			
Certain subsidiaries	<u>945,571</u>	<u>31,254,254</u>	<u>25,739,976</u>

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

25. Related party transactions (continued)

	Management charges received £	Amounts owed by related parties £	Amounts owed to related parties £	Interest receivable £
2015				
Certain subsidiaries	646,000	29,743,960	22,805,263	156,601

Certain subsidiaries are related through the group's 94% interest in them.

Key management personnel

All directors who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. This is disclosed in note 9.

28. Controlling and ultimate controlling party

The company's immediate parent undertaking is Kedleston Group Limited, a company incorporated in England and Wales. The ultimate parent company is Kyanite Limited, a company incorporated in Jersey.

The largest group in which the results of the company are consolidated is that headed by Kyanite Limited, incorporated in Jersey. The consolidated accounts are available to the public and may be obtained from One, The Esplanade, St Helier, JE2 3QA.

The smallest group in which they are consolidated is that headed by Kedleston Group Limited, incorporated in England and Wales. The consolidated accounts are available to the public and may be obtained from the registered office of the company which is Kedleston Group Limited, Office Suite No.1, Ansell Gardens, Holloway Lane, Harmondsworth, West Drayton, England, UB7 0AE.

29. Put and call option

In a previous period a subsidiary undertaking entered into a put and call option with the minority interest. This option can be exercised by either party at any time for the period from 6 to 80 years from its inception in October 2008. This option can be exercised at a price which will equate to market value for the shares which creates a contingent liability for the group.

The option was exercised during January 2017 for amounts totalling £100,000.

Kedleston Schools Limited

Notes to the financial statements For the year ended 31 December 2016

30. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Direct subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Kedleston Wings Holdco Limited	Ordinary	94 %	Holding company
Kedleston Real Estate Limited	Ordinary	100 %	Property company
Kedleston O S Education Limited	Ordinary	100 %	Specialist school
Kedleston Woodgrove (Childcare) Limited	Ordinary	100 %	Specialist school
Kedleston Olsen House Holdings Limited	Ordinary	100 %	Holding company
Kedleston (High Peak) Limited	Ordinary	100 %	Specialist school

Indirect Subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Kedleston Wings Education Limited	Ordinary	94 %	Specialist school
Kedleston Schools (London) Limited	Ordinary	100 %	Specialist school
Kedleston (Olsen House) Limited	Ordinary	100 %	Specialist school

The registered office of all subsidiary companies is the same as the parent company, Office Suite No. 1 Ansell Gardens, Holloway Lane, Harmondsworth, West Drayton, England, UB7 0AE.

Kedleston Wings Education Limited is an indirect subsidiary undertaking through it being a 100% subsidiary of Kedleston Wings Holdco Limited.

Kedleston Olsen House Limited is an indirect subsidiary undertaking through it being a 100% subsidiary of Olsen House Holdings Limited.

Kedleston School (London) Limited is an indirect subsidiary undertaking through it being a 100% subsidiary of Kedleston OS Education Limited.