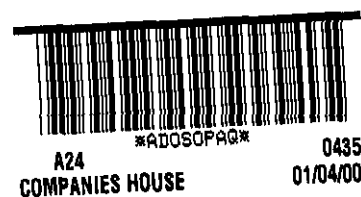


MOSTYN HOUSE SCHOOL
(A COMPANY LIMITED BY GUARANTEE)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1999



Company No 3079131 (England and Wales)

Registered Charity No 1048117

MOSTYN HOUSE SCHOOL

Company Information

Registered Office	Mostyn House School Parkgate Wirral Cheshire
Company Number	3079131
Directors	J M Holt R J D Livesey A D J Grenfell R G L Dale-Jones S Burrows M C Lloyd
Company Secretary	A D J Grenfell
Auditors	Kemp & Beggs Chartered Accountants and Registered Auditors 310 Cotton Exchange Building Old Hall Street Liverpool L3 9LF

MOSTYN HOUSE SCHOOL

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MOSTYN HOUSE SCHOOL

The Trustees' Report for the year ended 31 July 1999

Status and Administration

The Trustees present their report and the school's financial statements for the year ended 31 July 1999. The school is a registered charity, number 1048117.

The Governors of the school, who are also the Charity Trustees and Directors, and who served during the year were:

J M Holt (Chairman)
A D J Grenfell (Headmaster)
His Honour Judge R J D Livesey
R G L Dale-Jones
S Burrows
M C Lloyd – appointed 17 March 1999

The Directors report with regret the sudden death of the school's Chairman J M Holt on 7 September 1999.

Objects

The objects as set out in the Memorandum and Articles of Association are to promote and provide for the advancement of education and in connection therewith to conduct, carry on, acquire and develop any boarding or day college, school or nursery for the education of children of both sexes and of any age.

Organisation

The Governors determine the general policy of the school. The day to day management of the school is delegated to the Headmaster.

Policy

The school's policy is to attain the highest academic levels whilst allowing pupils to benefit from its extra-curricular programme. There have been no changes in the policy since the previous year end.

Review and Results

The operating results for the year, the school's financial position and the surplus added to reserves is shown in the attached financial statements.

The results for the year were encouraging despite the fall in the number of pupils during the year.

The average number of pupils in the school during the year was 305.

The Trustees are hopeful that pupil numbers will increase in the coming year and expect the results of the school to continue to show an improvement over recent results.

Resources

The assets of the school are sufficient and will be available when needed to meet the individual liabilities of the school.

The Trustees' Report (cont'd)

Fixed assets

The acquisitions and disposals of fixed assets are recorded in the notes to the financial statements.

Trustees' Responsibilities

Company Law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the school's affairs at the end of the year and the surplus or deficit for the year then ended.

In preparing those financial statements, the Trustees are required to select suitable accounting policies, as described on pages 8 to 10 and then apply them on a consistent basis making judgements and estimates that are prudent and reasonable. The Trustees must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the school will continue in business.

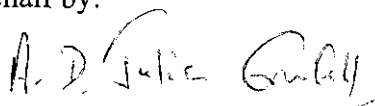
The Trustees are responsible for keeping proper accounting records which disclose at any time the financial position of the school and to enable them to ensure that the financial statements comply with the provisions of the Companies Act 1985. They are also responsible for safeguarding the assets of the school and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The Auditors, Kemp & Beggs, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985 at the Annual General Meeting.

Small company exemptions

This report, which has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, was approved by the Trustees on 1 March 2000 and signed on its behalf by:



A D J Grenfell
Company Secretary

**Auditors' Report to the Trustees of Mostyn House School
for the year ended 31 July 1999**

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of Trustees and Auditors

As described on page 2 of the Trustees' Report the school's Trustees are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the school's affairs as at 31 July 1999 and of its surplus for the year then ended, and have been properly prepared in accordance with the Companies Act 1985 and the Charities Act 1993.



Kemp & Beggs
Chartered Accountants and
Registered Auditors
310 Cotton Exchange Building
Old Hall Street
Liverpool
L3 9LF

1 March 2000

MOSTYN HOUSE SCHOOL

Statement of Financial Activities for the year ended 31 July 1999

	Notes	1999 £	1998 £
Incoming resources			
Fees receivable		1622785	1573879
Other income		<u>154943</u>	<u>112928</u>
Total incoming resources		<u>1777728</u>	<u>1686807</u>
Resources expended			
Direct charitable expenditure:			
Teaching costs		1130504	1192589
Welfare		146623	142722
Premises		130944	125347
Administration of school		<u>213931</u>	<u>147447</u>
		1622002	1608105
Other expenditure			
Interest and bank charges		82633	72819
Management and administration of the charity		<u>56560</u>	<u>59166</u>
Total resources expended	15	<u>1761195</u>	<u>1740090</u>
Net incoming/(outgoing) resources		16533	(53282)
Balance brought forward at 1 August 1998		<u>13898</u>	<u>67181</u>
Balance carried forward at 31 July 1999		<u>30431</u>	<u>13898</u>

The notes on pages 8 to 15 form part of these financial statements.

MOSTYN HOUSE SCHOOL

Income & Expenditure Account for the year ended 31 July 1999

	Notes	1999 £	1998 £
Income	1	1777728	1686807
Administration expenses		(1684019)	(1672371)
Other operating income		—	—
Operating surplus	2	93709	14436
Interest paid		(77176)	(67719)
Taxation		—	—
Surplus/(deficit) for the financial year		<u>16533</u>	<u>(53283)</u>
Statement of retained surpluses		£	£
At 1 August 1998		13898	67181
Surplus/(deficit) for the financial year		<u>16533</u>	<u>(53283)</u>
At 31 July 1999		<u>30431</u>	<u>13898</u>

Total recognised gains and losses

The school has no recognised gains or losses other than the surplus for the year.

Continuing operations

None of the school's activities were acquired or discontinued during the year.

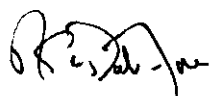
The notes on pages 8 to 15 form part of these financial statements.

MOSTYN HOUSE SCHOOL

Balance Sheet as at 31 July 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	6	815057	837476
Current assets			
Stocks	7	48274	51252
Debtors	8	79208	83295
Cash at bank and in hand		<u>9835</u>	<u>8313</u>
		137317	142860
Creditors: amounts falling due within one year	9	<u>(326674)</u>	<u>(329264)</u>
Net current liabilities		(189357)	(186404)
Total assets less current liabilities		625700	651072
Creditors: amounts falling due after more than one year	10	<u>(595269)</u>	<u>(637174)</u>
Net assets		<u>30431</u>	<u>13898</u>
Financed by:			
Accumulated fund		<u>30431</u>	<u>13898</u>

The financial statements, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved by the Board on 1 March 2000 and signed on its behalf by:


R G L Dale-Jones
Trustee

The notes on pages 8 to 15 form part of these financial statements.

MOSTYN HOUSE SCHOOL

Cash Flow Statement for the year ended 31 July 1999

	Notes	1999 £	1998 £
Net cash inflow from operating activities	16	109725	21250
Returns of investment & servicing of finance			
Interest paid		(77176)	(67719)
Capital expenditure & financial investment			
Purchase of tangible fixed assets		(16176)	(1969)
Sale proceeds of tangible fixed assets		<u>-</u>	<u>-</u>
		(16176)	<u>(1969)</u>
Cash inflow/(outflow) before management of liquid resources and financing		16373	(48438)
Financing			
Funds from debenture loan		-	150000
Repayment of bank loan		(38761)	(35311)
Funds from new hire purchase contract		9700	-
Payments made under hire purchase contracts & finance leases		<u>(6508)</u>	<u>(5627)</u>
Net cash (outflow)/inflow from financing		<u>(35569)</u>	<u>109062</u>
(Decrease)/increase in cash in the period	17	<u>(19196)</u>	<u>60624</u>

The notes on pages 8 to 15 form part of these financial statements.

**Notes to the Accounts
for the year ended 31 July 1999**

1 Accounting policies**Basis of preparation of the financial statements**

The company meets its day to day working capital requirements through an overdraft facility which, in common with all such facilities, is repayable on demand and subject to review from time to time. The company's bank overdraft at the Balance Sheet date was £127,801 which was within its then agreed facility of £150,000. In December 1999 the company's bankers confirmed the renewal of the overdraft facility in the sum of £150,000 through to its next review which is scheduled by 31 October 2000. In view of their relationship with the company's bankers, the Directors consider it reasonable to rely on the continuation of the overdraft facility.

The Directors have prepared projected cash flow information covering the year ending on 31 July 2000. On the basis of this cash flow information, other financial information covering the period thereafter and discussions with the company's bankers, the Directors consider that it is likely that facilities adequate for the company's requirements will be forthcoming at this renewal date. On this basis, the Directors consider it appropriate to prepare the financial statements on the going concern basis.

The financial statements have been prepared in accordance with the Charities (Accounts and Reports) Regulations 1995, the Statements of Recommended Practice 'Accounting by Charities' and with applicable accounting standards. They are drawn up on the historical cost basis.

Turnover

The turnover shown in the Income and Expenditure Account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of the asset as follows:

Leasehold property	Over the life of the lease
Leasehold improvements	5% reducing balance
Fixtures & fittings	10-20% reducing balance
Motor vehicles	25% reducing balance
Swimming pool	Over life of the lease

Stock

Stock has been estimated at the lower of cost and net realisable value. The Trustees consider that by nature of the school's activities it is appropriate to write off the expenditure on items such as school texts in the period in which they are incurred. A base stock has therefore been included in accordance with Statement of Standard Accounting Practice No 9.

**Notes to the Accounts
for the year ended 31 July 1999 (cont'd)**

1 Accounting policies (continued)

Hire purchase contracts

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged against the Income and Expenditure Account so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Finance lease agreements

Assets held under finance leases where substantially all of the benefits and risks of ownership accrue to the lessee, are capitalised and disclosed under tangible fixed assets at their fair value. The assets are depreciated over the shorter of the lease terms or their useful economic life. The capital element of the future payments is treated as a liability. The total finance charge for each lease is charged against the Income and Expenditure Account so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against the Income and Expenditure Account as incurred.

Taxation

The school is registered under the Charities Act 1993 and satisfies the requirements for full tax exemption. Therefore no taxation charge arises on any annual surplus.

Pensions

The school contributes to the Teachers' Superannuation Scheme at rates set by the Scheme Actuary and advised to the school by the Scheme Administrator.

The school also operates a defined benefits scheme. Contributions are charged to expenditure on an accruals basis.

Donations

Donations received for the general purposes of the school are credited to 'other unrestricted funds' to distinguish them from direct school income. Donations to restricted appeals are carried to the relevant restricted fund.

Donated fixed assets are capitalised at cost to the donee and depreciated in accordance with the school's depreciation policy.

Netting off of income and expenditure

Small fundraising events and school trips are netted off on the grounds that they are immaterial, occasional and do not make a surplus or deficit.

MOSTYN HOUSE SCHOOL

Notes to the Accounts for the year ended 31 July 1999 (cont'd)

2 Operating surplus

The operating surplus is stated after charging	1999	1998
	£	£
Staff costs	1242363	1226789
Depreciation	38595	40920
Auditors' fees	4230	4230
Hire of plant & machinery	3349	3349

3 Particulars of employees

The average number of staff employed by the company during the year was 77 (1998: 77).

Employment costs

The aggregate costs of the company's employees were:	1999	1998
	£	£
Wages & salaries	1092535	1072480
Social security costs	80422	79216
Other pension costs	69406	75093
	<u>1242363</u>	<u>1226789</u>

4 Director's emoluments

The Director's emoluments, including pensions and benefits in kind were:

	1999	1998
	£	£
Emoluments as Directors	<u>54946</u>	<u>38078</u>

5 Interest payable

On bank loans, overdrafts and other loans

Repayable within 5 years not by instalments	27576	14704
Repayable wholly or partly in more than 5 years	49600	53015
	<u>77176</u>	<u>67719</u>

6 Tangible fixed assets

	Long Leasehold Properties	Leasehold Improvements	Fixtures & Fittings & Computer Equipment	Swimming Pool	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 August 1998	400000	293645	305534	213440	97817	1310436
Additions	-	-	16176	-	-	16176
Disposals	-	-	-	-	-	-
At 31 July 1999	<u>400000</u>	<u>293645</u>	<u>321710</u>	<u>213440</u>	<u>97817</u>	<u>1326612</u>
Depreciation						
At 1 August 1998	68924	94424	200274	39454	69884	472960
Charge	4040	9961	15455	2156	6983	38595
Relating to disposals	-	-	-	-	-	-
At 31 July 1999	<u>72964</u>	<u>104385</u>	<u>215729</u>	<u>41610</u>	<u>76867</u>	<u>511555</u>
Net Book Value						
At 31 July 1999	<u>327036</u>	<u>189260</u>	<u>105981</u>	<u>171830</u>	<u>20950</u>	<u>815057</u>
At 31 July 1998	<u>331076</u>	<u>199221</u>	<u>105260</u>	<u>173986</u>	<u>27933</u>	<u>837476</u>

MOSTYN HOUSE SCHOOL

Notes to the Accounts for the year ended 31 July 1999 (cont'd)

6 Tangible fixed assets (continued)

Hire purchase and finance lease agreements

Included within the net book value of £815,057 (1998: £837,476) is £16,366 (1998 £11,457) relating to assets held under hire purchase agreements and £nil (1998 £nil) relating to assets held under finance lease agreements. The depreciation charges in the period in respect of assets held under hire purchase agreements amounts to £4809 (1998 £3825) and £nil (1998: £796) in respect of assets held under finance lease agreements.

7 Stocks	1999	1998
	£	£
Total stock	<u>48274</u>	<u>51252</u>
8 Debtors	1999	1998
	£	£
Fee debtors	66183	68459
Other debtors	-	-
Prepayments and accrued income	<u>13025</u>	<u>14836</u>
	<u>79208</u>	<u>83295</u>

All debtors are receivable within one year of the Balance Sheet date

9 Creditors: amounts falling due within one year	1999	1998
	£	£
Bank loans and overdrafts	180867	155625
Expense creditors	73711	90112
Other taxes and social security costs	25969	27551
H P and finance leases	6951	5139
Directors' loans	30646	21902
Accruals and deferred income	<u>8530</u>	<u>28935</u>
	<u>326674</u>	<u>329264</u>

The following debts disclosed under creditors falling due within one year are secured:

Bank loans and overdrafts	<u>180867</u>	<u>155625</u>
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The bank loans and overdrafts are secured by legal mortgage dated 29 November 1996 over Mostyn House School and a Mortgage Debenture over all the company's assets.

MOSTYN HOUSE SCHOOL

Notes to the Accounts for the year ended 31 July 1999 (cont')

10 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Debenture loan	150000	150000
Bank loans and overdrafts	416195	459480
H P and finance leases	8587	7207
Due to Guardians of the Chapel Bells	<u>20487</u>	<u>20487</u>
	<u>595269</u>	<u>637174</u>

The following debts disclosed under creditors falling due after more than one year are secured:

Bank loan and overdrafts	<u>416195</u>	<u>459480</u>
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For further details of the security see note 9.

The debenture loan is secured against certain properties owned personally by one of the Directors.

The debenture loan is repayable as follows:

Between two and five years	<u>150000</u>	<u>150000</u>
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Bank loans and overdrafts are repayable as follows:

In one year or less	180867	155625
Between one and two years	43285	43285
Between two and five years	179986	158897
In five years or more	<u>192924</u>	<u>257298</u>
	<u>597062</u>	<u>615105</u>

11 Pensions

The assets of the defined benefit pension scheme are held externally and were assessed by a professionally qualified actuary as at 5 April 1996.

The actuarial method used to determine the value of the liabilities and recommended contribution rate is the Projected Unit Method with a three year control period.

The market value of the scheme assets at the date of valuation was £38,600.

The ratio of the value of the assets to the value of the accrued liabilities ('Funding Level') is approximately 137%.

12 Commitments under hire purchase and finance lease agreements

Future commitments under such agreements are as follows:	1999 £	1998 £
Amounts payable within one year	9533	6353
Amounts payable within two to five years	<u>10037</u>	<u>8819</u>
	19570	15172
Less:		
Finance charges relating to future periods	<u>(4032)</u>	<u>(2826)</u>
	<u>15538</u>	<u>12346</u>

MOSTYN HOUSE SCHOOL

Notes to the Accounts for the year ended 31 July 1999 (cont'd)

13 Commitments under operating leases

The company has annual commitments under operating leases to make payments totalling £3349 in the next year as follows:

	1999 £	1998 £
Agreements other than land and building expiring:		
Within one year	3349	3349
Within two to five years	<u>5860</u>	<u>9029</u>
	<u>9209</u>	<u>12558</u>

14 Transactions with Directors

The following Directors declared interests in contracts with the company in accordance with S317 of the Companies Act 1985 as follows:

- i A D J Grenfell declared his interest in his contract of employment by the company as headmaster of the school.
- ii R G L Dale-Jones declared his interest as a legal adviser to the company in any contract to be entered into by the company with his firm. The company bought services to the value of £4481 on normal commercial terms from his firm during the year.

15 Analysis of total resources expended

	Staff Costs £	Other £	Depreci- iation £	Total £
Direct Charitable Expenditure:				
Teaching costs	1019746	95303	15455	1130504
Welfare	66163	80460	-	146623
Premises	41676	73111	16157	130944
Administration of school	<u>114778</u>	<u>99153</u>	<u>-</u>	<u>213931</u>
	1242363	348027	31612	1622002
Other expenditure:				
Interest and bank charges	-	82633	-	82633
Management & admin of the school	<u>-</u>	<u>49577</u>	<u>6983</u>	<u>56560</u>
	<u>1242363</u>	<u>480237</u>	<u>38595</u>	<u>1761195</u>

MOSTYN HOUSE SCHOOL

Notes to the Accounts for the year ended 31 July 1999 (cont'd)

16 Reconciliation of operating result to the net cash inflow from operating activities

	1999	1998
	£	£
Operating surplus	93709	14436
Depreciation	38595	40920
Decrease in stocks	2978	3109
Decrease/(increase) in debtors	4087	(1652)
(Decrease) in creditors	<u>(29644)</u>	<u>(35563)</u>
Net cash inflow from operating activities	<u>109725</u>	<u>21250</u>

17 Analysis of net debt

	1 August 1998	Cash Flow	31 July 1999
	£	£	£
Net cash:			
Cash at bank and in hand	8313	1522	9835
Bank overdraft	<u>(116864)</u>	<u>(20718)</u>	<u>(137582)</u>
	<u>(108551)</u>	<u>(19196)</u>	<u>(127747)</u>
Debt			
Finance leases & hire purchase contracts	(12346)	(3192)	(15538)
Bank loans	(498241)	38761	(459480)
Debenture loan	<u>(150000)</u>	<u>-</u>	<u>(150000)</u>
	<u>(660587)</u>	<u>35569</u>	<u>(625018)</u>
Net debt	<u>(769138)</u>	<u>16373</u>	<u>(752765)</u>

Analysed in Balance Sheet:

Cash at bank and in hand	8313	9835
Bank loans and overdrafts	(155625)	(180867)
H P and finance leases	(5139)	(6951)
After one year		
Debenture loan	(150000)	(150000)
Bank loans and overdrafts	(459480)	(416195)
H P and finance leases	<u>(7207)</u>	<u>(8587)</u>
	<u>(769138)</u>	<u>(752765)</u>

MOSTYN HOUSE SCHOOL

Notes to the Accounts for the year ended 31 July 1999 (cont'd)

18 Related parties

The lease of the premises used by the school was granted by Mr A D J Grenfell, a Director of the company, on 12 December 1979 and has been modified by a subsequent Head of Rectification. The lease is a full repairing and insuring lease for a period of 99 years from 1 September 1979 at a nominal rent until the year 2001 and thereafter at a market rent.

No rent was charged under the lease during the year.

In addition, as disclosed in note 10, a Director of the school has personally provided security for the debenture loan entered into during the year.

19 Funds

The unrestricted school funds are held to finance normal fluctuations in working capital.