

Witherslack Group Limited

Report and Financial Statements

Year ended

31 August 2019

Company Number 03579104



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Witherslack Group Limited

Report and financial statements for the year ended 31 August 2019

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Directors

P D Jones
M A Barrow (resigned 31st August 2019)
H C Tennant
J Jones
K Dyson
J Carter (appointed 31st August 2019)
J A Taylor (appointed 31st August 2019)
R J Wilkins (appointed 1st September 2019)

Secretary and registered office

K Dyson, Lupton Tower, Lupton, Carnforth, Lancashire, LA6 2PR

Company number

03579104

Auditors

Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds LS11 5QR

Witherslack Group Limited

Strategic report for the year ended 31 August 2019

The directors have pleasure in presenting their strategic report and the financial statements of the Group for the year ended 31 August 2019.

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006. The company's independent auditor is required by law to report on whether the information given in the Strategic Report is consistent with the financial statements. The auditor's report is set out on pages 6 to 8.

Principal activities

The principal activity of the company and the group during the year was the provision of education and residential care for children with special needs.

The group provides a choice of education and care for children with special needs, their families and local authorities across the UK through a network of twenty schools and twenty six children's homes. The group aspires to being an exemplar of best practice for the education and care of children and young people with special needs, locally, regionally and nationally. It has a clear view of its purpose and practice and this is articulated in the theoretical and philosophical aspects of its work.

Business review

Development and performance of the business:

The key financial and non-financial performance indicators during the year were as follows:

	2019	2018
Turnover	75,069,319	64,777,035
Profit after tax	9,415,321	8,822,781
Number of schools in operation	20	16
Number of children's homes in operation	26	20

The Group continues to expand successfully with new schools opening in Hinckley (Dovetree School), Rotherham (Abbeywood School) and Stockton (Hartwell School). In addition, 2 new homes opened in Yorkshire, 2 homes in Warwickshire and a Trauma Centre in the North East. New school and home openings have been well received and supported by Local Authorities with strong placement numbers in all new establishments.

The Group's Ofsted ratings continue to be superb overall. It should be noted that in a recent Ofsted publication of the largest national operators, our Children's homes were assessed as being significantly better than any other major provider with all homes being assessed as at least 'good', more than half of which were 'outstanding'.

With 2018/19 ending with strong occupancy rates in new sites, and starting pupil numbers for 2019/20 being equally high, the Board is confident of continued improvement in the financial performance of the Group in the coming year.

Staff recruitment and retention has again been a key focus of the Group as it continues to expand. The annual staff engagement survey returned very pleasing results and the Board is committed to reviewing and improving its employee value proposition.

The Group's property pipeline is strong with new sites scheduled to open in Windsor, Wiltshire, Yorkshire and the North East in the coming year. Further new site opportunities are being pursued in a number of other regions.

The Group position is particularly strengthened by its expansion into new geographical areas, much of which has taken place in response to requests by Local Authorities to open in their regions.

Witherslack Group Limited

Strategic report for the year ended 31 August 2019 *(continued)*

Risk management policy

Regulatory and legislative risks

As an education provider, the group's schools are registered and approved by the Department for Education, (DfE) and are subject to inspection and report by Ofsted. The group's residential care operations are also registered with Ofsted as providers of care. Inspections and reviews are carried out by Ofsted on all establishments.

The group regularly updates its policies and procedures in order to ensure compliance with required standards.

In addition, the group has an obligation to meet Health and Safety requirements. The Group employs a highly experienced and qualified health and safety manager who audits and updates internal policies. The Group has been awarded ISO 45001:2018, which reflects the importance we attach to this vital area..

Reputational Risk

The group's business activities give rise to certain reputational risks. These are managed through robust policies and procedures which are checked and monitored by the group's internal Quality Assurance function, led by the Group Quality Assurance Director. The group also regularly looks to external providers of Risk Management assessment in order to give the directors comfort that the Group continues to operate in a strong control environment.

Financial risk management policy

The group's principal financial instruments comprise cash, trade debtors and creditors, loans and borrowings and certain other debtors and accruals. The main risks associated with these financial assets and liabilities are set out below.

Credit risk

Credit risk arises principally on third party derived revenues. Group policy is aimed at minimising such risk, and collection of debts is actively managed to ensure that payments are received in a timely manner. The Group's customers are Local Authorities and have a good payment history. The directors believe the Group's exposure to bad debts is not significant.

Liquidity risk

The group is funded by way of overdrafts and operational cash generation, as well as access to long-term bank loans held by other companies within the Group.

The group's liquidity risk is managed through the group finance function, controlled by Wordworth Midco 1 Limited. The Group generates substantial operational cash surpluses. Capital expenditure is approved at board level. Day to day cash flow flexibility is maintained by retaining surplus cash in readily accessible bank accounts. Working capital requirements are funded primarily through each group company's resources although each group company does have recourse to additional funding through the ultimate parent company banking facilities.

Interest rate risk

The group's interest rate risk is managed through the parent company's finance function.

Exposure to interest rate movements is managed at parent company level through a mixture of hedging instruments.

Market price risk

Due to the nature of the principal activity, the directors do not believe the group is exposed to significant movements in market prices of its services.

Witherslack Group Limited

Strategic report for the year ended 31 August 2019 *(continued)*

Future developments

The group continues to invest significant resource in the development of both the physical infrastructure of the schools as well as in the further development of the education and care services provided by the group. As mentioned above the Group's property pipeline is strong with a number of new locations being prepared for opening in the next financial year.

On 20 the December 2019 Witherslack Group acquired 100% of the share capital of Tumblewood Project Limited for £2.35m. The Company runs one school (Tumblewood Community) which is an independent special school and residential care provision in Wiltshire for young girls aged between 9 and 18 years who have experienced complex trauma and require significant therapeutic intervention. The Care Provision has been closed and the Group will continue to run the school whilst the site is developed

Approval

This strategic report was approved on behalf of the Board on 8th January 2020



P Jones
Director

8th January 2020

Witherslack Group Limited

Report of the directors for the year ended 31 August 2019

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 August 2019.

Results

The Statement of Comprehensive Income is set out on page 9 and shows the profit for the year. A review of the business can be found within the strategic report.

The directors have not declared a dividend (2018 - £Nil).

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. The Group has in place an annual staff engagement survey which gives all employees the opportunity to feedback to the Board. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' responsibilities

The directors are responsible for preparing the strategic report and directors' report and the 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company 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 financial statements, and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Witherslack Group Limited

Report of the directors for the year ended 31 August 2019 (*continued*)


Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO resigned as auditors during the year and Ernst & Young LLP were appointed.

Ernst & Young LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board



P Jones
Director

8th January 2020

Witherslack Group Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF WITHERSLACK GROUP LIMITED

Opinion

We have audited the financial statements of Witherslack Group Limited for the year ended 31 August 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes¹ to 30, 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".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 August 2019 and of its loss 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.

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 below. We are independent of the company 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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.

Witherslack Group Limited

Independent auditor's report (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1-5 other than the financial statements and our auditor's report thereon. The directors 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 this 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 the 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 strategic report and the 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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors 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 directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Witherslack Group Limited

Independent auditor's report (continued)

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.

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

Use of our report

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



Catherine Hackney (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

9 January 2020

Witherslack Group Limited

Statement of comprehensive income for the year ended 31 August 2019

	Note	2019 £	2018 £
Turnover	3	75,069,319	64,777,035
Administrative expenses		(64,472,043)	(54,877,268)
Other operating income	6	77,701	63,613
		<hr/>	<hr/>
Operating profit	7, 8	10,674,977	9,963,380
Interest payable and similar charges	9	(48,932)	(36,893)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		10,626,045	9,926,487
Tax on profit on ordinary activities	10	(1,210,724)	(1,103,706)
		<hr/>	<hr/>
Profit for the financial year		9,415,321	8,822,781
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive profit for the year		9,415,321	8,822,781
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 12 to 27 form part of these financial statements.

Witherslack Group Limited

Statement of financial position at 31 August 2019

Company number 03579104	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	12		-		254,704
Tangible assets	14		72,210,237		61,228,210
Investments	15		6,875,900		-
			<hr/>		<hr/>
			79,086,137		61,482,914
Current assets					
Stocks	16	23,416		19,895	
Debtors	17	10,642,922		8,652,908	
Cash at bank		6,080,282		6,161,632	
		<hr/>		<hr/>	
		16,746,620		14,834,435	
Creditors: amounts falling due within one year	18	36,081,432		26,370,857	
		<hr/>		<hr/>	
Net current liabilities			(19,334,812)		(11,536,422)
Total assets less current liabilities			<hr/>		<hr/>
			59,751,325		49,946,492
Creditors: amounts falling due after more than one year	19		662,809		509,867
Provision for liabilities					
Deferred taxation	20		1,300,291		1,012,992
Government grants	21		-		50,729
			<hr/>		<hr/>
Net Assets			57,788,225		48,372,904
			<hr/>		<hr/>
Capital and reserves					
Called up equity share capital	22		1,059		1,059
Share premium account	23		99,935		99,935
Revaluation reserve	23		446,859		446,859
Capital Contribution Reserve	23		11,941,322		11,941,322
Profit and loss account	23		45,299,050		35,883,729
			<hr/>		<hr/>
Shareholders' funds			57,788,225		48,372,904
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 8th January 2020.


P Jones

Director

The notes on pages 12 to 27 form part of these financial statements.

Witherslack Group Limited

Statement of changes in equity for the year ended 31 August 2019

	Share capital £	Share premium £	Revaluation reserve £	Capital contribution reserve £	Retained earnings £	Total equity £
Balance at 1 September 2018	1,059	99,935	446,859	11,941,322	35,883,729	48,372,904
Total comprehensive income for the year						
Profit for the year	-	-	-	-	9,415,321	9,415,321
Total comprehensive income for the year	-	-	-	-	9,415,321	9,415,321
Balance at 31 August 2019	1,059	99,935	446,859	11,941,322	45,299,050	57,788,225

	Share capital £	Share premium £	Revaluation reserve £	Capital contribution reserve £	Retained earnings £	Total equity £
Balance at 1 September 2017	1,059	99,935	446,859	11,941,322	27,060,948	39,550,123
Total comprehensive income for the year						
Profit for the year	-	-	-	-	8,822,781	8,822,781
Total comprehensive income for the year	-	-	-	-	8,822,781	8,822,781
Balance at 31 August 2018	1,059	99,935	446,859	11,941,322	35,883,729	48,372,904

The notes on pages 12 to 27 form part of these financial statements.

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 (*continued*)

1 Accounting policies

Witherslack Group Limited is a private company limited by shares incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The registered number is 03579104. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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 judgement in applying the Group's accounting policies.

The following accounting policies have been applied:

Basis of preparation

The financial statements have been prepared on the going concern basis. Although the Company had net current liabilities of £19,334,812 at 31 August 2019 (2018 - £11,536,422) this is as a result of the group's business model which results in relatively large deferred income balances at the year end. The group has continued its successful expansion through the year and the directors are pleased with the progress against the business plan of the group.

Turnover

The turnover shown in the Statement of Comprehensive Income represents amounts invoiced during the year. Turnover is recognised on the provision of educational and care services, once the service has been delivered and the right to consideration has been achieved. The majority of termly fees are billed in advance and booked to deferred revenue in current liabilities (see note 18). Turnover is then recognised in the appropriate accounting period.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight line method to its estimated useful life, which in previous accounts was considered to be 20 years based on the anticipated cash flows attributable to the acquisition. Following a review by Management in 2018, the estimated useful life was revised to 10 years. Goodwill is assessed for impairment when there are indicators present and any impairment is charged to the Statement of Comprehensive Income.

Development Costs

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

Development costs - 5 - 20% straight line

Fixed assets

All fixed assets are initially recorded and held at cost with the exception of the freehold children homes.

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 *(continued)*

1 Accounting policies *(continued)*

Depreciation

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

Freehold property	-	2% straight line
Leasehold property	-	5 - 10% straight line or the life of the lease if less
Fixtures and fittings	-	15% reducing balance
Motor vehicles	-	25% reducing balance
Assets under construction	-	0%

Freehold children's homes

On transition to FRS 102, the Group took the option of using the valuation carried out at 31 August 2014 to carry forward as the deemed cost for freehold children's homes. These properties will subsequently be measured at cost less depreciation.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the Statement of Financial Position and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the Statement of Financial Position.

The interest elements of the rental obligations are charged in the Statement of Comprehensive Income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the Statement of Comprehensive Income on a straight line basis over the lease term.

Pension costs

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the Statement of Comprehensive Income in the period to which they relate. These contributions are invested separately from the company's assets.

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 (*continued*)

1 Accounting policies (*continued*)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Financial instruments

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the Statement of Financial Position at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Liquid resources

Liquid resources comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process.

Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the Statement of Comprehensive Income over the estimated useful life of the assets to which they relate.

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

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

Goodwill - The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider is respect of similar business

Leases – Determined whether leases entered into by the group either as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty:

Tangible fixed assets (see note 14) - Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group. All turnover arises in the United Kingdom.

4 Employees

	2019 £	2018 £
The aggregate payroll costs were:		
Wages and salaries	38,917,879	33,618,700
Social security costs	3,969,413	3,270,243
Other pension costs	2,440,364	2,022,483
	<hr/>	<hr/>
	45,327,656	38,911,426
	<hr/>	<hr/>

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 (continued)

4 Employees (continued)

	2019 Number	2018 Number
The average number of FTE staff employed by the group during the financial year amounted to:		
Teachers and assistants	496	437
Care workers	507	456
Ancillary staff	80	70
Administration and other staff	203	171
Directors	7	6
	<u>1,293</u>	<u>1140</u>

The average number of staff employed by the group amounted to:

Teachers and assistants	507	463
Care workers	512	460
Ancillary staff	112	90
Administration and other staff	225	191
Directors	7	6
	<u>1,363</u>	<u>1,210</u>

5 Directors

	2019 £	2018 £
The directors' remuneration consist of:		
Directors' emoluments	958,923	818,000
Compensation for loss of office	-	52,663
Value of company pension contributions to money purchase schemes	51,765	68,700
	<u>1,010,688</u>	<u>939,363</u>
The number of directors who accrued benefits under company pension schemes was as follows:	Number	Number
Money purchase schemes	<u>6</u>	<u>6</u>

The total amount payable to the highest paid director in respect of emoluments was £171,724 (2018 - £171,874), with pension contributions amounting to £8,500 (2018 - £8,500).

6 Other operating income

	2019 £	2018 £
Sundry income	<u>77,701</u>	<u>63,313</u>

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 (continued)

7	Operating profit	2019	2018
		£	£
	This has been arrived at after charging/(crediting):		
	Amortisation of government grants relating to fixed assets	(50,729)	(1,250)
	Amortisation of intangible assets	254,704	475,316
	Depreciation of owned fixed assets	2,811,307	2,485,274
	Depreciation of assets held under hire purchase agreements	509,288	301,955
	Operating Lease Expense	730,027	629,317
	Fees payable to the company's auditor, or an associate of the company's auditor for the auditing of the company's annual accounts.	120,000	41,919
	Fees payable to the company's auditor or associate of the company's auditor for other services: - taxation compliance services, taxation advisory services	48,000	46,333
		<hr/>	<hr/>
	In prior years the fee paid to the company's auditor were paid to BDO LLP.		
8	Loss on disposal of fixed assets	2019	2018
		£	£
	Proceeds from sale of fixed assets	191,941	172,726
	NBV of disposed assets	(244,533)	(215,814)
		<hr/>	<hr/>
	Loss on disposal of fixed assets	52,592	43,088
		<hr/>	<hr/>
9	Interest payable and similar charges	2019	2018
		£	£
	Finance charges	48,932	39,988
		<hr/>	<hr/>
10	Taxation on profit on ordinary activities	2019	2018
		£	£
	<i>Analysis of charge in the period</i>		
	<i>Current tax</i>		
	UK corporation tax based on the results for the year at 19% (2018 - 19%)	921,655	763,263
	Over provision in the prior year	1,770	(40,080)
		<hr/>	<hr/>
	Total current tax	923,425	723,183
	<i>Deferred tax</i>		
	Origination and reversal of timing differences (note 20)	287,299	380,523
		<hr/>	<hr/>
	Tax on profit on ordinary activities	1,210,724	1,103,706
		<hr/>	<hr/>

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 (continued)

10 Taxation on profit on ordinary activities (continued)

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2018 - 19%).

Factors affecting total tax charge

	2019 £	2018 £
Profit on ordinary activities before taxation	10,626,045	9,926,487
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	2,018,949	1,886,033
Effects of:		
Group relief received for which no payment has been made	(1,389,902)	(1,293,744)
Non-Deductible expenses	11,400	(86,515)
Non-qualifying depreciation	568,507	638,012
Over provision for prior years	1,770	(40,080)
Total taxation charge	1,210,724	1,103,706

11 Dividends

During the year the company paid dividends of £Nil (2018 - £Nil) to its shareholders.

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 (continued)

12 Intangible assets

	Goodwill £	Development costs £	Total £
<i>Cost</i>			
At 1 September 2018 and 31 August 2019	1,056,757	24,138	1,080,895
<i>Amortisation</i>			
At 1 September 2018	802,053	24,138	826,191
Charge for the year	254,704	-	254,704
At 31 August 2019	1,056,757	24,138	1,080,895
<i>Net book value</i>			
At 31 August 2019	-	-	-
At 31 August 2018	254,704	-	254,704

Goodwill amortisation is calculated by applying the straight line method to its estimated useful life, which in previous accounts was considered to be 20 years based on the anticipated cash flows attributable to the acquisition. Following a review by Management, the decision was taken to write off the remainder of the goodwill held in the Group Accounts, and as a result an additional £191,028 amortisation was charged to the Group accounts in the year to 31 August 2019.

Witherslack Group Limited

Notes forming part of the financial statements
for the year ended 31 August 2019 (*continued*)

13 Business Combinations

Acquisition of Queensmead Property Limited

On 31st July 2019, Witherslack Group Limited acquired 100% of Queensmead Property Limited for £6,800,000.

In calculating the goodwill arising on acquisition, the fair value of the net assets of Queensmead Property Limited have been assessed and adjustments from book value have been made where necessary

	Book Value £	Fair Value Adjustment £	Fair Value £
Fixed Assets	7,000	6,868,900	6,875,900
Total Assets	7,000	6,868,900	6,875,900
Net (Liabilities) / Assets	7,000	6,868,900	6,875,900
Goodwill			-
Total purchase consideration (including fees of £75,900)			<u>6,875,900</u>
Purchase consideration			6,875,900
Cash acquired			-
Cash outflow on acquisition			<u>6,875,900</u>

Witherslack Group Limited

Notes forming part of the financial statements
for the year ended 31 August 2019 (continued)

14 Tangible fixed assets (continued)

	Freehold schools £	Freehold Children's homes £	Leasehold land and buildings £	Fixtures and fittings £	Assets under construction £	Motor vehicles £	Total £
<i>Cost</i>							
At 1 September 2018	17,789,177	25,392,020	8,980,163	11,316,678	6,532,373	3,281,370	73,291,781
Reclassification	2,985,568	3,541,036	-	-	(6,526,604)	-	-
Additions	7,927,474	2,163,024	599,958	2,331,163	103,244	1,422,292	14,547,155
Disposals	-	-	-	-	-	(688,874)	(688,874)
At 31 August 2019	28,702,219	31,096,080	9,580,121	13,647,841	109,013	4,014,788	87,150,062
<i>Depreciation</i>							
At 1 September 2018	1,865,749	2,148,123	1,877,340	4,806,360	-	1,365,999	12,063,571
Charge for the year	461,788	577,090	459,861	1,167,011	-	654,845	3,320,595
Disposals	-	-	-	-	-	(444,341)	(444,341)
At 31 August 2019	2,327,537	2,725,213	2,337,201	5,973,371	-	1,576,503	14,939,825
<i>Net book value</i>							
At 31 August 2019	26,374,682	28,370,867	7,242,920	7,674,470	109,013	2,438,285	72,210,237
At 31 August 2018	15,923,428	23,243,897	7,102,823	6,510,318	6,532,373	1,915,371	61,228,210

Hire purchase agreements included within the net book value of £2,438,285 for motor vehicles is £2,024,541 (2018 - £1,238,209) relating to assets held under hire purchase agreements. The depreciation charged to the group financial statement in the year in respect of such assets amounted to £509,288 (2018 - £301,955).

Witherslack Group Limited

Notes forming part of the financial statements
for the year ended 31 August 2019 (*continued*)

14 Tangible fixed assets (*continued*)

Assets Under Construction

Assets under construction consist of Schools and Children's Homes which are not yet complete at year end and which are not licenced to operate.

15 Investments

Company	Shares in group companies £
<i>Cost</i>	
At 1 September 2018	400
Additions (note 13)	6,875,900
	<hr/>
	6,876,300
	<hr/>
<i>Net book value</i>	
At 31 August 2019	6,875,900
	<hr/>
At 31 August 2018	-
	<hr/>

Subsidiary undertakings, associated undertakings and other investments.

The undertakings in which the company has an interest are as follows:

Subsidiary Undertakings	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Belle Vue House Assessment Centre Limited	UK	100%	Assessment and development centre for individuals with communication difficulties.
Witherslack Training and Development Limited	UK	100%	Training and development of adults engaged in the education and care sectors.
Witherslack Care Limited	UK	100%	Dormant
Cedar House School and Lowgate house Limited	UK	100%	Dormant
Witherslack Hall School Limited	UK	100%	Dormant
Pontville School Limited	UK	100%	Dormant
Lakeside School Limited	UK	100%	Dormant
Chilworth Schools Limited	UK	100%	Dormant
Cumberland and Westmorland Schools Limited	UK	100%	Dormant
Witherslack Group of Schools Limited	UK	100%	Dormant
Queensmead Property Limited	UK	100%	Property Company – non trading

The registered office of the above companies is the same as Witherslack Group Limited.

Witherslack Group Limited

Notes forming part of the financial statements
for the year ended 31 August 2019 (continued)

16 Stocks

	2019 £	2018 £
Food consumables	23,416	19,895

17 Debtors

	2019 £	2018 £
Trade debtors	9,788,200	7,437,407
Amounts owed by parent undertaking	-	-
Amounts owed by group undertakings	70,000	339,373
Other debtors	36,388	48,060
Prepayments and accrued income	748,334	828,068
	10,642,922	8,652,908

All amounts shown above are due within one year.

Amounts owed by parent and group undertakings are interest free and repayable on demand.

18 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	2,162,185	2,893,606
Hire purchase agreements (see note 27)	745,872	604,457
Corporation tax	1,165,867	231,667
Tax and social security	1,381,485	1,133,300
Other creditors	577,751	1,427,955
Accruals and deferred income	1,456,220	1,093,669
Deferred Income	22,829,671	18,771,143
Amounts owed to group undertakings	5,762,381	215,060
	36,081,432	26,370,857

Amounts owed to group undertakings were interest free and repayable on demand.

Other creditors comprise of credit balances on the Trade Debtors Ledger.

Witherslack Group Limited

Notes forming part of the financial statements
for the year ended 31 August 2019 (*continued*)

19 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Hire purchase agreements (see note 27)	662,809	509,867

20 Deferred taxation

The movement in the deferred taxation provision during the year was:

	2019 £	2018 £
Provision brought forward	1,012,992	632,469
Charge to the Statement of Comprehensive Income	287,299	380,523
Provision carried forward	1,300,291	1,012,992

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2019 £	2018 £
Excess of taxation allowances over depreciation on fixed assets	1,300,291	1,012,992
At 31 August 2019	1,300,291	1,012,992

The Company expects deferred tax liabilities of £295,000 to reverse as capital allowances reduce.

Witherslack Group Limited

Notes forming part of the financial statements
for the year ended 31 August 2019 (*continued*)

21 Government grants

	Company £
<i>Received and receivable</i>	
At 1 September 2018 and 31 August 2019	62,500
<i>Amortisation</i>	
At 1 September 2018	11,771
Credit to profit and loss account in the year	50,729
	62,500
At 31 August 2019	62,500
Net balance at 31 August 2019	-

22 Share capital

	Allotted, called up and fully paid			
	2019 Number	2018 Number	2019 £	2018 £
Ordinary shares of £0.01 each	105,882	105,882	1,059	1,059

23 Reserves

The Group and company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Revaluation Reserve

Revaluation reserve represents the surplus or deficit arising on the revaluation of Land and Buildings.

Capital Contribution Reserve

The Capital Contribution Reserve represents debt waived by the parent company.

Retained earnings

Retained earnings represents cumulative profit or losses, net of any dividends paid and other adjustments.

Witherslack Group Limited

Notes forming part of the financial statements for the year ended 31 August 2019 (continued)

24 Pensions

The group makes contributions to employee personal pension plans. Contributions payable during the year amounted to £2,440,364 (2018 - £2,022,483). Unpaid contributions at 31 August 2019 amounted to £343,982 (2018 - £276,340).

25 Financial risk management objectives and policies

The group holds or issues financial instruments in order to achieve two main objectives, being:

- (a) to finance its operations; and
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance;

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the group's operations.

Transactions in financial instruments result in the group assuming or transferring to another party one or more of the financial risks described below.

Credit risk

The group monitors credit risk closely and considers that its current policy of credit checks meets its objectives of managing exposure to credit risk.

The group has no significant concentrations of credit risk. Amounts shown in the Statement of Financial Position best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

26 Commitments under operating leases

As at 31 August 2019, the Group and company had minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings 2019 £	Other 2019 £	Land and Buildings 2018 £	Other 2018 £
Group and company				
Operating leases which expire:				
Not later than 1 year	670,787	33,716	617,588	80,515
Later than 1 year and not later than 5 years	1,904,582	103,028	2,311,846	241,546
Later than 5 years	2,433,155	350	2,830,166	-
	<u>5,008,524</u>	<u>137,094</u>	<u>5,759,600</u>	<u>322,061</u>

Witherslack Group Limited

Notes forming part of the financial statements
for the year ended 31 August 2019 (*continued*)

27 Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2019 £	2018 £
Amounts payable within one year	785,655	640,332
Amounts payable between one and two years	533,585	402,011
Amounts payable between two and five years	189,893	138,927
	<hr/>	<hr/>
	1,509,133	1,181,270
Less: Interest and finance charges relating to future periods	(100,452)	(66,946)
	<hr/>	<hr/>
	1,408,681	1,114,324
	<hr/>	<hr/>

28 Contingencies

The company together with other group members has entered into a composite accounting agreement with its bankers whereby each participating company has provided a guarantee to the bank to support the total group bank borrowings and group overdraft facility. As at the 31 August 2019, the total group bank borrowings totalled £102,465,308 (2018 - £88,150,269). The Banking Facilities are with Wordsworth Bidco Limited, but the cross guarantee includes Witherslack Group Limited

29 Controlling party

The company's ultimate parent company is Wordsworth Topco Limited, a company registered in Jersey.

The ultimate controlling party is considered to be the directors of Wordsworth Topco Limited, acting in concert.

30 Related party disclosures

The company have taken advantage of the exemption confirmed by section 33 of FRS 102 not to disclose transactions with members of the group headed by Witherslack Group Limited on the grounds that 100% of the voting rights in the company are controlled within that group.