

THE LAUNCESTON PREPARATORY SCHOOL INC

TREASURER'S REPORT ON 2017 FINANCIAL STATEMENTS

ADDRESS TO ANNUAL GENERAL MEETING, WEDNESDAY, 21 MARCH 2018

BACKGROUND & OVERVIEW

1. Good evening, on behalf of your Board of Management I thank you for the opportunity to present the 2017 Financial Statements of The Launceston Preparatory School to you, its members.
2. Remembering that your School is a Not For Profit entity and surpluses in one year can off-set deficits in prior years or be applied to achieving strategic objectives, I am pleased to announce that for the year ended 31 December 2017 the audited accounts of The Launceston Preparatory School show a net surplus of \$378,720, positive cash flows and a strong balance sheet
3. To put this result in context, three consecutive small annual operating deficits have, through careful management by your Board, been followed by four strong surpluses. These surpluses, totalling \$1.35M, have been accumulated with a clear strategic intent which I will elaborate on later.
4. Most importantly, I can confirm to you that your School is solvent – that is, it is able to pay its debts as and when they fall due.
5. I'll now provide a brief summary of the 2017 Financial Statements.

INCOME STATEMENT

6. REVENUE GENERALLY: At \$2.076M total income increased \$158,000 (8%), attributable to the increase in grant funding. 55% of revenue is sourced from government grants and 42% from student tuition fees. Most schools are reliant upon State and Federal Government recurrent funding and your School is no different, receiving total grant funding in 2017 of \$1.15M, being an increase of \$160,000 (16%). Tuition fees were \$875,000 being a small (\$7,000) decrease on the prior year.
7. TUITION FEES: On tuition fees, I have mentioned previously that your Board is aware of their impact on family budgets. To that end we strive to maintain an affordable fee structure that is the same for each grade from prep to grade six and the recent surpluses previously described have been achieved on fee increases of 2.8%, 2.5%, 1.5% and 1.5% respectively.
8. EXPENSES GENERALLY: At \$1.697M total expenses increased by \$30,000 (1.8%). The main expense item is employee benefits expense, being \$1.32M or a consistent 78% of the School's operating expenditure. Depreciation, educational supplies, occupancy costs other sundry general expenses make up the balance.

BALANCE SHEET

9. STRONG BALANCE SHEET: The School's prudent financial management is reflected in a strong balance sheet with no debt and over \$4.2M of net assets, comprised principally of property, equipment and cash. In particular, debtors remains well managed with very low overdue balances.

CASH FLOW STATEMENT

10. POSITIVE CASH INFLOW FROM OPERATIONS: The Cash Flow Statement shows positive cash inflows from operating activities of \$537,000, another strong result.

11. CASH OUTFLOWS FOR INVESTING AND FINANCING ACTIVITIES: Cash payments for plant and equipment totalled \$146,000 an increase of \$83,000 over the prior year.

12. CASH BALANCE: The net result is a cash balance at the end of 2017 of \$1.579M.

STRATEGIC MANAGEMENT:

13. Your Board continues to diligently manage general cost increases, risk, succession planning, governance, policies and strategic direction – with particular attention focussed on grant funding profiles and methodologies.

14. I mentioned earlier that recent surpluses have been accumulated with strategic intent. I'm pleased to inform you that that intent is a \$1.3M redevelopment of the Kindergarten/Early Learning facility, adjacent to the Multi-Purpose Hall on Olive Street. Planning approval, detailed design and public tender processes are expected to be completed during 2018 with physical works anticipated to commence in 2019. The total investment is fully funded – no new debt is required – and means we are robustly positioned to manage risks inherent with such a project.

15. This is a significant achievement and demonstrates your Board's ongoing commitment to providing exceptional facilities, matched to our exceptional staff and curriculum, delivering great outcomes for our students.

16. While after 6 years I have decided not to seek re-appointment to the Board, I am comfortable that I leave The LPS in a very sound financial position ready to take the next significant step in its development.

AUDIT

17. UNQUALIFIED AUDIT REPORT: Accordingly, I am pleased to announce that our auditors Crowe Horwath have issued an unqualified (i.e. clean) audit report for the 2017 financial statements.

18. APPOINTMENT OF AUDITOR: Further, your Board has commenced correspondence with Crowe Horwath with a view to re-appointment as auditor for 2018.

ACKNOWLEDGEMENT

19. In commending the financial statements to you as a beautiful set of numbers, I thank fellow Members of the Board of Management, our Co-Principals and our Business Manager for their dedication, hard work and prudent management.

20. I wish you all the best of luck.

MOTION:

Accordingly, I move the motion:

- *That the report on the Financial Statements and affairs of the Association and the Auditor's Report be approved.*



Eamonn Tiernan FCPA GAICD
Treasurer, The Launceston Preparatory School
21/3/2018