

Company Number 522385
Registered Charity Number 310283

Millfield

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended

31 August 2010



Millfield
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Millfield

GOVERNORS AND ADVISORS for the year ended 31 August 2010

GOVERNORS

Judith Derbyshire, Chair of Governors (resigned 1 September 2010)
Wim Bushell
Richard Clark (appointed 5 October 2010)
Robert Clark
Clare Cripps
Charles Jonathan Driver (resigned 19 March 2010)
Gareth Edwards CBE (resigned 19 March 2010)
Christobel Flood
Christopher Hirst (appointed 5 October 2010)
John Jackson (appointed 1 September 2009)
Roger Knight (resigned 6 November 2009)
Atul Patel
Sir John Reith KCB, CBE (appointed as Chair of Governors 1 September 2010)
Michael Roulston (appointed 5 October 2010)
Anabel Sexton
Marc Simon
Timothy Taylor
Robert Thornton (appointed 11 June 2010)
Roger Trafford
David Williamson (appointed 1 September 2009)

SECRETARY AND CLERK TO THE GOVERNORS

Stephen Morley (resigned 19 3 10)
Mark Suddaby (appointed 19 3 10)

HEADMASTER OF MILLFIELD SCHOOL

Craig Considine

BURSAR OF MILLFIELD SCHOOLS

Mark Suddaby

HEADMASTER/HEADMISTRESS OF MILLFIELD PREPARATORY SCHOOL

Kevin Cheney (retired 31 8 10)
Shirley Shayler (appointed 1 9 10)

REGISTERED OFFICE

Street
Somerset
BA16 0YD

REGISTERED COMPANY NUMBER

522385

REGISTERED CHARITY NUMBER

310283

Millfield

GOVERNORS AND ADVISORS *(continued)*
for the year ended 31 August 2010

AUDITOR

Baker Tilly UK Audit LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

BANKERS

Lloyds TSB Bank plc
P O Box 340
2nd Floor
234 High Street
EXETER
EX4 3ZB

SOLICITORS

Veale Wasbrough Vizards
Orchard Court
Orchard Lane
Bristol
BS1 5WS

Millfield

REPORT OF THE GOVERNING BODY for the year ended 31 August 2010

The Governors present their Annual Report and the audited financial statements for the year ended 31 August 2010. The Governing Body confirms that the financial statements comply with the charity's governing document, with current statutory requirements, with applicable accounting standards in the United Kingdom, with the Statement of Recommended Practice on Accounting and Reporting by Charities (the Charities SORP 2005) and with Charities legislation.

Millfield is a company limited by guarantee, first incorporated as Millfield School Limited on 4 August 1953 and constituted under Memorandum and Articles of Association dated 9 November 1979 and last amended on 20 March 1996. It is also a registered charity, number 310283.

The School provides independent (boarding and day) education for boys and girls between the ages of 2 and 7 (pre-preparatory school), 7 and 13 (preparatory school) and 13 and 18 (senior school).

The Governing Body wishes to express its deep gratitude to Mrs Judith Derbyshire, who retired on 1 September 2010 after ten years on the Governing Body, and who was Chair of Governors during the final year of her term of office. The Governors also wish to express their appreciation to Gareth Edwards who retired during the year after nearly nineteen years of service to the Governing Body, to Jonty Driver who retired after nine years as a Governor, and to Stephen Morley, who retired as Clerk to the Governors after four years' service.

They also wish to thank Mr Kevin Cheney who retired as Headmaster of the Prep School in August 2010 after nearly ten years, and who made an enormous contribution to the life and development of the School over this period. It was a fitting tribute to Kevin's leadership that the Ofsted boarding inspection which took place during the year found the Prep School to be outstanding in all respects and the Independent Schools Inspectorate report at the same time found the School to be 'outstanding' or 'good' in all areas, with the lead inspector commenting 'Children at Millfield Preparatory have the time of their lives'. The Governors would also like to thank Kevin's wife Hilary for her unstinting support and her own personal contribution to the life of the School.

The Governing Body is particularly grateful to the teaching and support staff, who continue to support the School through their dedication, loyalty and hard work. It also appreciates the valuable contribution given by Parents, Old Millfieldians and other friends of the School.

The School's Objectives

The School's principal activity is the education and pastoral care of its pupils. This reflects the principal object as expressed in the Memorandum of Association, which is "to establish and maintain at Millfield, Street, in the County of Somerset, a school or schools for the education of boys, girls, young men and young women and to give to such pupils general or specialised instruction of the highest class but so that each such school shall be carried out as an educational charity."

Our mission is to discover and develop the potential within each young person. We aim to achieve this through our vision which is to support and nurture individual pupils with diverse needs to develop confidence and resilience through a wide range of opportunities, to serve our pupils by establishing a dynamic, international learning community based on diligence, mutual respect and understanding, and to achieve these goals by drawing on the richness of the school environment and its people, the broader Millfield community and by encouraging each pupil to achieve their highest standards in all aspects of life.

In setting our objectives and planning our activities the Governors have given due regard to the guidance on public benefit published by the Charity Commission and in particular to its supplementary public benefit guidance on advancing education and on fee charging.

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2010

In addition to its principal activity, Millfield also operates a wide variety of educational and recreational holiday courses, retail outlets and related activities, some of which are carried out through a trading subsidiary company, Millfield School Enterprises Limited. All surpluses from these activities are reinvested in the School for the benefit of its principal educational activity.

Access

The Governors operate a Scholarships and Bursaries policy, details of which are published on the School's websites. This is designed to enable access to the School for talented pupils who would benefit from an education at Millfield, by offering fee discounts of up to 100%. The Governors believe this is a vital way in which to ensure that children from families who would otherwise not be able to afford the fees can access the education the School offers.

Entry to Millfield is not academically selective. On entry, transfer between the schools or commencement of the sixth form, scholarships which recognise academic, sporting, musical, artistic or all round achievement and potential may be awarded and these may be supplemented with means-tested bursaries with the objective of trying to ensure that those children who would best benefit from a Millfield education are able to do so, regardless of the financial circumstances of their parents. A limited number of bursaries may also be available on entry to Millfield in cases where a pupil does not meet all requirements for a scholarship. Once a child has entered the School, and whether or not he or she has a scholarship, the School may provide means-tested bursaries if a pupil's continuing education becomes at risk through financial hardship. Such awards also have regard to both the individual's educational ability and their contribution to the wider School community.

In the year to 31 August 2010, the total value of scholarships and bursaries (excluding staff discounts and other concessions) was £4.5 million (2009: £4.4m), representing 11.4% of gross fee income (2008: 11.6%), and a total of 702 pupils (41% of all pupils) benefited in some way from awards.

The Governors have also supported the activities of Millfield Foundation, an independent trust set up to raise funds for the provision of scholarships and bursaries to pupils at the School.

The School also continues to give support to its pupils and to facilitate open access in many other ways. These include the provision of a Learning Support Centre at the senior school and a Learning Development Centre at the prep school which address various types of specific learning difficulties, predominantly dyslexia. Currently this serves nearly 600 pupils. Millfield prides itself in offering an educational experience which brings out the best in individuals, nurturing talents and abilities as well as enabling students to be positive in addressing their specific areas of need.

The School also encourages access to its facilities through a wide range of charitable activities and community partnerships, some of which are detailed in the 'Community Partnerships' section below.

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2010

Review of the Year's Principal Achievements and Performance

Pupil Numbers

Overall the School met its targets for pupil numbers during the year and achieved the objective to maintain the "Millfield Mix". An analysis of the number of pupils is shown in the table below

		Millfield	MPS/Pre-Prep
1	Overseas pupils	18.5%	5.5%
2	Day pupils	262	335
3	Boarders	962	153
4	Boys	62%	54%
5	Girls	38%	46%
6	Nationalities	47	22

Quality Staff

The pupil teacher ratio stands at 6.7:1. The School continues to recruit high quality teaching staff and also aims to attract and retain high quality support staff who are aligned to its objectives and to the needs of its pupils. Career planning, development, training, mentoring and appraisal systems continue to assist in obtaining the best from our existing staff.

Educational performance

While Millfield aims to offer a far broader educational experience than can be measured by pupil success in public examinations, it is nevertheless proud of its pupils' achievements. At A Level, the pass rate was 98.4% (2009 98.9%) and 55.3% of entries were awarded A*, A or B grades (2009 60.5%). There were some outstanding individual achievements.

At GCSE, 97.4% of pupils achieved 5 or more passes at grades A*-C (2009 93.3%) with 43.1% of entries being awarded A* or A grades (2009 42.0%).

Millfield of course aims to offer far more than a strong academic performance. The Governing Body and staff place particular importance on robust and effective systems and processes for the pastoral care, support and guidance of our pupils.

Co-Curriculum

Our pupils continued to be involved in a vast array of co-curricular activities encompassing sport, music, drama, art, dance, community, charitable and environmental activities. Many of our pupils achieved success at county, national and international levels in a huge range of sporting activities.

Millfield teams and individuals won National Schools' titles in athletics, cricket, fencing, golf, rugby, skiing, squash, swimming and tennis. The boys' U19 squash team won its ninth consecutive National Schools' title and the girls' team won the National U19 and U15 titles. In rugby the School achieved an unprecedented success at the Rosslyn Park Sevens when Millfield teams won the U13, U16 and U19 tournaments. Our cricketers also excelled, retaining the U15 Lord's Taverners Trophy and winning the National Independent Schools Twenty20 title at Lords. In swimming Millfield came third in the Arena National League Final in Sheffield behind Plymouth Leander and Stockport Metro, an outstanding achievement for a school team. Approximately 50 pupils achieved international honours across a range of representative age groups and sports.

The Prep School also enjoyed an outstanding year of sporting achievement with national team titles in cross country (IAPS U13 girls and boys), fencing (overall IAPS team champions), golf (IAPS team champions), trampolining (IAPS U13 and U9), boys' hockey (IAPS and National Schools' champions), swimming (IAPS girls and boys U12 and U13), tennis (IAPS U14 doubles champions and Save the Children National champions), rugby (National Schools Sevens champions and U13 Rosslyn Park Sevens champions), cricket (National J E T champions) and rounders (National J E T champions).

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REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2010

A number of high-quality drama productions took place during the year, including *Taming of the Shrew*, *GOZMO*, *Coram Boy* and *Brokenville* at the Senior School and *Dick Whittington*, *Strange Happenings* at *Spittlebury Manor* and *Macbeth* at the Prep School. Three Lower Sixth drama pupils had their work rated as best in the country by the Chief Examiner and three pupils were selected to attend the National Youth Theatre summer programme.

In music there were many excellent concerts and recitals, including the choral concert in Wells Cathedral in which Rutter's *Mass of the Children* was performed by a choir of over two hundred singers and orchestra. A number of pupils were selected to perform in the National Youth Orchestra, National Youth Choir and National Schools Symphony Orchestra and two pupils achieved entry to conservatoires. All pupils had the opportunity to participate in the House Song competitions.

Development of Facilities and Resources

During the year a number of development projects were completed. The new chemistry building and science lecture theatre at the Senior School was opened. Other developments included a major refurbishment of Millfield House, upgrading the day house facilities at the Senior School, a refurbishment of the swimming pool, installing new playground equipment at the Prep School, and the implementation of a new school management information system (iSAMS). The existing buildings and grounds continue to be maintained to a high standard.

Inspections

During the year, Millfield and Millfield Preparatory School were inspected by the Independent Schools Inspectorate. The reporting inspector at the Senior School concluded that "Millfield provides an outstanding range of educational opportunities well suited to the interests, aptitudes and needs of all its pupils." Spiritual, moral, social and cultural development of pupils, pastoral care and the quality of the boarding experience were rated as outstanding, and pupils' learning and achievements, the quality of teaching, links with parents and the wider community and the quality of governance and management were assessed as good.

The reporting inspector at the Prep School commented "the educational experience provided by the school is outstanding, and is consistent with its aims and philosophy." Spiritual, moral, social and cultural development of pupils, links with parents and the community, pastoral care and the quality of the boarding experience were rated as outstanding, and pupils' learning and achievements, the quality of teaching, and the quality of governance and management were assessed as good.

Both schools also received inspections of their boarding arrangements by Ofsted. The Senior School was assessed as satisfactory and the Prep School as outstanding in all respects.

Financial Review

The School's charitable educational activities continue to be the main source of the charity's consolidated income and expenditure.

For the financial year ended 31 August 2010, the net surplus was £1.6 million (2009 surplus of £0.4 million) after charging £3.2 million for depreciation on the School's property and equipment, but before actuarial gains and losses relating to the pension scheme. The School's total incoming resources, on its unrestricted school funds, increased by 5.1% to £39.2 million due mainly to fee increases of 3.7% and reduced levels of concessions. Total resources expended in unrestricted school funds increased by 1.6% to £37.8 million.

The Governors recognise the liability of £2.2 million (as reported in accordance with FRS17) existing in the Millfield Retirement Benefit Scheme for some non-teaching staff as set out in Note 23 to the Accounts. The Governors are satisfied that current and future cash flows are sufficient to meet any anticipated increases in costs.

All surpluses are re-invested in the School.

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2010

Capital expenditure in the year, at £1 7 million, was lower than the £3 5 million expended in the previous year and this was a contributory factor in the £4 2 million net inflow of funds that is reported in the Consolidated Cash Flow Statement

Community Partnerships

Millfield aims to be a good neighbour in the community and to develop mutually beneficial partnerships wherever possible. Our facilities have again been used extensively throughout the year for public benefit by outside organisations and the local community. The School values and promotes the ethos of service, and staff and pupils are active members of the community.

The presence of overseas students at the School promotes an atmosphere of tolerance and understanding of diverse cultures and traditions. This produces intangible benefit by increasing the general level of such tolerance within the wider community in the UK and also by raising the knowledge and understanding of the UK in communities abroad.

Pupils at Millfield develop a strong sense of civic duty and a clear understanding of the value of public service, which forms a direct, intangible benefit to society as a whole, as does the sense of self-discipline and concern for others that is actively encouraged by the School.

The School actively seeks out ways in which its facilities can be put to use for the benefit of the wider community. Society also benefits indirectly from the high level of academic, sporting and artistic achievements attained by the pupils and facilitated by the staff at the School.

Examples from the many activities that provide public benefit are highlighted below.

Assisting local state schools and colleges

- Hosting INSET (training) for newly qualified teachers from local schools
- Providing facilities for examination candidates from the region for US university entrance
- Taking groups of children and teachers from local schools to Worley Hill for guided walks and practical conservation experience
- Hosting revision days

Supporting local, national and international charities

- Providing local children with special needs with a unique educational experience through the Greatwood Horsepower programme
- Free use of facilities for Macmillan Race for Life
- Providing an activity day for approximately 800 visitors from Mencap
- Significant funds raised by pupils and staff for a variety of local, national and international charities including the Teenage Cancer Trust, Shelterbox, Street Child of Sierra Leone, the Julian Trust, Oxfam's East Africa Food Crisis Appeal, British Red Cross, Children's Hospice South West, Help for Heroes, Kokrobite Chiltern Centre (Ghana)
- Making donations to local charities through the Millfield Educational Trust
- More than 800 pupils and staff participating in the Glastonbury Road Run, raising over £5,000 for Have a Heart
- Managing a number of nature and wildlife reserves giving the public access to land managed for conservation purposes
- Loans of crockery, cutlery, tables etc. for numerous local charity events
- Loan of PA systems to local charities
- Pupils do voluntary work including visiting local old people's homes, working at LEAP schools and orphanages in South Africa, and through the Duke of Edinburgh Award scheme
- Providing facilities to RAFA and the Gurkha Welfare Trust for fundraising events

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REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2010

Promoting sports in the community

- Hosting a number of local community swimming clubs on a regular basis, opening up our facilities and giving access to our Olympic size swimming pool
- Hosting, organising and providing facilities for a huge number of clubs, schools and representative organisations, including hockey, netball, cricket, tennis, basketball, golf, football, fencing
- Use of Astroturf training facilities for Street and Glastonbury and Somerton youth football clubs
- Multi-activity courses enabling local children to experience and benefit from a range of activities during school holidays together with children of the same age groups from around the world
- Providing facilities for the Somerset Active Sports Programme
- Free use of conference facilities for Team Somerset meetings, to encourage sport for local children
- Millfield staff teach groundsmen on courses for the IOG to assist in the development of better playing surfaces for local communities

Promoting cultural activities in the community

- High standard drama, dance and music productions are provided by our staff and pupils free of charge to the public in excellent facilities
- An art gallery and sculpture park are freely open to the public During the year the Atkinson Gallery hosted a number of exhibitions, including 'Glastonbury 40' which celebrated 40 years of the Glastonbury Festival
- Free concerts attended by local elderly people are held in the Johnson Hall and in local parish churches
- A choral society open to members of the local community run by our staff holds weekly rehearsals

Future Plans

The Governors intend to continue their current strategy of maintaining the School's position in a competitive market by continuing to provide a high quality education and development opportunities for our pupils The Governors will continue to focus on providing a caring and connected community that not only meets each pupil's individual needs but also seeks to develop an international mindedness that is based upon the diversity of the School's mix of pupils The Governors wish to ensure innovative and differentiated programmes of study that develop independent and enquiring minds as well as a balanced and challenging co-curricular programme These provisions must be underpinned by the recruitment and retention of high quality staff and effective financial and general management

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2010

Governors

The Governors are responsible for the general management and administration of the School, including general policy and strategic planning. The detailed work of the Governors is delegated to committees, all of which report to the full Governing Body on a regular basis. The day to day running of the School is delegated to the Executive Group, which is made up of the Headmaster of Millfield, the Headmistress of Millfield Preparatory School, the Bursar of Millfield Schools and the Deputy Head of Millfield.

The Governors who served during the year and since the year-end are listed below

Judith Derbyshire (Chair of Governors)	Resigned 1 September 2010	2,6
Wim Bushell		5,7
Richard Clark	Appointed 5 October 2010	2
Robert Clark		2,5
Clare Cripps		1,3,6
Charles Jonathan Driver	Resigned 19 March 2010	4
Gareth Edwards	Resigned 19 March 2010	
Christobel Flood		
Christopher Hirst	Appointed 5 October 2010	4
John Jackson	Appointed 1 September 2009	1, 2*
Roger Knight	Resigned 6 November 2009	4
Atul Patel		1*,2
Sir John Reith	Appointed Chair of Governors 1 September 2010	2
Michael Roulston	Appointed 5 October 2010	4
Anabel Sexton		3,5*,7
Marc Simon		5
Timothy Taylor		4*
Robert Thornton	Appointed 11 June 2010	4
Roger Trafford		3*,4
David Williamson	Appointed 1 September 2010	2,6

Note The numbers denote membership of the following committees and related bodies (an asterisk denotes committee chairman)

- 1 Audit and Risk Committee
- 2 Building and Finance Committee
- 3 Appointments Committee
- 4 Education Committee
- 5 Marketing and Communications Committee
- 6 Trustee, Millfield Retirement Benefits Scheme
- 7 Director, Millfield School Enterprises Ltd

New Governors are appointed by the Governing Body on the recommendation of the Appointments Committee. Candidates are proposed by existing Governors on the basis of the expertise and experience they can offer the School and appointed to fulfil the current skills mix needs of the Governing Body.

Appropriate information and training is provided to new Governors. They are provided with a Governors' Handbook and meet for individual briefings with the relevant members of the Executive Group. The Governing Body recognises that new Governors must feel confident that they are equipped to meet their statutory and wider legal responsibilities and appropriately tailored courses and information are made available to them through the Clerk to the Governors.

One third of the members of the Governing Body retire each year. Retiring Governors are eligible for re-appointment.

Millfield

REPORT OF THE GOVERNING BODY *(continued)* for the year ended 31 August 2010

Governors' Responsibilities

The Governors (who are also directors of Millfield for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Governors are required to

- Select suitable accounting policies and then apply them consistently,
- Observe the methods and principles in the Charities SORP,
- Make judgments and 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 charitable company will continue in business

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Governors confirm that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to the Charity Commission's general guidance on public benefit. The Governors have referred to the guidance in the Charity Commission's general guidance on Public Benefit when reviewing the School's aims and objectives and in planning the School's future activities. In particular, the Governors have considered how planned activities will contribute to the aims and objectives they have set

In so far as the Governors are aware

- There is no relevant audit information of which the charitable company's auditor is unaware, and
- The Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Risk Management

The Board of Governors is responsible for the management of the risks faced by Millfield. An ongoing process has been established for identifying, evaluating and managing risks faced by the School. Detailed considerations of risk are delegated to the Audit and Risk Committee. This Committee, assisted by the School's executive management team, has identified and prioritised the key risks and a strategy for dealing with them has been approved by the Board of Governors. A formal review of risk management processes will continue to be undertaken on at least an annual basis

The key controls used include

- Formal agendas and minutes for all committee and board activity
- Clearly defined organisational responsibilities and limits of authority
- Comprehensive risk register
- Comprehensive strategic planning, revenue and capital budgeting, cash flow and management accounting
- Formal written policies
- Clear authorisation and approval levels
- Compliance with statutory requirements and external guidelines as appropriate

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2010

- Vetting procedures, as required by law, for the protection of children

Through the above risk management procedures the Governors are satisfied that the major risks identified have been adequately addressed where necessary

The major risks identified relate principally to the current state of the economy and to its uncertain effects on pupil numbers and cash flows. In addition to maintaining tight budgetary controls over expenditure, the School is taking steps to minimise capital expenditure over the next year in order to provide a contingency against possible reductions in pupil numbers. It is recognised, however, that systems can only provide reasonable but not absolute assurance that major risks have been appropriately managed

Investment Powers, Policy and Performance

There are no specific restrictions on the Governors' investment powers, and where appropriate Governors will seek the advice of a qualified investment adviser

Reserves

The Governors have examined the needs, risks and challenges faced by the School in both the short and medium terms along with relevant financial plans and forecasts and have formulated a policy to meet those needs. There are no free reserves, but Governors are satisfied with this position given the bank facilities that are provided and the flexibility and strength of future cash flows. This policy is reviewed at Board level on a regular basis and monitored in line with the buildings development programme, which is funded from operating surpluses with the support of temporary overdrafts and a fixed term loan

The Governors expect the present level of activities to be sustained at broadly the same level for the current year and the financial position of each of the funds to remain at the current satisfactory position. The performance of the trading subsidiary is expected to remain strong. They anticipate no difficulty in meeting the obligations of the Charity

There is no financial dependence on key donors

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2010

Employee Involvement

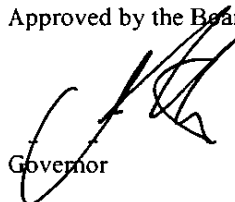
Regular meetings are held throughout the organisation, in which all subjects, teaching and non-teaching, are aired with the staff at all levels. The Governors are committed to ensuring that Millfield provides equality of opportunity in recruitment and employment. All applicants for employment and existing employees are treated by reference to their particular aptitudes, abilities and relevant qualifications and receive equal treatment as provided for by law regardless of gender, sexual orientation, marital status, race, colour, nationality, ethnic or national origins, religious belief, age or disability.

Millfield recognises that disabled persons may have special requirements and makes reasonable adjustments to interview procedures, work arrangements, premises, equipment, job design, training and retraining to remove potential barriers to disabled employees in the working environment.

Auditors

A resolution to re-appoint the auditor, Baker Tilly UK Audit LLP, will be submitted to the Annual General Meeting.

Approved by the Board of Governors of Millfield on 18 March 2011 and signed on its behalf by



Governor

Millfield

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLFIELD for the year ended 31 August 2010

We have audited the group and parent charity financial statements of Millfield ("the financial statements") for the year ended 31 August 2010 on pages 15 to 40

This report is made solely to the charitable 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 charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Report of the Governing Body is consistent with those financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Report of the Governing Body and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 misstatement, 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLFIELD *(continued)* for the year ended 31 August 2010

Opinion

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 2010 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the Report of the Governing Body is consistent with the financial statements

Baker Tilly UK audit LLP

HEATHER WHEELHOUSE (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Hartwell House

55 – 61 Victoria Street

Bristol

BS1 6AD

28 March 2011

Millfield

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 August 2010

	Note	School Funds £'000	Other Funds £'000	Restricted Funds £'000	Total 2010 £'000	Total 2009 £'000
INCOMING RESOURCES						
Income from Charitable Activities						
Fees receivable	3	33,785	-	(27)	33,758	32,303
Other educational income	4	2,294	-	-	2,294	2,198
Income from Resources from Generated Funds						
Activities for generating funds						
- Ancillary fees receivable		2,883	-	-	2,883	2,525
- Subsidiary trading income	6	-	483	-	483	450
- Fees from external hiring	6	122	282	-	404	482
Investment income	7	16	-	3	19	63
Voluntary Income	5	20	-	19	39	53
Other Incoming Resources	8	60	-	-	60	82
Total Incoming Resources		39,180	765	(5)	39,940	38,156
RESOURCES EXPENDED						
Cost of generating funds						
Cost of fund raising		110	-	-	110	59
Trading expenditure						
- Ancillary fees and external hiring		2,172	101	-	2,273	2,046
- Subsidiary trading		-	494	-	494	461
Finance and other costs		580	-	-	580	701
Total costs of generating funds	9	2,862	595	-	3,457	3,267
Charitable Activities						
Education and grant making		34,865	-	-	34,865	34,469
Governance costs		50	-	-	50	63
Total resources expended	9	37,777	595	-	38,372	37,799
Net incoming resources before transfers		1,403	170	(5)	1,568	357
Transfers between funds		147	(147)	-	-	-
NET SURPLUS FOR THE YEAR		1,550	23	(5)	1,568	357
Pension scheme actuarial gain/(loss)	23	858	-	-	858	(1,681)
		2,408	23	(5)	2,426	(1,324)
NET MOVEMENT IN FUNDS		2,408	23	(5)	2,426	(1,324)
Total funds brought forward		38,966		809	39,775	41,099
TOTAL FUNDS CARRIED FORWARD	20	41,397		804	42,201	39,775
All amounts relate to continuing operations						

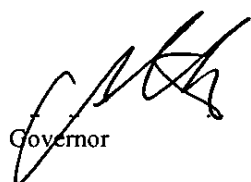
Millfield
BALANCE SHEETS
for the year ended 31 August 2010

	Note	Group		Company	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
FIXED ASSETS					
Tangible assets	13	55,893	57,436	55,877	57,410
Investments	14	-	-	325	325
		<u>55,893</u>	<u>57,436</u>	<u>56,202</u>	<u>57,735</u>
Stocks	15	338	199	50	42
Debtors amounts falling due after more than one year	16	-	33	-	-
Debtors amounts falling due within one year	16	1,363	1,228	1,229	1,127
Cash at bank and in hand		2,037	742	2,014	721
		<u>3,738</u>	<u>2,202</u>	<u>3,293</u>	<u>1,890</u>
CREDITORS amounts falling due within one year	17	(7,545)	(8,926)	(7,521)	(9,012)
NET CURRENT LIABILITIES		<u>(3,807)</u>	<u>(6,724)</u>	<u>(4,228)</u>	<u>(7,122)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>52,086</u>	<u>50,712</u>	<u>51,974</u>	<u>50,613</u>
CREDITORS amounts falling due after more than one year	18	(7,715)	(7,657)	(7,715)	(7,657)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>44,371</u>	<u>43,055</u>	<u>44,259</u>	<u>42,956</u>
Defined benefit pension liability	23	(2,170)	(3,280)	(2,170)	(3,280)
NET ASSETS INCLUDING PENSION LIABILITY		<u>42,201</u>	<u>39,775</u>	<u>42,089</u>	<u>39,676</u>
FUNDS					
Unrestricted funds - General	20	43,445	42,147	43,455	42,147
- Designated	20	122	99	-	-
- Pension reserve	23	(2,170)	(3,280)	(2,170)	(3,280)
		<u>41,397</u>	<u>38,966</u>	<u>41,285</u>	<u>38,867</u>
Restricted funds	20	804	809	804	809
TOTAL FUNDS		<u>42,201</u>	<u>39,775</u>	<u>42,089</u>	<u>39,676</u>

The financial statements were approved and authorised for issue by the Board of Governors of Millfield on

18 Mar 11

and signed on its behalf by


Governor

Millfield

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 August 2010

	Note	2010 £'000	2009 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	6,289	3,128
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		19	63
Interest paid		(459)	(488)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(440)	(425)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets	13	(1,663)	(3,487)
Sale of tangible fixed assets		4	2
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,659)	(3,485)
NET CASH INFLOW/ (OUTFLOW) BEFORE FINANCING		4,190	(782)
FINANCING			
Decrease in bank and other loans		(293)	(290)
Amounts accrued to advance fee contracts		1,843	1,677
Advanced fees applied		(1,316)	(641)
INCREASE IN FINANCING		234	746
INCREASE/(DECREASE) IN CASH IN THE YEAR	25	4,424	(36)

Millfield

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2010

1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the accounting regulations issued under the Companies Act 2006 and the Statement of Recommended Practice (SORP) "Accounting by Charities" issued in March 2005

A summary of the more important accounting policies, including those affecting the most significant items in these financial statements, is set out below

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention

The group had net current liabilities of £3,807,000 at the balance sheet date (2009 £6,724,000) and therefore the Governors have considered whether it is appropriate to prepare financial statements on the going concern basis

These financial statements have been prepared on a going concern basis, which the Governors consider to be appropriate as a result of surplus and cash-flow projections prepared for the period to 31 August 2012. These indicate that the School will be able to meet its liabilities as they fall due and together with current arrangements with the School's bankers and other lenders, indicate that the School will be able to operate within the facilities currently available. Governors have no reason to believe that current borrowing facilities will not be continued. Part of these facilities is provided in the form of an overdraft which is repayable on demand. However the School's bankers have provided this finance in the full knowledge that termly income receipts lead to significant fluctuations in the levels of cash required and therefore this flexible form of finance represents cost effective borrowing. The financial statements do not include any adjustments that would result from the withdrawal of the overdraft and loans by the School's bankers or other lenders.

In light of the above the Governors have concluded that it is appropriate to use the going concern basis in the preparation of these accounts

b) Basis of consolidation

The group consolidates on a line by line basis the financial statements of the charity and its subsidiary undertakings made up to 31 August 2010. As permitted by the Companies Act 2006, the parent company's income and expenditure account has not been included in these financial statements

The parent company's surplus for the year was £2,403,000 (2009 £1,329,000 deficit)

c) Funds

The restricted funds comprise donations earmarked by the donors, or the terms of an appeal, for specific purposes

Unrestricted funds are expendable at the discretion of the Governors in furtherance of the objects or administration of the charity

Designated funds comprise unrestricted funds, which are earmarked for particular purposes by the Governors

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

1. Principal Accounting Policies (*continued*)

d) Fees and similar income

Fees receivable, charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are stated after deducting allowances, scholarships and other remissions granted by the School.

Fees for education to be provided in future years are carried forward as deferred income in the balance sheet.

e) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average cost basis.

f) Tangible fixed assets

Expenditure on fixed assets is capitalised except for expenditure incurred on the replacement of assets of low value with a short life. Repair, renovation and replacement expenditure is written off in the Statement of Financial Activities. Items costing less than £5,000 are written off as an expense as acquired.

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	Straight Line Basis %
Freehold buildings	2 – 4
Extensions and improvements to buildings	10
Fixtures, fittings and equipment	15
Computers	33½
Motorised plant and vehicles	15

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

1. Principal Accounting Policies (*continued*)

g) Pension schemes

The company contributes to the Teachers' Pension Scheme (a defined benefits scheme) at rates set by the Scheme Actuary and advised to the Governors by the Scheme Administrator. The scheme is a multi-employer pension scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the company. In accordance with FRS17 therefore, the scheme is accounted for as a defined contribution scheme.

The company operates a final salary scheme for some of the School's non-teaching staff, which is contracted out of the state scheme. The fund is valued every three years by a professionally qualified actuary, the rates of contribution payable being determined by the actuary. This scheme is accounted for under FRS17, with the annually calculated notional surplus or deficit on the funding of the Scheme shown in the financial statements as a liability entitled "Pension Reserve", which is deducted from Unrestricted Funds in the balance sheet.

From 1st September 2005, the final salary scheme was closed to new members and from that date new applicants can apply to join a defined contribution scheme. The School's contributions are charged to the Statement of Financial Activities in the year in which the contributions are made.

h) Operating lease income

Income from operating leases is recognised over the lease term.

i) Donations

Donations receivable for the general purpose of the charity are credited to unrestricted funds. Donations for purposes restricted by the wishes of the donor are taken to restricted funds where these wishes are legally binding on the Governors. Where donations are received as gifts in kind, where those are capable of financial measurement, the donation is included in the financial statements at an estimate of the value to the charity.

j) Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against results in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

1. Principal Accounting Policies *(continued)*

k) Resources expended

Resources expended are accounted for on an accruals basis

Expenditure is allocated to expense headings on a direct cost basis, with staff costs being allocated according to the estimated time spent by staff working in relevant departments

Costs of generating funds include all fund raising and financing support costs

Support costs include bursary costs, payroll administration, budgeting and accounting, information technology, human resources and training

Governance costs include those costs associated with constitutional and statutory requirements

The irrecoverable element of VAT is included within the item of expense to which it relates

l) Taxation

The company is a registered charity, and as such is entitled to tax exemptions on income and gains, properly applied for its charitable purposes

2. Net Incoming Resources

	2010 £'000	2009 £'000
Net incoming resources are stated after charging / (crediting)		
Auditors' remuneration for		
- Audit (Company £20,180 (2009 £19,000))	23	22
- Other services to the company and its subsidiaries	1	-
Depreciation of tangible owned fixed assets	3,195	3,211
Operating lease costs - minibuses	152	152
Loss/(profit) on disposal of tangible fixed assets	7	(2)
Interest payable		
- Bank interest	10	36
- Loan interest	400	415
- Interest on fees in advance	49	37
	<u>459</u>	<u>488</u>

3. Fees Receivable

	2010 £'000	2009 £'000
School fees	39,156	37,596
Less Scholarships & bursaries	(4,477)	(4,377)
Other concessions	(921)	(916)
	<u>33,758</u>	<u>32,303</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

4. Other Educational Income

	2010 £'000	2009 £'000
Registration & acceptance fees	173	137
Travel, school trips, examination fees & other charges to pupils	2,121	2,061
	<u>2,294</u>	<u>2,198</u>

5 Voluntary Income

	2010 £'000	2009 £'000
Donations	<u>39</u>	<u>53</u>

6. Trading Income

Millfield owns 100% of the share capital of Millfield School Enterprises Limited, which has been wholly owned throughout the year ended 31 August 2010

Millfield School Enterprises Ltd

	2010 Millfield School Enterprises Statutory Accounts £'000	2010 Consolid -ation Adjust -ments £'000	2010 SOFA £'000	2009 Millfield School Enterprises Statutory Accounts £'000	2009 Consolid -ation Adjust -ments £'000	2009 SOFA £'000
Turnover	1,214	(449)	765	1,143	(395)	748
Cost of sales	(735)	449	(286)	(684)	395	(310)
Gross profit	<u>479</u>	<u>-</u>	<u>479</u>	<u>459</u>	<u>-</u>	<u>459</u>
Rent	(32)	32	-	(32)	32	-
Administration costs	(309)	-	(309)	(317)	-	(317)
Operating Profit	<u>138</u>	<u>32</u>	<u>170</u>	<u>110</u>	<u>32</u>	<u>142</u>
Transfer to Millfield	(115)	115	-	(105)	105	-
Retained profit	<u>23</u>	<u>147</u>	<u>170</u>	<u>5</u>	<u>137</u>	<u>142</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2010

6 Trading Income (continued)

Consolidation adjustments to Turnover and Cost of Sales shown above comprise

	2010 £'000	2009 £'000
Turnover supplied to the School		
Passenger transport	343	291
Stationery & equipment	106	104
	<u>449</u>	<u>395</u>
Cost of sales to the School		
Passenger transport	343	291
Stationery & equipment	106	104
	<u>449</u>	<u>395</u>

7. Investment Income

	2010 £'000	2009 £'000
Bank and other interest	<u>19</u>	<u>63</u>

8. Other Incoming Resources

	2010 £'000	2009 £'000
Interest on overdue fees	<u>60</u>	<u>82</u>

9. Analysis of Total Resources Expended

	Staff costs £'000	Other £'000	Deprec- iation £'000	2010 Total £'000	2009 Total £'000
Costs of generating funds					
Cost of fund raising	55	55	-	110	59
Trading expenditure					
Ancillary trading expenditure	897	1,156	-	2,053	1,708
External hirings-ancillary	52	67	-	119	193
Subsidiary trading expenditure	105	389	-	494	461
External hirings-subsubsidiary	65	26	10	101	145
Finance costs					
Interest payable	-	459	-	459	488
Bad debts written off	-	11	-	11	195
Finance costs of final salary pension scheme	-	110	-	110	18
Total costs of generating funds	<u>1,174</u>	<u>2,273</u>	<u>10</u>	<u>3,457</u>	<u>3,267</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

9 Analysis of Total Resources Expended (*continued*)

	Staff costs £'000	Other £'000	Deprec- iation £'000	2010 Total £'000	2009 Total £'000
Charitable activities					
Teaching costs	15,589	2,924	411	18,924	18,717
Welfare	1,424	4,352	95	5,871	5,743
Premises	2,053	2,578	2,348	6,979	7,095
Support costs of schooling	1,648	1,112	330	3,090	2,914
Educational and grant making	20,714	10,966	3,185	34,865	34,469
Governance costs	-	50	-	50	63
Total resources expended	21,888	13,289	3,195	38,372	37,799

10. Transfers

	2010 £'000	2009 £'000
Transfer from trading subsidiary		
Donation	115	105
Rent	32	32
Total from trading subsidiary	147	137
Transfer from designated funds	147	137

11. Employee Information

	2010 Number	2009 Number
The average number of persons (full-time equivalent) employed by the group during the year was		
Teaching	260	262
Administration and support	368	365
	628	627

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

11. Employee Information *(continued)*

	2010 £'000	2009 £'000
Staff costs (for the above persons)		
Wages and salaries	18,521	18,369
Social security costs	1,354	1,374
Pension costs	2,013	1,955
	<u>21,888</u>	<u>21,698</u>

The number of employees whose emoluments (excluding pension contributions) exceeded £60,000 were

	2010 Number	2009 Number
£60,001 - £70,000	4	4
£70,001 - £80,000	1	1
£90,001 - 100,000	-	2
£100,001 - £110,000	1	1
£110,101-£140,000	1	-
£140,001 - £150,000	1	-
£150,001 -£160,000	-	1

Contributions to the Teachers' Pension Scheme were made for four (2009 five) higher paid employees and contributions were made to the company's final salary scheme for non-teaching staff in respect of two (2009 two) higher paid employees. Pension contributions made during the year in respect of these employees were £63,171 (2009 £70,786) to the Teachers' Pension Scheme and £20,994 (2009 £24,741) to the company's final salary pension scheme. Both of these are defined benefit schemes.

Additionally, Millfield made contributions to a defined contribution scheme for two (2009 two) higher paid non-teaching staff totally £16,250 (2009 £8,057).

No emoluments were paid to the Governors in respect of their services to Millfield during the year, nor have they received any other form of disclosable trustee benefit (2009 £Nil).

During the year, nine (2009 eight) Governors were reimbursed personal expenses directly attributable to their duties as trustees (e.g. travelling to and from meetings). Total amounts reimbursed were £4,914 (2009 £748).

12. Taxation

The company is a registered charity, and as such is entitled to tax exemptions on income and gains, properly applied for its charitable purposes.

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

13. Tangible Fixed Assets (Group)

	Freehold Property £'000	Assets under construction £'000	Extensions and improve- ments to buildings £'000	Fixtures Fittings and Equipment £'000	Computers £'000	Motorised Plant and Vehicles £'000	Total £'000
Cost							
At 1 Sept 2009	64,516	3,285	7,466	5,090	1,541	563	82,461
Additions	-	872	275	324	162	30	1,663
Transfers	3,559	(3,589)	30	-	-	-	-
Disposals	-	-	-	-	-	(48)	(48)
At 31 August 2010	68,075	568	7,771	5,414	1,703	546	84,076
Depreciation							
At 1 Sept 2009	16,310	-	4,045	3,216	1,098	356	25,025
Charge for year	1,370	-	777	668	285	95	3,195
Disposals	-	-	-	-	-	(37)	(37)
At 31 August 2010	17,680	-	4,822	3,884	1,383	414	28,183
Net book value							
At 31 August 2010	50,395	568	2,949	1,530	320	131	55,893
At 1 Sept 2009	48,206	3,285	3,421	1,874	443	207	57,436

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

13. Tangible Fixed Assets (Company)

	Freehold Property £'000	Assets under construction £'000	Extensions and improve- ments to buildings £'000	Fixtures Fittings and Equipment £'000	Computers £'000	Motorised Plant and Vehicles £'000	Total £'000
Cost							
At 1 Sept 2009	64,516	3,285	7,466	5,052	1,541	528	82,388
Additions	-	872	275	324	162	30	1,663
Transfers	3,559	(3,589)	30	-	-	-	-
Disposals	-	-	-	-	-	(37)	(37)
At 31 August 2010	<u>68,075</u>	<u>568</u>	<u>7,771</u>	<u>5,376</u>	<u>1,703</u>	<u>521</u>	<u>84,014</u>
Depreciation							
At 1 Sept 2009	16,310	-	4,045	3,195	1,098	330	24,978
Charge for year	1,370	-	777	662	285	91	3,185
Disposals	-	-	-	-	-	(26)	(26)
At 31 August 2010	<u>17,680</u>	<u>-</u>	<u>4,822</u>	<u>3,857</u>	<u>1,383</u>	<u>395</u>	<u>28,137</u>
Net book value							
At 31 August 2010	<u>50,395</u>	<u>568</u>	<u>2,949</u>	<u>1,519</u>	<u>320</u>	<u>126</u>	<u>55,877</u>
At 1 Sept 2009	<u>48,206</u>	<u>3,285</u>	<u>3,421</u>	<u>1,857</u>	<u>443</u>	<u>198</u>	<u>57,410</u>

The net book value of the group and company tangible fixed assets includes an amount of £ 4,558,000 (2009 £4,558,000) in respect of freehold land which is not depreciated

Included within the company's freehold property are assets which are leased under operating leases, where Millfield acts as the lessor, with a net book value of £536,618 (2009 £552,362)

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

14. Fixed Asset Investments

	2010 £'000	2009 £'000
Interest in Group undertakings at cost	<u>325</u>	<u>325</u>

The company had the following subsidiary undertakings at the year end

	Millfield School (Somerset) Charitable Trust	Millfield School Enterprises Limited
Nature of business	Advancement of Education	Service activities
Proportion of nominal value of issued shares held by the company	None, as company limited by guarantee	100%
Country of incorporation	England	England
	£	£
Net assets	<u>-</u>	<u>436,755</u>
Incoming resources/turnover	5	1,214,808
Resources expended/expenditure	<u>(10,348)</u>	<u>1,191,808</u>
Net outgoing resources/profit for the year	<u>(10,343)</u>	<u>23,000</u>

The results of both subsidiary entities have been included in these consolidated financial statements

15 Stocks

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
School provisions and consumables	50	49	50	42
Goods for resale	<u>288</u>	<u>150</u>	<u>-</u>	<u>-</u>
	<u>338</u>	<u>199</u>	<u>50</u>	<u>42</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

16 Debtors

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year				
Prepayments	-	33	-	-
Amounts falling due within one year				
Trade debtors	1,049	997	981	915
Other debtors	144	122	111	103
Amounts due from subsidiary	-	-	-	-
Prepayments	170	109	137	109
	<u>1,363</u>	<u>1,228</u>	<u>1,229</u>	<u>1,127</u>

17. Creditors' Amounts Falling Due Within One Year

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loan (see note 18)	314	293	314	293
Bank overdraft	-	3,129	-	3,129
Amounts due to subsidiary	-	-	143	149
Trade creditors	824	565	668	523
Taxation and social security costs	810	575	810	575
Other creditors	245	236	245	236
Accruals	1,046	935	1,035	914
School fees in advance and deposits held	4,290	3,178	4,290	3,178
Chartwells loan (see note 18)	16	15	16	15
	<u>7,545</u>	<u>8,926</u>	<u>7,521</u>	<u>9,012</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

18 Creditors' Amounts Falling Due After More Than One Year

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Fixed term loan (see below)	5,312	5,626	5,312	5,626
School fees in advance and deposits held	2,353	1,946	2,353	1,946
Office of Fair Trading settlement	-	24	-	24
Chartwells loan (see below)	50	61	50	61
	<u>7,715</u>	<u>7,657</u>	<u>7,715</u>	<u>7,657</u>

Fixed Term Loan – Group and Company

The loan is unsecured and repayable over 20 years from 2 September 2002 at a fixed rate of 6.88% p.a., as follows

	2010	2009
	£'000	£'000
Over one year		
Within 1 to 2 years	335	314
Within 2 to 5 years	1,157	1,079
Over 5 years	3,820	4,233
	<u>5,312</u>	<u>5,626</u>
Within one year	314	293
	<u>5,626</u>	<u>5,919</u>

Chartwells Loan – Group and Company

This loan is unsecured and interest free. It is repayable over seven years from 1 September 2007, as follows

	2010	2009
	£'000	£'000
Over one year		
Within 1 to 2 years	16	15
Within 3 to 5 years	34	46
	<u>50</u>	<u>61</u>
Within one year	16	15
	<u>66</u>	<u>76</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

19. Advance Fee Payments

Parents sometimes deposit a lump sum with the School as an advance on future fees. Each arrangement is in respect of an agreed amount to be credited against future fees bills for an agreed number of terms. The unused balance of the advance is repayable upon request. It is intended that the advance of fees will be applied as follows:

	2010 £'000	2009 £'000
Over one year		
Within 1 to 2 years	640	682
Within 3 to 5 years	847	613
After 5 years	35	68
	<u>1,522</u>	<u>1,363</u>
Within one year	1,225	857
	<u>2,747</u>	<u>2,220</u>

Figures for advanced fee payments are included within the balance for School fees in advance and deposits held (notes 17 and 18).

The balance represents the accrued liability under these arrangements. The movements during the year were:

	2010 £'000	2009 £'000
Balance at 1 September 2009	2,220	1,184
New contracts	1,794	1,713
Amounts accrued to contracts	49	37
	<u>4,063</u>	<u>2,934</u>
Amounts utilised in the payment of fees to the School	(1,316)	(641)
Refunds of fees paid in advance	-	(73)
	<u>-</u>	<u>-</u>
Balance at 31 August 2010	<u>2,747</u>	<u>2,220</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

20. Funds

	Balance 1 September 2009 £'000	Incoming Resources £'000	Resources Expended £'000	Actuarial gain/(loss) Transfers £'000	Balance 31 August 2010 £'000
Unrestricted funds					
- general	42,147	37,896	(36,745)	147	43,445
Designated					
- Charitable Trust	-	-	-	10	10
- Pension reserve	(3,280)	807	(555)	858	(2,170)
Restricted					
- R J O M Scholarship Fund	111	3	-	-	114
- Scholarship and Bursary Fund	698	19	(27)	-	690
TOTAL COMPANY	39,676	38,725	(37,327)	1,015	42,089
Designated					
- Charitable Trust	10	-	-	(10)	-
- Millfield School Enterprises Ltd	89	1,215	(1,045)	(147)	112
TOTAL GROUP	39,775	39,940	(38,372)	858	42,201

Restricted Funds

The R J O M Scholarship Fund is restricted to the provision of awards to pupils of the School

The Scholarship and Bursary Fund (formerly known as The Millfield Foundation) is restricted to the provision of awards to pupils of the School. There also exists a separate independent charity, Millfield Foundation, which has been established to promote the advancement of education through the provision of scholarships to current and prospective pupils of the School.

Designated Funds

The funds brought forward in the Millfield School (Somerset) Charitable Trust were transferred to the Company in the year, but the purpose for which they will be used remains unchanged, i.e. for the provision of awards to pupils of the School.

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

21. Allocation of Group Net Assets

	Fixed assets £'000	Net current liabilities £'000	Long term liabilities £'000	Pension reserve £'000	Total £'000
Unrestricted funds					
- General	55,893	(4,733)	(7,715)	-	43,445
- Designated	-	122	-	-	122
- Pension	-	-	-	(2,170)	(2,170)
Restricted funds	-	804	-	-	804
TOTAL GROUP	55,893	(3,807)	(7,715)	(2,170)	42,201

22. Capital Commitments

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Authorised by the Governors but not provided for in the financial statements of which £ 120,000 (2009 £249,000) has been contracted	1,836	1,904	1,836	1,904

23. Pension Obligations

The total group pension costs were £2,375,000 (2009 £2,395,866) of which £1,470,453 (2009 £1,461,739) related to the teachers' superannuation scheme, £807,459 (2009 £862,560) related to the Millfield Final Salary Scheme for non-teaching staff and £97,088 (2009 £69,567) was paid into defined contribution schemes

Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme (England and Wales) ("the Scheme"), for its teaching staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to identify the assets and liabilities of the Scheme which are attributable to the School. The latest actuarial valuation of the Scheme by the Government Actuary issued in October 2006 relating to the period 1 April 2001 to 31 March 2004 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) exceeded the value of the Scheme's assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) by 2.0%

From 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution rate has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% to balance the Scheme's assets and liabilities within 15 years as required by the regulations, a total contribution rate of 20.5%. This translates into an employer contribution rate of 14.1% and an employee contribution rate of 6.4%. The cost-sharing agreement has also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable. The next valuation of the Scheme by the Government Actuary due to be prepared as at 31st March 2008 has not yet been published.

The pension charge for the year includes contributions payable to the scheme of £1,470,453 (2009 £1,461,739)

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

23. Pension Obligations (*continued*)

Final Salary Scheme

For some of its non-teaching staff, the School operates a funded final salary scheme, whose assets are held in separate trustee-administered funds

From 1st September 2005, the final salary scheme was closed to new members and will continue for existing members on that date. New staff are able to apply to join a defined contribution scheme to which the employer contributes 10% of pensionable salary

Triennial Valuation

The final salary scheme is subject to triennial valuations by independent actuaries, the last full actuarial valuation being carried out as at 1 September 2010, using the projected unit method. The following actuarial assumptions were made:

Investment returns (period up to retirement)	6.0%
Investment returns (period after retirement)	4.0%
Inflation	3.0%
Salary growth	3.0%
Pension increases (on pension in excess of Guaranteed Minimum Pension)	3.0%

At the last valuation, the market value of the assets held was £8,478,000 and this value was sufficient to cover 73% of the benefits accrued to members after allowing for expected future increases in earnings, giving a shortfall of £3,203,000.

Employer's contributions made to the scheme in the period were £807,484 (2009: £863,644) and the agreed contribution rate with effect from 1st September 2010 is 20% of pensionable pay, inclusive of 6% (2009: 5%) member contributions in the year. An additional contribution of £400,000 per year in respect of deficit funding has been agreed by the employer for 8 years and 6 months from 1 September 2010.

FRS17 (Retirement Benefits)

These financial statements reflect the requirements of FRS17. The charge for the year as calculated by the actuary of £445,000 (2009: £369,000) together with the finance charges of £110,000 (2009: £18,000) and the actuarial gain of £884,000 (2009: £1,681,000 loss) has been recognised in the Statement of Financial Activities during the year.

Millfield

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2010

23. Pension Obligations (continued)

FRS17 Assumptions:

	2010 £'000	2009 £'000
Discount rate	5.0%	5.4%
Inflation (RPI)	2.9%	3.1%
Salary increases	2.9%	4.6%
Post 88 GMP increases in payment	2.9%	3.0%
97-05 pension increases in payment	2.9%	3.0%
Post 05 pension increases in payment	2.3%	2.3%
Expected return on assets	6.2%	6.2%
Future life expectancy at age 65		
Retiring today – males	21.3	22.1
Retiring today - females	24.1	25.0
Retiring in 20 years - males	23.2	23.1
Retiring in 20 years - females	26.0	25.9

Major categories of plan assets as a percentage of total plan assets:

	2010 £'000	2009 £'000
Global Absolute Return Strategy Funds (G A R S)	44%	-
UK and overseas equity funds	28%	58%
Fixed Interest funds	16%	35%
Property funds	11%	5%
Cash	1%	2%

The assets in the scheme and the expected rate of return were:

	Rate of long term return expected at August			Scheme Assets		
	2010 £'000	2009 £'000	2008 £'000	2010 £'000	2009 £'000	2008 £'000
G A R S Funds	6.6%	-	-	3,746	-	-
Equities	6.6%	7.1%	8.4%	2,319	4,014	4,542
Gilts	4.0%	4.0%	4.6%	544	962	627
Bonds	5.0%	5.4%	6.4%	854	1,453	952
Property	6.6%	7.1%	8.4%	971	366	442
Cash	0.5%	0.5%	6.4%	43	113	-
AVC's	N/a	N/a	N/a	1,587	1,409	1,413
				<u>10,064</u>	<u>8,317</u>	<u>7,976</u>

The expected annual return on equity (and property) has been taken to be 6.2% and determined as equal to the dividend yield on the FTSE Actuaries All-Share index at the assumed rate of dividend growth of 0.5% above inflation together with an adjustment to allow for market conditions. The expected annual return on corporate bond investments has been determined as the annualised yield on the Markit iBoxx Sterling AA-rated over 15 year Corporate Bond Index. The expected annual return on gilt investments has been determined as the annualized yield on the FTSE 20-year gilts index at the year end.

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

23. Pension Obligations *(continued)*

	2010 £'000	2009 £'000
Balance sheet:		
Fair value of assets	8,478	6,910
Defined benefit obligation	(10,648)	(10,190)
Shortfall	(2,170)	(3,280)
Funding level	80%	68%
Analysis of changes in the present value of defined benefit obligations (DBO)		
	2010 £'000	2009 £'000
Opening defined benefit obligation	10,190	8,582
Current service cost	445	369
Employees' contributions	127	104
Interest cost	556	562
Changes in actuarial assumptions	(197)	1,028
Actuarial experience gains	(186)	(280)
Benefits paid	(287)	(175)
Closing defined benefit obligation	<u>10,648</u>	<u>10,190</u>

Millfield expects to contribute £721,000 to its defined benefits pension scheme in the year ended 31 August 2011

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

23. Pension Obligations *(continued)*

Analysis of changes in the fair value of assets:	2010 £'000	2009 £'000
Opening fair value of assets	6,910	6,562
Expected return	446	544
Employer's contributions	807	808
Employees' contributions	127	104
Actuarial experience gains/(losses)	475	(933)
Benefits received/(paid)	(287)	(175)
Closing fair value of assets	<u>8,478</u>	<u>6,910</u>

Amounts for the current and previous four periods.

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of assets	8,478	6,910	6,562	6,107	7,154
Defined benefit obligation	(10,648)	(10,190)	(8,582)	(7,493)	(5,122)
(Shortfall)	<u>(2,170)</u>	<u>(3,280)</u>	<u>(2,020)</u>	<u>(1,386)</u>	<u>(2,032)</u>
Experience adjustment on assets	475	(933)	(647)	57	258
Experience adjustment on DBO	(186)	280	160	(38)	-

The charge to the Consolidated Statement of Financial Activities for the financial year comprised:

	2010 £'000	2009 £'000
Charged to resources expended in the year		
Current service cost	(445)	(369)
Total charge to net incoming resources	<u>(445)</u>	<u>(369)</u>
Charged to finance and other costs		
Expected return on pension scheme assets	446	544
Interest on pension scheme liabilities	(556)	(562)
Net finance and other costs	<u>(110)</u>	<u>(18)</u>
Total charge to the Consolidated Statement of Financial Activities	<u>(555)</u>	<u>(387)</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

23. Pension obligations *(continued)*

Analysis of the amounts shown within pension actuarial gains and losses

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Actuarial return less expected return on pension scheme assets	475	(933)	(647)	57	258
Percentage of scheme assets	6%	9%	8%	1%	5%
Experience gains and (losses) arising on scheme liabilities	(186)	280	160	(38)	-
Percentage of the present value of scheme liabilities	(2%)	3%	2%	(1%)	0%
Changes in assumptions underlying the present value of the scheme liabilities	569	(1,028)	(592)	574	107
Percentage of the present value of scheme liabilities	7%	(10%)	(7%)	8%	2%
Actuarial gain/(loss) recognised in the SOFA	858	(1,681)	(1,079)	593	365
Percentage of the present value of scheme liabilities	8%	(16%)	(13%)	8%	7%

Movement in the balance sheet liability over the year was as follows

	2010 £'000	2009 £'000
Liability at 31 August 2009	(3,280)	(2,020)
Current service cost	(445)	(369)
Employer contributions	807	808
Other finance cost	(110)	(18)
Actuarial (loss)/gain	858	(1,681)
Liability at 31 August 2010	(2,170)	(3,280)

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2010

24. Reconciliation Of Net Incoming Resources To Net Cash Inflow From Operating Activities

	2010 £'000	2009 £'000
Net incoming resources	1,568	357
Depreciation of tangible fixed assets	3,195	3,211
Interest receivable	(19)	(63)
Interest payable	459	488
(Profit)/loss on sale of tangible fixed assets	7	(2)
(Increase) /decrease in stocks	(139)	24
(Increase) /decrease in debtors	(102)	216
Increase / (decrease) in creditors and provisions	1,572	(682)
Difference between pension charges assessed by the actuary and the contributions paid	(252)	(421)
Net cash inflow from operating activities	<u>6,289</u>	<u>3,128</u>

25. Reconciliation of Net Cash Flow To Movement In Net Debt

	2010 £'000	2009 £'000
(Decrease)/increase in cash in the year	4,424	(36)
Cash flow from movement in debt	(234)	(670)
Change in net funds resulting from cash flows	<u>4,190</u>	<u>(706)</u>
Net debt at 1 September 2009	(10,526)	(9,820)
Net debt at 31 August 2010	<u>(6,336)</u>	<u>(10,526)</u>

26. Analysis of Net Debt

	At 1 September 2009 £'000	Cash flows £'000	At 31 August 2010 £'000
Cash at bank and in hand	742	1,295	2,037
Bank overdraft	(3,129)	3,129	-
	<u>(2,387)</u>	<u>4,424</u>	<u>2,037</u>
Debt due after one year	(6,989)	155	(6,834)
Debt due within one year	(1,150)	(389)	(1,539)
Total debt	<u>(10,526)</u>	<u>4,190</u>	<u>(6,336)</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2010

27. Financial Commitments

At 31 August 2010 the group had annual non-cancellable commitments, as follows

	Land & Buildings		Other	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Expiring within one year	-	-	97	-
Expiring in 1 – 5 years	-	-	-	152
	<u>-</u>	<u>-</u>	<u>97</u>	<u>152</u>
	<u>-</u>	<u>-</u>	<u>97</u>	<u>152</u>

28. Capital

The company is limited by guarantee and does not have a share capital