



HEREFORD
CATHEDRAL
SCHOOL

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

Hereford Cathedral School, a company limited by guarantee
Company number: 2081261
Charity number: 518889

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MESSAGE FROM THE CHAIR OF GOVERNORS

This period has been dominated by the Coronavirus Pandemic. That said, the positive and swift actions taken by the Board, Headmaster and Senior Leadership Team during the Summer Term 2020 have proven to be both sensible and highly effective. The outcomes of those measures have benefitted the School significantly during this academic year which ends in an extremely strong position. In particular, the School's responses to the challenges of successive lockdowns, changing Government Covid guidance and regulations, and the requirement for highly effective remote teaching and learning has been exemplary. Pupil numbers are very healthy, interest from prospective parents remains buoyant and the number of boarders continues to grow, with the prospect of the Boarding House being full by the beginning of 2022.

After some 16 years as the Headmaster, Mr Paul Smith stepped down at the end of the academic year and the Board and School are indebted to him for his excellent leadership during his time at HCS. His calm and measured management of the Covid crisis exemplified his time at the helm of the School. The Board have appointed Dr Michael Gray as his successor who joins the School from the post of Director of Studies at Harrow School.

The Board remain committed to the delivery of the School's Vision 2030 and while the challenges of Covid and its impact both nationally and globally remain significant, the Board continues to be very confident about the School's future.

Rear Admiral Philip Wilcocks
Chair of Governors

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2021

The Governors present the Report of the Trustees for the year ended 31 July 2021, which incorporates the Strategic Report under the Companies Act.

REFERENCE AND ADMINISTRATIVE INFORMATION

The regulating document of Hereford Cathedral School is a Charity Commission Scheme made under the Endowed Schools Acts on 26 June 1893, with the latest amendment in 1987. The School is a registered charity, number 518889. The registered company number is 2081261. The governing instrument is the Memorandum and Articles of Association, adopted on 5 December 1986.

The charitable company does not have a share capital, but the directors, as members, have undertaken to contribute a sum not exceeding one pound each in the event of a deficiency on winding up the company's affairs.

Senior School and Registered Office:
Old Deanery
The Cathedral Close
Hereford
HR1 2NG

Junior School:
28 Castle Street
Hereford
HR1 2NW

www.herefordcs.com

STRUCTURE, GOVERNANCE AND MANAGEMENT

Organisational Management

Governors, as the charity trustees, are legally responsible for the overall management and control of the School. The governors determine the general policy, as well as being responsible for the strategic management and control of the business activities of the School. Meetings of the full governing body are held at least once a term, with occasional extra meetings called if matters arise of a sufficiently serious nature.

The Board appointed Dr Michael Gray to succeed Mr Paul Smith as Headmaster from September 2021. Dr Gray is tasked with the implementation of Vision 2030 and has already developed a clear strategy to take the School forwards to achieve further success. The School will rapidly capitalise on some of the positive lessons from the pandemic, such as an accelerated move towards a more digital teaching environment. He will also introduce an enhanced professional development programme for all staff and continue to seek out opportunities to expand the nursery, boarding and opportunities overseas. Recruitment is underway for a new Head for Hereford Cathedral Junior School, the search will be led by Dr Gray, assisted by the board and his SLT.

The operational management of the School is delegated to the Headmaster, Head of the Junior School and their respective Senior Leadership Teams (SLT) and together this group are the key management personnel. Delivery of the School's charitable vision and purpose is primarily dependent on our key management personnel. The Headmaster, Head of the Junior School and the Bursar attend all meetings of the governing body's committees, which discuss issues for forwarding to the full governors' meetings. The main governor committees are Finance, Education, and General Purposes. In addition to these meetings, governors and senior leaders also attend meetings covering Health & Safety and Salaries and Personnel. Mr W Hanks is the designated governor for Safeguarding issues.

The School recognises the National Education Union (NEU) through an informal agreement for the purposes of pay, holidays and working hours. A Joint Negotiation Committee has been established to cover the bargaining unit (all teachers). Remuneration policy and budget is set by the governors, with the objective of providing appropriate incentives to encourage enhanced performance and of rewarding fairly and responsibly the individual contributions to the School's success. The appropriateness and relevance of the remuneration policy is reviewed annually, including reference to comparisons with other independent schools and the maintained sector to ensure that the School remains sensitive to the broader issues of pay and employment conditions elsewhere.

We aim to recruit, subject to experience, at the lower to medium point on the pay scale, recognising that staff costs are the largest single element of our charitable expenditure.

Recruitment and Training of Governors

The recruitment of new governors is based on a pre-determined set of skills and competences across a range of disciplines such as: education, finance, law, religion, land & buildings and business. The policy of the governors is to maintain a balanced and diverse board, with a broad experience base, covering all of the topics outlined above. New governors are inducted into the workings of the School, including governing body policy and procedures, at an induction workshop specially organised for them by the Headmaster, the Head of the Junior School and Clerk. The new governors also attend specialist external and/or online courses on the role and responsibilities of charity trustees. All new governors are issued

with an induction manual, which seeks to assist in the understanding of the complex issues faced by a new charity trustee and non-executive director.

In addition, all new governors are expected in their first year to sit on each of the sub-committees in order to understand all aspects of the School's business. Governors attend external trustee training and information courses designed to keep them informed and updated on current issues in the sector and regulatory requirements.

Employment Policy

The School is an equal opportunities employer. Full and fair consideration is given to job applications from disabled persons and due consideration is given to their training and employment needs. All employees are appointed in accordance with safer recruiting guidelines and particular emphasis and attention is given to safeguarding and background checks.

Consultation with employees, or their representatives, has continued at all levels with the aim of taking the views of employees into account when decisions are made that are likely to affect their interests. Employees are made aware of the financial and economic performance of the School at an annual briefing.

Communication with employees continues through normal management channels in a variety of forms and also through exceptional channels to apprise staff of current issues.

Investment policy and objectives

The School's investment objectives are to balance the current and future needs by:

- Maintaining (at least) the value of the investments in real terms
- Producing a consistent and sustainable amount to support expenditure
- Delivering these objectives within acceptable levels of risk

To meet these objectives, the School's investments as a whole are managed on a total return basis, maintaining diversification across a range of asset classes in order to produce an appropriate balance between risk and return. In line with this approach, the Charity Commission has been made aware of the School's intention to invest permanent endowments to maximise total return and to make available an appropriate proportion of the total return for expenditure each year. The investment strategy and policy are monitored by the Finance Committee, as is investment performance, which is reported below, within the Strategic Report.

CHARITY TRUSTEES AND COMMITTEE MEMBERS

The governors are elected at a full governors' meeting, and their appointment is confirmed at the next AGM. The Dean and Chapter (D&C) of Hereford Cathedral have the right to recommend up to one quarter of the total number of governors. One third of the governors, or if their number is not three or a multiple of three, then the number nearest to, retire from office at each Annual General Meeting. They can be re-elected. The governors had no interests which were required to be disclosed under the Companies Act 2006. Unless otherwise determined by the company by ordinary resolution, the number of governors shall not be less than 10, or more than 18. The governors of the School, who are also the charity trustees and the directors of the company who served during the year and up to the date of approving these financial statements, were:

Elected Members

Rear Admiral P Wilcocks (Chairman)

Mr C D Hitchiner

Mr A Teale

Mr W Hanks

Mr S Borthwick (Deceased, December 2020)

Mr T Keyes

Mr J Sheldon

Mrs K Usher

Mr J Preece

Mr D Ashcroft

Mrs A Bentley (Resigned 4 November 2021)

Mrs J Millar

Mr C Jones

D&C Nominated Members

Mr W Hanks

Mr A Teale

Officers

Mr P A Smith

Headmaster (Resigned 31 August 2021)

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|-----------------|---|
| Dr M E P Gray | Headmaster (Appointed 1 September 2021) |
| Mr C Wright | Head of the Junior School (Resigned 31 August 2021) |
| Mr J M Debenham | Acting Head of the Junior School (Appointed 1 September 2021) |
| Mr R Pizzi | Secretary, Bursar and Clerk to the Governors |

Finance Committee

Mr J Sheldon (Chairman)
Mr CD Hitchiner
Mr W Hanks
Mrs J Millar
Mr D Ashcroft

In attendance: Headmaster, Head of the Junior School, Bursar, Accountant, Chairman of the Board.

Education Committee

Mr T Keyes (Chairman)
Mr A Teale
Mr S Borthwick
Mr C Jones

In attendance: Headmaster, Head of the Junior School, Academic Deputy, Director of Studies, Chairman of the Board.

General Purposes Committee

Mr J Preece (Chairman)
Mr S Borthwick
Mr J Sheldon
Mrs J Millar
Mrs K Usher

In attendance: Headmaster, Head of the Junior School, Bursar, Chairman of the Board.

SUBSIDIARIES

During the financial year, the School had one trading wholly-owned subsidiary, HCS Educational Services Limited. Hereford International School Ltd was dormant during the year.

SOLICITORS

Humfrys & Symonds
St John's Chambers
St John Street
Hereford
HR1 2NG
3PR

Harrison Clark Rickerbys Ltd
Ellenborough House
Wellington Street
Cheltenham
GL50 1YD

BANK

Lloyds Bank Plc
6-8 High Street
Hereford
HR1 2AE

AUDITOR

Crowe U.K. LLP
4th Floor
St James House
St James' Square
Cheltenham, GL50

INVESTMENT MANAGERS

Brewin Dolphin
St James' House
St James' Square
Cheltenham
GL50 3PR

Investec
30 Gresham Street
London
EC2V 7QP

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The governors undertake a full review of risk management procedures each year, with each sub-committee tasked with assessing and rating risks relevant to the areas for which they hold responsibility. The risks faced by the School include political, buildings (on-going maintenance and health and safety considerations), demographic and economic changes and recruitment and retention of high quality staff and pupils. Issues are identified and discussed with the specific purpose of reducing risk in all areas, with the findings reviewed annually at full Board level.

The other key control mechanisms used to mitigate risk wherever possible are:

- Formal agendas for all governors' meetings
- Full and thorough management accounting, budgeting and 5-year planning
- Preparation of, and reference to, written policies and committee terms of reference
- Operational management through an organisational structure
- Clear authorisation and approval levels for expenditure of budgets
- Robust procedures for legislative compliance educationally, financially and legally
- Membership of professional bodies which advise and support the school: AGBIS, HMC, IAPS, ISBA and BSA
- Full insurance cover which is reviewed annually

Principal Risks

The governors are mindful of the intense pressures facing the UK as a consequence of the global pandemic. The country has emerged from a series of lockdowns thanks to a successful vaccine programme but infection rates remain high and the virus will continue to effect operations for the foreseeable future. The deepest recession in decades has been followed by a strong recovery but with a high degree of uncertainty and risk, particularly of rising inflation. It is typically the case that the effects of a recession are not felt for a year or two by the independent school sector and so the Board will remain alert to the possibility that the current situation may deteriorate further.

The School's boarding has directly suffered in the short term, due in large part to a lack of confidence held by many Chinese parents regarding the UK Government's response to the crisis. Other nationalities also chose to keep their children at home, at least in the short term. However, the boarding house is nearly at capacity for the start of the new academic year, which is reassuring.

The Board has also considered the impact on the successful delivery of Vision 2030. The Board's Strategy day examined whether some elements of the Vision should be accelerated. They have identified the following principal risks facing the School and are taking appropriate steps to mitigate them:

- National and potentially global recession, inflation and potential increase in bank base rates which all relate to the affordability of fees
- Replacement of the Headmaster
- Ongoing impact of the Coronavirus pandemic
- Political pressure on the sector
- Implications of BREXIT on boarding
- Herefordshire's demographic and economic situation

The governors consider the impact of the ongoing global pandemic and resultant economic turbulence to be the principal risk faced by the School in the coming year. These are challenging times but the Board is confident that the School is strong enough to weather the challenges. They also recognise that post Covid there may well be substantial changes to the education sector.

Uncertainty

"There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know."

- Donald Rumsfeld

Governors and the SLT are fully aware of Donald Rumsfeld's "known unknowns" and "unknown unknowns". They endeavour to understand the implications of uncertainty by keeping abreast of developments within the sector through regular networking meetings, ongoing training and the use of consultants where appropriate.

Insofar as the governors are aware:

- There is no relevant audit information of which the charity'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.

OBJECTIVES

The charitable objects of the School are to promote the advancement of education by acquiring, establishing, providing, conducting and carrying on schools in which boys and girls of all sections of the community may receive a sound general education (including religious instruction in accordance with the doctrines of the Church of England). The charitable company's principal activity continues to be the running of the Hereford Cathedral Senior and Junior Schools.

It is the policy of the School to attain the highest academic standards for our pupils and to encourage each individual to achieve his or her highest potential intellectually, culturally and physically. The School welcomes pupils from all backgrounds. Entrance interviews and assessments are undertaken to satisfy ourselves and parents that potential pupils can cope with the pace of learning and benefit from the education provided. An individual's economic status, gender, ethnicity, race, religion or disability do not form part of the assessment process.

AIMS

The School's aims and the intended impact of its activities are:

- To produce well-rounded individuals not only through the national curriculum, but also the opportunities of a wide range of additional activities, including: music, sport, the Duke of Edinburgh (DoE) award scheme and the Combined Cadet Force (CCF)
- To provide a structured educational environment that develops pupils' capabilities, where each student can develop and fulfil his or her potential, building their self-confidence and creating a desire to contribute to the wider community. The School recognises that a diverse range of cultures will significantly add to this goal, and therefore welcomes pupils from other countries who would directly benefit from our unique Cathedral School education. In addition, the School provides music and community support to the Cathedral, as well as the sub-letting and sharing of School facilities with the wider community

The Covid pandemic had a substantial impact on the School and consequently the principle aims for the year were:

- To ensure the continued delivery of a high-quality education for the School's pupils
- To plan for the School's mid and longer-term success

REPORT ON OBJECTIVES TO DATE

Governors and the SLT continued focus throughout the year was primarily on delivering an excellent education for all pupils despite the impacts of pandemic restrictions. The main objectives for the period were:

- To facilitate excellent remote learning, to remain agile on return to School, including provision of blended learning as "bubbles", groups or individual pupils were sent home to isolate.
- To provide an excellent Boarding experience, for those at Wilmot House and for those who were learning from overseas in order to retain and attract pupils for the new academic year.
- To progress plans to expand boarding provision.
- Continue to explore franchise opportunities overseas.
- To appoint a new Head Teacher who would deliver Vision 2030.

As ever, all aims will include continual review and improvement of academic, pastoral and extra-curricular dimension of school.

STRATEGIES TO ACHIEVE OBJECTIVES IN 2020/21

The various governor committees work together to assess the needs of the School from an educational, charitable and financial perspective.

- The Education Committee seeks to continually develop the academic, pastoral and extra-curricular provision offered at the School, and also encourages facility development in conjunction with the General Purposes and Finance Committees.
- The Finance Committee continues to apply controls to ensure that the development of the staffing and the fabric of the School is delivered effectively, as well as providing sufficient funds to increase the level of bursary awards granted, as a mainstay of the School's delivery of public benefit.
- The General Purposes Committee seeks to prioritise those areas of the School identified as needing physical improvement and works to a medium-term plan, with surpluses in excess of budget used to accelerate the plan.
- The Trustees hold an annual 'Strategy Day', devoted to developing the School's long-term vision and objectives.

The governors continued to support the SLT to build links and encourage community access of the School facilities for educational purposes and the delivery of outreach programmes.

GRANT-MAKING POLICY

The governors' policy, in line with other independent schools, is to award scholarships on the basis of the individual's academic, musical, dramatic, artistic and sporting ability. Bursaries and Fees Assistance are awarded to individuals who qualify under a stringent means-testing system but are not required to be academic high-flyers. Hardship bursaries are also awarded, usually of a short-term duration, to families facing immediate financial crises and who would otherwise be required to withdraw their children from the School.

PLANS FOR FUTURE PERIODS

In these challenging times, the current economic climate and localised demographic dips in pupil numbers, good schools need to look to the future, to build upon their successes and to maintain a dynamic momentum that will ensure their future success. Hereford Cathedral School has not stood still in recent years. Through self-evaluation and development, the School will continue to adapt to ever changing circumstances in ways that will maintain its status as one of the top independent schools in the country. The School's international reputation is also growing, through the opening of boarding, to the expansion of the boarding house, and ongoing work regarding establishing an overseas franchise.

Governors and Senior Leadership are continuing to develop a medium and long-term strategy for the School and have taken decisive steps towards increasing the number of international students which will help secure the future of the School for generations to come. The governors have further refined the details of Vision 2030 and discussed contingencies to mitigate the impact of the risks facing the School.

OVERVIEW OF 2020/21

PUBLIC BENEFIT – FEES ASSISTANCE

The School offers substantial financial provision, funding a significant number of transformational bursaries and provides a greater ratio of bursaries to scholarships within its recruitment and charitable strategies, including free places to some individuals. The school seeks to provide approximately 10% of gross fee income in the form of scholarship and bursary awards. Bursaries and scholarships awarded in 2020/21 were 7% and 3% of fee income, respectively. Bursaries were awarded to 12% of pupils and included 3 100% awards. (Including amounts awarded as special scholarships to children of military personnel serving within the Hereford Garrison).

The School prospectus and website includes reference to the availability of Fees Assistance; "Entrance Bursaries" are only awarded after undertaking robust means testing procedures, usually including home visits and interviews of all parents by an independent company. In assessing means we take a wide range of factors into consideration which include family net worth, including: income, investment and savings, and family circumstances such as dependants and siblings. This enables wider access to the school for those who would not otherwise be able to meet the full fee. Parents in receipt of significant bursary awards (over 50%) will also be interviewed by the Headmaster and Bursar. "Hardship Bursaries" are not always subject to the same assessment procedure and are normally awarded to pupils who have been at the School for at least 12 months (although exceptions may be made in the event of extraordinary circumstances, e.g. death of a parent). These are generally short-term awards to allow parents time to resolve their financial difficulties.

In the Summer Term 2020, the School was able to establish a modest short-term Covid hardship bursary fund, supported by a number of generous parents, with the aim of supporting those who lost their income as a direct consequence of the pandemic. A total of 27 families paid full fees for the Summer Term 2020, building a fund of £28k. This fund has now been fully drawn down.

PUBLIC BENEFIT – OTHER

Local groups and clubs usually have the opportunity to hire and use the School's facilities, including the sports hall, the Powell Theatre, St David's hall, playing fields and minibuses which are used for a variety of sporting, educational and music activities within the local community. The CCF partnership with a local academy school continues to flourish.

The School hosts and sponsors sporting events involving local primary and secondary schools, usually including: a primary school football tournament and a variety of county schools' events. Our sports pitches are used weekly by a local community football club, Hinton Football Club, and the youth section of Hereford Rugby Club. The School is also establishing closer ties with the County Cricket establishment.

The School continues to support the local community with outreach work in the state education sector, including science, maths, music, sport, design and technology and classical civilisation workshops, as well as providing education to the Cathedral choristers.

Music outreach includes a regular Saturday morning music school and series of concerts, details of which are on the School's website. Usually, Summer and Easter residential music courses are open to local children and subsidised for those in financial need. The School's music department brings together a number of the County's primary schools for a number of large-scale events: such as the Words and Music for Remembrance (400 children), a Primary Schools' Advent carol service (600 children) and major choral & orchestral concert in the Spring Term (400 children).

Other members of staff help at local schools and academies, particularly with exam moderation and PGCE teacher placements. The School's activities and partnerships are recorded in the Schools Together website: www.schoolstogether.org. The School's Charity Committee continues to be busy raising money for various worthwhile causes locally and nationally.

It is with regret that most of the partnership and outreach work ceased during the pandemic. The School will re-instate these activities as soon as local conditions and national guidelines allow.

In drafting the above statements, the governors have complied with the duty in Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

SCHOOL PERFORMANCE

Hereford Cathedral School's GCSE and A Level results place the School as the highest performing School or College in the County and it remains a highly respected and well established coeducational HMC School. This year and the exam group cohorts will long be remembered as having suffered from a unique break in public exams. Instead, our pupils were awarded "Teacher Assessed Grades" (TAGs). Our teachers used all available data to produce a rigorous and appropriate set of TAGs, based on the criteria and guidance set by the examination boards and OFQUAL. The TAGs were firmly rooted in data and applied both the prior year results and the cohorts' performance in previous examinations. They required extraordinary additional effort by the School's teachers in an already busy and difficult period. A summary of the 2020 results is available on the School's website: <https://www.herefordcs.com/about/reports-policies-results/exam-results>.

Wilmot House remained fully operational throughout, including the Christmas and Easter holiday periods. It is a great testament to the residential staff that the boarding pupils, stranded by national lockdown and international travel restrictions were happy and well-looked after while living in virtual isolation, attending remote lessons. The last of the international pupils finally managed to get home at the end of the Summer Term. Recruiting for the 2021/22 academic year has picked up strongly and the boarding house was filled to 80% capacity in September.

FUNDRAISING PERFORMANCE

Progress continues to be made in the School's on-going work of raising voluntary funding and building a legacy/bequest stream. A Bursary Fund Appeal was launched in Feb 2020 and the Development Office continues to be promoted to alumni through social media and the annual alumni magazine. The Development Office's work changed during the pandemic when in-person reunions and events were cancelled. The Office instead took to the telephones and called a number of alumni at various 'life stages' including the most elderly, and those transitioning to and in University. Since the introduction, in May 2018, of our new data protection policies and Privacy Notices on website, magazines and social media platforms, we have received no complaints and just one GDPR request (June 2020).

For the Academic year 2020/21 the following voluntary income has been generated:

- HCS received £43k in bursary support from 6 grant making bodies in 2020/21 which has supported 10 specific pupils. HCS has been pledged £75k for 2021/22 with an additional £192k currently pledged for the academic years 2022/23 to 2025/26
- The Knapton Legacy continues to grow and generate income for a funded day place
- Restricted Funds - Bursary Funds and Awards, excluding the Knapton Bursary, grew in value to £184k (including gift aid), including donations received from the new Bursary Appeal

The School is grateful to the Bulmer Foundation; The Mosawi Foundation, The Tabor Fund; The School Fees Charitable Trust, EAC Educational trust and The French Huguenot Church for their continued support

All of the above means that the Development Office has been a net contributor to the School and has raised more than it costs including salary and on-costs.

The governors are aware of the increasing regulations with regards to fundraising and are keen to adopt an ethical and transparent approach in this respect.

The School employs a full-time member of staff in a development role, including fundraising. The School raises funds either through applications to external grant making bodies or through appeals to alumni. Funds raised are almost exclusively used for fee support for pupils. The School does not use external or "professional" fundraisers. The School is a member of The Institute for Development Professional in Education (IDPE) which is a body that advises members on best practice in fundraising and compliance with fundraising regulations. Our Development Director is regional Vice President of that organisation. The charity monitors its fundraising activities of any person acting on its behalf through regular meetings with the Headmaster and termly reports to the governors. There is a governor with specific focus on Fundraising compliance as part of their role and governors attend the Development Board meetings.

The governors do not know of any failure by the charity, or of any person acting on its behalf, to comply with fundraising standards. The charity received no complaints relating to its fundraising activities. The charity protects vulnerable people and other members of the public from behaviour which; is unreasonable intrusion on a person's privacy, is unreasonable persistent, places undue pressure on a person to give money. The charity does not approach members of the public for fundraising. All applications relating to pupils are confidential and data is handled accordingly. The School raised funds from alumni and parents in the last year; these people have an existing relationship with the School. The School does not undertake cold calling, telephone campaigns or employ any third parties to raise funds on our behalf. The School, through its Head and Development Director, is aware of the duty of care when raising money from former pupils and parents who might be classed as vulnerable and of the need to be sensitive; not invade privacy or be unreasonably persistent. The Development Director regularly attends industry conferences and regional networking meetings to ensure we are aware of, compliant with and sensitive to, the letter and spirit of regulatory guidelines, legislation and best practice in our fundraising.

COVID

The School and particularly the teachers reacted magnificently to the unexpected and unprecedented challenges of the pandemic. In this second academic year of disruption the School community has worked with great flexibility to maximise any opportunities and mitigated the issues of lock-down and periods of isolation. The School conducted highly effective remote teaching and enrichment activities, alongside music, sports fixtures, DoE, CCF and a full range of activities when permitted by the national guidelines. The safeguarding and mental health challenges to the entire community were recognised from the outset and measures put in place to maintain a good balance between learning, safety and wellbeing. The outcome for most learners was that they ended the academic year ahead once again, in curriculum terms, but some subjects require to catch up in practical exercises, experiments and manufacturing.

The School continued to provide live child-care and teaching provision to the children of key-workers through the national lockdowns.

The government's furlough scheme was a significant factor in the School's cashflow within the period. The School's operations had been adversely affected by Covid and the availability and extension of furlough meant that the School was able to avoid redundancies or laying staff off. Staff were removed from furlough as early as possible as the School reopened. Without furlough it is unlikely that the School would have been able to retain all staff or secure their long-term employment.

Structurally and academically the School is strong: staff and pupils are upskilled in the use and application of IT, remote working, teaching and learning is now firmly established and common-place and most significantly, the School's reputation has been substantially enhanced. New pupils have joined throughout the past year, based on the academic performance and offering during lock-down. The School is also benefitting from inward migration to the county of former city-based office workers seeking a better quality of life.

The Senior School is bigger than it has been for many years and interest for September 2022 is strong.

FINANCIAL REVIEW

The Consolidated Statement of Financial Activities for the year is set out on page 19. The financial statements comply with the applicable Accounting Standards in the United Kingdom, including the Statement of Recommended Practice applicable to charities (Charities SORP 2015 (FRS 102)).

Gross Fee income increased by £618k (7.5%) during the year.

Tuition fees were reviewed and discounted appropriately following the third national lockdown from January to March 2021. Once again, the School was able to offer a proportionate fee discount.

The Bursary worked hard with parents to manage fee payments, flexibility was offered over timing and ultimately a high percentage of the fees due were paid in the period. Fee debt has continued to be well managed, reducing again this year with minimal write-off. The modest short-term Covid Hardship fund of £28k was fully allocated, assisting parents who unexpectedly suffered financial hardship due to the pandemic.

The School's financial position strengthened throughout the period, boosted by additional pupils but also affected by shortages in the supply chain and contractor availability to complete planned projects in some support areas, such as major maintenance tasks. The School also adopted a Total Pay and Benefits model for Teachers which has mitigated the impact of the previous 40% increase in employers' contribution to the Teachers' Pension Scheme. The closing position is strong and the Board are pleased to be able to consider a further discretionary payment to staff in recognition of their hard work and voluntary pay cut in 2020. Teachers' basic pay is now slightly above the national main pay scale and the Board hope to match the national upper pay scales from September. The Board continue to be alert to the threats and pressures on the School and wider economy; the strong closing position gives the Board confidence that the School was, and remains, a "going concern".

The surplus for the year (before transfers between funds and losses on investment assets) amounted to £696,746 (2020: £183,023). The surplus for the year after transfers between funds and losses on investment assets amounted to £922,214 (2020: £100,463) and has been transferred to reserves. Total funds amounted to £6,759,871 (2020: £5,837,657).

INVESTMENT POLICY AND PERFORMANCE

The governors' investment powers are set out in the regulating document.

Governors have continued to manage the investments in accordance with this policy and returns are considered to be satisfactory in view of the performance of the stock market during the year.

In common with other independent schools, the governors have invested substantial sums into School buildings in recent years and have a continuing programme of refurbishment, development and investment to maintain excellent teaching facilities for our pupils. The "free reserves" as at 31 July 2021 consist of unrestricted net current liabilities as shown in note 18 amounting to £(292,296) (2020: £(1,251,824)). The governors have chosen to invest in boarding as part of the long-term strategy to increase pupil numbers and widen the diversity of the School and therefore do not consider it appropriate at this time to place a great deal of emphasis on this figure. Rather, the figure illustrates the extent of the investment in our School, which is a common practice by independent schools which have to finance their own capital investment plans. The closing value of our tangible assets, property, plant and equipment, was £8,290,144 (2020: £8,283,085). This small increase reflects the reduced level of capital activity undertaken in the year, in response to the economic challenges of Covid-19 and more latterly the availability of contractors and material.

The governors consider that given the strength of the charity's balance sheet, the stable cash flow, the on-going popularity and academic success of our School, and the available banking facility that can be called upon if need arises, that there is no current need to build up a large free reserve.

The School had total reserves of £6,817,599 at the year-end (2020: £5,862,834), of which £1,229,961 is restricted (2020: £1,092,184), £615,943 is endowed (2020: £512,445), leaving £4,993,691 of unrestricted funds (2020: £4,258,205).

The governors recognise that the level of reserves fluctuates during periods of investment in the School estate and the arrangements with our bank are in place to provide an adequate "safety net" should it be required.

The School's long-term investments are managed by two investment companies. At the year-end the total value of the investment portfolio was £1,466,785 (2020: £1,245,768). The overall investment return amounted to £235,177 (calculated as the net investment gain of £225,469 plus dividends and interest received of £22,366 less management fees of £12,658). This year's results validate the objective to hold these investments in the long-term and accept short-term fluctuations in value.

Under the total return accounting basis, it is the governors' policy to extract as income one tuition fee. This fee is used to support the bursary of the "Knapton Music Scholar" thanks to the generosity of the benefactors: Miss Barbara Knapton and Mrs Kathleen Cavill. The governors will keep the level of income withdrawn under review to balance the need and interests of current and future beneficiaries of the School's activities.

GOING CONCERN

The Board has paid due attention to the advice and modelling of the School's employees, the SLT and professional advisors including the School's auditors and consider that the School remains financially viable.

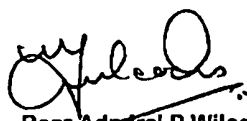
A range of five-year scenarios were modelled and refined, with varying degrees of stress on pupil numbers, fee recovery, debt, operational costs and a range of other factors. Performance against budget has been strong, and the School is emerging from the pandemic anticipating a period of strong growth followed by consolidation as the smaller numbers in the Junior school start to feed up to the Senior School. Additional emphasis and resources are being allocated to marketing and the management and Board remain alert to the possibility of further structural changes based on the budget projections.

The School returned to some of the deferred maintenance major projects and capital tasks as the year progressed. Savings were still taken when appropriate in staff and non-staff categories of the budget.

The School's bankers, Lloyds, have continued to be fully engaged and remain supportive of the School's aspirations.

The Board are extremely grateful to the Headmaster, Head of the Junior School, the Bursar and the SLT whose knowledge of the School and its community have helped the School emerge from the pandemic so strongly.

The Trustees Annual Report is approved by the Board of Governors and the Strategic Report (included therein) is approved by the Board of Governors in their capacity as directors at their meeting on 26 November 2021 and signed on its behalf by:



Rear Admiral P Wilcocks
Director

STATEMENT OF GOVERNORS' RESPONSIBILITIES

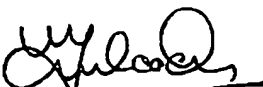
The Governors (who are also the directors of the charity for purposes of company law) are responsible for preparing the Governors' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing those financial statements, governors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements 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, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity 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 charity and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the order of the Board of Governors on 26/11/21 and signed on its behalf by:



Rear Admiral P Wilcocks
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEREFORD CATHEDRAL SCHOOL

OPINION

We have audited the financial statements of Hereford Cathedral School and its subsidiaries ('the group') the year ended 31 July 2021 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charitable Company Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2021 and of the group's income and expenditure, 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. We are independent of the group 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

In auditing the financial statements, we have concluded that the Governors's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Governors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The Governors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 our audit

- the information given in the Governors' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Governors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Governors' 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:

for adequate and proper accounting records have not been kept; or

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Governors' responsibilities statement set out on page 15, the Governors (who are also the directors of the charitable company for the purposes of company law) 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 Governors 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 trustees are responsible for assessing the charitable 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 Governors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, taxation legislation, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were The Education (Independent School Standards) Regulations 2014.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing and recognition of fee extras, donations, other income, CJRS income, and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own

identification and assessment of the risks of irregularities, performing sample testing for each category of income, performing cut-off testing for income, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, Independent Schools Inspectorate, Ofsted and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

RESPONSIBILITIES OF TRUSTEES

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.



Guy Biggin
Senior Statutory Auditor

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
4th Floor
St James House
St James' Square
Cheltenham
GL50 3PR

Date: 27 January 2022

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 JULY 2021

| | | Unrestricted funds £ | Restricted funds £ | Permanent endowment fund £ | Designated Funds £ | Total funds 2021 £ | Total funds 2020 restated £ |
|---|----|----------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------------------|
| INCOME & ENDOWMENTS FROM | | | | | | | |
| Charitable activities | | | | | | | |
| School fees receivable | 2 | 8,772,037 | - | - | - | 8,772,037 | 8,153,700 |
| Ancillary trading income | 3 | 649,928 | - | - | 62,310 | 712,238 | 704,210 |
| Other educational income | 3 | 7,737 | - | - | - | 7,737 | 7,225 |
| Voluntary sources | | | | | | | |
| Donations and legacies | | 8,633 | 240,202 | - | 29,651 | 278,486 | 256,340 |
| Investments | | | | | | | |
| Income from investments | 4 | 1,811 | 12,865 | 9,501 | - | 24,177 | 30,489 |
| Other trading activities | | | | | | | |
| Non-ancillary trading income | 5 | 432,380 | - | - | - | 432,380 | 521,325 |
| TOTAL INCOMING RESOURCES | | 9,872,526 | 253,067 | 9,501 | 91,961 | 10,227,055 | 9,673,289 |
| EXPENDITURE ON | | | | | | | |
| Raising funds | 8 | 107,265 | 7,475 | 5,183 | - | 119,923 | 111,901 |
| Charitable activities | | | | | | | |
| Schools and educations | 8 | 8,963,624 | 215,626 | - | - | 9,179,250 | 8,922,783 |
| School trips and activities | 8 | 88,080 | - | - | 23,958 | 112,038 | 306,540 |
| | | 9,158,969 | 223,101 | 5,183 | 23,958 | 9,411,211 | 9,341,224 |
| Financing costs | | | | | | | |
| Interest | 10 | 119,098 | - | - | - | 119,098 | 149,042 |
| TOTAL EXPENDITURE | | 9,278,067 | 223,101 | 5,183 | 23,958 | 9,530,309 | 9,490,266 |
| Net income from operations before investment gains / (losses) | | 594,459 | 29,966 | 4,318 | 68,003 | 696,746 | 183,023 |
| Net gains / (losses) on investments | | - | 121,971 | 103,498 | - | 225,469 | (82,560) |
| Transfers between funds | | 18,478 | (14,160) | (4,318) | - | - | - |
| NET MOVEMENT IN FUNDS | | 612,937 | 137,777 | 103,498 | 68,003 | 922,215 | 100,463 |
| Total funds brought forward (restated) | | 4,233,028 | 1,092,184 | 512,445 | - | 5,837,657 | 5,737,194 |
| Total funds carried forward | | 4,845,965 | 1,229,961 | 615,943 | 68,003 | 6,759,872 | 5,837,657 |

The notes on pages 22 to 34 form part of these financial statements.

BALANCE SHEET AS AT 31 JULY 2021

| | | Group 2021 £ | Group 2020 £ | School 2021 £ | School 2020 £ |
|---|----|--------------------|--------------------|---------------------|---------------------|
| FIXED ASSETS | | | | | |
| <i>Tangible assets</i> | 12 | 8,290,165 | 8,283,085 | 8,084,561 | 8,044,742 |
| <i>Investments</i> | 13 | 1,466,785 | 1,245,768 | 1,466,787 | 1,245,769 |
| | | <u>9,756,950</u> | <u>9,528,853</u> | <u>9,551,348</u> | <u>9,290,511</u> |
| CURRENT ASSETS | | | | | |
| <i>Debtors</i> | 14 | 293,109 | 477,843 | 556,418 | 741,362 |
| <i>Cash at bank and in hand</i> | | 1,466,311 | 181,616 | 1,466,330 | 181,616 |
| | | <u>1,759,420</u> | <u>659,459</u> | <u>2,022,748</u> | <u>922,978</u> |
| CURRENT LIABILITIES | | | | | |
| <i>Amounts falling due within one year</i> | 15 | (1,604,592) | (1,552,272) | (1,604,592) | (1,552,272) |
| NET CURRENT ASSETS / (LIABILITIES) | | <u>154,828</u> | <u>(892,813)</u> | <u>418,156</u> | <u>(629,294)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 9,911,778 | 8,636,040 | 9,969,504 | 8,661,217 |
| LONG-TERM LIABILITIES | | | | | |
| <i>Amounts falling due after more than one year</i> | 16 | (3,151,906) | (2,798,383) | (3,151,906) | (2,798,383) |
| NET ASSETS | | <u>6,759,872</u> | <u>5,837,657</u> | <u>6,817,598</u> | <u>5,862,834</u> |
| CAPITAL AND RESERVES | | | | | |
| <i>Permanent endowment fund</i> | 20 | 615,943 | 512,445 | 615,943 | 512,445 |
| <i>Restricted fund</i> | 19 | 1,229,961 | 1,092,184 | 1,229,961 | 1,092,184 |
| <i>Unrestricted fund</i> | 22 | 4,845,965 | 4,233,028 | 4,903,691 | 4,258,205 |
| <i>Designated fund</i> | 21 | 68,003 | - | 68,003 | - |
| TOTAL FUNDS | | <u>6,759,872</u> | <u>5,837,657</u> | <u>6,817,598</u> | <u>5,862,834</u> |

The surplus for the School dealt with in the financial statements was £954,764 (2020: £125,639 surplus).

The financial statements were approved and authorised for issue by the board of directors on 26/11/21 and signed on its behalf by:


Rear Admiral P Wilcocks (Director)


J Sheldon (Director)

The notes on pages 22 to 34 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2021

| | | 2021 £ | 2020 £ |
|--|-----|------------------|------------------|
| NET CASH INFLOW FROM OPERATIONS | (i) | 1,255,407 | 742,653 |
| RETURNS ON INVESTMENT AND SERVICING OF FINANCE | | | |
| Dividend income | | 22,366 | 29,378 |
| Investment income receipts | | 1,811 | 1,111 |
| Interest on bank loans | | (109,213) | (126,697) |
| | | (85,036) | (96,208) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Payments to acquire tangible fixed assets | | (413,346) | (477,634) |
| Payments to acquire fixed assets investments | | 4,453 | (8,162) |
| | | (408,893) | (485,796) |
| | | 761,478 | 160,649 |
| FINANCING | | | |
| Advance fees scheme | | | |
| - Receipts from new contracts | | 14,443 | 185,337 |
| - Utilised during the year | | (261,821) | (433,077) |
| New loans | | 1,000,000 | - |
| Capital element of bank loans repaid | | (229,405) | (184,605) |
| | | 523,217 | (432,345) |
| CHANGE IN CASH AND CASH EQUIVALENTS IN THE PERIOD | | 1,284,695 | (271,696) |
| CASH AND CASH EQUIVALENTS AT START OF PERIOD | | 181,616 | 453,312 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 1,466,311 | 181,616 |

NOTES TO THE CONSOLIDATED CASH FLOW

(i) Reconciliation of operating surplus to net cash

| | | |
|---|----------------|----------------|
| Net incoming resources | 922,215 | 100,463 |
| Returns on investments and servicing of finance | 85,036 | 96,208 |
| Loss / (gain) on investments | (225,469) | 82,560 |
| Operating surplus | 781,782 | 279,231 |
| Depreciation | 406,266 | 370,056 |
| Decrease in debtors | 184,734 | 173,213 |
| (Decrease) in creditors | (117,375) | (79,847) |
| | 473,625 | 463,422 |

Net cash inflow from operating activities

1,255,407 **742,653**

(ii) Reconciliation in net debt

| | At 1 August 2020 | Cash flows | Non-cash changes | At 31 July 2021 |
|-----------------------------------|---------------------|----------------|---------------------|--------------------|
| Cash at bank and in hand | 181,616 | 1,284,695 | - | 1,466,311 |
| Debt due within one year | (233,349) | 233,349 | (396,410) | (396,410) |
| Debt due after more than one year | (2,316,262) | (1,003,944) | 396,410 | (2,923,796) |
| | (2,367,995) | 514,100 | - | (1,853,895) |

The notes on pages 22 to 34 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Principal Accounting Policies

The financial statements of the charity, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

a. Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of investment assets.

b. Basis of consolidation

The Consolidated Statement of Financial Activities (SOFA), the Consolidated Balance Sheets and the Consolidated Cash Flow Statement include the financial statements of the School and its subsidiary undertaking made up to 31 July 2021. The Charity has taken advantage of the exemption available to a qualifying entity under FRS 102 from the requirement to present a charity-only Cash Flow Statement within the consolidated financial statements. No separate statement of financial activities has been presented for the School alone as permitted by Section 408 of the Companies Act 2006 and paragraph 1.12 (c) of the SORP. The net result of the parent (the charity) is shown on the balance sheet.

c. Charity information

Hereford Cathedral School is a charitable company limited by guarantee. The School is registered with the Charity Commission England and Wales (registered no: 518889). The charity was incorporated as a company limited by guarantee with Companies House England and Wales (registered no: 02081261). Its registered and principal office is Old Deanery, The Cathedral Close, Hereford, Herefordshire, HR1 2NG.

d. Going concern

These financial statements have been prepared on the going concern basis, which the governors consider to be appropriate as a result of projections prepared, having reviewed the funding facilities available to the School together with the expected ongoing demand for places and the School's future projected cash flows. The governors have a reasonable expectation that the School has adequate resources to continue its activities for the foreseeable future and consider that there were no material uncertainty's over the School's financial viability and accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the governors' responsibilities on page 15.

e. Subsidiary Companies

Hereford Cathedral School has a wholly-owned subsidiary, HCS Educational Services Limited (registered company number: 11613027), a charitable company limited by share capital of £1 owned by Hereford Cathedral School. HCS Educational Services Limited shares the same address as its parent company. The Company has traded during the year, and the financial statements have therefore been prepared on a consolidated basis. The School also has a second subsidiary company, Hereford International School Ltd. This company is dormant.

f. Fees and similar income

Fees consist of charges for the school year, less scholarships, bursaries and allowances granted by the School. Fees receivable and charges for services and use of premises, are accounted for in the period in which the service is provided.

To secure a place at the School, a registration fee is paid by all pupils, both domestic and international. This sum is non-refundable and goes towards the HCS Charitable Bursary Scheme, which is used to support pupils who would not otherwise be able to access education at an independent school. As the fee is non-refundable, the income is recognised in the Statement of Financial Position upon receipt of the funds.

g. Donations

Donations subject to specific wishes of the donors are carried to relevant restricted funds. Any donations received for the general purposes of the School are credited to "Unrestricted Funds". Donations are accounted for on receipt.

h. Investment income

All investment income is credited according to the date of receipt into the investment cash account.

i. Government grants: Job Retention Scheme

Income from government grants, whether 'capital' grants or 'revenue' grants, is recognised when the School has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably.

Where entitlement occurs before income is received, the income is accrued. Where income is received in advance of the School having entitlement to the funds the income is deferred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Principal Accounting Policies (continued)

j. Raising funds

Raising funds includes all expenditure incurred by the charity to raise funds for its charitable purposes and includes the costs of all fundraising activities, events and non-charitable trading.

k. Charitable activities

Expenditure is accounted for on an accruals basis. Certain expenditure is apportioned to cost categories based on the estimated amount attributable to the activity in the year. Irrecoverable VAT is included with the item of expense to which it relates. Support costs are those costs incurred in directly administering school operations as an educational establishment.

Governance costs comprise the costs of running the charity, including strategic planning (for its future development), also external audit, any legal advice for the governors, and all the costs of complying with constitutional and statutory requirements, such as costs of governors' meetings and of preparing statutory accounts and satisfying public accountability.

l. Pension costs

The company operates a defined contribution pension scheme with Halifax Bank of Scotland Investment Service (HBOS) and Nest for non-teaching staff and Teachers' Pension Scheme, a defined benefit scheme operated by the Department for Education, and Aviva, a defined contribution scheme, for teaching staff. 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 School. In accordance with FRS 102 therefore, the scheme is accounted for as a defined contribution scheme. Pension costs are recognised in the profit and loss account in the accounting period in which the contributions are payable.

m. Taxation

As a charity the company is generally exempt from the corporation tax on income it receives. Although this exemption does not normally extend to trading income the company benefits from a concession, which also exempts such income from taxation, as the trade carried out is part of the primary purpose of the charity i.e. provision of education.

n. Tangible fixed assets

The School decided to take advantage of the transition option under FRS 102 to accept the property revaluation done in 2016 as deemed cost.

Freehold Property is depreciated between 1% and 2% each year. Land is not depreciated. The non-depreciable land element of the Freehold Property has been deemed to be 30% of the full cost, with depreciation being charged on the remaining 70%.

Leasehold property improvements are depreciated over the shorter of the lease term or the expected useful life of the asset.

Equipment costing more than £1,000, or less than £1,000 as part of a larger project and new build projects are capitalised and carried in the balance sheet at historic cost.

Other fixed assets are being depreciated over their useful lives on a straight-line basis as follows:

| | | |
|-------------------|---|--------------|
| Motor vehicles | - | 7 years |
| Equipment | - | 5 - 20 years |
| Computers & Media | - | 3 - 5 years |

No depreciation is charged on assets under the course of construction.

o. Investments

Investments are stated at market value. Realised and unrealised gains or losses arising on the sale and revaluation of investments are taken to the Statement of Financial Activities.

p. Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

q. Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of one month or less from the date of acquisition or opening of the deposit or similar account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Principal Accounting Policies (continued)

r. Creditors

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

s. Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of the inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability. Rentals paid under operating leases are charged against expenditure as incurred.

t. Advance fees

Fees paid in advance are included in creditors and released to the Statement of Financial Activities as they fall due.

u. Deposits

The governors have reviewed the contract terms under which pupil fee deposits are held by the School. Although under normal circumstances these will be repaid in future years when the pupils complete their education at the School, pupils can leave at earlier dates. The School does not therefore have an unconditional right to retain the individual deposits for at least 12 months after the balance sheet date and, in line with the requirements in FRS 102, the balance of deposits held at the reporting date has been included within current liabilities. The prior year pupil fee deposits balance has been similarly represented.

v. Termination benefits

Termination benefits are recognised immediately as an expense when committed to terminate the employment of an employee or to provide termination benefits.

w. Fund accounting

Unrestricted general funds are available for use at the discretion of the governors in furtherance of the general objectives of the charity.

Restricted funds are those funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

Permanent endowment arises where a donor intends the gift to be retained permanently for use by the School or for its financial benefits. Endowment funds cannot be expended but any interest earned can be used to further the general objectives of the charity. The Philpotts Educational Charity was originally established as a Scholarship Fund but under a Ministry of Education Order of 1947, the Scheme was varied to allow income to be used for the benefit of the School generally. It can be invested on a Total Returns basis.

x. Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are held at fair value. Financial assets held at amortised cost comprise cash at bank and in hand, school fees and extras, accrued income, and other debtors. A specific provision is made for debts for which recoverability is in doubt. Financial liabilities held at amortised cost comprise trade creditors, bank loans other creditors, accruals and deposits.

y. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items in the financial statements where estimates and judgements have been made include the following:

Useful economic lives of tangible assets

The annual depreciation charges for tangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the tangible assets and note 1n) for the useful lives for each class of asset.

Impairment of debtors

The School makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 School Fee Income

| | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Gross fees | 9,925,285 | 9,469,562 |
| Less: Total bursaries, scholarships, allowances and discounts | (1,368,874) | (1,500,122) |
| | <u>8,556,411</u> | <u>7,969,440</u> |
| Add back: Bursaries paid from restricted funds | 215,826 | 184,260 |
| | <u>8,772,037</u> | <u>8,153,700</u> |

As a result of the Covid-19 pandemic, Spring term fees were discounted by between 8% and 15% at a cost of £240,927. In 2020, Summer term fees were discounted by 20% at a cost of £668,895.

The Old Herefordian Fund contributed £142,239 (2020: £163,000) towards the cost of scholarships and bursaries. This contribution is given for this specific purpose and is therefore categorised as a restricted donation. During the year £185,813 (2020: £175,814) of rent was paid to the Old Herefordian fund.

3 Other Charitable Income

| | 2021 £ | 2020 (Restated) £ |
|---|----------------|-------------------------|
| Other educational income | | |
| Entrance fees | 7,737 | 7,225 |
| Ancillary trading income | | |
| Meals | 210,791 | 185,185 |
| School trips, activities, tuition and transport | 501,447 | 519,025 |
| | <u>712,238</u> | <u>704,210</u> |

4 Investment Income

| | 2021 £ | 2020 £ |
|-------------------------------|---------------|---------------|
| Bank deposit account interest | 1,811 | 1,111 |
| Dividend income | 22,366 | 29,378 |
| | <u>24,177</u> | <u>30,489</u> |

5 Other trading activities

| | 2021 £ | 2020 £ |
|--|----------------|----------------|
| Teacher release | 4,222 | 694 |
| Rent and hire of school facilities | 11,507 | 23,753 |
| Hire of sports hall | 6,331 | 9,567 |
| Educations activities | - | 400 |
| Coronavirus job retention scheme grant | 332,063 | 428,809 |
| Insurance claim | 53,564 | - |
| Other | 24,693 | 58,102 |
| | <u>432,380</u> | <u>521,325</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Staff Costs

| | 2021 £ | 2020 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 5,072,450 | 5,191,836 |
| Social security costs | 458,784 | 411,312 |
| Pension contributions | 784,107 | 772,606 |
| | <u>6,315,341</u> | <u>6,375,754</u> |

No directors or persons connected with them received emoluments, fees, benefits in kind or reimbursement of expenses from the School or any connected organisation during the year (2020: £Nil).

The Headmaster, Head of Junior School and Bursar are considered to be the key management personnel, along with the Senior Leadership Team. Aggregate employee-benefits of key management personnel totalled £838,423 during the year (2020: £759,659).

| | | |
|---|------------|------------|
| The number of employees whose emoluments exceeded £60,000 were: | 2021 | 2020 |
| £60,000 - £69,999 | 3 | 1 |
| £70,000 - £79,999 | 1 | 1 |
| £80,000 - £89,999 | | - |
| £90,000 - £99,999 | | - |
| £100,000 - £109,999 | 1 | 1 |
| The average number of persons employed during the year was: | | |
| Teaching and teaching support staff | 128 | 135 |
| Administration and support staff | 43 | 43 |
| Domestic and maintenance staff | 40 | 42 |
| | <u>211</u> | <u>220</u> |

The School paid £56,295 (2020: £47,846) in respect of the higher paid employees to the defined benefit scheme.

During the year, there were termination payments made which amounted to £Nil (2020: £32,904). None were outstanding at the year-end (2020: £Nil).

6 Pension costs

Defined contribution scheme

The company operates defined contribution schemes for teaching and non-teaching staff. The assets of these schemes are held separately from those of the company in a fund independently administered by HBOS, Nest and Aviva. The pension cost charge represents contributions payable by the company to these funds and amounted to £167,509 (2020: £101,426). The Aviva scheme was opened on 1 January 2021 to all teaching staff, and is a defined contribution scheme offered as an alternative to the Teachers Pension Scheme.

Defined benefit scheme

The School participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £616,598 (2020: £684,139) and at the year-end £20,556 (2020: £85,974) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2016 and the Valuation Report, which was published in March 2019, confirmed that the employer contribution rate for the TPS would increase from 16.4% to 23.6% from 1 September 2019. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 23.68%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Pension costs (continued)

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly, no provision for any additional past benefit pension costs is included in these financial statements.

8 Analysis of total resources expended

| | Staff costs | Other | Interest | Depreciation | 2021 | 2020 |
|---------------------------------|------------------|------------------|----------------|----------------|------------------|------------------|
| | £ | £ | £ | £ | £ | Restated £ |
| Raising funds | | | | | | |
| Generating donations | 107,265 | 12,658 | - | - | 119,923 | 111,901 |
| Charitable activities | | | | | | |
| Academic | 5,334,670 | 1,032,605 | - | 202,673 | 6,569,948 | 6,444,285 |
| Domestic | 226,717 | 385,989 | - | - | 612,706 | 526,308 |
| Premises | 271,462 | 838,256 | - | 203,593 | 1,313,311 | 1,179,016 |
| Support costs | 365,835 | 285,492 | - | - | 651,327 | 742,379 |
| Schools & education | 6,198,684 | 2,542,342 | - | 406,266 | 9,147,292 | 8,891,988 |
| Trips & activities | - | 112,038 | - | - | 112,038 | 306,540 |
| Interest | - | - | 119,098 | - | 119,098 | 149,042 |
| | 6,198,684 | 2,654,380 | 119,098 | 406,266 | 9,378,428 | 9,347,570 |
| Governance costs | 9,392 | 22,566 | - | - | 31,958 | 30,795 |
| Total resources expended | 6,315,341 | 2,689,604 | 119,098 | 406,266 | 9,530,309 | 9,490,266 |

9 Support costs

| | 2021 | 2020 |
|----------------------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 365,835 | 428,506 |
| Legal and professional fees | 46,567 | 121,420 |
| Insurance | 85,939 | 54,998 |
| Advertising and marketing | 32,113 | 43,801 |
| Health and safety | 12,049 | 448 |
| Telephone | 23,809 | 22,744 |
| Printing, postage and stationery | 10,921 | 10,157 |
| Computer expenses | 41,668 | 4,741 |
| Bank charges | 31,821 | 24,244 |
| Miscellaneous | 605 | 31,320 |
| | 651,327 | 742,379 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Interest

| | 2021 £ | 2020 £ |
|---|----------------|----------------|
| Bank loans for the purchase of property | 109,213 | 126,697 |
| Fees in advance agreements | 9,885 | 22,345 |
| | <u>119,098</u> | <u>149,042</u> |

11 Net incoming resources

Net income is presented after charging the following:

| | 2021 £ | 2020 £ |
|---------------------------------------|----------------|----------------|
| Depreciation of tangible fixed assets | <u>406,266</u> | <u>370,056</u> |
| Operating lease rentals | | |
| - Land and buildings | 361,047 | 303,850 |
| - Equipment | <u>112,940</u> | <u>102,541</u> |
| Auditors' remuneration | | |
| - Audit services | 19,320 | 18,840 |
| - Non-audit services | <u>10,214</u> | <u>24,600</u> |

12 Tangible fixed assets

| Group | Freehold land and buildings £ | Short leasehold buildings £ | Long leasehold buildings £ | Fixtures, fittings, equipment and vehicles £ | Total £ |
|-----------------------|--|--------------------------------------|-------------------------------------|--|-------------------|
| Cost | | | | | |
| At 1 August 2020 | 4,497,447 | 808,791 | 3,774,361 | 1,640,662 | 10,721,261 |
| Additions | 136,285 | 53,647 | 29,249 | 194,165 | 413,346 |
| Disposals | - | - | - | (15,000) | (15,000) |
| Adjustment | - | - | - | 9,960 | 9,960 |
| At 31 July 2021 | <u>4,633,732</u> | <u>862,438</u> | <u>3,803,610</u> | <u>1,829,787</u> | <u>11,129,567</u> |
| Depreciation | | | | | |
| At 1 August 2020 | 70,733 | 378,507 | 1,133,365 | 855,571 | 2,438,176 |
| Charge for the year | 50,929 | 33,537 | 119,129 | 202,671 | 406,266 |
| On disposals | - | - | - | (15,000) | (15,000) |
| Adjustment | - | - | - | 9,960 | 9,960 |
| At 31 July 2021 | <u>121,662</u> | <u>412,044</u> | <u>1,252,494</u> | <u>1,053,202</u> | <u>2,839,402</u> |
| Net book value | | | | | |
| At 31 July 2020 | <u>4,426,714</u> | <u>430,284</u> | <u>2,640,996</u> | <u>785,091</u> | <u>8,283,085</u> |
| At 31 July 2021 | <u>4,512,070</u> | <u>450,394</u> | <u>2,551,116</u> | <u>776,585</u> | <u>8,290,165</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Tangible fixed assets

| <i>School</i> | Freehold land and buildings | Short leasehold buildings | Long leasehold buildings | Fixtures, fittings, equipment and vehicles | Total £ |
|------------------------|-----------------------------------|---------------------------------|--------------------------------|---|-------------------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 August 2020 | 4,497,447 | 808,996 | 3,774,361 | 1,369,931 | 10,450,735 |
| Additions | 136,285 | 53,647 | 29,249 | 194,165 | 413,346 |
| Disposals | - | - | - | (15,000) | (15,000) |
| Adjustment | - | - | - | 9,960 | 9,960 |
| At 31 July 2021 | 4,633,732 | 862,643 | 3,803,610 | 1,559,056 | 10,859,041 |
| Depreciation | | | | | |
| At 1 August 2020 | 70,733 | 378,712 | 1,133,365 | 823,183 | 2,405,993 |
| Charge for the year | 50,929 | 33,537 | 119,129 | 169,932 | 373,527 |
| On disposals | - | - | - | (15,000) | (15,000) |
| Adjustment | - | - | - | 9,960 | 9,960 |
| At 31 July 2021 | 121,662 | 412,249 | 1,252,494 | 988,075 | 2,774,480 |
| Net book value | | | | | |
| At 31 July 2020 | 4,426,714 | 430,284 | 2,640,996 | 546,748 | 8,044,742 |
| At 31 July 2021 | 4,512,070 | 450,394 | 2,551,116 | 570,981 | 8,084,561 |

The adjustment to fixed assets of £9,960, corrects a small historic difference between cost and accumulated depreciation. The overall effect on fixed assets is £Nil.

13 Fixed asset investments

| | Philpotts educational charity £ | Music bursary fund £ | Bursary fund £ | 2021 Total £ |
|---------------------------------|--|-------------------------------|----------------------|--------------------|
| Market value | | | | |
| At 1 August 2020 | 532,225 | 403,360 | 310,183 | 1,245,768 |
| Additions | 130,140 | 28,234 | 69,608 | 227,982 |
| Disposals | (83,095) | (42,221) | (47,986) | (173,302) |
| Gains / (losses) | 103,498 | 62,587 | 59,384 | 225,469 |
| Movement in cash | (42,726) | 4,098 | (20,504) | (59,132) |
| At 31 July 2021 | 640,042 | 456,058 | 370,685 | 1,466,785 |
| Split as | | | | |
| Investments held | 625,309 | 430,922 | 361,339 | 1,417,570 |
| Cash and pending settlements | 14,733 | 25,136 | 9,346 | 49,215 |
| At 31 July 2021 | 640,042 | 456,058 | 370,685 | 1,466,785 |
| Investment in subsidiary | | | | 2 |
| Total investments held | | | | 1,466,787 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Debtors

| | Group 2021 £ | Group 2020 £ | School 2021 £ | School 2020 £ |
|--------------------------------|--------------------|--------------------|---------------------|---------------------|
| School fees | 161,310 | 253,201 | 161,310 | 253,201 |
| School fee extras | 57,811 | 7,608 | 57,811 | 7,608 |
| Other debtors | 15,039 | 1,267 | 15,039 | 1,267 |
| Prepayments and accrued income | 58,949 | 215,767 | 58,949 | 215,767 |
| Amounts owed by subsidiary | - | - | 263,309 | 263,519 |
| | 293,109 | 477,843 | 556,418 | 741,362 |

School fees are stated after impairment provisions totalling £150,000 (2020: £150,000).

15 Creditors Amounts falling due within one year

Group and School

| | 2021 £ | 2020 £ |
|-------------------------------|------------------|------------------|
| Instalments due on bank loans | 396,410 | 233,349 |
| Trade creditors | 214,857 | 73,938 |
| Taxation and social security | 112,615 | 113,548 |
| Other creditors | 43,873 | 128,985 |
| Accruals | 330,842 | 405,537 |
| Deferred income | 216,304 | 348,420 |
| Fees in advance | 129,024 | 122,390 |
| Registration deposits | 160,667 | 126,105 |
| | 1,604,592 | 1,552,272 |

Deferred income

| | 2021 £ |
|---|----------------|
| Balance brought forward | 348,420 |
| Amounts received during the year | 216,304 |
| Amounts utilised in the payment of fees | (348,240) |
| Balance carried forward | 216,304 |

Deferred income comprises of overseas tuition fees paid in advance of the start of term.

16 Creditors Amounts falling after more than one year

Group and School

| | 2021 £ | 2020 £ |
|-------------------------------|------------------|------------------|
| Instalments due on bank loans | 2,923,796 | 2,316,262 |
| Fees in advance | 228,110 | 482,121 |
| | 3,151,906 | 2,798,383 |

Maturity of bank loans

| | | |
|--------------------------------|------------------|------------------|
| Due within one year | 396,410 | 233,349 |
| Due between one and two years | 466,383 | 246,380 |
| Due between two and five years | 842,291 | 447,559 |
| Due after five years | 1,615,122 | 1,622,323 |
| | 3,320,206 | 2,549,611 |

- a. Bank loans are being repaid by instalments as follows:
 - 12 monthly instalments with interest at a fixed rate of 6.99% per annum. The loan matures on 31st December 2024.
 - 12 monthly instalments with interest at a fixed rate of 4.99% per annum. The loan matures on 31st August 2023.
 - 12 monthly instalments with interest at a variable rate. The loan matures on 7th August 2023.
 - 12 monthly instalments at a fixed rate of 4.34% per annum, after an initial interest-only period which ended in July 2020. The loan matures on 30th June 2044.
 - 60 monthly instalments with interest at a current rate of 2.11%. The loan matures in October 2026.
- b. Bank loans are being repaid by instalments as follows:
 - The bank loans are secured by first legal charges over Nos. 28 and 31 Castle Street, St. David's Hall Hereford, Quay House & Wilmot House.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Advance fee payments

Group and School

| | 2021 | 2020 |
|--|----------------|----------------|
| | £ | £ |
| Within one year | 129,024 | 122,390 |
| Between one and two years | 109,178 | 250,527 |
| Between two and five years | 118,932 | 112,405 |
| After more than 5 years | - | 119,189 |
| | 357,134 | 604,511 |
| Balance at 1 August 2020 | 604,511 | |
| Amount received in the year | 14,444 | |
| Amount utilised in the payment of fees | (204,264) | |
| Capital repaid | (57,557) | |
| Balance at 31 July 2021 | 357,134 | |

18 Analysis of net assets between funds

| | Permanent endowment fund £ | Restricted funds £ | Unrestricted funds £ | Designated funds £ | Total £ |
|------------------------------------|-------------------------------------|--------------------------|----------------------------|--------------------------|------------------|
| Group | | | | | |
| Tangible fixed assets | - | - | 8,290,165 | - | 8,290,165 |
| Investments | 640,041 | 826,744 | - | - | 1,466,785 |
| Net current assets | (24,098) | 403,217 | (292,294) | 68,003 | 154,828 |
| Net long term liabilities | - | - | (3,151,906) | - | (3,151,906) |
| | 615,943 | 1,229,961 | 4,845,965 | 68,003 | 6,759,872 |
| School | | | | | |
| Tangible fixed assets | - | - | 8,084,561 | - | 8,084,561 |
| Investments | 640,041 | 826,744 | 2 | - | 1,466,787 |
| Net current (liabilities) / assets | (24,098) | 403,217 | (28,966) | 68,003 | 418,156 |
| Net long term (liabilities) | - | - | (3,151,906) | - | (3,151,906) |
| | 615,943 | 1,229,961 | 4,903,691 | 68,003 | 6,817,598 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Restricted funds

| | Balance at 1 August 2020 | Income | Expenditure | Transfers, investment gain | Balance at 31 July 2021 |
|------------------------------|--------------------------------|----------------|------------------|----------------------------------|-------------------------------|
| | £ | £ | £ | £ | £ |
| Old Herefordian Bursary Fund | - | 154,239 | (154,239) | - | - |
| Charitable Bursary Fund | 493,057 | 32,918 | (3,332) | 59,384 | 582,027 |
| Music Bursary Fund | 402,372 | 8,414 | (18,303) | 48,427 | 440,910 |
| Friends Bursary Fund | 124,456 | 12,377 | - | - | 136,833 |
| Other Bursary Funds | 70,994 | 57,119 | (59,227) | - | 68,886 |
| Rowing Fund | 1,305 | - | - | - | 1,305 |
| | 1,092,184 | 265,067 | (235,101) | 107,811 | 1,229,961 |

The income on restricted funds comprised donations received during the current academic year.

- The Old Herefordian Bursary Fund includes donations of £142,239 from The Old Herefordian Fund which contribute to the costs of scholarships and bursaries.
- The source of the Charitable Bursary Fund is the donation of bursary fund contributions paid by parents when their child starts at Hereford Cathedral School. The purpose of the Charitable Bursary Fund is to make the School accessible to pupils who would not otherwise be able to access education at an independent school. The governors consider that giving access in this way fits with the ethos of the School, and is appropriate to a school which has close links to the church.
- In 2011 the School was given a £325,000 legacy from the estates of two generous benefactors. The legacy stipulated that it should be used for a musical purpose. The governors decided that the legacy would be used to provide assistance for musically gifted children who would not otherwise be in a position to attend the School.
- A Friends Bursary Fund has been set up which is intended to support the development of bursaries for talented pupils from families who would not be able to afford the fees. Funds are received in the form of donations made by friends of the School.
- Other bursary funds are other small donations restricted for use towards school bursaries.
- The rowing fund is used to support the rowing activities of the School.

20 Permanent endowment funds

| | Balance at 1 August 2020 | Income | Expenditure | Transfers, investment gain | Balance at 31 July 2021 |
|-------------------------------|--------------------------------|--------------|----------------|----------------------------------|-------------------------------|
| | £ | £ | £ | £ | £ |
| Philpotts Educational Charity | | | | | |
| Preserved value | 154,417 | - | - | - | 154,417 |
| Unapplied total return | 358,028 | 9,501 | (5,183) | 99,180 | 461,526 |
| | 512,445 | 9,501 | (5,183) | 99,180 | 615,943 |

The Philpotts Educational Charity was originally established as a Scholarship Fund but under a Ministry of Education Order of 1947, the Scheme was varied to allow income to be used for the benefit of the School generally. The School operates a policy of total return on its Endowment Funds and the School extracts the dividend income and investment management fees each year. This totals £4,318 and can be seen as a transfer on the Statement of Financial Activities from Endowment Funds to Unrestricted Funds.

21 Designated funds

| | Balance at 1 August 2020 | Income | Expenditure | Transfers, investment gain | Balance at 31 July 2021 |
|------------------|--------------------------------|---------------|-----------------|----------------------------------|-------------------------------|
| | £ | £ | £ | £ | £ |
| SAS Support fund | - | 29,651 | - | - | 29,651 |
| Marches 7's | - | 5,729 | (4,422) | - | 1,307 |
| Outreach music | - | 51,899 | (19,536) | - | 32,363 |
| Cantabile | - | 4,682 | - | - | 4,682 |
| | - | 91,961 | (23,958) | - | 68,003 |

Designated funds have been created in the year, to better reflect the School's intention to set aside unrestricted funds for specific purposes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Unrestricted funds

| <i>Group</i> | Balance at 1 August 2020 £ | Income £ | Expenditure £ | Transfers, investment gain £ | Balance at 31 July 2021 £ |
|--------------|-------------------------------------|------------------|--------------------|---------------------------------------|------------------------------------|
| General fund | 4,233,028 | 9,860,526 | (9,266,067) | 18,478 | 4,845,965 |
| | <u>4,233,028</u> | <u>9,860,526</u> | <u>(9,266,067)</u> | <u>18,478</u> | <u>4,845,965</u> |

| <i>School</i> | Balance at 1 August 2020 £ | Income £ | Expenditure £ | Transfers, investment gain £ | Balance at 31 July 2021 £ |
|---------------|-------------------------------------|------------------|--------------------|---------------------------------------|------------------------------------|
| General fund | 4,258,205 | 9,719,900 | (9,092,892) | 18,478 | 4,903,691 |
| | <u>4,258,205</u> | <u>9,719,900</u> | <u>(9,092,892)</u> | <u>18,478</u> | <u>4,903,691</u> |

23 Related party transactions

During the year governors made donations to the School towards bursary funds of £55 (2020: £300). A number of governors have, or did have, children who are educated at the School. All fees are paid under normal terms. 2 governors also have spouses employed by the school, under normal contractual terms.

The Old Herefordian Fund (charity number: 504119) is a charity in which J Sheldon, a governor at the School, is also a trustee. During the course of the year the School paid rent to and received restricted donations from the Old Herefordian Fund, details of which can be found in note 2 of these accounts.

24 Financial instruments

Group

| | 2021 £ | 2020 £ |
|---|------------------|--------------------|
| a. Financial assets measured at amortised cost | 1,700,471 | 549,461 |
| b. Financial assets measured at fair value | 1,466,784 | 1,245,769 |
| c. Financial liabilities measured at amortised cost | (4,070,446) | (3,284,178) |
| | <u>(903,191)</u> | <u>(1,488,948)</u> |

School

| | 2021 £ | 2020 £ |
|---|------------------|--------------------|
| a. Financial assets measured at amortised cost | 1,700,792 | 549,461 |
| b. Financial assets measured at fair value | 1,466,786 | 1,245,769 |
| c. Financial liabilities measured at amortised cost | (4,070,446) | (3,284,178) |
| | <u>(902,868)</u> | <u>(1,488,948)</u> |

- a. Financial assets include cash, trade and fee debtors, other debtors and accrued income.
- b. Financial assets held at fair value include assets held as investments.
- c. Financial liabilities include loans, fee deposits, trade creditors, other creditors and accruals.

25 Operating leases

| <i>Group and School</i> | Land and buildings £ | Equipment £ | Total 2021 £ | Land and buildings £ | Equipment £ | Total 2020 £ |
|-------------------------|----------------------------|----------------|--------------------|----------------------------|----------------|--------------------|
| Within 1 year | 311,384 | 33,172 | 344,556 | 303,850 | 109,404 | 413,254 |
| Within 2 to 5 years | 1,212,656 | 22,763 | 1,235,419 | 1,138,520 | 55,936 | 1,194,456 |
| After 5 years | 10,108,477 | - | 10,108,477 | 9,964,275 | - | 9,964,275 |
| | <u>11,632,517</u> | <u>55,935</u> | <u>11,688,452</u> | <u>11,406,645</u> | <u>165,340</u> | <u>11,571,985</u> |

26 Prior year adjustment

The accounts were adjusted to correct the gross up of trip income and expenditure in the year to 31 July 2020. This adjustment, between ancillary trading income and school trips and activities expenditure, has no impact on the previously reported surplus of £100,463.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 Analysis of net assets between funds – prior year

| | Unrestricted funds | Restricted funds | Permanent endowment fund | Total |
|--------------------------------------|--------------------|------------------|--------------------------|------------------|
| | £ | £ | £ | £ |
| Group | | | | |
| Tangible fixed assets | - | - | 8,283,085 | 8,283,085 |
| Investments | 532,226 | 713,542 | - | 1,245,768 |
| Net current (liabilities) / assets | (19,781) | 378,642 | (1,251,674) | (892,813) |
| Net long term (liabilities) / assets | - | - | (2,798,383) | (2,798,383) |
| | 512,445 | 1,092,184 | 4,233,028 | 5,837,657 |

28 Statement of Financial Activities for the year ended 31 July 2020 (restated)

| | Unrestricted funds | Restricted funds | Permanent endowment fund | Total funds 2020 | Total funds 2019 |
|---|--------------------|------------------|--------------------------|------------------|------------------|
| | £ | £ | £ | £ | £ |
| INCOME & ENDOWMENTS FROM | | | | | |
| Charitable activities | | | | | |
| School fees receivable | 8,153,700 | - | - | 8,153,700 | 8,146,252 |
| Ancillary trading income | 704,210 | - | - | 704,210 | 1,109,238 |
| Other educational income | 7,225 | - | - | 7,225 | 6,300 |
| Voluntary sources | | | | | |
| Donations and legacies | - | 256,340 | - | 256,340 | 64,380 |
| Investments | | | | | |
| Income from investments | 1,996 | 17,316 | 11,177 | 30,489 | 30,323 |
| Other trading activities | | | | | |
| Non-ancillary trading income | 521,325 | - | - | 521,325 | 128,278 |
| TOTAL INCOMING RESOURCES | 9,388,456 | 273,656 | 11,177 | 9,673,289 | 9,484,771 |
| EXPENDITURE ON | | | | | |
| Raising funds | 100,724 | 6,634 | 4,543 | 111,901 | 134,428 |
| Charitable activities | | | | | |
| Schools and educations | 8,738,523 | 184,260 | - | 8,922,783 | 8,616,972 |
| School trips and activities | 306,540 | - | - | 306,540 | 552,784 |
| | 9,145,787 | 190,894 | 4,543 | 9,341,224 | 9,304,184 |
| Financing costs | | | | | |
| Interest | 149,042 | - | - | 149,042 | 125,973 |
| TOTAL EXPENDITURE | 9,294,829 | 190,894 | 4,543 | 9,490,266 | 9,430,157 |
| Net income from operations before investment (losses)/ gains | 93,627 | 82,762 | 6,634 | 183,023 | 54,614 |
| Net (losses) / gains on investments | - | (49,440) | (33,120) | (82,560) | 44,612 |
| Transfers between funds | 6,785 | - | (6,785) | - | - |
| NET MOVEMENT IN FUNDS | 100,412 | 33,322 | (33,271) | 100,463 | 99,226 |
| Total funds brought forward | 4,132,616 | 1,058,862 | 545,716 | 5,737,194 | 5,637,968 |
| Total funds carried forward | 4,233,028 | 1,092,184 | 512,445 | 5,837,657 | 5,737,194 |