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Company registration number: 3541911

Charity registration number: 1071494

Sherborne Preparatory School

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2020

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Sherborne Preparatory School

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Sherborne Preparatory School

Governors' Report

The Governors of Sherborne Preparatory School ('the School') submit their annual report and financial statements for the year ended 31 August 2020, prepared under the Charities Act 2011, the Companies Act 2006 and the Charities SORP (FRS102).

OBJECTS AND ACTIVITIES

Objects, Aims, Objectives and Principal Activity

The objective of the charitable company, in accordance with its Memorandum and Articles of Association, is the education of children between the ages of 3 and 13.

In furthering this objective the Governors, as the charity's trustees, have complied with the duty under s.17(5) of the Charities Act 2011 to have due regard to the Charity Commission's published guidance covering the operation of the Public Benefit under that Act.

Strategic Aim and Intended Effect

The Board's strategic aim was to provide excellent education and care of boys and girls between the ages of 3 and 13 years of age, and to be recognised as such locally, nationally and internationally.

Education to be both academic and co-curricular to provide breadth and develop wider interests, to maximise potential at their chosen senior school, and eventually in their adult lives.

The Board set strategic targets that had a supporting operational plan. Operational progress was reviewed against the deliverable outputs, and the strategic progress annually against the key performance indicators (KPI). As a result of pressure on the Prep School market sector, the Board decided to pursue a merger with Sherborne School, which is fully explained under Post Balance Sheet Events.

Public Benefit

The school has assisted 12.2% (2019 : 13.5%) of pupils with means tested bursaries (premised on the average roll).

The School has built on previous sports tournaments for local schools, and has continued to organise and host several art exhibitions for local primary schools. Unfortunately, because of coronavirus, the School has not been able to provide as much public benefit as it has done in previous years.

Review of Achievements and Performance for the Year 2019-20

The most tangible indicator of the School's success is maintaining the roll despite an adverse market including the impact of coronavirus and the predicted economic uncertainty. The parental body recognised the School's management response to the coronavirus pandemic. The School did not lose permanent children from the roll because of coronavirus.

The School continued to develop a leadership programme for its senior pupils and Forest School to develop character and resilience in its younger pupils. Sport was innovated by including Functional Movement Screening (FMS) for every child from pre-prep up. The FMS aims to identify imbalances in mobility and stability during seven fundamental movement patterns. Sherborne Prep was the first preparatory school in the UK to adopt the system.

Last year a large number of pupils gained entry to their school of choice with 55% achieving scholarships and some awarded a combination of awards. This year our year 8 leavers move onto a number of local schools of their choice including Sherborne School, Sherborne Girls, Canford, King's Bruton, King's Taunton, Milton Abbey, Millfield, Bryanston, Clayesmore and Leweston. The leavers achieved a total of 22 different awards and scholarships to senior schools. Awards have covered the panoply of scholarships including music (7), sport (6), drama (1), Design and Technology (1) and academic (7).

Sherborne Preparatory School

Governors' Report

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

Financial review

The net outgoing resources for the year amounted to £14,735 (2019 : incoming resources of £132,855). This year's achievement was satisfactory given the context of coronavirus and the increased costs because of the increase to employer's contributions to the Teachers' Defined Benefit Pension Scheme. Because of the lockdown and online teaching, Trinity term fees were reduced by 20% to compensate parents for a reduced service. Savings were achieved through prudent use of the Coronavirus Job Retention Scheme, negotiating costs with outsourced services, and a reduction in marginal costs as children and staff were not onsite. A decision was made to continue the maintenance and compliance testing to ensure that when the Government allowed, children could return as quickly as possible. The School had 3 year groups in for 6 weeks and the rest of the School returned for the final 3 weeks in the Trinity term. The Governors and Bursar consulted with staff to amend the Teachers' Defined Benefit Pension Scheme, which concluded in December 2019 and the amendments made in May 2020.

Reserves policy and level

The Governors had been investing in the future of the School and considered it appropriate that the School held liquid reserves to cover not less than one term's expenditure. This policy has been superseded by the merger referred to under post balance sheet events which is below.

As stated in note 19 to the accounts, the School held total general unrestricted funds of £3,713,289 (2019: £3,727,986) and restricted funds of £5,235 (2019: £5,273) as at 31 August 2020.

Investment policy

The School's investments prior to the merger were minimal (refer to Post Balance Sheet Events below). The Governors considered the policy in the context of coronavirus and retained the policy to invest in the ongoing operation.

Principal Risks and Uncertainties

The Board, prior to the merger, with the help of the Finance and General Purpose Committee, reviewed the risks of current and planned activities. The focus in the period up until the merger was the management of the School's response to coronavirus given the potential consequences to the economy and impact on the parental body. The reviews also included the effectiveness of systems and procedures designed to manage risk. Following the merger, the operational risks and uncertainties were transferred to the Sherborne Schools Group Governing Council.

Sherborne Preparatory School

Governors' Report

POST BALANCE SHEET EVENTS

Nationally the rising cost of senior school education in the independent sector has put pressure on numbers entering at preparatory school level, a trend that has gathered pace in the past couple of years. Although a charity, the foundations of the School require it to operate commercially to generate sufficient surplus to reinvest and maintain its facilities and educational offering. The operational model has been successful for many years, however the trend in the sector placed pressure on the School's ability to maintain pupil numbers to generate sufficient surplus to continue investing in the fabric and facilities of the School. Despite limited borrowings and a satisfactory outturn in 2019/2020, the impact of the trend in the sector and the pandemic was expected to place significant pressure on the School's cash reserves and financial resilience going forward.

In the context of the above, the Board considered strategies that will enable the School to continue to invest and build upon the success of recent years. The option that emerged as best able to achieve this objective was a merger with Sherborne School. The two Schools already enjoy established and wide-ranging links, with many of the School's pupils choosing to continue their education at Sherborne School. Both are renowned for producing happy, well-rounded and kind young people and both Schools share a similar ethos and are committed to the highest standards of teaching, learning and co-curricular endeavour within a friendly and caring environment. The Board made their decision that the merger should go ahead in the best interests of the School on the 10 January 2021. The merger was completed on 31 March 2021. To maintain continuity, two members of the current Board have transferred to the Sherborne School Group Governing Council. All the School's assets and liabilities were transferred to Sherborne School Group on a going concern basis on the date of completion.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The charitable company was governed by its Memorandum and Articles of Association, last amended on 15 September 1998.

Governing Body

The Governors, who were also required under the Articles to serve as members of the charitable company, were elected at full Governors' Meetings. When Board vacancies arose, the Governors sought suitable candidates to achieve the most favourable balance of expertise and experience to govern the School. The Governing body usually had at least one representative from the parents of a child at the School; Mr R Ashford currently has a child at the School. Governors serve a term of five years and are eligible to stand for re-election.

Governor Training

New Governors were briefed by the Headmaster, the Bursar and fellow Governors, as well as having the opportunity to register for online training. Safeguarding training is completed annually, and other training opportunities are considered if and when required. A biennial strategic planning and review workshop is coordinated by the Headmaster and Bursar.

Sherborne Preparatory School

Governors' Report

Organisational Management

The Governors met a minimum of three times last year to determine the general policy of the charitable company and reviewed its overall control, for which they were legally responsible. The Finance and General Purpose Committee met at least three times last year, prior to the Board meetings, to consider in detail the ongoing development and financial position of the School; it was chaired by Mr T D Hague. During the coronavirus pandemic, the Chair, Vice Chair and Chair of the F&GPC met online weekly with the Headmaster and Bursar to review and support the School's Senior Management Team, proposed actions, planning and the School's finances. Sub-Committees for Education, Pastoral Care, and for Marketing were chaired by Governors and fed into the Board meeting. Membership consisted of a suitable mix of Governors and School staff.

The day to day running of the School was delegated to the Headmaster and the Bursar, as key management personnel, supported by other teaching members of the Senior Management Team.

The remuneration of key management appointments was set by the Governors. The appropriateness and relevance of the remuneration was reviewed regularly including benchmarking with other independent schools to ensure that the School remains sensitive to the broader issues of pay and employment conditions in comparison with other schools. Delivery of the School's strategic vision was primarily dependent on the key management personnel. Staff costs were the largest single element of charitable expenditure.

Other Stakeholder Relationships

The School remains an active member of IAPS for the promotion of preparatory school standards generally, and takes part in group studies for the evaluation of quality and performance. It is also a member of various independent school bodies. It cooperates with as many local charities as it can and has several initiatives to integrate and increase access to the School to local schools and the public.

PUBLIC BENEFIT

In setting objectives and in planning the activities of the School, the Governors have given careful consideration to the Charity Commission's general guidance on public benefit. Further details regarding how the Governors have met this guidance are provided in the relevant sections of this report.

Sherborne Preparatory School

Governors' Report

REFERENCE AND ADMINISTRATIVE DETAILS

Sherborne Preparatory School is a registered charity founded on 1 September 1998. The charity registration number is 1071494, company registration number 03541911. It was incorporated on 7 April 1998 under the Companies Act and the liability of its members is limited by guarantee to £10.

Governors

The members of the charitable company are also its directors and charity trustees, and are referred to as Governors throughout this report.

N L Jones BSc FRICS ACI Arb *
Mrs F C Ashley Miller *
R Ashford
Mrs S C Edwards
D J Fowler-Watt MA
T D Hague FCCA CTA *
D P Jones MA *
A P Poole
J P Smith BSc (Econ Admin) FCA *
Mrs C Taylor
Dr R M Sullivan

*Member of the Finance and General Purpose Committee

The following Governors retired during the year or since the year end:

Mr B S Brown (Resigned 31 December 2019)
Mrs C M Cosham MRCSLT (Resigned 31 December 2019)
Dr D Luckett BA DPhil FRSA (Resigned 19 June 2020)

Key Management Personnel and Professional Advisors

| | |
|-------------------|---|
| The Head | N Folland |
| The Bursar | B C McMaster |
| Solicitors | Veale Wasbrough Vizards Narrow Quay House Narrow Quay Bristol BS1 4QA |
| Bankers | Royal Bank of Scotland Threadneedle Street London EC2R 8LA |

Sherborne Preparatory School

Governors' Report

Auditor


PKF Francis Clark
Blackbrook Gate 1
Blackbrook Business Park
Taunton
Somerset
TA1 2PX

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

In accordance with company law, as the company's directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditor is unaware; and
- as the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Governors' report was approved by the Governors of the charity on 22 June 21 and signed on its behalf by:



B C McMaster
Secretary

Sherborne Preparatory School

Statement of Governors' Responsibilities

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

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and 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 charitable company will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Sherborne Preparatory School

Independent Auditor's Report to the Members of Sherborne Preparatory School

Opinion

We have audited the financial statements of Sherborne Preparatory School (the 'charitable company') for the year ended 31 August 2020, which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2020 and of its 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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

In forming our opinion on the financial statements we have considered the adequacy of the disclosure made in Note 2 to the financial statements which explains that the financial statements have not been prepared on a going concern basis for the reasons set out in that note.

Conclusions relating to going concern

Except for the matter noted above in the 'Emphasis of matter - non-going concern basis of preparation' section of our report, we have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Governors are responsible for the other information. The other information comprises the information included in the Governors' 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.

Sherborne Preparatory School

Independent Auditor's Report to the Members of Sherborne Preparatory School

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Governors' Report, which includes the Directors' 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 Governors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 Governors

As explained more fully in the Statement of Governors' responsibilities (set out on page 7), the Governors (who are also 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 Governors 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.

Sherborne Preparatory School

Independent Auditor's Report to the Members of Sherborne Preparatory School

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the 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.



Nicholas Farrant BA, MSc FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor
Blackbrook Gate 1
Blackbrook Business Park
Taunton
Somerset
TA1 2PX

Date: 23rd June 2021

Sherborne Preparatory School

Statement of Financial Activities for the Year Ended 31 August 2020 (Including Income and Expenditure Account)

| | Note | Unrestricted funds £ | Restricted funds £ | Total 2020 £ |
|-------------------------------------|------|----------------------------|--------------------------|--------------------|
| Income from: | | | | |
| Charitable activities | 3 | 3,060,028 | - | 3,060,028 |
| Investment income | 4 | 165 | - | 165 |
| Other income | 5 | 176,740 | - | 176,740 |
| Total income | | 3,236,933 | - | 3,236,933 |
| Expenditure on: | | | | |
| Charitable activities | 6 | (3,251,630) | - | (3,251,630) |
| Total expenditure | | (3,251,630) | - | (3,251,630) |
| Gains/(losses) on investment assets | | - | (38) | (38) |
| Net expenditure | | (14,697) | (38) | (14,735) |
| Net movement in funds | | (14,697) | (38) | (14,735) |
| Reconciliation of funds | | | | |
| Total funds brought forward | | 3,727,986 | 5,273 | 3,733,259 |
| Total funds carried forward | 19 | 3,713,289 | 5,235 | 3,718,524 |

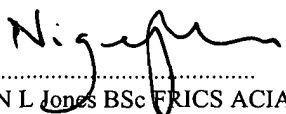
| | Note | Unrestricted funds £ | Restricted funds £ | Total 2019 £ |
|-------------------------------------|------|----------------------------|--------------------------|--------------------|
| Income from: | | | | |
| Charitable activities | 3 | 3,779,169 | - | 3,779,169 |
| Investment income | 4 | 165 | - | 165 |
| Other income | 5 | 55,429 | - | 55,429 |
| Total income | | 3,834,763 | - | 3,834,763 |
| Expenditure on: | | | | |
| Charitable activities | 6 | (3,702,132) | - | (3,702,132) |
| Total expenditure | | (3,702,132) | - | (3,702,132) |
| Gains/(losses) on investment assets | | - | 224 | 224 |
| Net income | | 132,631 | 224 | 132,855 |
| Net movement in funds | | 132,631 | 224 | 132,855 |
| Reconciliation of funds | | | | |
| Total funds brought forward | | 3,595,355 | 5,049 | 3,600,404 |
| Total funds carried forward | 19 | 3,727,986 | 5,273 | 3,733,259 |

All of the charity's activities derive from continuing operations during the above two periods.

Sherborne Preparatory School
(Registration number: 3541911)
Balance Sheet as at 31 August 2020

| | Note | 2020 £ | 2019 £ |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 10 | 4,183,736 | 4,265,204 |
| Investments | 11 | <u>5,235</u> | <u>5,273</u> |
| | | <u>4,188,971</u> | <u>4,270,477</u> |
| Current assets | | | |
| Stocks | 12 | 5,585 | 5,585 |
| Debtors | 13 | 167,351 | 227,354 |
| Cash at bank and in hand | 14 | <u>262,608</u> | <u>519,574</u> |
| | | 435,544 | 752,513 |
| Creditors: Amounts falling due within one year | 15 | <u>(580,294)</u> | <u>(953,409)</u> |
| Net current liabilities | | <u>(144,750)</u> | <u>(200,896)</u> |
| Total assets less current liabilities | | 4,044,221 | 4,069,581 |
| Creditors: Amounts falling due after more than one year | 16 | <u>(325,697)</u> | <u>(336,322)</u> |
| Net assets | | <u>3,718,524</u> | <u>3,733,259</u> |
| Funds of the charity: | | | |
| Restricted income funds | | | |
| Restricted funds | | 5,235 | 5,273 |
| Unrestricted income funds | | | |
| Unrestricted funds | | <u>3,713,289</u> | <u>3,727,986</u> |
| Total funds | 19 | <u>3,718,524</u> | <u>3,733,259</u> |

The financial statements on pages 11 to 26 were approved by the Governors, and authorised for issue on 23 June 21 and signed on their behalf by:



 N L Jones BSc FRICS ACIArb
 Governor

Sherborne Preparatory School

Statement of Cash Flows for the Year Ended 31 August 2020

| | Note | 2020 £ | 2019 £ |
|--|--------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net (expenditure)/income | | (14,735) | 132,855 |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation | | 168,298 | 167,843 |
| Investment income | 4 | (165) | (165) |
| Interest payable | | 9,711 | 11,872 |
| Revaluation of investments | | 38 | (224) |
| | | <u>163,147</u> | <u>312,181</u> |
| Working capital adjustments | | | |
| Decrease/(increase) in debtors | 13 | 60,003 | (16,486) |
| Decrease in creditors | 15 | <u>(332,552)</u> | <u>(60,472)</u> |
| Net cash flows from operating activities | | <u>(109,402)</u> | <u>235,223</u> |
| Cash flows from investing activities | | | |
| Interest receivable and similar income | 4 | 165 | 165 |
| Purchase of tangible fixed assets | 10 | <u>(86,830)</u> | <u>(150,021)</u> |
| Net cash flows from investing activities | | <u>(86,665)</u> | <u>(149,856)</u> |
| Cash flows from financing activities | | | |
| Interest payable and similar charges | | (9,711) | (11,872) |
| Repayment of loans and borrowings | 15, 16 | <u>(51,188)</u> | <u>(80,067)</u> |
| Net cash flows from financing activities | | <u>(60,899)</u> | <u>(91,939)</u> |
| Net decrease in cash and cash equivalents | | (256,966) | (6,572) |
| Cash and cash equivalents at 1 September | | <u>519,574</u> | <u>526,146</u> |
| Cash and cash equivalents at 31 August | | <u>262,608</u> | <u>519,574</u> |

All of the cash flows are derived from continuing operations during the above two periods.

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

1 Charity status

The charity is a company limited by guarantee and consequently does not have share capital. Each of the Governors is liable to contribute an amount not exceeding £10 towards the assets of the charity in the event of liquidation.

The address of its registered office is:

Acreman Street
Sherborne
Dorset
DT9 3NY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with 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 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). They also comply with the Companies Act 2006 and Charities Act 2011.

Basis of preparation

Sherborne Preparatory School meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in the financial statements are rounded to the nearest £1.

Going concern

In previous years, the financial statements of the charity have been prepared on a going concern basis. Given the trend in the independent school sector that has placed pressure on the charity's ability to maintain pupil numbers to generate sufficient surplus to continue investing in the fabric and facilities of the School, the Board decided on 10 January 2021 that a merger with Sherborne School was in the best interests of Sherborne Preparatory School. The merger completed on 31 March 2021 and the School's operation as a separate charitable company ceased on 1 April 2021. It is intended that the charitable company will enter voluntary liquidation during 2021.

As a result, the financial statements have not been prepared on a going concern basis. The carrying value of assets and liabilities has not been modified as, in the opinion of the trustees all known liabilities are already reflected in the balance sheet and all assets are shown at their recoverable amounts.

Judgements and estimates

As described in the above policy the key accounting judgments and estimates relate to the going concern status and carrying value of assets and liabilities in light of the fact that these financial statements have not been prepared on a going concern basis. There were no other key accounting judgements or estimation uncertainties.

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

Income

All income is included in the Statement of Financial Activities when the School becomes legally entitled to the income and the amount can be quantified with reasonable accuracy.

Fees received for registration of children to the School are credited to the income and expenditure account when they are received.

Fees receivable consist of charges billed for the school year ending 31 August, less bursaries and allowances. Fees received for education to be provided in future years are carried forward as deferred income.

Other income is included when received or when its receipt becomes probable and the amount can be quantified with reasonable accuracy.

Donations and legacies

Donations received for the general purposes of the charity are included as unrestricted funds. Donations for purposes restricted by the wishes of the donors are taken to "restricted funds" where these wishes are legally binding on the Governors.

Investment income

Interest on cash deposits is recognised on receipt.

Expenditure

Expenditure is recognised on an accruals basis.

All expenditure is summarised under functional headings on a direct cost basis. The irrecoverable element of VAT is included with the item of expense to which it relates.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs

These include the costs attributable to the charity's compliance with constitutional and statutory requirements, including audit, strategic management and Governors's meetings and reimbursed expenses.

Taxation

The company is a registered charity and as such is entitled to tax exemptions on income and gains, provided that they are properly applied for its charitable purpose.

Tangible fixed assets

Tangible assets are stated at cost, less any subsequent accumulated depreciation and impairment.

Assets with a value of less than £1,000 are not capitalised and are written off to the Statement of Financial Activities as incurred.

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

Depreciation and amortisation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

| Asset class | Depreciation method and rate |
|--|------------------------------|
| Freehold land | nil |
| Freehold buildings | 2% or 10% of cost |
| Plant and machinery | 25% of cost |
| Furniture, fittings, tools and equipment | 25% of cost |

Fixed asset investments

Investments are stated in the balance sheet at market value, any depreciation or diminution in value in the year being accounted for in the Statement of Financial Activities.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Fund structure

Unrestricted income funds are general funds that are available for use at the Governors' discretion in furtherance of the objectives of the charity.

Designated funds are unrestricted funds set aside for specific purposes at the discretion of the Governors.

Restricted income funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the Statement of Financial Activities on a straight line basis over the lease term.

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

Pensions and other post retirement obligations

The School contributes to the Teachers' Pension Defined Benefits Scheme at rates set by the Scheme Actuary and advised to the Board by the Scheme Administrator. The Scheme is a multi-employer pension scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the School. In accordance with FRS102 therefore, the scheme is accounted for as a defined contribution scheme.

The School also contributes to defined contribution pension schemes whose assets are held separately from those of the School in independently administered funds for certain non teaching staff. Amounts charged to the Statement of Financial Activities represent contributions payable for the year.

All other pension arrangements are defined contribution schemes, where the assets of the schemes are all held separately from those of the School in an independently administered fund.

In all cases the pension cost charge represents contributions by the School to the fund.

Contributions payable to the School's defined contribution scheme are charged to the Statement of Financial Activities so as to spread the cost of pensions over the service lives of employees in the schemes.

Financial instruments

Classification

FRS102 classifies financial instruments as either basic financial instruments or other financial instruments. The accounting treatment varies according to the classification.

Basic financial instruments are defined as one of the following:

- Cash
- Debt instruments
- Commitments to receive a loan that satisfy certain criteria
- Investments in non-convertible preference shares and non-puttable ordinary shares.

All other financial instruments are classified as other financial instruments and treated accordingly.

Recognition and measurement

The company only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially measured at transaction value and subsequently measured at their settlement value.

3 Income from charitable activities

| | Unrestricted funds | | |
|---|-----------------------|------------------|------------------|
| | General | Total 2020 | Total 2019 |
| | £ | £ | £ |
| School fees | 3,501,469 | 3,501,469 | 4,206,502 |
| Less : Bursaries, grants and allowances | (666,087) | (666,087) | (763,914) |
| Other educational income | 221,846 | 221,846 | 332,281 |
| Registration fees | 2,800 | 2,800 | 4,300 |
| | <u>3,060,028</u> | <u>3,060,028</u> | <u>3,779,169</u> |

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

4 Investment income

| | Unrestricted funds | | |
|---|--------------------|-------|-------|
| | General | Total | Total |
| | £ | 2020 | 2019 |
| | | £ | £ |
| Interest receivable and similar income; | | | |
| Interest receivable on bank deposits | 165 | 165 | 165 |

5 Other income

| | Unrestricted funds | | |
|----------------------------------|--------------------|---------|--------|
| | General | Total | Total |
| | £ | 2020 | 2019 |
| | | £ | £ |
| Rental income | 9,968 | 9,968 | 11,100 |
| Other income | 18,444 | 18,444 | 44,329 |
| Coronavirus Job Retention Scheme | 148,328 | 148,328 | - |
| | 176,740 | 176,740 | 55,429 |

The School furloughed sports coaches, kitchen staff, cleaning staff and some administrative functions under the government's Coronavirus Job Retention Scheme. The funding received of £148,328 relates to staff costs which are included within the staff costs note below as appropriate.

6 Expenditure on charitable activities

| | | Unrestricted funds | | | | |
|--------------------------------------|------|--------------------|---------|--------------|-----------|-----------|
| | Note | Staff costs | Other | Depreciation | Total | Total |
| | | £ | £ | £ | 2020 | 2019 |
| | | | | | £ | £ |
| Teaching costs | | 1,852,202 | - | - | 1,852,202 | 1,930,934 |
| Welfare costs | | - | 305,197 | - | 305,197 | 464,858 |
| Premises | | - | 187,868 | 87,574 | 275,442 | 311,911 |
| Support costs for schooling | | 431,525 | 285,849 | 80,724 | 798,098 | 971,998 |
| Governance costs | 7 | - | 10,980 | - | 10,980 | 10,559 |
| Interest - bank loans and overdrafts | | - | 9,711 | - | 9,711 | 11,872 |
| | | 2,283,727 | 799,605 | 168,298 | 3,251,630 | 3,702,132 |

£3,251,630 (2019 - £3,702,132) of the above expenditure was attributable to unrestricted funds and £Nil (2019 - £Nil) to restricted funds.

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

7 Analysis of governance costs

| | General £ | Total 2020 £ | Total 2019 £ |
|--|---------------|--------------------|--------------------|
| Audit fees | | | |
| Audit of the financial statements - current auditor | 10,980 | 10,980 | 8,700 |
| Audit of the financial statements - previous auditor | - | - | 1,859 |
| | <u>10,980</u> | <u>10,980</u> | <u>10,559</u> |

8 Net incoming/outgoing resources

Net (expenditure)/income for the year includes the following expenditure:

| | 2020 £ | 2019 £ |
|--|----------------|----------------|
| Operating leases - plant and machinery | 61,431 | 73,508 |
| Audit fees - the audit of the charity's accounts | 10,980 | 10,559 |
| Depreciation of fixed assets | <u>168,298</u> | <u>167,843</u> |

9 Staff costs

The aggregate payroll costs were as follows:

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Staff costs during the year were: | | |
| Wages and salaries | 1,868,580 | 2,007,837 |
| Social security costs | 164,405 | 172,986 |
| Pension costs | <u>250,742</u> | <u>199,561</u> |
| | <u>2,283,727</u> | <u>2,380,384</u> |

The monthly average number of persons (including senior management team) employed by the charity during the year was as follows:

| | 2020 No | 2019 No |
|---------------------|------------|------------|
| Teaching staff | 64 | 66 |
| Catering staff | 6 | 7 |
| Grounds maintenance | 5 | 6 |
| Administration | <u>10</u> | <u>9</u> |
| | <u>85</u> | <u>88</u> |

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

The number of employees whose emoluments fell within the following bands was:

| | 2020 No | 2019 No |
|-------------------|------------|------------|
| £80,001 - £90,000 | <u>1</u> | <u>1</u> |

During the year the charity made the following transactions with key management personnel:

Headmaster and bursar

The Headmaster and bursar received remuneration of £185,654 (2019: £181,911) This includes pension and national insurance contributions.

10 Tangible fixed assets

| | Land and buildings £ | Furniture and equipment £ | Assets under construction £ | Total £ |
|-------------------------|----------------------------|---------------------------------|-----------------------------------|------------------|
| Cost | | | | |
| At 1 September 2019 | 5,357,103 | 1,171,229 | 108,883 | 6,637,215 |
| Additions | 29,740 | 52,602 | 4,488 | 86,830 |
| Disposals | - | 1,952 | - | 1,952 |
| At 31 August 2020 | <u>5,386,843</u> | <u>1,225,783</u> | <u>113,371</u> | <u>6,725,997</u> |
| Depreciation | | | | |
| At 1 September 2019 | 1,342,259 | 1,029,752 | - | 2,372,011 |
| Charge for the year | 87,574 | 80,724 | - | 168,298 |
| Eliminated on disposals | - | 1,952 | - | 1,952 |
| At 31 August 2020 | <u>1,429,833</u> | <u>1,112,428</u> | <u>-</u> | <u>2,542,261</u> |
| Net book value | | | | |
| At 31 August 2020 | <u>3,957,010</u> | <u>113,355</u> | <u>113,371</u> | <u>4,183,736</u> |
| At 31 August 2019 | <u>4,014,844</u> | <u>141,477</u> | <u>108,883</u> | <u>4,265,204</u> |

Assets pledged as security

Land and buildings with a carrying amount of £600,162 (2019 - £614,245) have been pledged as security for bank loans.

Freehold land

Included in land and buildings above is land with a book value of £1,000,000, which is not depreciated.

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

11 Fixed asset investments

| | Listed investments £ | Total £ |
|--------------------------|----------------------------|--------------|
| Cost or Valuation | | |
| At 1 September 2019 | 5,273 | 5,273 |
| Revaluation | <u>(38)</u> | <u>(38)</u> |
| | <u>5,235</u> | <u>5,235</u> |
| Net book value | | |
| At 31 August 2020 | <u>5,235</u> | <u>5,235</u> |
| At 31 August 2019 | <u>5,273</u> | <u>5,273</u> |

12 Stock

| | 2020 £ | 2019 £ |
|--------|--------------|--------------|
| Stocks | <u>5,585</u> | <u>5,585</u> |

13 Debtors

| | 2020 £ | 2019 £ |
|--------------------------------|----------------|----------------|
| Fee debtors | 73,506 | 47,173 |
| Prepayments and accrued income | 62,945 | 169,181 |
| Other debtors | <u>30,900</u> | <u>11,000</u> |
| | <u>167,351</u> | <u>227,354</u> |

14 Cash and cash equivalents

| | 2020 £ | 2019 £ |
|--------------|----------------|----------------|
| Cash on hand | 322 | 787 |
| Cash at bank | <u>262,286</u> | <u>518,787</u> |
| | <u>262,608</u> | <u>519,574</u> |

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

15 Creditors: amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|----------------|----------------|
| Bank loans | 12,875 | 53,438 |
| Trade creditors | 70,968 | 111,234 |
| Other taxation and social security | 40,966 | 44,822 |
| Other creditors | 150,756 | 171,276 |
| Accruals and deferred income | 304,729 | 572,639 |
| | <u>580,294</u> | <u>953,409</u> |

Creditors due within one year includes the following liabilities, on which security has been given by the charity:

| | 2020 £ | 2019 £ |
|------------|---------------|---------------|
| Bank loans | <u>12,875</u> | <u>53,438</u> |

Bank borrowings

One bank loan has a nominal interest rate of 2.11% above base rate, and the final instalment is due on 31 December 2039. The carrying amount at year end is £221,149 (2019 - £227,988).

One bank loan has a nominal interest rate of 2.11% above base rate, and the final instalment is due on 30 June 2040. The carrying amount at year end is £117,423 (2019 - £121,408).

All loans are secured legal charges over certain freehold property of Sherborne Preparatory School.

16 Creditors: amounts falling due after one year

| | 2020 £ | 2019 £ |
|------------|----------------|----------------|
| Bank loans | <u>325,697</u> | <u>336,322</u> |

Creditors amounts falling due after more than one year includes the following liabilities, on which security has been given by the charity:

| | 2020 £ | 2019 £ |
|------------|----------------|----------------|
| Bank loans | <u>325,697</u> | <u>336,322</u> |

Included in the creditors are the following amounts due after more than five years:

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| After more than five years by instalments | <u>274,198</u> | <u>284,023</u> |

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

17 Pension schemes

Defined contribution pension scheme

Teaching Staff

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and from 1 April 2014 by the Teachers' Pensions Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis, and along with employers' contributions, are credited to the Exchequer.

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

During the year the employer contribution rate was 16.4%.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). The Department for Education agreed to pay a teacher pension employer contribution grant to cover the additional costs for state schools during the 2019/20 academic year.

The pension costs paid to TPS in the year amounted to £238,210 (2019: £187,590). At the year end £26,972 (2019: £23,793) was accrued in respect of contributions due to this scheme.

Under the definitions set out in Financial Standards, the TPS is a multi-employer pension scheme. The School is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the School has taken the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The School has set out above the information available on the scheme and the implications for the School in terms of the anticipated rates.

Non teaching staff

The charity operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the charity to the scheme and amounted to £12,532 (2019 : £11,971).

Contributions totalling £2,517 (2019 : £3,885) were payable to the scheme at the end of the year and are included in creditors.

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

18 Obligations under operating leases

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2020 £ | 2019 £ |
|----------------------------|----------------|----------------|
| Within one year | 54,716 | 61,431 |
| Between one and five years | 54,005 | 108,721 |
| | <u>108,721</u> | <u>170,152</u> |

19 Funds

| | Balance at 1 September 2019 £ | Incoming resources £ | Resources expended £ | Balance at 31 August 2020 £ |
|---------------------------|--|----------------------------|----------------------------|-----------------------------------|
| Unrestricted funds | | | | |
| General | 3,727,986 | 3,236,933 | (3,251,630) | 3,713,289 |
| Restricted funds | <u>5,273</u> | <u>(38)</u> | <u>-</u> | <u>5,235</u> |
| Total funds | <u>3,733,259</u> | <u>3,236,895</u> | <u>(3,251,630)</u> | <u>3,718,524</u> |
| | Balance at 1 September 2018 £ | Incoming resources £ | Resources expended £ | Balance at 31 August 2019 £ |
| Unrestricted funds | | | | |
| General | 3,595,355 | 3,834,763 | (3,702,132) | 3,727,986 |
| Restricted funds | <u>5,049</u> | <u>224</u> | <u>-</u> | <u>5,273</u> |
| Total funds | <u>3,600,404</u> | <u>3,834,987</u> | <u>(3,702,132)</u> | <u>3,733,259</u> |

The specific purposes for which the restricted funds are to be applied are as follows:

Appeals fund

The fund is to be used for the benefit of teaching and non-teaching staff.

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

20 Analysis of net assets between funds

| | Unrestricted funds | Restricted funds | Total funds |
|---------------------------------------|-----------------------|---------------------|------------------|
| | General £ | £ | £ |
| Tangible fixed assets | 4,183,736 | - | 4,183,736 |
| Fixed asset investments | - | 5,235 | 5,235 |
| Current assets | 435,544 | - | 435,544 |
| Current liabilities | (580,294) | - | (580,294) |
| Creditors over 1 year | (325,697) | - | (325,697) |
| Total net assets as at 31 August 2020 | <u>3,713,289</u> | <u>5,235</u> | <u>3,718,524</u> |

| | Unrestricted funds | Restricted funds | Total funds |
|---------------------------------------|-----------------------|---------------------|------------------|
| | General £ | £ | £ |
| Tangible fixed assets | 4,265,204 | - | 4,265,204 |
| Fixed asset investments | - | 5,273 | 5,273 |
| Current assets | 752,513 | - | 752,513 |
| Current liabilities | (953,409) | - | (953,409) |
| Creditors over 1 year | (336,322) | - | (336,322) |
| Total net assets as at 31 August 2019 | <u>3,727,986</u> | <u>5,273</u> | <u>3,733,259</u> |

21 Analysis of net debt

| | At 1 September 2019 £ | Cash flow £ | At 31 August 2020 £ |
|-----------------------------------|-----------------------------|------------------|---------------------------|
| Cash at bank and in hand | 519,574 | (256,966) | 262,608 |
| Debt due within one year | (53,438) | 40,563 | (12,875) |
| Debt due after more than one year | (336,322) | 10,625 | (325,697) |
| Net debt | <u>129,814</u> | <u>(205,778)</u> | <u>(75,964)</u> |

| | At 1 September 2018 £ | Cash flow £ | At 31 August 2019 £ |
|-----------------------------------|-----------------------------|----------------|---------------------------|
| Cash at bank and in hand | 526,146 | (6,572) | 519,574 |
| Debt due within one year | (80,059) | 26,621 | (53,438) |
| Debt due after more than one year | (389,768) | 53,446 | (336,322) |
| Net funds | <u>56,319</u> | <u>73,495</u> | <u>129,814</u> |

Sherborne Preparatory School

Notes to the Financial Statements for the Year Ended 31 August 2020

22 Financial instruments

Categorisation of financial instruments

| | 2020 £ | 2019 £ |
|---|----------------|------------------|
| Financial assets measured at fair value through profit or loss | 5,235 | 5,273 |
| Financial assets that are debt instruments measured at amortised cost | <u>104,406</u> | <u>58,173</u> |
| | <u>109,641</u> | <u>63,446</u> |
| Financial liabilities measured at amortised cost | <u>865,025</u> | <u>1,244,909</u> |

The financial liabilities of the School comprise all of its creditors, with the exception of the amount relating to social security and other taxes, of which bank borrowings total £338,572 (2019 : £389,760).

23 Related party transactions

During the year the charity made the following related party transactions:

Governors

During the year, two governors received expenses relating to travelling costs amounting to £412 (2019: one governor, £172). In addition, in the previous year only, one governor received £97 in respect of costs relating to a training course.

None of the governors received any remuneration for their services to the School in the current or preceding year.

Others

There were no other related party transactions in the year (2019: £nil).

24 Non-adjusting events after the financial period

On 1 April 2021, the activities of the charitable company ceased following the merger of the School with Sherborne School on 31 March 2021. Further details are provided in Note 2 to these financial statements.