

# Sherborne School

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

for the year ended

30 June 2012



# Sherborne School

## REPORTS AND FINANCIAL STATEMENTS

for the year ended 30 June 2012

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# Sherborne School

## GOVERNORS, OFFICERS AND ADVISERS for the year ended 30 June 2012

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### GOVERNORS AND CHARITY TRUSTEES

Sherborne School Governors are the Charity Trustees of Sherborne School Charity ('the Charity'). They have all served in office throughout the year except where indicated. Together with past Governors who served in the year as indicated, they are

**Chairman** \* Professor Richard Hodder-Williams MA FRSA  
**Vice Chairman** # Major General Patrick Anthony John Cordingley DSO  
**Ex-Officio** The Lord Bishop of Salisbury's nominated representative, Right Revd Graham Kings

Her Majesty's Lord Lieutenant for the County of Dorset's nominated representative, Professor Gillian Lesley Slater DL DPhil

The Vicar of Sherborne, The Reverend Canon Eric Woods MA FRSA

**Co-Opted** Dr Susan Elizabeth Ball BM MRC Psych

\* # Michael Robert Beaumont Esq

Dr Nigel Bowles MA D PHIL

\* \*\* Daniel Richard Burgess Esq ACA

\* Roger Stewart Fidgen Esq FRICS

\* \*\* # Michael Levick French Esq FCA

1 Mrs Hester Greenstock MA

Samuel Hugh Macdonald Esq BA (Hons)

1 Miss Fiona Hamilton Maddocks MA

# George Marsh Esq

\* \*\* Rupert Hugo Wynne Robson Esq

2 Guy A Hudson Esq

3 Reverend Keith Wilkinson BA FRSA

**Staff Nominated Governor** \* Robin Anthony Langley Leach Esq MA

### Notes

*	Member of the Finance and General Purposes Committee	1 Retired 1 September 2011
**	Member of the Investment Sub-Committee	2 Appointed 26 November 2011
#	Member of the International College Sub-Committee	3 Appointed 16 June 2012

The Board is a self-appointing body, apart from the three Ex Officio Governors and the Staff Representative. Service on the Board is for a term of five years. Retiring Governors can be re-elected.

# Sherborne School

## GOVERNORS, OFFICERS AND ADVISERS

for the year ended 30 June 2012

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### OFFICERS

Headmaster	C J Davis MA
Bursar and Clerk to the Governors	Mrs L A Robins BSc MRICS
Address	Sherborne School Abbey Road Sherborne DT9 3LF
Website	<a href="http://www.sherborne.org">www.sherborne.org</a>

### ADVISERS

Bankers	Lloyds TSB Bank Plc 1 <sup>st</sup> Floor Sedgemoor House Deansgate Avenue Taunton TA1 2UF
Solicitors	Stone King Sewell LLP 13 Queen Square Bath BA1 2HJ
Auditor	Baker Tilly UK Audit LLP Chartered Accountants Hartwell House 55 – 61 Victoria Street Bristol BS1 6AD
Investment Advisers	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA
Actuaries	Jardine Lloyd Thompson Group Plc 3rd Floor Bond House The Bourse Boar Lane Leeds LS1 5EF

# Sherborne School

## ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2012

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The Governors of Sherborne School ('Sherborne') present their annual report and audited accounts for the year ended 30 June 2012 and confirm that they comply with the requirements of the Charities Act 1993, as amended by the Charities Act 2006, Sherborne's constitution, the Charities SORP 2005 and the Companies Act 2006

### REFERENCE AND ADMINISTRATIVE INFORMATION

Sherborne is a charitable company limited by guarantee and not having a share capital, incorporated and registered in England and Wales under the Companies Act (company number 4002575) and registered with the Charity Commission for England and Wales (registration number 1081228). Its current Articles of Association are dated 26 May 2000 as revised by Special Resolutions passed on 26 November 2005 and 26 November 2011. Sherborne administers an associated charitable trust (see below) that is regulated by a Charity Commission Scheme sealed on 26 June 2000.

### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### *Governing Body*

The structure of the Charity consists of a Governing Body, the details of which are explained on page 1, together with information on how the members of the Governing Body are appointed to office. The Governing Body aims to comply with the Code of Good Governance.

#### *Recruitment and Training of Governors*

New Governors are appointed to the Governing Body on recommendation of the Appointments Sub-Committee. As and when vacancies become available, the main criterion on the search for suitable candidates is the need to maintain the best possible balance of relevant skills, expertise and experience. Induction for new Governors is organised by the Bursar, and briefing and discussions on topical subjects take place at Governors' seminars each term. External training courses, for example through the Association of Governing Bodies of Independent Schools (AGBIS) and the Boarding Schools Association, are made available to Governors.

#### *Organisational Management*

The Governors, as its charity trustees, are legally responsible for the overall management and control of Sherborne, which consists of the School, its International College and (through its sole shareholdings) trading subsidiaries, and meet at least three times a year. The work of reviewing many of their policies is carried out by the members of the Finance and General Purposes Committee (F&GPC), who meet three weeks before each meeting of the full Governing Body. In particular this committee reviews the budget and finalises the audited financial statements and annual report for approval by the Governing Body. The Chairman of Governors is a member of the F&GPC which is chaired by Mr Michael French. The other principal committees are the Investment Sub-Committee, chaired by Mr Rupert Robson, the International College Sub-Committee, chaired by Major General Patrick Cordingley, the Academic Committee chaired by Professor Gillian Slater and the Pastoral Committee chaired by Canon Eric Woods. Other committee members are listed on page 1. Each of these committees meets at least termly.

The day to day running of the School and International College, is delegated to the Headmaster and the Principal of the International College supported by their Senior Management Teams, together with the Bursar. The Headmaster, the Second Master and Bursar attend meetings of the Governing Body.

#### *Group Structure and Relationships*

The Charity has three wholly owned non-charitable subsidiaries, Sherborne School (Trading) Limited, Sherborne School (Leisure) Limited and Sherborne School (Overseas Trading) Limited, whose activities and trading performance are discussed below.

On 1 July 2008 Sherborne School became the sole member of Sherborne School Foundation, registered company number 3686309 and registered charity number 1073522. The principal objects of Sherborne School Foundation are to promote the charitable purposes of Sherborne School in Dorset and to promote any other charitable purpose connected with or otherwise associated with the School. The financial statements for Sherborne School Foundation, for the year ended 30 June 2012 have been consolidated with the group financial statements of Sherborne School.

# Sherborne School

## ANNUAL REPORT OF THE GOVERNORS

for the year ended 30 June 2012

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### STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

#### *Risk Management*

The Governing Body is responsible for the management of risks faced by the Charity. Detailed consideration of risk is delegated to the Finance and General Purposes Committee who are assisted by the Senior Management Team. Risks are identified, assessed and controls established and monitored throughout the year. Risks fall into four categories, strategic, operational, financial and compliance and each category is reviewed in detail by Governors on a four-term rolling cycle. The key areas that are addressed in this way include market position, long term financial stability and reinvestment in school facilities, and strategies for educational success. The key controls used include

- formal agendas for all Committee and Board activity,
- detailed terms of reference for all committees,
- comprehensive strategic planning, budgeting and management accounting,
- established organisational structure and lines of reporting,
- formal written policies,
- clear authorisation and approval levels, and
- vetting procedures as required by law for the protection of the vulnerable

Through these processes the Governors believe that the major risks identified have been adequately mitigated. It is recognised that systems can only provide reasonable but not absolute assurance that risks have been adequately managed.

### OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES

#### *Charitable Objects and Aims*

Sherborne's Object, as set out in its Articles of Association, is to advance education, by carrying on in or near Sherborne a boarding and day school for boys and girls. In furtherance of its Object, Sherborne maintains its heritage endowment, the School, with its many listed buildings. There is also an endowed Prize and Scholarship fund which contributes towards the provision of scholarships, bursaries and prizes.

Within this Object, the School's core vision is a boys' full boarding school committed to providing an education based on Christian values, that enriches boys' lives, develops their character, confidence and capacity to learn, and prepare them for the complex challenges and opportunities of modern adult life in an ever changing world. We want our boys to become men of distinction, with a strong sense of identity, integrity and purpose built on the values of leadership and service.

The International College aims to provide a thorough (cultural, linguistic and academic) preparation for boys and girls from non-British educational backgrounds, who wish to join the British educational system and to provide short courses for non-native students during Easter and summer holiday periods. A further aim of the International College is to generate a significant annual surplus in order to support the charity's capital programme.

#### *Objectives and Public Benefit*

Sherborne's objectives are set to reflect its educational aims and ethos. In setting objectives the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging. In furtherance of these objectives the Governors, as charity trustees, have complied with the duty in section 4 of the Charities Act 2011 to have due regard to the Charity Commission's published general and relevant sub sector guidance concerning the operation of the Public Benefit requirement under the Act.

# Sherborne School

## ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2012

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### OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES (continued)

#### *Objectives for the Year*

The Governing Body adopted a new Development Plan for Sherborne School from September 2011 of which the key objectives for achieving the core vision are

- To promote intellectual growth by instilling the best habits of independent thinking and learning to prepare boys for university and adulthood,
- To establish a system of pastoral care and development that nurtures physical health, emotional, moral and social maturity and an awareness and appreciation of the spiritual,
- To foster a strong respect for the needs of the individual, for the importance of co-operative and collaborative team-work and for the responsibilities of community living,
- To encourage self confidence, integrity and personal responsibility, ambition, open-mindedness, empathy and perseverance,
- To challenge and enable all boys to develop interest, skills and qualities that will last a lifetime, offering an all-round provision with the opportunity to excel,
- To ensure that the School has the resources required to meet its academic, pastoral and co-curricular targets and to fund the School's capital programme,
- To ensure that the School is full with 600 boys who can make the most of Sherborne's academic, pastoral and co-curricular education

The key objectives of the International College's Action Plan are as follows

- To introduce international students to conventional British teaching and learning styles, to bring the level of knowledge and proficiency in a) spoken and written English, b) general, academic subjects, especially Mathematics and Science and c) cultural fluency for each student, to the level where he or she can function successfully, within the limits of his or her own ability, in a traditional British independent school or Higher Education Institutions (HEI),
- To achieve the best possible academic, personal and social development for each student, according to his or her individual abilities and needs, and to provide a sporting and cultural programme which prepares students for entry to British independent schools or HEIs,
- To prepare each student for, and enter him or her for, relevant and accessible British public examinations,
- To deliver a high quality and effective educational and social experience on the College short courses,
- To build and maintain an efficient and effective boarding College campus and structure which seeks the views of and responds positively to needs of staff, students, parents and the requirements of UK law, including safeguarding and promoting the welfare of students,
- To provide each student as appropriate with the advice, assistance and qualifications he or she requires to select, and gain entry to a traditional British independent school or HEI

#### *Strategies to Achieve the Year's Objectives*

The operations performance of Sherborne is described below in the main review of achievements Through active marketing, the School sustained its momentum as a national and the International College as an international institution and recruiting was still more active and effective Development planning continued at many levels

# Sherborne School

## ANNUAL REPORT OF THE GOVERNORS

for the year ended 30 June 2012

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### **OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES (continued)**

#### *Principal Activities of the Year*

The principal activities for the year, which are described in more detail in the Review of Achievements and Performance, fall under the following headings

- Academic
- Inspection
- Sport
- Music, Drama, Art
- Community

#### *Our Ethos, Strategy and Policies*

The Governors are responsible for setting a strategy for achieving the objectives they have set. The focus of the strategy is on the development of pupils, their continued high levels of academic and co-curricular achievements and to further widen access to the education the School provides. In taking the strategy forward the School implements the following policies

Sherborne is a charity which seeks to benefit the public through the pursuit of its stated object. Fees are set at a level to ensure Sherborne's financial viability and at a level that is consistent with its educational aims.

The School welcomes pupils from all backgrounds but needs to be satisfied that it will be able to educate and develop all prospective pupils to the best of their potential and in line with the general standards achieved by their peers. Entrance interviews and assessments are undertaken to satisfy the School that potential pupils can cope with the pace of learning and benefit from the education provided.

Sherborne is an equal opportunity organisation and is committed to a working environment that is free from any form of discrimination on the grounds of colour, race, ethnicity, religion, sex, sexual orientation or disability. Sherborne will make reasonable adjustment to meet the needs of staff or pupils who are or become disabled.

Sherborne is committed to safeguarding and promoting the welfare of its pupils and expects all staff and volunteers to share this commitment. In the Ofsted inspection in February 2009 against the National Minimum Boarding Standards, which are primarily associated with the welfare of pupils, the School's provision was judged to be outstanding.

#### *Access Policy*

The Governors are committed to ensuring that access to the education offered is not restricted to those who can afford fees. The bursary policy together with the links with other schools in the area and the local community contribute to a widening of access to the education provided by Sherborne.

The Governors consider that bursaries are important in ensuring that boys from families who would otherwise not be able to afford the fees can access the education offered. Bursary awards are available to those who meet the general entry requirements and are made on the basis of parental means or to relieve hardship where an existing pupil's education and future prospects would be at risk, for example, in the case of bereavement or redundancy. In assessing means, the School takes a number of factors into consideration including family income, investments and savings and family circumstances. However, Sherborne does not have a large endowment and in funding bursaries the School has to be mindful of ensuring a balance between fee-paying parents, many of whom make considerable personal sacrifices to fund their children's education, and those benefitting from the awards.

Bursaries are available for up to 100% of termly fees. They are advertised in the local press and further details of the bursary policy and how to apply are provided on the School website. Bursaries are subject to annual review so that the School can ensure that support is only provided to those that require it.

#### *Scholarship policy*

The purpose of scholarships and awards at the School is to recognise high academic potential or the ability to excel in Music, Sport, Art or Design and Technology. Scholarships and awards are awarded with a fixed remission of fees between 10% and 25%. Where assistance is required, awards may be supplemented by a means tested bursary. Further details about scholarships and awards are available on the School's website.

#### *Assistance to Teaching Staff*

As part of Sherborne's emphasis on attracting and retaining high calibre staff, members of staff who choose to educate their sons at the School receive a fee discount.

# Sherborne School

## ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2012

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### REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR

#### Operational Performance

A full roll of 596 boys in September 2011 remained steady throughout the academic year. At the International College numbers increased from 152 students in September 2011 to 166 during the year which was well ahead of target and the highest student roll in the College's history.

The public examination results published in August 2012 revealed some strong performances by individuals but overall were lower than in the previous year. The School's International Baccalaureate results were the best ever but overall the Upper Sixth Form results were not as strong as in previous years but this was expected as it was not a particularly strong year group and a return to the previous strength of results is expected next year. The A2 AB grade percentage was 61.4%, but once the International Baccalaureate candidates were added in, the total rises to 70% with 35% at Grade A\*/A.

At GCSE and IGCSE the school's A\*/A percentage was 61.2% which was marginally higher than last year.

Analysis of public examination data comparing the School to other schools with which it competes shows a downward trend over the last five years. The Governors have concluded that an increase in the School's academic standards is central to its long term strategy and during the past year much has been done to begin the process of reshaping the academic focus and ambition of both the boys and staff. This has included using target setting to foster and monitor a culture of academic ambition, a Curriculum Review to ensure boys are given the appropriate opportunity to study subjects at which they can excel and a policy on matriculation levels for Sixth Form subjects and re-sits, appraisal of Heads of Department to develop and monitor staff performance, a Learning Review to understand how boys learn and how the staff can develop strategies to get the best from them, trial of a new structure of the day which puts academic studies at the heart of a boy's day, developing the Scholarship programme to articulate the value of scholarship to the school community and encourage a re-allocation of scholarship and bursary funding towards academic scholars.

An extensive programme of options for Fifth Formers continued in the post GCSE period in June. In addition to the already established work experience options and the leadership and team-building course on Brownsea Island, the aims of which closely tie in with both the School's core vision and the Sixth Form code of conduct, many boys again took part in a highly successful Young Entrepreneurs' course run by a Bristol University team.

At the International College, 76.9% of the entries at GCSE/IGCSE achieved higher grade passes. This is lower than in recent years but was expected and reflects the broader range of ability amongst the current cohort of students at the College. The AS Level entries covered 67 modules resulting in a 90% modular pass rate.

All students who wished to enter British independent schools on leaving the College were successful and students won the top scholarship to Canford, a scholarship to Charterhouse and music and academic exhibitions to Sherborne School.

Whilst neither the School nor the College was subject to inspection by ISI this year, the International College applied for accreditation to the British Council for teaching English as a foreign language. The College was inspected in July 2011 against quality standards in management, resources and environment, teaching and welfare and achieved accreditation. The School and College both expect ISI interim boarding inspections in the next academic year and each continued to review and develop policies and procedures to ensure compliance with the National Minimum Standards for Boarding Schools.

On the sporting front, many of the senior teams at the School enjoyed considerable success and more fixtures were played across the age groups than in recent years. It is a priority of the department that boys benefit from a competitive programme as well as high quality coaching. At an individual level, boys played rugby at national level. At the International College sport continued to develop, particularly for girls following the appointment of a new housemistress who is also Head of Girls Sport. More matches were played than ever before and there were some outstanding individual performances in basketball and badminton.

The Sherborne School Swing Band had a very successful tour to Barbados which was funded in part by the boys performing publicly throughout the year, the annual Dinner and Jazz continues to be a sell out. 11 boys achieved Grade 8, four with distinction and two boys achieved the Associate of Trinity College London Diploma, one with a rare distinction. As part of the Jubilee celebrations, Her Majesty The Queen visited Sherborne as a guest of Sherborne Abbey and the Sherborne Schools' Brass Ensemble, directed by the Director of Music, was invited to provide the fanfare on her arrival. The Music School won two prestigious architectural prizes, RIBA South Regional Award and the Excellence in Design (Independent Schools) from the British Council for School Environments.

# Sherborne School

## ANNUAL REPORT OF THE GOVERNORS

for the year ended 30 June 2012

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### REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR (continued)

#### Operational Performance (continued)

The main Sherborne School drama production was the musical *Grease* with demand for tickets exceeding capacity and four Houses produced plays involving a total of more than 100 boys. The International College ran a Christmas Drama Festival with each boarding house putting on a performance around a classic Christmas play, poem or story and the main College production of the year was 'A Midsummer Night's Dream'.

2012 marked the centenary of the birth of Old Shirburnian, Alan Turing, and this provided an unparalleled opportunity to celebrate and promote to a national and international audience both Sherborne School and its unique archive. It also provided a focus for the very obvious pride that boys and staff have in their School and the achievements of its old boys. As a result, the Turing archive is now receiving recognition worldwide with material from the archive featuring in blogs, websites, international exhibitions and new publications. Within the School, the archive has been used to promote and inform the School's own Turing celebrations with lectures, exhibitions, events and individual studies by boys. At the centre of the celebrations was a 60 mile bicycle ride which more than 50 boys and staff, cheered on by many family, friends and Old Shirburnians, took part in commemorating Alan Turing's ride from Southampton docks to the School when he joined as a 13 year old.

Each of the Sherborne School Houses adopts a charity each year and arranges house activities to raise money. One notable achievement this year was The Green which swam over 17,000 lengths in under 36 hours to raise £10,000 for Macmillan Cancer Support.

The refurbishment of the former Music School, Abbot's Acre, was completed in December 2011 and Marketing, Admissions, the Old Shirburnian Society and Foundation activities are now co-located there to facilitate closer co-operation and improving efficiency and effectiveness. The third and final phase of the refurbishment of School House was completed for the start of the new academic year in September 2011. The extension and refurbishment of Harper House started as planned in June 2011. The extension was completed in the spring of 2012 and the refurbishment will be completed during the summer holidays of 2012.

The Foundation continued to raise funds on behalf of the School. The Foundation's emphasis has been on fundraising for its bursary programme. Funded through the Foundation, the School's first Harris scholar entered the School in September 2011. The Harris Scholarship is intended for a boy who is worthy of an academic scholarship but whose family circumstances mean that he would otherwise not be able to attend the School. In addition, the Foundation's Annual Fund helped finance other projects, including the Inspirational Speaker Programme which saw well known figures from the world of journalism, commerce, and philanthropy including David Starkey, Anthony Beevor and Julia Hobsbawm speak to all boys. Consultation also began on the next stage of the strategy for the Foundation and its future projects. This is ongoing.

With the additional capacity afforded by the new house Mowat, the International College was able to accommodate more students in the summer courses than previously (an additional 30 student weeks) which generated a higher surplus.

Sherborne Qatar completed its third year with numbers rising steadily throughout the year to more than 600. Michael Weston, former Deputy Head (Pastoral) of Sherborne School was appointed Headmaster of the Senior School Sherborne Qatar, reinforcing the links between the Schools in Dorset and Qatar. Both the fixed management fee and royalty fee were received from Sherborne School Qatar LLC as laid down in the collaboration agreement. The Prep School is now operating at a surplus and the numbers for 2012-13 continue to increase. During the year it became clear that the Supreme Education Department, which is the Qatari Government department party to the agreement with Sherborne, wished to change the basis of the agreement. Discussions are continuing as to how this might be achieved.

Above all, the key to stability and security is sustaining our buoyant numbers and as a result of vigorous marketing, close contacts with Preparatory Schools, judicious recruiting trips both in the UK and abroad and excellent varied publications like the new twice termly newsletter and the review magazine *Vivat* which has received universal acclaim, numbers for September 2012 are strong.

#### ***Bursaries and Scholarships***

This year the School provided assistance with fees to 184 pupils to the value of £1.8m which represented 8% of the School's gross fee income. Of this, 52 pupils received means tested bursaries to the value of £723k. Eleven pupils received bursaries (including scholarships as appropriate) of either 100% or over 90% and more of termly fees. In addition six pupils received bursaries from the Old Shirburnian Society.

# Sherborne School

## ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2012

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### REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR (continued)

#### Operational Performance (continued)

125 pupils received scholarships based on their educational merit and potential totalling £592k representing 2.6% of the gross fees. Of this number 31 also qualified for means-tested bursary support and are included in the figures relating to bursary awards. The Governors, through the initiatives explained above, intend that this level of bursary support should increase over the coming years.

#### *Links with Local Schools and the Community*

Sherborne produces a detailed report on its links with local schools and the community which is published annually on the website. Foreign language and Design and Technology clubs together with sports refereeing and coaching and assistance with reading were provided by Sherborne to the state primary schools in the town. The Catering Department provide hot meals at lunchtime for pupils at the Abbey Primary School. The Classics department taught Latin to GCSE students at the local comprehensive school, The Gryphon, and Sherborne School helped set up the Dorset Schools Classics Network to enable maintained schools to provide their pupils with lectures and other opportunities to study this minority subject. The Careers Department provided careers advice and the School hosted and facilitated Oxbridge practice interviews for pupils from local schools including four maintained schools. The Music department ran two joint Sherborne Schools' orchestras in which pupils from The Gryphon participated and also held concerts in Cheap Street church to which the local community was warmly welcomed. There was also joint INSET with The Gryphon. A large number of local community groups and charities also used the School's facilities either at no or a nominal charge.

#### *Fundraising Performance*

The School does not fundraise directly, this is carried out by the Sherborne School Foundation (Registered Charity No 1073522) of which Sherborne is the sole member.

#### *Investment Performance against Objectives*

The investment objective of the Scholarship and Prize Fund is to preserve the real value of the capital of the Fund and to generate income to fund scholarships awarded by the School. This means that even in current difficult markets the Fund will remain substantially invested and will ride out short term fluctuations in market investment values. The period since the summer of 2008 has seen difficult and fluctuating investment markets. Against this background the Investment Sub-Committee agreed to formally change the investment objective for the Fund to achieve running yields from between 4.6% and 4.8% pa to between 3.5% and 4% pa. The Fund achieved a yield of 3.52% over the year which was within the range agreed.

### FINANCIAL REVIEW AND RESULTS FOR THE YEAR

Sherborne's operating surplus of £1,081k (2011: £1,969k) was below the long term targeted percentage of fee income set out in its strategic plans but in line with expectations. The surplus has been achieved against a background of strongly rising operating costs and a break in fundraising for a major capital project so the Governors consider it a satisfactory achievement.

Sherborne School (Trading) Limited continues to hire out School facilities during the holidays and outside school hours, as well as operating the School shop and has contributed £178k (2011: £114k) to Sherborne's operating surplus. Sherborne School (Leisure) Limited, which operates the Sports Centre and All-Weather Pitch, made a profit in the year of £22k (2011: £1k).

Sherborne School (Overseas Trading) Limited contributed income of £150k (2011: £150k) from Sherborne Qatar to Sherborne's operations. Administrative costs amounted to £158k resulting in a deficit of £8k (2011: surplus £137k).

As a charity the parents of our pupils have the assurance that all Sherborne's income is applied for educational purposes. As an educational charity Sherborne enjoys tax exemption on its educational activities and on investment income and gains provided these are applied for charitable aims. As a charity Sherborne is also entitled to an 80% reduction on business rates on the property occupied for charitable purposes. The financial benefits received from these tax exemptions are all applied for educational purposes and indirectly help Sherborne to maintain its bursary policy and local community and school links. However, as an educational charity, Sherborne is unable to reclaim VAT input tax on its costs and is exempt for VAT purposes. Sherborne pays tax as an employer through national insurance contributions.

In addition to the very substantial benefits Sherborne brings to its pupils, the local community and society through the education offered, the bursary programme and links with local schools create a social asset without cost to the Exchequer.

# Sherborne School

## ANNUAL REPORT OF THE GOVERNORS

for the year ended 30 June 2012

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### FINANCIAL REVIEW AND RESULTS FOR THE YEAR (continued)

#### *Reserves Policy*

Sherborne's policy is that unrestricted reserves should not be accumulated from year to year other than in anticipation of an identified capital project and that any surpluses generated from the running of the School will be invested in developing its buildings, equipment and resources. The School therefore holds no free reserves.

Sherborne operates a defined benefit pension scheme for some of its support staff. This scheme was closed to new entrants in 2002 and, following a consultation process in the summer of 2011, to further accrual for existing members on 31 August 2011. The pension liability is included in the unrestricted funds as required by Financial Reporting Standard Number 17. The scheme is in deficit by £2,483,000 at 30 June 2012 (2011 £2,765,000). The corresponding liability does not result in an immediate cash flow impact. Contributions into the pension plan are met through planned income. Further information can be found in note 23 to these financial statements.

#### *Investment Policy and Objectives*

The Governing Body aims to maximise income whilst at a minimum continuing to preserve the real value of endowed investments. In pursuance of this approach, the Governing Body also aims to maximise the total investment return whilst adopting a prudent investment posture. It also plans to match the return on invested Advance Fees Scheme monies in line with the maturation profile of the related liability to provide schooling in future years.

### EMPLOYEE INFORMATION

Sherborne follows all legislative requirements relating to recruitment and employment and operates specific policies for the following areas:

- Disciplinary and Grievance
- Accessibility
- Health and Safety
- Whistle blowing
- Equality

A regular appraisal programme is in place for all academic and most support staff and the personal and professional development of all staff is supported.

There are formal and informal processes for consultation with teaching and support staff, including a Salaries and Terms and Conditions of Service Committee and Consultative Group for teachers and a consultation group for support staff which meet termly.

### FUTURE PLANS

The key objectives for both Sherborne School and the International College remain broadly similar as previously indicated. Pupil numbers at Sherborne School remain strong for September 2012 and whilst student numbers for the College are slightly lower, any shortfall is expected to be made up by the January 2013 entry.

The Governors remain committed to raising academic standards at Sherborne School. This will require boys and staff to play their part in supporting a strong academic culture of expectation and ambition alongside clear management, setting of priorities and some fundamental reshaping of strategic planning.

Dr Christopher Greenfield, Principal of the International College, retires at the end of the academic year 2012/13 and following a rigorous selection process the Governors have appointed Mrs Mary Arnal who they confidently expect will prove a worthy successor.

The Governors remain committed to the £1.8m refurbishment and extension of Harper House which was due for completion in the summer of 2012. Governors have committed to the development of a new multipurpose hall for the International College which will replace the current temporary meeting hall. Construction is planned to start on the £2.2m project in early 2013 and is expected to be complete in autumn 2013. The School's main kitchen was refurbished during the summer 2012 to ensure that it is fully compliant with the latest environmental health standards and to provide the excellent catering team with working conditions commensurate with the standard of food they produce for the boys. The Governors will set aside an additional £750,000 to be spent on the estate in the next year to ensure that its heritage endowment is maintained to the appropriate standard and to facilitate a major upgrade of the plant and equipment in the Sports Centre which is over 35 years old and at the end of its economic life.

# Sherborne School

## GOVERNORS, OFFICERS AND ADVISERS

for the year ended 30 June 2012

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### RELATED AND CONNECTED PARTY TRANSACTIONS

During the year £60,266 was paid to Farrer & Co in respect of legal advice. Mr S Macdonald is a partner of Farrer & Co and was a Governor of Sherborne School until 1 September 2012.

### EMPLOYEE INVOLVEMENT

Sherborne encourages the involvement of its employees in its management through regular whole staff and departmental meetings in order to disseminate information of particular concern to employees and for receiving their views on important matters of policy.

### DISABLED PERSONS

Sherborne will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure they are given full and fair consideration when such vacancies arise. Sherborne consults with employees who have been injured or become disabled during the course of their employment to put in place specific arrangements and make reasonable adjustments so that they can, where possible, continue in employment with Sherborne.

During employment Sherborne seeks to work with employees, taking into account their personal circumstances, to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

The number of disabled persons employed by the School during the year was 13.

### STATEMENT OF GOVERNORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Governors are aware, there is no relevant audit information of which the Charity's auditor is unaware. The Governors have each taken all the steps that they ought to have taken as governors in order to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

# Sherborne School


GOVERNORS, OFFICERS AND ADVISERS  
for the year ended 30 June 2012

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## AUDITOR

Baker Tilly UK Audit LLP have indicated their willingness to continue in office. A resolution to reappoint Baker Tilly UK Audit LLP as the School's auditor will be made at the Annual General Meeting.

Approved by the Board of Governors of Sherborne School on 1 December 2012  
and signed on its behalf by



Professor Richard Hodder-Williams  
Chairman of Governors

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHERBORNE SCHOOL

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We have audited the group and parent charity financial statements of Sherborne School ("the financial statements") for the year ended 30 June 2012 on pages 14 to 39. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## **Respective responsibilities of governors and auditor**

As explained more fully in the Statement of Governors' responsibilities set out on page 11 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 30 June 2012 and of the group's incoming resources and application of resources, including 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 Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Governors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

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:

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



NIGEL HARDY (Senior Statutory Auditor)

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

Hartwell House, 55 – 61 Victoria Street, Bristol, BS1 6AD

Date 18 March 2013

# Sherborne School

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(Incorporating a Consolidated Income and Expenditure Account)

for the year ended 30 June 2012

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	2012 Total Funds £'000	2011 Total Funds £'000
<b>INCOMING RESOURCES</b>						
Income from Charitable Activities						
School fees	2	22,368	-	-	22,368	21,119
Other ancillary trading income	5	102	-	-	102	129
Incoming Resources from Generated Funds						
Voluntary income	3	-	187	-	187	1,067
Activities for generating funds						
- Sherborne School (Trading) Limited	4(a)	622	-	-	622	508
- Sherborne School (Leisure) Limited	4(b)	365	-	-	365	326
- Sherborne School (Overseas Trading) Limited	4(d)	150	-	-	150	151
Investment income	6	151	206	-	357	331
Non ancillary trading income	5	6	-	-	6	5
<b>Total Incoming Resources</b>		<b>23,764</b>	<b>393</b>	<b>-</b>	<b>24,157</b>	<b>23,636</b>
<b>RESOURCES EXPENDED</b>						
Costs of Generating Funds						
Sherborne School (Trading) Limited	4(a)	741	-	-	741	641
Sherborne School (Leisure) Limited	4(b)	417	-	-	417	399
Sherborne School (Overseas Trading) Limited	4(d)	158	-	-	158	13
Costs of generating voluntary income		-	125	-	125	116
Financing costs		203	34	-	237	225
Other expenditure		208	-	-	208	203
<b>Total Costs of Generating Funds</b>		<b>1,727</b>	<b>159</b>	<b>-</b>	<b>1,886</b>	<b>1,597</b>
Charitable Activities						
Education and grant making		20,539	205	-	20,744	19,833
Donations		-	89	-	89	99
<b>Total Charitable Activities</b>		<b>20,539</b>	<b>294</b>	<b>-</b>	<b>20,833</b>	<b>19,932</b>
<b>Governance Costs</b>		<b>232</b>	<b>16</b>	<b>-</b>	<b>248</b>	<b>94</b>
<b>Total Resources Expended</b>	9	<b>22,498</b>	<b>469</b>	<b>-</b>	<b>22,967</b>	<b>21,623</b>
Net incoming resources for the year before transfers						
		1,266	(76)	-	1,190	2,013
Transfers between funds		(5)	5	-	-	-
<b>NET INCOMING/(OUTGOING) RESOURCES</b>		<b>1,261</b>	<b>(71)</b>	<b>-</b>	<b>1,190</b>	<b>2,013</b>
Realised gains/(losses) on investments		-	(18)	126	108	(22)
<b>Surplus/(deficit) for the year</b>		<b>1,261</b>	<b>(89)</b>	<b>126</b>	<b>1,298</b>	<b>1,991</b>
Unrealised (losses)/gains on investments		-	(42)	(254)	(296)	305
Pension scheme actuarial (losses)/gains		(265)	-	-	(265)	596
<b>NET MOVEMENT IN FUNDS</b>		<b>996</b>	<b>(131)</b>	<b>(128)</b>	<b>737</b>	<b>2,892</b>
Fund balances at 1 July		28,784	375	4,481	33,640	30,748
<b>FUND BALANCES AT 30 JUNE</b>	16/17	<b>29,780</b>	<b>244</b>	<b>4,353</b>	<b>34,377</b>	<b>33,640</b>

All amounts relate to continuing operations The notes on pages 17 to 39 form part of these financial statements

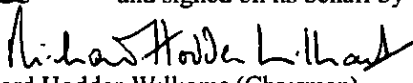
# Sherborne School

## CONSOLIDATED AND SCHOOL BALANCE SHEETS

as at 30 June 2012

	Notes	Group		School	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>FIXED ASSETS</b>					
Tangible assets	10	35,282	34,170	35,187	34,031
Investment assets	11	5,003	5,203	5,004	5,204
		<u>40,285</u>	<u>39,373</u>	<u>40,191</u>	<u>39,235</u>
<b>CURRENT ASSETS</b>					
Stocks		467	406	250	241
Debtors	12	750	630	933	826
Cash		2,831	3,454	1,737	2,403
		<u>4,048</u>	<u>4,490</u>	<u>2,920</u>	<u>3,470</u>
<b>CREDITORS</b> Amounts falling due within one year	13	(5,943)	(5,602)	(5,713)	(5,336)
<b>NET CURRENT (LIABILITIES)</b>		<u>(1,895)</u>	<u>(1,112)</u>	<u>(2,793)</u>	<u>(1,866)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>38,390</u>	<u>38,261</u>	<u>37,398</u>	<u>37,369</u>
<b>CREDITORS</b> Amounts falling due after more than one year	15	(1,530)	(1,856)	(1,530)	(1,846)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>36,860</u>	<u>36,405</u>	<u>35,868</u>	<u>35,523</u>
<b>DEFINED BENEFIT PENSION LIABILITY</b>	23	(2,483)	(2,765)	(2,483)	(2,765)
<b>NET ASSETS</b>		<u>34,377</u>	<u>33,640</u>	<u>33,385</u>	<u>32,758</u>
<b>ENDOWED FUNDS</b> (including a revaluation reserve of £578k (2011 £843k))	17	4,353	4,481	4,353	4,481
<b>RESTRICTED FUNDS</b> (including a revaluation reserve of £33k (2011 £44k))	17a	244	375	9	29
<b>UNRESTRICTED FUNDS</b> (including a revaluation reserve of £10,779k (2011 £10,736k))	17b				
Accumulation fund		32,263	31,159	31,506	30,623
Designated fund		-	390	-	390
Pension reserve		(2,483)	(2,765)	(2,483)	(2,765)
		<u>29,780</u>	<u>28,784</u>	<u>29,023</u>	<u>28,248</u>
<b>TOTAL FUNDS</b>	16	<u>34,377</u>	<u>33,640</u>	<u>33,385</u>	<u>32,758</u>

The financial statements were approved and authorised for issue by the Board of Governors of Sherborne School on 1 December 2012 and signed on its behalf by

  
Professor Richard Hodder-Williams (Chairman)

The notes on pages 17 to 39 form part of these financial statements

**Sherborne School**  
**CONSOLIDATED CASHFLOW STATEMENT**  
as at 30 June 2012

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	20		2,094		3,321
RETURNS ON INVESTMENT AND SERVICING OF FINANCE					
Investment income receipts		357		331	
Interest paid and finance costs		(203)		(174)	
Amounts accrued to advance fee contracts		(34)		(51)	
			120		106
			2,214		3,427
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payment for tangible fixed assets		(2,377)		(2,295)	
Payment for investments		(2,395)		(633)	
Proceeds from sale of investments		1,606		683	
			(3,166)		(2,245)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	21		(952)		1,182
FINANCING					
Repayment of bank loan		(226)		(254)	
Receipts from new advance fee contracts		568		875	
Amounts accrued to advance fee contracts		34		51	
Advance fees utilised and repaid		(840)		(922)	
			(464)		(250)
(DECREASE)/INCREASE IN CASH	21		(1,416)		932

The notes on pages 17 to 39 form part of these financial statements

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

---

### 1 ACCOUNTING POLICIES

#### (a) Basis of accounting

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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets

The financial statements have also been prepared on a going concern basis. In common with other Schools, Sherborne School faces uncertainties arising from current economic conditions. After making due enquiries, including review of the latest financial data and future projections, the governors have a reasonable expectation that the School has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing financial statements

#### (b) Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are in respect of the provision of education to pupils in the main School and within the International College and are stated after deducting allowances, scholarships, bursaries and other remissions granted

#### (c) Fee extras

The School collects monies in respect of trips and pupils' personal living expenses and pays these monies out in full to third parties. As these funds do not represent income for the School, they are not accounted for in the Statement of Financial Activities

#### (d) Donations

Donations received for the general purposes of the Charity are credited to the accumulation fund. Donations for purposes restricted by the wishes of the donor are taken to "restricted funds" where these wishes are legally binding on the Governors. Donations required to be retained as capital in accordance with the donor's wishes are accounted for as "endowments" – permanent or expendable according to the nature of the restriction

#### (e) Tangible fixed assets and depreciation

The carry forward values of tangible fixed assets are shown in note 10 to these financial statements. The basis for determining these carry forward values is historic cost except for the School's properties (with the exception of inalienable or historic buildings), which were revalued in the period to 30 June 2000

Furnishings and equipment costing less than £5k are written off to the Statement of Financial Activities as an expense as acquired

Building projects costing less than £50k are written off to the Statement of Financial Activities as an expense as acquired

Depreciation is calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their currently estimated useful lives

#### *Land and buildings*

The Charity owns a number of buildings within the town of Sherborne. Some of these properties are heritage assets and as such are described in note 10 of these Financial Statements. Properties that have no ascertainable historical cost and cannot be valued without undue expense are excluded from the financial statements as allowed by FRS15

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

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### 1 ACCOUNTING POLICIES *(continued)*

#### (e) Tangible fixed assets and depreciation *(continued)*

Buildings are depreciated over their estimated remaining useful lives that are initially calculated to be within 30-50 years

Land and assets under construction are not depreciated

##### *Furnishings and equipment*

Furnishings and equipment includes School equipment, boarding house fixtures and fittings, computer equipment, vehicles and kitchen and sports equipment. They are depreciated at the following initial rates

• Computer equipment	25%
• Vehicles and playing fields equipment	20%
• Kitchen and sports equipment	15%
• All other items	10%

#### (f) Stocks

The School holds stocks for maintenance purposes, catering and other consumables. All stocks are valued at the lower of cost and net realisable value

#### (g) Taxation

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

The School is not registered for VAT

#### (h) Investments

Listed investments are valued at their market value on the last day of the accounting period

Changes in the valuation of investments during the year are shown as unrealised gains or losses. Gains and losses arising from the disposal of assets are disclosed as realised, being the difference between the sale proceeds and the market value at the beginning of the year

#### (i) Permanent Endowment Fund

As detailed in note 17 the Charity holds assets donated under permanent endowment. Where such an asset is sold, the proceeds of the sale are treated as capital receipts and are taken directly to the Permanent Endowment Fund

Income arising on general purpose Permanent Endowment Fund investments is treated as general income, within unrestricted funds, of the School

#### (j) Advance Fee Fund

The School operates an Advance Fee scheme for parents

Monies received under the School's Advance Fee scheme are invested in separately defined assets. Income arising is treated as general income of the School, out of which provision for future fee liabilities under the scheme is made in full

#### (k) Scholarship and Prize Funds

Legacies and donations are recognised as receivable under this heading unless the amount or its ultimate receipt is considered too uncertain and are invested to provide scholarships and prizes for the benefit of pupils at the School

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 30 June 2012

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### 1 ACCOUNTING POLICIES (*continued*)

#### (l) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on the straight line basis over the lease term

#### (m) Pension schemes

##### *Teaching Staff*

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 FRS17 therefore, the scheme is accounted for as a defined contribution scheme. For further information see note 23.

##### *Support Staff*

The School operates two pension schemes for its support staff, a final salary scheme, which closed to future accrual from 31 August 2011, and a defined contribution scheme.

The final salary scheme is valued every three years by a professionally qualified actuary, the rates of contribution payable being determined by the actuary. Pension costs are charged to the Statement of Financial Activities over the average working lives of employees, in accordance with the recommendation of a qualified independent actuary. Further details are shown in note 23.

This scheme is being accounted for under FRS17, with the annually calculated notional surplus or deficit on the funding of the Scheme shown in the financial statements as a designated fund entitled "Pensions Reserve", which is deducted from Unrestricted Funds in the Balance Sheet.

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.

#### (n) Resources expended

Resources expended are accounted for on an accruals basis.

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

Costs of generating funds – includes all financing support costs.

Governance costs – includes those costs associated with constitutional and statutory requirements.

#### (o) Recognition of liabilities

Liabilities are recognised once there is a legal or constructive obligation that commits the Charity to the obligation.

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2012

### 1 ACCOUNTING POLICIES *(continued)*

#### (p) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings, Sherborne School (Trading) Limited, Sherborne School (Leisure) Limited, Sherborne School (Overseas Trading) Limited and Sherborne School Foundation made up to 30 June 2012, all inter group sales and profits are eliminated fully on consolidation. As permitted by section 408 of the Companies Act 2006, the parent company's income and expenditure account has not been included in these financial statements.

The parent company's income was £23,087k (2011 £21,834k) and expenditure was £22,006k (2011 £20,865k), giving net incoming resources of £1,081k (2011 £1,969k).

#### (q) Fund accounting

Unrestricted funds are funds that are available for use at the discretion of the Governors in furtherance of the objects of the Charity. Designated funds are unrestricted funds which have been set aside by the Governors for specific purposes. The aim and the use of the designated funds are set out in the notes to the financial statements.

Restricted funds are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the Charity for particular purposes. The aim and use of the restricted funds are set out in the notes to the financial statements.

### 2 FEE INCOME ANALYSIS

(a) School Fees		2012 £'000	2011 £'000
School -	Boarders	15,790	15,293
	Day boys	1,256	1,197
Total School fees		17,046	16,490
ICSS -	Fees	6,659	5,888
Other -	Registration fees	55	51
Total fees		23,760	22,429
Less Total scholarships, bursaries, grants and discounts		(1,758)	(1,682)
		22,002	20,747
Add back Scholarships and discounts paid for by restricted funds		146	155
		22,148	20,902
Music fees received		220	217
Fees per Consolidated Statement of Financial Activities		22,368	21,119
(b) Awards, prizes, and discounts paid for by Restricted Funds comprised		2012 £'000	2011 £'000
Scholarships		112	104
Advance fees discount		34	51
		146	155

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

### 3 VOLUNTARY INCOME

	2012 £'000	2011 £'000
Committed giving	77	317
Donations	110	715
Legacies	-	29
Other restricted donations	-	2
Scholarship and prize fund	-	4
	<u>187</u>	<u>1,067</u>

### 4 INCOME FROM SUBSIDIARIES' TRADING ACTIVITIES

The School owns the whole of the share capital of three of its subsidiaries which are Sherborne School (Trading) Limited, Sherborne School (Leisure) Limited and Sherborne School (Overseas Trading Limited). Sherborne School Foundation is a subsidiary charity of Sherborne School as the School is the sole corporate member of the Foundation.

- (a) Sherborne School (Trading) Limited's principal activity continues to be that of the operation of the School's sports and uniform shop and the provision of letting and educational services. Its trading results for the year, as extracted from the audited financial statements, are summarised below:

	2012 £'000	2011 £'000
Turnover	922	758
Cost of sales	(722)	(626)
Gross profit	<u>200</u>	<u>132</u>
Administration	(22)	(18)
Operating profit	<u>178</u>	<u>114</u>
Interest payable	-	-
Net profit	<u>178</u>	<u>114</u>
Donation to Sherborne School	(178)	(114)
Profit for the year	<u>-</u>	<u>-</u>
Shareholder's Funds	<u>-</u>	<u>-</u>

The subsidiary donates its profits to the School each year under the Gift Aid Scheme pursuant to a pre-existing Deed of Covenant.

Included in turnover are commission payments to Overseas Agents that have been invoiced to Sherborne School amounting to £300k (2011: £250k). This balance has been eliminated on consolidation.

Included in administration expenses are £3k (2011: £3k) of management charges of accounting fees £1k (2011: £1k), insurance £1k (2011: £1k) and management charges £1k (2011: £1k) paid to and received from Sherborne School. These balances were all eliminated on consolidation.

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2012

### 4 INCOME FROM SUBSIDIARIES' TRADING ACTIVITIES *(continued)*

- (b) Sherborne School (Leisure) Limited's principal activity is that of the provision of leisure facilities. Its trading results for the year, as extracted from the audited financial statements, are summarised below

	2012 £'000	2011 £'000
Turnover	448	408
Administration	(425)	(406)
Operating profit	23	2
Interest payable	(1)	(1)
Net profit	22	1
Donation to Sherborne School	-	-
Profit for the year	22	1
Shareholder's Deficit	(40)	(64)

The subsidiary donates any taxable profits to the School each year under The Gift Aid Scheme. Included in turnover is £84k (2011 £82k) of income in relation to the use of the sports centre by pupils of the school, received from and paid to Sherborne School. This balance was eliminated on consolidation.

Included in administration expenses are £8k (2011 £8k) of management charges of legal and professional fees £1k (2011 £1k), and rent £7k (2011 £7k) paid to and received from Sherborne School. These balances were all eliminated on consolidation.

- (c) Sherborne School Foundation's principal objects are to promote the charitable purposes of Sherborne School in Dorset and to promote any other charitable purpose connected with or otherwise associated with the School. Its results for the year, as extracted from the audited financial statements, are summarised below

	2012 £'000	2011 £'000
Incoming Resources		
Voluntary income	393	1,230
Investment income	5	4
Total incoming resources	398	1,234
Resources Expended		
Costs of generating voluntary funds	(125)	(117)
Charitable activities		
Donation to Sherborne School	(162)	(1,062)
Governance costs	(16)	(16)
Total resources expended	(303)	(1,195)
Net Incoming Resources	95	39
Fund Balances	1,042	947

Included in voluntary income is £206k (2011 £198k) received from Sherborne School as donated services. Included in resources expended is £93k (2011 £994k) paid to Sherborne School. £73k (2011 £963k) of this was eliminated on consolidation.

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

### 4 INCOME FROM SUBSIDIARIES' TRADING ACTIVITIES *(continued)*

- (d) Sherborne School (Overseas Trading) Limited's principal objects are to promote the charitable purposes of Sherborne School in Qatar and to promote any other charitable purpose connected with or otherwise associated with the School. Its trading results for the year, as extracted from the audited financial statements, are summarised below:

	2012 £'000	2011 £'000
Turnover	150	150
Administration	(158)	(13)
Operating profit	(8)	137
Donation to Sherborne School	-	(130)
Profit for the year	(8)	7
Shareholder's Deficit	(8)	-

### 5 OTHER INCOME

	2012 £'000	2011 £'000
Other ancillary trading income		
Houses income	34	41
Junior common room income	4	7
Discounts	1	1
Events income – theatre, disco etc	7	18
Catering income	31	51
Sundry income	25	11
	102	129
Non ancillary trading income		
Sundry lettings	6	5

### 6 INVESTMENT INCOME

	2012 £'000	2011 £'000
Dividends receivable	201	177
Qatar royalty	150	150
Bank interest receivable	6	4
	357	331

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2012

### 7 NET INCOMING RESOURCES

Net incoming resources are stated after charging

	2012 £'000	2011 £'000
Auditors remuneration -		
Fees payable for the audit of the parent charity and the consolidation	23	14
Fee payable for the audit of subsidiaries pursuant to legislation	14	13
Fees payable to the group's auditors and its associates in respect of other services relating to taxation	6	-
Depreciation on tangible fixed assets	1,266	1,119
Operating lease costs	111	102
Bank interest	10	13
Loan interest	16	20

No Governors or persons connected with them received any emoluments from the School during the year (2011 £Nil)

Seven Governors received reimbursement of out of pocket expenses amounting to £5,363 in the current year (2011 £941 for five Governors)

All interest payable as included within financing costs, relates to interest on bank loans and overdrafts

### 8 STAFF COSTS AND NUMBERS

Staff costs were as follows

	2012 £'000	2011 £'000
Wages and salaries	12,024	11,449
Social security costs	989	922
Pension contribution	982	1,018
	<u>13,995</u>	<u>13,389</u>

The above includes wages and salaries of £Nil (2011 £6k) that have been capitalised during the year as part of the capital projects undertaken

The average monthly number of full time equivalent employees during the year was as follows

	2012 No	2011 No
Educational staff	183	178
Support staff	208	206
	<u>391</u>	<u>384</u>

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 June 2012

### 8 STAFF COSTS AND NUMBERS (continued)

The number of higher paid employees was

	2012 No	2011 No
£60,001 - £70,000	21	13
£70,001 - £80,000	3	3
£80,001 - £90,000	3	3
£90,001 - £100,000	-	1
£110,001 - £120,000	-	1
£120,001 - £130,000	-	1
£130,000 - £140,000	2	-

In the year contributions were made for 29 (2011 22) higher paid employees, to the Teachers' Superannuation Scheme, and the Governors of Sherborne School Support Staff Pension Scheme. Both of these Schemes are defined benefit arrangements. With effect from 31 August 2011, the Sherborne School Support Staff Pension Scheme has been closed to future accrual and support staff can contribute to a defined contribution scheme. The School contributes to the personal pension schemes of 2 higher paid employees.

### 9 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £'000	Other costs £'000	Depreciation £'000	Total £'000
Costs of generating funds				
Sherborne School (Trading) Limited	104	632	5	741
Sherborne School (Leisure) Limited	227	136	54	417
Sherborne School (Overseas Trading) Limited	-	158	-	158
Costs of generating voluntary income	76	49	-	125
Financing costs	-	203	-	203
Advance fee discounts	-	34	-	34
Other expenditure	-	208	-	208
	<u>407</u>	<u>1,420</u>	<u>59</u>	<u>1,886</u>
Charitable activities				
Teaching	9,426	1,045	-	10,471
Welfare	2,299	2,511	-	4,810
Premises	751	1,684	1,207	3,642
Support costs of schooling	1,050	650	-	1,700
Grants, awards and prizes	-	121	-	121
Donations	51	38	-	89
	<u>13,577</u>	<u>6,049</u>	<u>1,207</u>	<u>20,833</u>
Governance	11	237	-	248
Total for Group	<u>13,995</u>	<u>7,706</u>	<u>1,266</u>	<u>22,967</u>

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2012

### 10 TANGIBLE FIXED ASSETS – SCHOOL

	Land & Property £'000	Furnishings & Equipment £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation				
At 1 July 2011	38,528	4,910	174	43,612
Additions	1,963	370	30	2,363
Transfers	174	-	(174)	-
Disposals	-	(8)	-	(8)
At 30 June 2012	40,665	5,272	30	45,967
Depreciation				
At 1 July 2011	6,157	3,424	-	9,581
Charge for year	740	467	-	1,207
Disposals	-	(8)	-	(8)
At 30 June 2012	6,897	3,883	-	10,780
Net book values				
At 30 June 2012	33,768	1,389	30	35,187
At 30 June 2011	32,371	1,486	174	34,031

### 10 TANGIBLE FIXED ASSETS – GROUP

	Land & Property £'000	Furnishings & Equipment £'000	All Weather Pitch £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation					
At 1 July 2011	38,528	5,118	439	174	44,259
Additions	1,963	385	-	30	2,378
Transfers	174	-	-	(174)	-
Disposals	-	(8)	-	-	(8)
At 30 June 2012	40,665	5,495	439	30	46,629
Depreciation					
At 1 July 2011	6,157	3,566	366	-	10,089
Charge for year	740	482	44	-	1,266
Disposals	-	(8)	-	-	(8)
At 30 June 2012	6,897	4,040	410	-	11,347
Net book values					
At 30 June 2012	33,768	1,455	29	30	35,282
At 30 June 2011	32,371	1,552	73	174	34,170

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

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### 10 TANGIBLE FIXED ASSETS – GROUP *(continued)*

The comparable amount of land and buildings included above at valuation determined according to the historical cost accounting rules are as follows

	Land & Property £'000
Cost	27,872
Accumulated depreciation	(5,015)
Net book value	
At 30 June 2012	<u>22,857</u>
At 30 June 2011	<u>21,473</u>

In the period to 30 June 2000, the School's properties (with the exception of certain inalienable or historic buildings for which reliable valuations were not available without incurring costs considered to outweigh the usefulness of the information to financial statements users) were revalued by Messrs Humberts, Chartered Surveyors, on the basis of their then current open market value or depreciated replacement cost (as appropriate). In accordance with the transitional provisions of FRS 15 these valuations have not been updated.

During the year the following project costs were completed and included in additions and transfers to Land and Property

- Refurbishment of Harper House £1,432k,
- Refurbishment of Ashbourne Close £168k,
- Refurbishment of School House £94k,
- Refurbishment of Sports Centre reception £81k and
- Refurbishment of Abbots Acre £224k

Assets under construction included the following

- Costs for the International College Assembly Hall, and
- Refurbishment costs for the JCR

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2012

### 11 INVESTMENTS

	Unlisted £'000	Investment Property £'000	Advance Fee Fund £'000	Scholarship & Prize Fund £'000	Total £ 000
At 1 July 2011	1	100	1,636	3,467	5,204
Additions	-	-	1,101	1,294	2,395
Disposals at book value	-	-	(421)	(1,078)	(1,499)
Unrealised gain/(loss)	-	-	(42)	(255)	(297)
Equilisation of investments	-	-	-	(8)	(8)
Change in accrued income	-	-	22	-	22
Charge in cash	-	-	(782)	(31)	(813)
<b>Total for Charity</b>	<b>1</b>	<b>100</b>	<b>1,514</b>	<b>3,389</b>	<b>5,004</b>
Group transactions eliminated on consolidation	(1)	-	-	-	(1)
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>100</b>	<b>1,514</b>	<b>3,389</b>	<b>5,003</b>
Investments listed on the Stock Exchange	-	-	1,514	3,386	4,901
Historical cost	1	5	1,481	3,055	4,543
Cash deposits	-	-	-	3	3

#### Unlisted Investments

The consolidated balance sheet shows the same investments as the School, with the exception of the unlisted investments of £1,003 in Sherborne School (Trading) Limited, Sherborne School (Leisure) Limited and Sherborne School (Overseas Trading) Limited which are excluded

#### Investment Property

In June 2010, the investment property in Gillingham was re-valued by Messrs Humberts, Chartered Surveyors, on the basis of their open market at a value of £100,000

#### Listed Investments

The market value of investments held outside the UK was £483k (2011 £456k)

Included within investments, are the following which exceed 5% of the total value at 30 June 2012

	Advance Fee Fund £'000	%	Scholarship & Prize Fund £'000	%
Government Securities	1,514	30	-	-
UK Equities				
Cazenove Inv Fd MT Eqty Inc Tst	-	-	1,380	28
Cazenove Inv Fd MT Growth Tst	-	-	639	13
UK Bonds				
Cazenove Inv Fd MT UK Corp	-	-	518	10
Hedge Funds				
Cazenove Absolute Return Trust	-	-	242	5

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

### 12 DEBTORS

	Group		School	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Due after more than one year				
Loan to Sherborne Preparatory School	-	6	-	6
Due within one year				
Trade debtors	160	112	140	89
Tax recoverable	16	48	-	-
Fees due	300	214	300	214
Other debtors	64	155	25	43
Prepayments	204	82	204	82
Loan to Preparatory School	6	13	6	13
Amount due from subsidiary undertakings	-	-	258	379
	<u>750</u>	<u>630</u>	<u>933</u>	<u>826</u>

### 13 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		School	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank overdraft and loans	264	309	200	226
Fees received in advance	2,064	2,245	2,064	2,245
Trade creditors	1,049	723	991	658
Taxation and social security	139	135	125	119
Other creditors	250	212	158	111
Accruals	486	268	484	267
Pensions	169	69	169	69
Deposits held	917	914	917	914
	<u>5,338</u>	<u>4,875</u>	<u>5,108</u>	<u>4,609</u>
Advance fees (see note 14)	<u>605</u>	<u>727</u>	<u>605</u>	<u>727</u>
	<u>5,943</u>	<u>5,602</u>	<u>5,713</u>	<u>5,336</u>

The bank overdraft is the amount currently drawn down on a standing facility of £500,000 secured on the freehold property, to provide additional working capital as the need arises

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2012

### 14 ADVANCE FEE PAYMENTS

Parents may enter into a contract to pay to the School up to the equivalent of five years' tuition fees in advance. The money may be returned subject to specific conditions on the receipt of one term's notice. Assuming pupils will remain in the School, advance fees will be applied as follows:

	2012 £'000	2011 £'000
After five years	75	77
Within two to five years	452	545
Within one to two years	470	491
	<hr/>	<hr/>
	997	1,113
Within one year	605	727
	<hr/>	<hr/>
	1,602	1,840
	<hr/>	<hr/>

The movement during the year on advanced fees were as follows:

	2012 £'000
Balance at 1 July 2011	1,840
New advanced fees received in the year	568
Amounts accrued for interest	34
Amounts utilised in payments of fees	(840)
	<hr/>
Balance at 30 June 2012	1,602
	<hr/>

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

### 15 CREDITORS Amounts falling due after more than one year

	Group		School	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Advance fees	997	1,113	997	1,113
Bank loans	533	733	533	733
Deferred income	-	10	-	-
	<u>1,530</u>	<u>1,856</u>	<u>1,530</u>	<u>1,846</u>
The bank loan is repayable by instalments				
Due within two to five years	333	533	333	533
Due within one to two years	200	200	200	200
	<u>533</u>	<u>733</u>	<u>533</u>	<u>733</u>
Due within one year	200	226	200	226
	<u>733</u>	<u>959</u>	<u>733</u>	<u>959</u>

Creditors include amounts not wholly repayable within five years as follows

	2012	2011
	£'000	£'000
Repayable by instalments – Advance fees	<u>75</u>	<u>77</u>

The bank overdraft and loans are secured by way of a legal mortgage charge dated 17 January 2001 over certain properties owned by Sherborne School Limited

The proportion of the bank loan to the value of the property charged was 7% (2011 9%)

The bank loans are repayable annually in 3 termly instalments, interest is charged at 1¼% above the base rate

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2012

### 16 NET ASSETS OF THE FUNDS OF THE CHARITY AND GROUP

The Charity's net assets belong to the various funds (including Advance Fees) as follows

	Fixed Assets £'000	Net Current Assets/ (Liabilities) £'000	Long Term (Liabilities) £'000	Scholarship Pension (Liability) £'000	Fund Balances £'000
Pension Reserve Designated Fund	-	-	-	(2,483)	(2,483)
Accumulation Fund	33,833	(1,794)	(533)	-	31,506
Advance Fee Fund	1,514	(517)	(997)	-	-
Edbrooke Scholarship & Bursary	255	-	-	-	255
Scholarship and Prize Fund	3,389	(491)	-	-	2,898
Endowed Property	765	-	-	-	765
Restricted funds	-	9	-	-	9
Harris Scholarship	435	-	-	-	435
Charity	40,191	(2,793)	(1,530)	(2,483)	33,385
Subsidiaries' reserves	94	898	-	-	992
Group	40,285	(1,895)	(1,530)	(2,483)	34,377

The subsidiaries' fixed assets of £94k as shown above are stated net after eliminating the School's investment in the subsidiaries of £1,003 as shown in note 11 of these financial statements

### 17 PERMANENT ENDOWED FUNDS MOVEMENTS IN THE YEAR

	Balance at 1 July 2011 £'000	Income £'000	Resources Expended £'000	Transfers and Investment Gains /(Losses) £'000	Balance at 30 June 2012 £'000
Permanent endowments					
Harris Scholarship	435	-	-	-	435
Endowed Property	765	-	-	-	765
Edbrooke fund	255	-	-	-	255
Scholarship and Prize Fund	3,026	-	-	(128)	2,898
	4,481	-	-	(128)	4,353

#### *Harris Scholarship*

The Harris Scholarship endowment is invested to provide academic scholarship to a 3<sup>rd</sup> form pupil, every five years, who shows exceptional academic potential but whose family's financial circumstances are such that support with fees are required

#### *Edbrooke fund*

A fund, the income from which will be made available to the Headmaster and applied at his discretion from time to time to benefit a pupil wishing to attend the School who may have just missed a scholarship. Alternatively, a pupil currently at the School whose parents find themselves in financial difficulty

#### *Scholarship and Prize Fund*

The Scholarship and Prize fund endowment is invested to provide scholarships and prizes for the benefit of the School. The total realised and unrealised gains and losses during the year amount to £128k

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

### 17A RESTRICTED FUNDS MOVEMENTS IN THE YEAR

	Balance at 1 July 2011 £'000	Income £'000	Resources Expended £'000	Transfers and Investment Gains /(Losses) £'000	Balance at 30 June 2012 £'000
Advance Fee Fund	-	89	(34)	(55)	-
Scholarship & Prize Fund	-	112	(112)	-	-
Maths Exploratory	13	12	(25)	-	-
Shell House Fund	2	-	-	-	2
School Archivist	12	13	(25)	-	-
Foundation Fellows	-	32	(32)	-	-
Other small restricted funds	2	16	(11)	-	7
	<u>29</u>	<u>274</u>	<u>(239)</u>	<u>(55)</u>	<u>9</u>
Charity	29	274	(239)	(55)	9
Sherborne School Foundation	947	398	(303)	-	1,042
	<u>976</u>	<u>672</u>	<u>(542)</u>	<u>(55)</u>	<u>1,051</u>
Eliminated on consolidation	(601)	(279)	73	-	(807)
Group	<u>375</u>	<u>393</u>	<u>(469)</u>	<u>(55)</u>	<u>244</u>

#### *Scholarship & Prize Fund*

This fund relates to the restricted income and expenditure for Scholarships, Bursaries and Prizes

#### *Northern Campus*

This fund was to aid in the funding of the School's plans for the redevelopment of the Northern Campus area of the School

#### *Maths Exploratory*

To fund the creation of Mathematics exploratory within the School for use of the boys of the School and others in the community and other schools who may wish to access it

#### *Other restricted funds and small restricted funds*

These relate to several smaller restricted funds which have been donated during the year. The majority of the donations have been expended during the year in accordance with the original donor's wishes, the remaining £7k will be expended next year

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2012

### 17B UNRESTRICTED FUNDS MOVEMENTS IN THE YEAR

	Balance at 1 July 2011 £'000	Income £'000	Resources Expended £'000	Transfers and Investment Gains/(Losses) £'000	Balance at 30 June 2012 £'000
All Weather Pitch - designated fund	390	-	-	(390)	-
Pension reserve - designated fund	(2,765)	-	547	(265)	(2,483)
Accumulation fund	30,623	22,812	(22,314)	385	31,506
Charity	28,248	22,812	(21,767)	(270)	29,023
Non-charitable trading funds	(74)	1,520	(1,505)	-	(59)
	28,174	24,332	(23,272)	(270)	28,964
Eliminated on consolidation	610	(568)	774	-	816
Group	28,784	23,764	(22,498)	(270)	29,780

The total transfers to the accumulation fund are made up of £390k from the All Weather Pitch Fund and the funding of the deficit in the Advance Fee Fund of £55k. There is also £178k which has been transferred to Sherborne School from one of its trading subsidiaries under deed of covenant. Please refer to note 4 for more information.

The All Weather Pitch designated fund - This designated fund was set up to fund the replacement of the current all weather pitch, at the end of its useful life in 2012. The balance on this designated fund has been transferred to the Accumulation Fund, at the year end, which is consistent with the treatment of other capital projects.

### 18 CONTRACTS AND COMMITMENTS

At 30 June 2012 the School had commitments as follows

	2012 £'000	2011 £'000
Contracted for but not provided in these financial statements	490	1,746
Authorised but not contracted	1,150	248

### 19 OTHER COMMITMENTS

At the year end, the School had annual commitments under non-cancellable operating leases as follows

	Equipment	
	2012 £'000	2011 £'000
Within one year	8	-
Between one and two years	30	13
Between two and five years	68	96
After five years	-	-

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

### 20 RECONCILIATION OF GROUP NET INCOMING RESOURCES TO NET CASH INFLOW FROM GROUP OPERATIONS

	2012 £'000	2011 £'000
Net incoming resources	1,190	2,013
Non-operating cash flows eliminated		
Investment income	(357)	(331)
Financing costs	237	225
Equalisation of investments	(14)	(9)
Depreciation charges added back	1,266	1,119
Increase in stocks	(61)	(40)
Decrease in debtors	(119)	(10)
Increase in creditors	499	404
Increase in defined benefit pension liability	(282)	(646)
Pension scheme actuarial (losses)/gains	(265)	596
Net cash inflow from group operating activities	2,094	3,321

### 21 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS (NOTE 22)

	2012 £'000	2011 £'000
(Decrease)/increase in cash in the year	(1,416)	932
Net advance fee capital utilised	238	-
Cash inflow from decrease in bank loans	226	252
Change in net funds	(952)	1,184
Net funds at 1 July	1,386	202
Net funds at 30 June	434	1,386

### 22 ANALYSIS OF CHANGES IN NET FUNDS OF THE GROUP

	Balance at 1 July 2011 £'000	Cashflows £'000	Balance at 30 June 2012 £'000
Cash at bank & in hand	3,454	(623)	2,831
Cash held as investments	816	(813)	3
Bank overdraft	(85)	20	(65)
	4,185	(1,416)	2,769
Debt due after 1 year	(1,846)	316	(1,530)
Debt due within 1 year	(953)	148	(805)
Net funds	1,386	(952)	434

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2012

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### 23 PENSION SCHEMES

#### *Teaching Staff*

The School participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), for its teaching staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to consistently identify the liabilities of the TPS which are attributable to the School. As required by FRS17 "Retirement Benefits", the School accounts for this scheme as if it were a defined contribution scheme.

On 4 July 2012 the Chief Secretary to the Treasury confirmed that the Government will be taking forward legislation based on the reformed scheme design for the Teachers' Pension Scheme to be introduced in 2015 as set out in the Teachers' Pension Scheme – Proposed Final Agreement ("the TPS Agreement"). The TPS Agreement sets out the main parameters for both the provision of future pension benefits and the structuring of the future contributions to the TPS including the basis for increasing average employee contribution rates up to 2015.

Under the TPS Agreement, employer contribution rates from 1 April 2012 are continuing at 14.1% with employee rates varying between 6.4% and 8.8%. For subsequent years data and information is being collated to inform a Government review of the tiering structures in advance of the Department for Education consulting on contribution increases for 2013/14 onwards.

The government has set a gross cost ceiling for the main public service pension schemes of 21.7% with a net cost ceiling of 12.1% and an average employee contribution of 9.6%.

The Government Actuary's Department has, in a report dated 9 March 2012, concluded that the TPS Agreement scheme design is within this required cost ceiling. This conclusion is dependent on and sensitive to the data, methodology and assumptions adopted and further details on these are available in the full Government Actuary's report which is available on the Department for Education website.

The pension charge for the year includes contributions payable to the TPS of £797k (2011: £775k). At the year-end £102k (2011: £Nil) was accrued in respect of contributions to this scheme.

#### *Support Staff Defined Contribution Scheme*

The total contribution payable to the School's defined contribution scheme during the year was £163k (2011: £109k).

#### *Support Staff Defined Benefit Scheme*

The company sponsors the Governors of Sherborne School Support Staff Pension Scheme which is a defined benefit arrangement. The scheme closed to future accrual from 1 September 2011. Preliminary actuarial valuation calculations, including an allowance for a curtailment, of this scheme were carried out by a qualified independent actuary as at 1 September 2010 and updated on an approximate basis to 30 June 2012.

The contributions made by the employer over the financial year have been £309k (2011: £390k).

These financial statements reflect the requirements of FRS17 (Retirement Benefits). The charge for the year as calculated by the actuary of £101k (2011: £234k), the finance charge of £49k (2011: £106k) together with the gain on curtailment of £388k (2011: £Nil) and the actuarial loss of £265k (2011: actuarial gain of £596k) have been recognised in the Statement of Financial Activities during the year.

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

### 23 PENSION SCHEMES *(continued)*

#### a) Changes in the present value of the defined benefit obligation are as follows

	2012 £'000	2011 £'000
Present value of funded obligations	(8,533)	(8,808)
Fair value of plan assets	6,050	6,043
Deficit	(2,483)	(2,765)
Amounts in the balance sheet		
Liabilities	(2,483)	(2,765)
Assets	-	-
Net liability	(2,483)	(2,765)

#### b) Changes in the present value of the defined benefit obligation are as follows

	2012 £'000	2011 £'000
Opening defined benefit obligation	8,808	8,306
Current service cost	101	234
Interest cost	458	440
Contributions by scheme participants	13	54
Actuarial losses	19	65
Gains on curtailments	(388)	-
Benefits paid	(478)	(291)
Closing defined benefit obligation	8,533	8,808

#### c) Changes in the fair value of scheme assets are as follows

	2012 £'000	2011 £'000
Opening fair value of scheme assets	6,043	4,895
Expected return on scheme assets	409	334
Actuarial (losses)/gains	(246)	661
Contributions by employer	309	390
Contributions by scheme participants	13	54
Benefits paid	(478)	(291)
Fair value of scheme assets at end of year	6,050	6,043

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2012

### 23 PENSION SCHEMES (Continued)

d) The amounts included within the Statement of Financial Activities are as follows

	2012 £'000	2011 £ 000
Current service cost	(101)	(234)
Total charge to net incoming resources	(101)	(234)
Other finance income		
Expected return on pension scheme assets	409	334
Interest on pension scheme liabilities	(458)	(440)
Net finance income	(49)	(106)
Gain on curtailment	388	-
Total amount charged/(credited) within net incoming resources	238	(340)
Actuarial (losses)/gains	(265)	596
Total amount charged to the Statement of Financial Activities	(27)	256

Sherborne School expects to contribute £360k to its defined benefit pension scheme in the year ended 30 June 2013

The cumulative amount of actuarial gains and losses recognised since 30 June 2002 is (£2,251k)

e) The major categories of scheme assets as a percentage of total scheme assets are as follows

	2012	2011
Equities	-	50%
Bonds	-	40%
Fixed Interest Matching Assets	14%	-
Inflation Linked Matching Assets	5%	-
Managed Growth	80%	-
Other	1%	10%

The expected long term return on cash is equal to bank base rates. The expected return on bonds is determined by reference to UK long dated gilt and bond yields. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions.

The scheme assets have been switched to managed growth following the closure of the scheme to future accrual.

The actual return on the scheme assets in the year was

	2012 £'000	2011 £'000
Actual return on the scheme assets	163	995

# Sherborne School

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2012

### 23 PENSION SCHEMES *(continued)*

#### f) Principal assumptions at the balance sheet date (expressed as weighted averages)

The assets of the scheme have been included in this year's financial statements at market value and the liabilities have been calculated using the following principal actuarial assumptions

	30 June 2012	30 June 2011
Inflation	3.1% pa	3.70% pa
Expected rates of return on scheme assets at the start of each period	6.83% pa	6.72% pa
Salary increases	n/a	4.70% pa
Rate of discount	4.5% pa	5.50% pa
Rate of increase in pensions in payment where LPI to a maximum of 5% applies	n/a	3.70% pa
Rate of increase in pensions in payment where LPI to a max of 2.5% applies	n/a	2.50% pa
Assumes life expectancies on retirement age 65		
Retiring today – males	21.7	22.2
Retiring today - females	23.8	25.0
Retiring in 25 years - males	23.9	23.2
Retiring in 25 years - females	26.2	26.0

#### g) Analysis of the amounts shown within pension actuarial gains and losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	8,533	8,808	8,306	6,920	6,260
Fair value of assets	6,050	6,043	4,895	4,168	4,840
Surplus/(deficit) in scheme	(2,483)	(2,765)	(3,411)	(2,752)	(1,420)
Experience adjustment on scheme liabilities	521	-	60	60	389
Experience adjustment on scheme assets	(246)	661	304	(901)	(988)

### 24 RELATED PARTY TRANSACTIONS

The Charity has taken advantage afforded under FRS8 not to disclose related party transactions with subsidiary companies and charities