



SHERBORNE

**SHERBORNE SCHOOL ANNUAL REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS**
for the year ended 30 June 2018



THURSDAY



L7ZRDSQR
LD2 21/02/2019 #89
COMPANIES HOUSE

Registered Company Number: 400257
Registered Charity Number: 108122

Sherborne School

CONTENTS

for the year ended 30 June 2018

CONTENTS	PAGE
Annual Report of the Governors – Review of the Year	2 - 5
Annual Report of the Governors	6 - 13
Independent Auditor's Report	14 - 15
Consolidated Statement of Financial Activities	16 - 17
Balance Sheets	18
Consolidated Statement of Cashflows	19
Notes to the Financial Statements	20 – 54
Governors, Officers and Advisers	55 – 56

Sherborne School

ANNUAL REPORT OF THE GOVERNORS – REVIEW OF THE YEAR for the year ended 30 June 2018

The Governors of Sherborne School ("Sherborne") present their annual report and audited accounts for the year ended 30 June 2018 and confirm that they comply with the requirements of the Charities Act 2011, Sherborne's constitution, the Charities SORP (FRS 102) and the Companies Act 2006.

REVIEW OF THE YEAR

Principal Achievements and Performance

Educational Performance

At Sherborne School the record breaking A level public examination results of last year were not quite matched in August 2017 but were still good. 43.4% were graded at A*/A compared to 46.8% last year and 26.6 % nationally and 22 boys achieved straight As. All boys holding offers at Oxford and Cambridge secured their places. Many others secured their first choice of university including at Imperial, KCL, Durham, Edinburgh, LSE and Bath.

At GCSE this was the second and (final) year in which there was a mixture of numeric and alphabetic grades. The fact that there is no exact equivalence between the old alphabetic and the new numerical grade systems means that it is difficult to make precise comparisons between this year's results and those from prior years. The results were our second best performance after that in 2016. 34.1% of grades were at A* and 9 & 8. At A*-A and 9, 8 & 7 - 56.5% (broadly in line with the School's mean performance over the past decade), compared to 20.5% nationally. At A*-C and 9 to 4 - 95.1% (slightly down on the last several years where we have scored between 96 and 98%), compared to 66.9% nationally. Particularly remarkable was the achievement of the Mathematics Department which achieved 26.8% at grade 9 (compared to 3.6% nationally).

At Sherborne International, 80.1% of students achieved five or more A* to C and 9 to 4 grades at GCSE/IGCSE which compares favourably with the national average of 66.9%. 14% of students achieved A*-A or 9 to & in at least five subjects. There was a 100% pass rate in English Literature, English First Language, Art, Further Maths, Business Studies, French and Spanish. The best results ever were achieved in the International English Language Testing System (IELTS) exam (General Training) with 77% achieving band 6 or above.

All students who wished to enter UK independent schools on leaving Sherborne International were successful in securing places. The Summer Course attracted 360 international students from 30 different nationalities. The Easter Course attracted 45 students with longer stays than the previous year.

Sporting achievements

On the sporting front, boys at the School competed and were involved in over 30 different sports with teams competing in almost 800 individual fixtures. All sports are coached, by a combination of teaching and support staff and external coaches, and the fitness suite is supervised by specialist qualified staff. The Football Development A Team won the Football Wessex Independent Schools League. The Mini Colts Hockey team won the West of England Championships and they together with the 1st XI reached the National Finals. The Mini Colts Cricket Team won the Dorset County Cup. The under U18 team won gold in the British Schoolboy Ski championships in Switzerland and the Under 16 team secured silver in the dual slalom. The Colquhoun Fives Trophy was retained, the first time a player has done so. For the first time the Colts title was won at the South West Schools Regional Fives Tournament before proceeding to the National Tournament. Five boys qualified for the South West Athletics Championships and one represented Dorset at the English Schools Athletics Championships. Within the past 12 months, there have been tours to Hong Kong and New Zealand (rugby), Italy (tennis) as well as UK based pre-season camps for football, hockey and cricket.

At Sherborne International sport continued to flourish, including athletics, swimming, basketball, cross country running, golf, karate, tennis, yoga, squash, football, horse riding, table tennis, volleyball, rounders and netball. The number of competitive fixtures continues to grow as do the inter-house competitions which now include an Ironman Challenge which challenges the boys mentally as well as physically. 28 students went skiing in Italy during the spring half term.

The Arts

Music continues to grow in strength and depth reflected in the 109 strong choir and with many more involved in orchestras, ensembles, and rock bands, the largest being the Wind Band containing 85 instrumentalists. 80 concerts, 15 more than last year, were performed during the year. The highly popular Swing Band performed

throughout the year culminating in a 10 day tour of Barbados where they performed on eight occasions including at Collymore Hall and recorded a new CD. The Joint Schools' Choral Society gave a superb performance of Bach's St John Passion in Sherborne Abbey with the added coup of having international tenor James Gilchrist as the Evangelist. 13 Grade 8's were achieved of which 85% were at distinction. Four more boys joined the list of six in the School who hold the Associate of Trinity College London Diploma, and one went onto achieve the Licentiate Diploma at distinction, a very significant achievement for a pupil at a non-specialist music school.

An increasing number of Sherborne International students enjoy informal music making in the Music School as well as the more formal instrumental lessons and the twice-yearly concerts. The sheer number of boys and girls learning, practising and performing music means that the Music School cannot meet the demand. Four new temporary practice rooms, which look like an extension, were added in April and will provide a short-term improvement.

The main Sherborne School theatre and musical production was The Secret Life of Walter Mitty performed with Sherborne Girls. The songs were written by the Director of Music and the incidental music by one of the Music Scholars. Boys also performed in the Sherborne Girls production of George Orwell's 1984. Four Houses directed and performed plays and the Lower School performed The Complete Works of William Shakespeare (Abridged). Sherborne International ran a Christmas Drama Festival with each of the four boarding houses performing plays on a Christmas theme.

Co-curricular

The Duke of Edinburgh award schemes continued to expand and develop; it is pupil-led allowing our boys and girls to fit the programme around their other commitments. Nine boys achieved the Duke of Edinburgh Gold Award, the highest to date and over 30 Bronze and Silver award. 63 completed expeditions in Dorset, the Brecon Beacons and the Peak District and if they have not already done so, are on course to complete their awards in the near future.

The CCF passed its Biennial Inspection and 16 members spent a week in Norway experiencing the physical and mental challenges of a wide range of activities from their base camp in the second longest fjord in the world. The two Ten Tors teams completed the notoriously tough 35 mile Ten Tors Challenge in excellent times.

Development of Facilities and Resources

In line with the Strategic Plan's objectives resources were focussed on the refurbishment of the older and more traditional teaching spaces and the boarding houses, improved ICT provision and for further improvement of staff housing. The refurbishment of one of the School's principle teaching blocks, The Grove, was completed during the year and now provides a modern teaching and learning environment with a range of different types of spaces, the smaller of which are conducive to interactive group work. History, Maths and Geography department spaces were also refurbished. Four new music practice rooms were added to the Music School. The £2M refurbishment of Sherborne International's King's House commenced and the major refurbishment of The Digby, the largest of the School's boarding houses, was planned and phase 1 completed. All other boys' boarding houses benefitted from some improvements during the year. Sherborne International launched its new website and the School's is under development. The two schools' ICT services teams were united to create a new single ICT Services team responsible for ICT service delivery across the Sherborne Group. The new team commenced a major ICT transformation project to improve the Group's resilience and provide the infrastructure to support future capability in teaching, learning, administration and communication.

The second element of the refurbishment and reconfiguration of two semi-detached properties next to the Health Centre to provide one four bedroom and one three bedroom house was planned, planning consent obtained, and preliminary works commenced. More minor improvement, but still significant in terms of impact, was completed on five other staff residences.

Sherborne School Foundation

The Foundation continued to raise funds on behalf of the School. During the year the Foundation enabled the School to:

- Part fund boys on bursaries within the School and, therefore, widening access to the School;
- Part fund travel and tour bursaries for trips to advance boys education and co-curricular experiences who could not otherwise afford to go;

Sherborne School

ANNUAL REPORT OF THE GOVERNORS – REVIEW OF THE YEAR for the year ended 30 June 2018

- Fund its Literary Festival (Sherborne Sessions);
- Fund professional sports coaches;
- Fund inspirational speakers; and
- Finance a number of smaller projects through the Annual Fund campaign.

Compliance

Sherborne School was subject to a regulatory compliance inspection by the Independent Schools Inspectorate in March. The School was fully compliant and the report can be found at <https://www.isi.net/school/sherborne-school-6891?results=true>. During the year both schools devoted resources to ensuring that staff remained up to date with the regulatory requirements and that processes and procedures were updated to reflect any changes.

Overseas activities

Sherborne Qatar completed its ninth year. Numbers remained steady at around 1,200. A level and GCSE results were again above the UK national average. Both the fixed management fee and royalty fee were received from Sherborne School Qatar LLC as laid down in the collaboration agreement. The School is now operating at a surplus and numbers for 2018-19 remain steady.

Sherborne Schools Worldwide Limited (SSW), the company owned jointly with Sherborne Girls through which all new overseas operations are pursued, completed its first full year of trading. SSW identified and evaluated a number of opportunities during the year and is taking forward those which best support the strategic rationale for developing overseas activities.

Marketing and recruitment

The key to stability and security is sustaining pupil numbers in both the School and Sherborne International. The increase in marketing and recruitment activity was sustained throughout the year and numbers on roll increased by 47 students at Sherborne International by the start of the Summer Term. There were judicious recruiting trips both in the UK and abroad including the Far East, excellent varied publications like the new twice termly newsletter, the weekly Sherborne International e-shot and the Shirburnian. Levels of interest in Sherborne School, measured by higher prospective parent and pupil enquiries, visit and registrations with the latter doubling in two years is such that Governors are confident this will result in a full pupil roll within two to three years.

PUBLIC BENEFIT

Bursaries and Scholarships

This year the School provided assistance with fees to 212 pupils to the value of £2,524k which represented 12.9% of the School's gross fee income which is 0.1% more than the previous year. Of this, 72 pupils received means treated bursaries to the value of £1,219k which was an increase on the previous year and in line with the Governors' objectives. Eight pupils received means tested assistance (including scholarships as appropriate) of 100% and a further nine of either or over 90% of termly fees. Six pupils received bursaries funded by the Old Shirburnian Society.

112 pupils received scholarships based on their merit totalling £592k representing 3% of the gross fees. Of this number, 37 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 the proportion of means tested bursary support compared to merit awards should increase over the coming years.

Links with Local Schools and the Community

The Headmaster is a member of the Interim Executive Board of King Arthur's School, Wincanton and five other members of staff are Governors of local maintained schools one of whom is also Somerset's Representative Governor for the LEA's ICT Working Group. Further details of the different projects are available at <https://www.schoolstogether.org/projects/Governorship-in-local-schools/>

Sherborne is working with The Gryphon to provide pupils at the local maintained school the opportunity to study specialist subjects at Sixth Form at no cost which The Gryphon is not able to fund. During the year, Gryphon

Sherborne School

ANNUAL REPORT OF THE GOVERNORS – REVIEW OF THE YEAR for the year ended 30 June 2018

pupils studied German and Music Technology at A Level. Foreign language and Design and Technology clubs together with sports refereeing and coaching and assistance with reading and art were provided by Sherborne to the state primary schools in the town. 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 Director of Hockey is heading up the Junior Academy at Yeovil & Sherborne Hockey Club which enables younger children in the local area to benefit from high level coaching.

The Careers Department organised and hosted Careers Fairs and lectures about the university admissions process to which the local Sixth Form was invited. The Department also hosted and facilitated Oxbridge practice interviews for pupils from local schools including 80 pupils from 10 different maintained schools. The Music department ran two joint Sherborne Schools' orchestras in which pupils from The Gryphon participated and held concerts every week throughout term time in Cheap Street church to which the local community was warmly welcomed at no charge. There was also joint INSET session throughout the year with The Gryphon.

Charitable funding at Sherborne is strong throughout the community. Boys from School House surpassed their target of raising £10,000 for the Cure Parkinson's Trust and St David's Hospice Care with a concert, a ballroom dancing competition and climbing marathon. The School and Sherborne International raised funds for more than 25 further charities during the year including running and performing in two fashion shows. The Sports Centre organises sporting challenges throughout the year which are very popular with the local community and raise funds for charities.

A large number of local community groups and charities also used the School's facilities either at no or a nominal charge including the five day Sherborne Abbey Music Festival.

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 links with the local community and other schools. However, as an educational charity, Sherborne is unable to reclaim VAT input tax on its costs as its income is primarily 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.

FUTURE PLANS

The key priorities and objectives for the Sherborne Group are as previously set out in the five year Strategic Plan. To achieve these there will be a focus on staff recruitment and development, providing scholarships and bursaries to widen access and promote opportunities, investment in physical facilities and ICT, excellent communications, extending our reach overseas and strong relationships with other schools and community organisations.

The Governors have allocated resources in order to progress the design of the new Sports Hall, to maintain the rolling programme of refurbishment and improvement of the older and more traditional teaching spaces and the boarding houses including the completion of King's House at Sherborne International, for improved ICT provision and for further improvement of staff housing. Resources are also allocated to the further development of ICT and digital communication platforms including the development and enhancement of the websites for both schools.

Sherborne School

ANNUAL REPORT OF THE GOVERNORS

for the year ended 30 June 2018

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 to provide an outstanding, all- boys boarding education in a community that is based on Christian values. By supporting and challenging every boy, the School strives to ensure that each has the opportunity and confidence to excel in an increasingly competitive and globalised world. We want our boys to become men of distinction, with a strong sense of identity, an ability to think and learn for themselves, great integrity and a commitment to leadership and service.

Sherborne International 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 Sherborne International 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.

Objectives for the Year

The Board of Governors developed a new five year strategic plan during the year which was adopted from June 2016. The Strategic Plan http://www.sherborne.org/fileadmin/user_upload/Strategic_Plan_2016.pdf will guide the development of Sherborne and sets out a series of ambitious but achievable priorities:

- Excellent pastoral care ensuring flexibility to respond to the needs of each particular pupil and individualised care based around the House system;
- Commitment to full boarding, providing a safe and supportive environment within which our pupils can learn and grow. Continuing to operate a full weekend programme with no dilution of the boarding ethos by a move towards weekly boarding. As part of this, the weekend programme will be reviewed to ensure the most appropriate and engaging range of weekend activities are offered;
- Providing an academic education which prepares pupils for the challenges of a rapidly changing world, offering a forward-looking curriculum, balancing traditional arts, humanities and creative subjects alongside mathematical, scientific and technological disciplines;
- Building upon Sherborne's proud history of success in individual and team sports, maintaining an equal emphasis upon wide participation and elite success;
- Further developing Sherborne's outstanding reputation for the creative and performing arts. Among the many areas of strength, music occupies a special position and Sherborne is recognised as one of the country's leading non-specialist music schools. This strength will be developed by investing further resources to achieve greater national and international renown in both classical and modern choral, instrumental and orchestral music. Ways of further enhancing the provision for art, drama and other creative pursuits will be explored.

Sherborne School

ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2018

Strategies to Achieve the Year's Objectives

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

Principal Activities of the Year

The principal activities for the year, which are described in more detail in the Review of the Year, 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 or belief, sex, trans-gender status, marital or civil partnership status, 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. This commitment is embedded throughout Sherborne's policies, procedures and working practices.

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 through HMC Projects in Central and Eastern Europe. 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.

Sherborne School

ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2018

The Governors, through the initiatives explained above, intend that the proportion of means tested bursary support compared to merit awards should increase over the coming years.

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, Drama, Art or Design and Technology. Scholarships and awards are awarded with a fixed remission of fees between 5% 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 the teaching 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 2018

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The net operating expenditure of the group for the year was £149k (2017: net operating income £540k). This was in line with the targeted percentage of fee income set out in its strategic plans. This has been achieved against a background of lower pupil numbers at both schools compared to pre 2014, higher marketing and recruitment 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, has made a profit for the year before tax of £73k (2017: £128k) and contributed £73k (2017: £128k) to Sherborne's operating income. Sherborne School (Leisure) Limited, which operates the Sports Centre and All-Weather Pitch, made a profit before tax in the year of £101k (2017: £96k) and contributed £101k (2017: £96k) to Sherborne's operating income.

Sherborne School (Overseas Trading) Limited provided educational and management services to Sherborne Qatar. It made a profit of £131k (2017: loss £17k) and, as in the previous year, did not make a contribution to Sherborne's operating income, due to the requirement to make loan repayments. Following the establishment of Sherborne Schools Worldwide Limited (SSW) in conjunction with Sherborne Girls, SSOT's activity has concentrated on providing educational and management services to Sherborne Qatar and all new opportunities, including those developed by SSOT will be taken forward by SSW. The Governors and Directors had anticipated that SSOT would return to profitability this year.

Investment Policy and Performance

The Board of Governors aims to maximise income whilst at a minimum continuing to preserve the real value of endowed investments. In pursuance of this approach, the Board of Governors 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.

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 Fund achieved a running yield of 3.16% over the year against an investment objective of between 3% and 3.5% p.a.

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. The Board of Governors has reviewed the Foundation's practices and is satisfied that its fundraising is compliant with the recognised standards of fundraising (set out in the Code of Fundraising Practice) as well as those required under charity law and wider law.

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 Sherborne will be invested in developing its buildings, equipment and resources. Sherborne therefore holds no free reserves, with a negative £(3,114) (2017: £(1,993k)) on unrestricted funds. The situation is largely attributable to the liability for holiday pay which is accrued because the main nine week holiday period falls just as the financial year ends and the defined pension liability. Governors do not consider that either of these liabilities are likely to result in an immediate impact on cash flow.

Total funds held at 30 June 2018 amounted to £37,869k, which included £1,803k of restricted funds.

Sherborne operates a defined benefit pension scheme for some of its support staff. This scheme was closed to new entrants in 2002 and the Governors closed the scheme to further accrual in September 2011. The pension liability is included in the unrestricted funds as required by FRS 102. The scheme is in deficit by £1,418k at 30 June 2018 (2017: £1,635k). 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 28 to these financial statements.

Sherborne School

ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2018

RISK MANAGEMENT

The Board of Governors 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 Group Executive team. Risks and uncertainties 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.

This work has identified that long term financial sustainability together with falls in academic standards and quality of pastoral care, including Child Protection and Safeguarding, are the most significant risks. The Governors consider that the priorities identified in the Strategic Plan are the most effective ways of mitigating these risks in the medium to long term and will achieve full pupil rolls at both schools. The following key controls are important in managing all the risks:

- formal agendas for all Committee and Board activity focuses Governors' discussions and evaluation at the strategic level;
- detailed terms of reference for all committees ensures that roles and responsibilities are clearly identified and all operational areas are covered;
- comprehensive strategic planning, budgeting and management accounting enables financial performance to be monitored and reviewed;
- established organisational structure and lines of reporting ensures that staff are accountable and their performance monitored;
- formal written policies and procedures which staff work to and regular training ensures compliance with regulatory requirements, Health and Safety and other legislation;
- clear authorisation and approval levels reduce the risk of overspend and unauthorised expenditure; and
- Child Protection and Safeguarding embedded within the organisational culture and reinforced with regular training for Governors and all staff.

Through these processes the Governors believe that the major risks identified are managed and adequately mitigated.

REFERENCE AND ADMINISTRATIVE INFORMATION

The Governors of Sherborne are the School's charity trustees under charity law and the directors of the charitable company. The School's Governors, advisers and key staff are set out on pages 55 to 56.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

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, 26 November 2011, 12 September 2013 and 3 May 2014. Sherborne administers two associated charitable trusts, the Sherborne School Prize and Scholarship Fund and the Sherborne School Trust that are regulated by a Charity Commission Scheme sealed on 26 June 2000.

Board of Governors

The structure of the Charity consists of a Board of Governors, the details of which are explained on pages 55-56, together with information on how the members of the Board of Governors are appointed to office. The Board of Governors aims to comply with the Code of Good Governance and reviews their performance on an annual basis.

Recruitment and Training of Governors

New Governors are appointed to the Board on recommendation of the Nominations 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 Clerk to the Governors and briefing and discussions on topical subjects take place at Governors' meetings each term. External training courses, for example through the Association of Governing Bodies of Independent

Sherborne School

ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2018

Schools (AGBIS) and the Boarding Schools Association, are made available to Governors. All new Governors are required to attend the AGBIS seminar for New 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, Sherborne International 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 Board. In particular this committee reviews the budget and finalises the audited financial statements and annual report for approval by the Board. The Chairman of Governors is a member of the F&GPC which is chaired by Mr Guy Hudson. The other principal committees are the Investment Sub-Committee, chaired by Mr Guy Hudson, the Estates and Infrastructure Committee, chaired by Mrs Vicki Cotter, the Academic Committee chaired by Mr George Marsh, the Pastoral Committee chaired by Canon Eric Woods and the Nominations Committee chaired by Mr Roger Fidgen. Other committee members are listed on page 55. Each of these committees meets at least termly other than the Nominations Committee which meets as required.

The day to day running of Sherborne is delegated to the Chief Executive who is also the Headmaster of Sherborne School. He is supported by the Bursar and the Principal of Sherborne International together with other members of the Group Executive and the Senior Leadership Teams of each school. The Headmaster, the Bursar and the Principal attend meetings of the Board of Governors.

Pay policy for key management staff

The Governors consider the Board of Governors who are also directors of the company and the charity's trustees, and the Group Executive team comprise the key management personnel of the charity in charge of directing and controlling, running and operating Sherborne on a day to day basis. All Governors give of their time freely and no Governor received remuneration in the year. Details of Governors' expenses and related party transactions are disclosed in notes 9 and 29.

The pay of the Headmaster and Chief Executive, the Bursar and the Principal of Sherborne International is reviewed and determined annually by the Governors through the Remuneration Committee. Consideration is given to performance and benchmarked against comparable schools, details of which are available in reports produced for the independent school sector by AGBIS and Baines Cutler.

The pay of the other members of the Group Executive is reviewed annually by the Headmaster and Chief Executive with reference to performance, average increases in earnings, inflation and sector benchmarks. Recommendations are made to the Governors who make the final decision.

Group Structure and Relationships

The Charity had four wholly owned non-charitable subsidiaries; Sherborne School (Trading) Limited, Sherborne School (Leisure) Limited, Sherborne School International (China) Schools Limited and Sherborne School (Overseas Trading) Limited, whose activities and trading performance are discussed in note 6.

Sherborne School International (China) Schools Limited was incorporated on 4 December 2015 and dissolved on 10 April 2018. It remained dormant throughout its existence.

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 2018 have been consolidated with the group financial statements of Sherborne School.

Related and connected party transactions are detailed in notes 29 and 30.

Sherborne School

ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2018

EMPLOYEE INFORMATION

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

- Disciplinary and Grievance
- Capability
- Accessibility
- Health and Safety
- Whistle blowing
- Discrimination and 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 Conditions of Service Committee.

EMPLOYEE INVOLVEMENT

The School encourages the involvement of its employees in its management through regular meetings of the worker/director councils which have responsibility for the dissemination of information of particular concern to employees and for receiving their views on important matters of policy.

DISABLED PERSONS

The School 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.

There is a training scheme in operation so that employees who have been injured or disabled during the course of their employment can, where possible, continue in employment with the School.

During employment the School 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 14 (2017:12).

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 incorporated Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Sherborne School

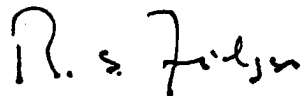
ANNUAL REPORT OF THE GOVERNORS for the year ended 30 June 2018

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.

AUDITOR

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

The Annual Report of the Governors (and the incorporated Strategic Report) were approved by Board of Governors of Sherborne School on **1 DEC 2018** and signed on its behalf by:



Roger S Fidgen
Chairman of Governors

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SHERBORNE SCHOOL
for the year ended 30 June 2018**

Opinion

We have audited the financial statements of Sherborne School for the year ended 30 June 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 30 June 2018 and of the group's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Governors for the financial statements

As explained more fully in the Statement of Governors' Responsibilities on pages 12 and 13, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SHERBORNE SCHOOL
for the year ended 30 June 2018**

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Annual Report of the Governors (which incorporates the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual Report of the Governors (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

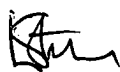
In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report of the Governors (which incorporates the strategic report and the directors' report).

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

- adequate accounting records have not been kept by the parent charitable company; 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.

Use of report

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



Lee Stokes (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors

Date: 14 December 2018

10 Queen Street Place
London
EC4R 1AG

Sherborne School

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(Incorporating a Consolidated Income and Expenditure Account)

for the year ended 30 June 2018

		Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	2018 Total Funds £'000	2017 Total Funds £'000
	Notes					
Income from:						
<i>Charitable Activities:</i>						
School fees	4	23,295	-	-	23,295	23,207
Donations and legacies	5	19	134	-	153	346
<i>Other trading activities:</i>						
Commercial trading operations	6	1,305	-	-	1,305	1,190
Investments	7	167	193	-	360	355
<i>Other:</i>						
Other income	8	105	-	-	105	115
Total Income		24,891	327	-	25,218	25,213
Expenditure on:						
<i>Raising funds:</i>						
Commercial trading operations	6	1,086	-	-	1,086	1,083
Net share of loss in joint venture	30	145	-	-	145	-
Fundraising costs		-	134	-	134	127
Investment management fees		-	12	-	12	4
Total expenditure on raising funds	12	1,231	146	-	1,377	1,214
<i>Charitable activities:</i>						
Educational activities		23,724	266	-	23,990	23,459
Expenditure on charitable activities	12	23,724	266	-	23,990	23,459
Total expenditure		24,955	412	-	25,367	24,673
Net income/(expenditure) and net movement in funds before gains and losses on investments						
		(64)	(85)	-	(149)	540
Net gains/(losses) on investments		-	(43)	62	19	440
Net income/(expenditure) before taxation		(64)	(128)	62	(130)	980
Tax on profit/(loss) on ordinary activities	13	-	-	-	-	-
Net income/(expenditure) after taxation		(64)	(128)	62	(130)	980
Transfers between funds	24b	(155)	155	-	-	-
Net income/(expenditure) before other recognised gains and losses carried forward		(219)	27	62	(130)	980

Sherborne School

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(Incorporating a Consolidated Income and Expenditure Account)

for the year ended 30 June 2018

		Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	2018 Total Funds £'000	2017 Total Funds £'000
	Notes					
Net income/(expenditure) before other recognised gains and losses brought forward		(219)	27	62	(130)	980
Remeasurement of defined benefit pension scheme		(32)	-	-	(32)	(327)
Net movements in funds		(251)	27	62	(162)	653
<i>Reconciliation of funds</i>						
Total Funds brought forward		30,963	1,776	5,292	38,031	37,378
Total funds carried forward	24	30,712	1,803	5,354	37,869	38,031

All amounts relate to continuing operations.

The Analysis of movements in funds for the year ended 30 June 2017 is set out at note 22.

The notes on pages 20 to 54 form part of these financial statements.

Sherborne School

BALANCE SHEETS

as at 30 June 2018

	Notes	Group		School	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed assets					
Tangible assets	14/15	36,114	35,462	36,095	35,437
Investment assets	16	6,654	4,806	6,655	4,807
Total fixed assets		42,768	40,268	42,750	40,244
Current assets					
Stocks		552	425	131	144
Debtors	17	1,299	1,140	2,323	2,024
Cash		4,842	5,318	2,908	3,485
Total current assets		6,693	6,883	5,362	5,653
Liabilities					
Creditors: amounts falling due within one year	18	(6,906)	(5,836)	(6,789)	(5,724)
Net current assets/(liabilities)		(213)	1,047	(1,427)	(71)
Total assets less current liabilities		42,555	41,315	41,323	40,173
Creditors: amounts falling due after more than one year	20	(3,268)	(1,649)	(3,268)	(1,649)
Net assets excluding pension liability		39,287	39,666	38,055	38,524
Defined benefit pension scheme liability	28	(1,418)	(1,635)	(1,418)	(1,635)
Total net assets		37,869	38,031	36,637	36,889
The funds of the group:					
Endowed funds	24(a)	5,354	5,292	5,354	5,292
Restricted funds	24(b)	1,803	1,775	48	129
Unrestricted funds:	24(c)				
Accumulation fund		32,130	32,599	32,653	33,103
Pension reserve		(1,418)	(1,635)	(1,418)	(1,635)
		30,712	30,964	31,235	31,468
Total funds	24	37,869	38,031	36,637	36,889

The net expenditure of the School for the year to 30 June 2018 was (£240k) (2017 net income - £254k).

The notes on pages 20 to 54 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Governors of Sherborne School on *1 Dec 2018* and signed on its behalf by:

R. S. Fidgen

Roger S Fidgen (Chairman)

Sherborne School

CONSOLIDATED STATEMENT OF CASHFLOWS as at 30 June 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Net cash generated from operating activities	27		869		1,325
<i>Cash flows from investing activities:</i>					
Investment income		360		355	
Proceeds from sale of property, plant and equipment		5		-	
Proceeds from sale of investments		1,406		1,181	
Purchase of property, plant and equipment		(2,265)		(506)	
Purchase of investments		(2,492)		(103)	
Purchase of endowed fund investments		(824)		(820)	
Net cash provided by/(used in) investing activities			(3,810)		107
<i>Cash flows from financing activities:</i>					
Repayments of borrowing		(400)		(400)	
Cash inflows from new advance fee contracts		2,769		446	
Cash repayments of advance fee contracts		-		(15)	
Net cash provided by/(used in) financing activities			2,369		31
Change in cash and cash equivalents in the reporting period			(572)		1,463
Cash and cash equivalents at the beginning of the year			5,414		3,951
Total cash and cash equivalents at the end of the year			4,842		5,414
Cash and bank balances			4,842		5,318
Cash held as investments			-		96
			4,842		5,414

The notes on pages 20 to 54 form part of these financial statements.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. General Information

Sherborne School ('the Company') 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).

The address of the Company's registered office and principal place of business is Sherborne School, Abbey Road, Sherborne, Dorset, DT9 3LF.

The Group consists of Sherborne School and all of its subsidiaries – Sherborne School (Trading) Limited, Sherborne School (Leisure) Limited, Sherborne School Foundation, Sherborne School (Overseas Trading) Limited and Sherborne School International (China) Schools Limited.

The Company's principal activity is to advance education, by carrying on in or near Sherborne a boarding and day school for boys and girls.

The subsidiary companies operate to support Sherborne School's principal activity. The principal activity for each subsidiary is detailed in note 6.

The Company has entered into a joint venture arrangement with Sherborne Girls during the year. Each School owns a 50% interest in Sherborne Schools Worldwide Limited, incorporated to support the principal activities of both Schools. Further information on this joint venture is detailed in note 30.

2. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention as modified by the inclusion of listed investments and investment property at fair value.

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 these financial statements.

Reduced disclosures

In accordance with FRS 102, the School has taken advantage of the exemption from the following disclosure requirement:-

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

2. Accounting policies *(continued)*

(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 Sherborne International are stated after deducting allowances, scholarships, bursaries and other remissions granted.

(c) Advance Fees Scheme

The School offers parents the opportunity to pay for up to five years tuition fees in advance. The amount received is invested and interest is accrued to contracts. This is treated as deferred income until the pupil joins the School whereupon the fees for each School term are transferred to income.

(d) 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.

(e) Donations

Donations are recognised once the School has entitlement to the income, it is probable that the donation will be received and the amount can be measured reliably.

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.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Charity that a distribution will be made, or when a distribution is made from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Charity, or the Charity is aware of the granting of probate, and the criteria for income recognition have not been met, the legacy is treated as a contingent asset and disclosed if material.

(f) Income from Commercial trading activities

Turnover from Commercial trading activities comprises revenue recognised by the company in respect of services supplied, exclusive of Value Added Tax and trade discounts.

(g) Tangible fixed assets and depreciation

The carry forward values of tangible fixed assets are shown in notes 14 and 15 to these financial statements. The basis for determining these carry forward values is historic cost except for the School's properties, which were revalued in the period to 30 June 2000, and this is now their deemed cost.

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

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

2. Accounting policies (continued)

(g) Tangible fixed assets and depreciation (continued)

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. Properties that have no ascertainable historical cost and cannot be valued without undue expense are excluded from the financial statements as allowed by FRS 102.

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.

Plant, equipment and motor vehicles

Plant, equipment and motor vehicles 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%

(h) 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.

(i) 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. Tax charges may arise in subsidiary companies where the level of Gift Aid payments are insufficient to eliminate all taxable profits.

The School is not registered for VAT, and its expenditure is inclusive of VAT incurred. Where group companies are VAT registered, expenditure is reported net of recoverable VAT.

(j) Fixed asset investments

Listed investments are classified as financial instruments and valued at fair value, equivalent to bid price at the year end.

Changes in the valuation of listed 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.

In the separate accounts of the company, on transition to FRS 102, the School elected to hold its interests in subsidiaries at cost, and subsequently measured at cost less any accumulated impairment losses.

2. Accounting policies (continued)

(j) Fixed asset investments (continued)

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairments, losses or reversals of impairment losses are recognised immediately in the Statement of Financial Activities.

(k) Investment properties

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the Statement of Financial Activities.

(l) Financial instruments

The Group applied the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, group and other debtors

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the statement of financial activities for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Financial Activities.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

2. Accounting policies (*continued*)

(l) Financial instruments (*continued*)

Financial liabilities and equity (*continued*)

Trade, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Bank overdrafts

Bank overdrafts are presented within creditors: amounts falling due within one year.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included as a financing cost and allocated to charitable activities.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(m) **Permanent Endowment Fund**

As detailed in note 24 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.

(n) **Scholarship and Prize Funds**

Legacies and donations are recognised as receivable under this heading once receipt is considered probable and are invested to provide scholarships and prizes for the benefit of pupils at the School.

(o) **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.

2. Accounting policies (continued)

(p) Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

(q) Retirement benefits

Defined contribution plans

The School operates a defined contribution scheme for support staff. The amount charged to the Statement of Financial Activities is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plans

The School operates a defined benefit retirement plan, which closed to future accrual from 31 August 2011. The cost of providing benefits is determined using the projected unit credit method.

Asset/Liability

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains/Losses

Gains or losses recognised in net income:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised after net income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

2. Accounting policies (continued)

(q) Retirement benefits (continued)

Multi-employer plans

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.

Contributions are recognised in the Statement of Financial Activities in the period to which they relate as there is insufficient information available to use defined benefit accounting.

(r) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is allocated or apportioned to the applicable expenditure heading on a direct cost basis, with staff costs being allocated according to the estimated time spent by staff working in relevant departments and is classified under the following activity headings:

- Commercial trading activities comprise the costs of commercial trading including the lettings activities and leisure centre activities;
- Fundraising activities includes all fundraising costs of Sherborne School Foundation to promote the charitable purposes of Sherborne; and
- Expenditure on educational activities includes the costs incurred in respect of the provision of education to pupils and other educational activities undertaken to further the purposes of the charity and their associated support costs.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(s) Basis of consolidation

The group financial statements consolidate the financial statements of the charity and its wholly owned subsidiary undertakings, Sherborne School (Trading) Limited, Sherborne School (Leisure) Limited, Sherborne School (Overseas Trading) Limited and Sherborne School Foundation made up to 30 June 2017 and 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.

(t) Joint venture

The Charity has a 50% share in a jointly controlled entity, Sherborne Schools Worldwide Limited. This entity commenced trading at 1 May 2017, and its first audited accounts have been drawn up to 30 June 2018. The Charity has provided loan funding to the entity, which has been incorporated into debtors as an amount due from a joint venture undertaking. The Charity's share of the entity's income and expenditure, assets and liabilities at 30 June 2018 has been incorporated into these financial statements using the equity method. Further information is provided in note 30.

(u) 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.

2. Accounting policies (continued)

(u) Fund accounting (continued)

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.

Transfers between funds are made either where there is a deficit on a restricted fund or where funds have been raised for a restricted project but expenses incurred have been made from unrestricted funds.

3. Critical accounting estimates and areas of judgement

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Tangible fixed assets – estimation of useful life

Tangible fixed assets represent a significant proportion of the Group's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Consolidated Statement of Financial Activities.

The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

Bad debt provisions

The Group has recognised bad debt provisions where there is uncertainty whether specific accounts receivable are collectible. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

Valuation of defined benefit retirement plan

The present value of the School's defined benefit retirement plan depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

4. School fees

(a) School Fees	2018 £'000	2017 £'000
School		
- Boarders	18,187	17,300
- Day boys	1,369	1,588
Total School fees	19,556	18,888
Sherborne International		
- Fees	5,903	6,493
Other	74	57
Total fees	25,533	25,438
Less: Total scholarships, bursaries, grants and discounts	(2,524)	(2,590)
	23,009	22,848
Add back: Scholarships and discounts paid for by restricted funds	89	151
	23,098	22,999
Music fees received	197	208
School fees per Consolidated Statement of Financial Activities	23,295	23,207

(b) Awards, prizes, and discounts paid for by Restricted Funds comprised:	2018 £'000	2017 £'000
Scholarships	73	141
Advance fees discount	16	10
	89	151

5. Donations and legacies

	2018 £'000	2017 £'000
Committed giving	56	92
Donations	95	254
Legacies	2	-
	153	346

6. 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 (company no. 2747901), Sherborne School (Leisure) Limited (company no. 4332724) and Sherborne School (Overseas Trading) Limited (company no. 06817042). Sherborne School Foundation (company no. 3686309 and charity no. 1073522) is a subsidiary charity of Sherborne School as the School is the sole corporate member of the Foundation.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

6. Income from subsidiaries' trading activities (continued)

Sherborne School International (China) Schools Limited (company no. 09903473) which was a wholly owned subsidiary, was incorporated on 4 December 2015 and dissolved on 10 April 2018; it remained dormant throughout that period.

The income and expenditure, net of inter-group transactions, from commercial trading operations was as follows:

	2018		2017	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
Sherborne School (Trading) Limited	715	630	622	482
Sherborne School (Leisure) Limited	424	431	402	419
Sherborne School (Overseas Trading) Limited	166	25	166	182
	1,305	1,086	1,190	1,083

- (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:

	2018 £'000	2017 £'000
Turnover	1,050	989
Cost of sales	(932)	(813)
Gross profit	118	176
Administration	(45)	(48)
Profit on ordinary activities	73	128
Gift Aid distribution	73	128
Gross Assets	474	374
Gross Liabilities	(474)	(374)
Shareholder's Funds	-	-

Included in turnover are commission payments to Overseas Agents that have been invoiced to Sherborne School amounting to £335k (2017: £367k). This balance has been eliminated on consolidation.

Included in administration expenses are £12k (2017: £12k) of management charges, comprising accounting fees £10k (2017: £10k), insurance £1k (2017: £1k) and management charges £1k (2017: £1k) paid to Sherborne School. These balances were all eliminated on consolidation.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

6. 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:

	2018 £'000	2017 £'000
Turnover	553	535
Administration	(452)	(439)
Profit on ordinary activities	101	96
Gift Aid distribution	101	96
Gross Assets	160	168
Gross Liabilities	(159)	(167)
Shareholder's Funds	1	1

Included in turnover is £129k (2017: £133k) of income in relation to the use of the sports centre by pupils of the school, received from Sherborne School. This balance was eliminated on consolidation.

Included in administration expenses are £21k (2017: £20k) of management charges, comprising accounting fees £12k (2017: £12k), insurance £1k (2017: £nil), management charges £1k (2017: £1k) and rent £7k (2017: £7k) paid to Sherborne School. These balances were all eliminated on consolidation.

- (c) 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:

	2018 £'000	2017 £'000
Turnover	166	166
Administration	(35)	(183)
Profit/(loss) on ordinary activities	131	(17)
Gift Aid distribution	-	-
Gross Assets	61	123
Gross Liabilities	(435)	(628)
Shareholder's Deficit	(374)	(505)

Included in administration expenses is interest paid of £10k (2017: £1k) to Sherborne School. This has been eliminated on consolidation.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

6. Income from subsidiaries' trading activities (continued)

- (d) 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:

	2018 £'000	2017 £'000
Income from:		
Donations and legacies	390	560
Investments	3	3
Total income	393	563
Expenditure on:		
Raising funds	(134)	(127)
Charitable activities	(151)	(133)
Total expenditure	(285)	(260)
Net Income	108	303
Gross Assets	1,765	1,655
Gross Liabilities	(10)	(9)
Total Charity Funds	1,755	1,646

Included in donations and legacies income is £241k (2017: £218k) received from Sherborne School as donated services that has been eliminated on consolidation. Included in expenditure is £43k (2017: £45k) paid to Sherborne School; £43k (2017: £45k) of this was eliminated on consolidation.

7. Investment income

	2018 £'000	2017 £'000
Dividends receivable	190	180
Qatar royalty	166	166
Bank interest receivable	4	9
	360	355

8. Other income

	2018 £'000	2017 £'000
Other ancillary trading income		
Houses income	35	35
Junior common room income	8	10
School events income	13	29
Sundry income	49	41
	105	115

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

9. Net income for the year

This is stated after charging/(crediting):

	2018 £'000	2017 £'000
Auditor's remuneration:-		
Fees payable for the audit of the parent charity and the consolidation	28	20
Fee payable for the audit of subsidiaries pursuant to legislation	14	17
Fees payable to the group's auditors and its associates in respect of		
Corporation tax services – current year	3	-
Corporation tax services – prior year	6	3
Depreciation	1,575	1,495
(Profit)/loss on disposal of fixed assets	33	(1)
Operating lease costs - equipment	90	94
Stock recognised as an expense	306	216
Interest on advance fee scheme	17	9
Loan interest	9	21
	<u> </u>	<u> </u>

Six Governors received reimbursement of out of pocket expenses for travel expenses, amounting to £3,430 in the current year (2017: £1,509 for travel expenses for four Governors).

10. Analysis of staff costs, trustee remuneration, and the cost of key management personnel

	2018 £'000	2017 £'000
Wages and salaries	13,155	13,092
Social security costs	1,235	1,235
Pension contribution – defined contribution scheme	1,398	1,423
	<u>15,788</u>	<u>15,750</u>

The number of higher paid employees was:

	2018 No.	2017 No.
£60,000 - £70,000	15	21
£70,000 - £80,000	5	8
£80,000 - £90,000	2	2
£90,000 - £100,000	-	1
£110,000 - £120,000	1	1
£130,000 - £140,000	-	1
£140,000 - £150,000	1	-
£210,000 - £220,000	-	1
£250,000 - £260,000	1	-
	<u> </u>	<u> </u>

The calculation of staff costs for higher paid employees includes gross salary and benefits in kind.

The key management personnel of the parent charity and the group comprise the Governors, the Chief Executive Officer and the members of the Group Executive. The total employee benefits of the key management personnel of the charity were £611k (2017: £754k), including benefits in kind, national insurance and pension contributions. The Governors are unpaid.

Included within staff costs above are non-statutory/non-contractual severance payments totalling £60k.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

11. Staff Numbers

The average number of staff employed by the charity during the year was as follows:

	2018 No.	2017 No.
Educational staff	214	223
Support staff	365	362
	<u>579</u>	<u>585</u>

12. Analysis of expenditure

Year ended 30 June 2018	Staff costs £'000	Other costs £'000	Depreciation £'000	2018 Total £'000	2017 Total £'000
<i>Cost of raising funds:</i>					
Commercial trading operations:					
Sherborne School (Trading) Limited	191	433	6	630	482
Sherborne School (Leisure) Limited	255	173	3	431	419
Sherborne School (Overseas Trading) Limited	15	10	-	25	182
Net share of loss in joint venture	-	145	-	145	-
Fundraising costs	75	59	-	134	127
Investment management fees	-	12	-	12	4
	<u>536</u>	<u>832</u>	<u>9</u>	<u>1,377</u>	<u>1,214</u>
<i>Charitable activities:</i>					
Educational activities					
Teaching	10,733	1,032	-	11,765	11,325
Welfare	2,378	1,780	-	4,158	4,308
Premises	683	1,891	1,566	4,140	3,896
Support costs of schooling	1,388	1,407	-	2,795	2,661
Education and grant making	-	166	-	166	154
Operational costs – Foundation	70	38	-	108	87
Financing costs	-	170	-	170	256
Governance	-	76	-	76	213
Other expenditure	-	612	-	612	560
	<u>15,252</u>	<u>7,172</u>	<u>1,566</u>	<u>23,990</u>	<u>23,460</u>
Profit on disposal of fixed asset	-	-	-	-	-
	<u>15,252</u>	<u>7,172</u>	<u>1,566</u>	<u>23,990</u>	<u>23,460</u>
Total expenditure for Group	<u>15,788</u>	<u>8,004</u>	<u>1,575</u>	<u>25,367</u>	<u>24,674</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

12. Analysis of expenditure (continued)

Year ended 30 June 2017	Staff costs £'000	Other costs £'000	Depreciation £'000	2017 Total £'000	2016 Total £'000
<i>Cost of raising funds:</i>					
<i>Commercial trading operations:</i>					
Sherborne School (Trading) Limited	181	292	9	482	554
Sherborne School (Leisure) Limited	247	167	5	419	424
Sherborne School (Overseas Trading) Limited	121	61	-	182	634
Fundraising costs	75	52	-	127	137
Investment management fees	-	4	-	4	2
	<u>624</u>	<u>576</u>	<u>14</u>	<u>1,214</u>	<u>1,751</u>
<i>Charitable activities:</i>					
<i>Educational activities</i>					
Teaching	10,578	747	-	11,325	11,439
Welfare	2,405	1,903	-	4,308	4,226
Premises	705	1,710	1,481	3,896	4,237
Support costs of schooling	1,371	1,290	-	2,661	2,439
Education and grant making	-	154	-	154	148
Donations	-	-	-	-	3
Operational costs – Foundation	67	20	-	87	88
Financing costs	-	256	-	256	200
Governance	-	213	-	213	122
Other expenditure	-	560	-	560	679
	<u>15,126</u>	<u>6,853</u>	<u>1,481</u>	<u>23,460</u>	<u>23,581</u>
Profit on disposal of fixed asset	-	-	-	-	-
	<u>15,126</u>	<u>6,853</u>	<u>1,481</u>	<u>23,460</u>	<u>23,581</u>
Total expenditure for Group	<u>15,750</u>	<u>7,429</u>	<u>1,495</u>	<u>24,674</u>	<u>25,332</u>

13. Taxation

	2018 £'000	2017 £'000
Tax on ordinary activities	-	-

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

14. Tangible fixed assets - School

	Land and Buildings £'000	Plant, Equipment and Motor vehicles £'000	Assets Under Construction £'000	Total £'000
Cost				
At 1 July 2017	44,544	6,834	-	51,378
Additions	603	1,230	428	2,261
Disposals	-	(422)	-	(422)
At 30 June 2018	45,147	7,642	428	53,217
Depreciation				
At 1 July 2017	10,905	5,036	-	15,941
Charge for year	868	698	-	1,566
Disposals	-	(385)	-	(385)
At 30 June 2018	11,773	5,349	-	17,122
Net book value At 30 June 2018	33,374	2,293	428	36,095
At 30 June 2017	33,639	1,798	-	35,437

Included within Plant, equipment and motor vehicles above are assets held under lease and hire purchase contracts with a net book value at 30 June 2018 of £50,646 (2017 - £56,518).

15. Tangible fixed assets - Group

	Land and Buildings £'000	Plant, Equipment and Motor Vehicles £'000	All Weather Pitch £'000	Assets Under Construction £'000	Total £'000
Cost					
At 1 July 2017	44,544	6,989	439	-	51,972
Additions	603	1,233	-	428	2,264
Disposals	-	(422)	-	-	(422)
At 30 June 2018	45,147	7,800	439	428	53,814
Depreciation					
At 1 July 2017	10,905	5,166	439	-	16,510
Charge for year	868	707	-	-	1,575
Disposals	-	(385)	-	-	(385)
At 30 June 2018	11,773	5,488	439	-	17,700
Net book value At 30 June 2018	33,374	2,312	-	428	36,114
At 30 June 2017	33,639	1,823	-	-	35,462

Included within Plant, equipment and motor vehicles above are assets held under lease and hire purchase contracts with a net book value at 30 June 2018 of £50,646 (2017 - £56,518).

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

15. Tangible fixed assets - Group (continued)

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

	Land and Buildings £'000
Cost	32,784
Accumulated depreciation	(8,076)
Net book value At 30 June 2018	<u>24,708</u>
At 30 June 2017	<u>24,712</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 Chesterton 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 102 these valuations have not been updated.

The principal School buildings at Abbey Road, Sherborne, have no ascertainable historical cost and cannot be valued without undue expense and are excluded from the financial statements.

16. Investments

	Unlisted £'000	Investment Property £'000	Advance Fee Fund £'000	Scholarship & Prize Fund £'000	Total £'000
At 1 July 2017	1	150	348	4,308	4,807
Additions	-	-	2,491	825	3,316
Disposals at book value	-	-	(624)	(795)	(1,419)
Unrealised gain/(loss)	-	-	(39)	71	32
Equalisation of investments	-	-	-	(5)	(5)
Change in accrued income	-	-	20	-	20
Change in cash	-	-	-	(96)	(96)
Total for Charity	<u>1</u>	<u>150</u>	<u>2,196</u>	<u>4,308</u>	<u>6,655</u>
Group transactions eliminated on consolidation	(1)	-	-	-	(1)
At 30 June 2018	<u>-</u>	<u>150</u>	<u>2,196</u>	<u>4,308</u>	<u>6,654</u>
Investments listed on the Stock Exchange	-	-	2,196	4,308	6,504
Historical cost	1	5	2,220	3,652	5,878
Cash deposits	-	-	-	-	-

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

16. Investments (continued)

	Unlisted £'000	Investment Property £'000	Advance Fee Fund £'000	Scholarship & Prize Fund £'000	Total £'000
At 1 July 2016	1	150	614	3,830	4,595
Additions	-	-	103	820	923
Disposals at book value	-	-	(341)	(772)	(1,113)
Unrealised gain/(loss)	-	-	(35)	407	372
Equalisation of investments	-	-	-	-	-
Change in accrued income	-	-	7	-	7
Change in cash	-	-	-	23	23
Total for Charity	1	150	348	4,308	4,807
Group transactions eliminated on consolidation	(1)	-	-	-	(1)
At 30 June 2017	-	150	348	4,308	4,806
Investments listed on the Stock Exchange	-	-	348	4,212	4,560
Historical cost	1	5	397	3,320	3,723
Cash deposits	-	-	-	96	96

Unlisted Investments

The consolidated balance sheet shows the same investments as the School, with the exception of the unlisted investments of £1,004 (2017: £1,003) in Sherborne School (Trading) Limited, Sherborne School (Leisure) Limited, Sherborne School (Overseas Trading) Limited and Sherborne Schools Worldwide Limited which are excluded.

Investment Property

In July 2016, the investment property in Gillingham was revalued by Messrs Chesterton Humberts, Chartered Surveyors, on the basis of its open market at a value of £150,000. The Governors have reviewed the valuation of the property and are satisfied that it continues to be recognised at its fair value.

This investment property has an historical cost of £5k.

Listed Investments

The market value of investments held outside the UK was £1,545k (2017: £1,465k).

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

17. Debtors

	Group		School	
	2017	2017	2018	2017
	£'000	£'000	£'000	£'000
Due within one year:				
Trade debtors	79	92	63	71
Tax recoverable	7	47	-	-
Fees due	637	317	637	317
Other debtors	143	139	78	26
Prepayments	433	485	433	485
Amount due from subsidiary undertakings	-	-	861	866
Amount due from joint venture undertaking	-	-	1	-
Due after more than one year:				
Amount due from subsidiary undertakings	-	-	100	199
Amount due from joint venture undertaking	-	60	150	60
	1,299	1,140	2,323	2,024

18. Creditors: amounts falling due within one year

	Group		School	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank overdraft and loans	-	400	-	400
Fees received in advance	2,151	1,716	2,151	1,716
Trade creditors	738	642	709	617
Taxation and social security	251	225	224	199
Hire purchase	17	16	17	16
Other creditors	331	256	273	197
Accruals	1,958	1,855	1,955	1,853
Pensions	225	228	225	228
Deposits held	465	238	465	238
	6,136	5,576	6,019	5,464
Advance fees (see note 19)	770	260	770	260
	6,906	5,836	6,789	5,724

Details and security on the bank overdraft facilities and loans are disclosed in Note 20.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

19. 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:

	2018 £'000	2017 £'000
After five years	503	108
Within two to five years	858	143
Within one to two years	590	168
	<u>1,951</u>	<u>419</u>
Within one year	770	260
	<u>2,721</u>	<u>679</u>

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

	2018 £'000	2017 £'000
At 1 July 2017	679	759
New advance fees received during the year	2,770	446
Fees repaid during the year	-	(15)
Amounts accrued for interest	17	9
Amounts utilised in payments of fees	(745)	(520)
At 30 June 2018	<u>2,721</u>	<u>679</u>

20. Creditors: amounts falling due after more than one year

	Group		School	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Advance fees (note 19)	1,951	419	1,951	419
Deposits	1,307	1,203	1,307	1,203
Hire purchase	10	27	10	27
	<u>3,268</u>	<u>1,649</u>	<u>3,268</u>	<u>1,649</u>
The bank loan was repayable by instalments:				
Due within one to two years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due within one year	400	400	400	400
	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>

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

The proportion of the bank loan to the carrying value of the property charged was 0% (2017: 5%).

The bank loan was repaid during the year. Interest was charged at LIBOR plus 2½% per annum.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

21. Financial instruments

The carrying amount of the Group's and School's financial instruments at 30 June were:

	Group		School	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
<i>Financial assets:</i>				
Debt instruments measured at amortised cost	866	655	1,890	1,539
Equity instruments measured at cost less impairment	-	-	1	1
Instruments held at fair value	6,504	4,656	6,504	4,656
Total	<u>7,446</u>	<u>5,311</u>	<u>8,395</u>	<u>6,196</u>
<i>Financial liabilities:</i>				
Measured at amortised cost	9,698	7,031	9,608	6,945
Total	<u>9,698</u>	<u>7,031</u>	<u>9,608</u>	<u>6,945</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

22. Analysis of movements in funds for prior year

		Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	2017 Total Funds £'000
	Notes				
Income from:					
<i>Charitable Activities:</i>					
School fees	4	23,207	-	-	23,207
Donations and legacies	5	4	342	-	346
<i>Other trading activities:</i>					
Commercial trading operations	6	1,190	-	-	1,190
Investments	7	171	184	-	355
<i>Other:</i>					
Other income	8	115	-	-	115
Total Income		24,687	526	-	25,213
Expenditure on:					
<i>Raising funds:</i>					
Commercial trading operations	6	1,083	-	-	1,083
Fundraising costs		-	127	-	127
Investment management fees		-	4	-	4
Total expenditure on raising funds		1,083	131	-	1,214
<i>Charitable activities:</i>					
Educational activities		23,218	241	-	23,459
Expenditure on charitable activities		23,218	241	-	23,459
Total expenditure		24,301	372	-	24,673
Net income and net movement in funds before gains and losses on investments					
		386	154	-	540
Net gains/(losses) on investments		-	(41)	481	440
Net income before taxation		386	113	481	980
Tax on profit on ordinary activities	13	-	-	-	-
Net income		386	113	481	980
Transfers between funds		(189)	189	-	-
Net income before other recognised gains and losses carried forward		197	302	481	980

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

22. Analysis of movements in funds for prior year (continued)

Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	2017 Total Funds £'000
Net income before other recognised gains and losses brought forward	197	302	481	980
Remeasurement of defined benefit pension scheme	(327)	-	-	(327)
Net movements in funds	(130)	302	481	653
<i>Reconciliation of funds</i>				
Total funds brought forward	31,093	1,474	4,811	37,378
Total funds carried forward 24	30,963	1,776	5,292	38,031

23. Analysis of net assets between funds

(a) Analysis of group net assets between funds

	Fixed Assets £'000	Net Current Assets/ (Liabilities) £'000	Long Term Liabilities £'000	Pension Liability £'000	Fund Balances £'000
Unrestricted					
Pension Reserve Designated Fund	-	-	-	(1,418)	(1,418)
Accumulation Fund	35,244	(1,797)	(1,317)	-	32,130
Restricted funds	-	1,803	-	-	1,803
Endowed					
Advance Fee Fund	2,196	(245)	(1,951)	-	-
Edbrooke Scholarship and Bursary	255	-	-	-	255
Scholarship and Prize Fund	4,308	26	-	-	4,334
Endowed Property	765	-	-	-	765
Group total at 30 June 2018	42,768	(213)	(3,268)	(1,418)	37,869

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

23. Analysis of net assets between funds (continued)

(a) Analysis of group net assets between funds (continued)

	Fixed Assets £'000	Net Current Assets/ (Liabilities) £'000	Long Term Liabilities £'000	Pension Liability £'000	Fund Balances £'000
Unrestricted					
Pension Reserve Designated Fund	-	-	-	(1,635)	(1,635)
Accumulation Fund	34,592	(763)	(1,230)	-	32,599
Restricted funds	-	1,775	-	-	1,775
Endowed					
Advance Fee Fund	347	72	(419)	-	-
Edbrooke Scholarship and Bursary	255	-	-	-	255
Scholarship and Prize Fund	4,309	(37)	-	-	4,272
Endowed Property	765	-	-	-	765
Group total at 30 June 2017	40,268	1,047	(1,649)	(1,635)	38,031

(b) Analysis of School net assets between funds

	Fixed Assets £'000	Net Current Assets/ (Liabilities) £'000	Long Term Liabilities £'000	Pension Liability £'000	Fund Balances £'000
Unrestricted					
Pension Reserve Designated Fund	-	-	-	(1,418)	(1,418)
Accumulation Fund	35,226	(1,256)	(1,317)	-	32,653
Restricted funds	-	48	-	-	48
Endowed					
Advance Fee Fund	2,196	(245)	(1,951)	-	-
Edbrooke Scholarship and Bursary	255	-	-	-	255
Scholarship and Prize Fund	4,308	26	-	-	4,334
Endowed Property	765	-	-	-	765
School total at 30 June 2018	42,750	(1,427)	(3,268)	(1,418)	36,637

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

23. Analysis of net assets between funds (continued)

(b) Analysis of School net assets between funds (continued)

	Fixed Assets £'000	Net Current Assets/ (Liabilities) £'000	Long Term Liabilities £'000	Pension Liability £'000	Fund Balances £'000
Unrestricted					
Pension Reserve Designated Fund	-	-	-	(1,635)	(1,635)
Accumulation Fund	34,568	(235)	(1,230)	-	33,103
Restricted funds	-	129	-	-	129
Endowed					
Advance Fee Fund	347	72	(419)	-	-
Edbrooke Scholarship and Bursary	255	-	-	-	255
Scholarship and Prize Fund	4,309	(37)	-	-	4,272
Endowed Property	765	-	-	-	765
School total at 30 June 2017	40,244	(71)	(1,649)	(1,635)	36,889

Of the above, the Scholarship and Prize Fund is a linked charity to the School. The other linked charity, The Sherborne School Trust, remains dormant.

24. Analysis of charitable funds

(a) Analysis of movements in permanent endowed funds (group and School)

	Balance at 1 July 2017 £'000	Income £'000	Expenditure £'000	Transfers and Investment Gains £'000	Balance at 30 June 2018 £'000
Endowed Property	765	-	-	-	765
Edbrooke fund	255	-	-	-	255
Scholarship and Prize Fund	4,272	-	-	62	4,334
	5,292	-	-	481	5,354

	Balance at 1 July 2016 £'000	Income £'000	Expenditure £'000	Transfers and Investment Gains £'000	Balance at 30 June 2017 £'000
Endowed Property	765	-	-	-	765
Edbrooke fund	255	-	-	-	255
Scholarship and Prize Fund	3,791	-	-	481	4,272
	4,811	-	-	481	5,292

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

24. Analysis of charitable funds (continued)

(a) Analysis of movements in permanent endowed funds (group and School) (continued)

Endowed Property

Land and property gifted to the School in furtherance of its Object, to advance education that is held on permanent endowment and is administered and managed by the Governors.

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 £62k (2017 - £481k).

(b) Analysis of movements in restricted funds

	Balance at 1 July 2017 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment Gains /(Losses) £'000	Balance at 30 June 2018 £'000
Advance Fee Fund	-	38	(17)	22	(43)	-
Scholarship and Prize Fund	-	152	(152)	-	-	-
Andrew Yorke Sail Training Fund	40	-	(1)	-	-	39
Annual Bursary Fund	9	-	-	(9)	-	-
Boissier Bursary	5	-	-	(5)	-	-
Bursary Programme	40	-	-	(40)	-	-
Cricket Square	4	-	-	-	-	4
Hardship Fund	14	-	-	(14)	-	-
Shell House Fund	2	-	-	-	-	2
Sports Coaching Fund	-	7	-	(7)	-	-
Upper Pavilion Fund	2	-	-	-	-	2
Wallace House Fund	9	-	-	(9)	-	-
Foundation Fellows	-	16	-	(16)	-	-
Other restricted funds	4	4	-	(7)	-	1
Charity	129	217	(170)	(85)	(43)	48
Sherborne School Foundation	1,646	393	(284)	-	-	1,755
	1,775	610	(454)	(85)	(43)	1,803
Eliminated on consolidation	-	(283)	43	240	-	-
Group	1,775	327	(411)	155	(43)	1,803

Transfers from restricted funds to the accumulation fund correspond to income where the original restriction of the fund has been fulfilled during the year.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

24. Analysis of charitable funds (continued)

(b) Analysis of movements in restricted funds (continued)

The transfer of £240k in the consolidated accounts represents a reclassification between restricted and unrestricted funds. This adjustment is required to correct the balance held on restricted funds by ensuring the elimination of inter-company transactions between Sherborne School and Sherborne School Foundation.

The breakdown of restricted reserves of £1,755k for Sherborne School Foundation is detailed in that Charity's accounts.

	Balance at 1 July 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment Gains /(Losses) £'000	Balance at 30 June 2017 £'000
Advance Fee Fund	-	35	(9)	16	(42)	-
Scholarship and Prize Fund	-	146	(146)	-	-	-
Andrew Yorke Sail Training Fund	42	-	(2)	-	-	40
Annual Bursary Fund	9	-	-	-	-	9
Boissier Bursary	5	-	-	-	-	5
Bursary Programme	40	-	-	-	-	40
Cricket Square	4	-	-	-	-	4
Hardship Fund	14	-	-	-	-	14
Shell House Fund	2	-	-	-	-	2
Sports Coaching Fund	-	17	-	(17)	-	-
Upper Pavilion Fund	2	-	-	-	-	2
Wallace House Fund	9	-	-	-	-	9
Foundation Fellows	-	18	-	(18)	-	-
Other restricted funds	4	10	-	(10)	-	4
	<u>131</u>	<u>226</u>	<u>(157)</u>	<u>(29)</u>	<u>(42)</u>	<u>129</u>
Charity Sherborne School Foundation	<u>1,343</u>	<u>563</u>	<u>(260)</u>	<u>-</u>	<u>-</u>	<u>1,646</u>
	<u>1,474</u>	<u>789</u>	<u>(417)</u>	<u>(29)</u>	<u>(42)</u>	<u>1,775</u>
Eliminated on consolidation	-	(263)	45	218	-	-
Group	<u>1,474</u>	<u>526</u>	<u>(372)</u>	<u>189</u>	<u>(42)</u>	<u>1,775</u>

Transfers from restricted funds to the accumulation fund correspond to incoming resources where the original restriction of the fund has been fulfilled during the year.

The transfer of £218k in the consolidated accounts represents a reclassification between restricted and unrestricted funds. This adjustment is required to correct the balance held on restricted funds by ensuring the elimination of inter-company transactions between Sherborne School and Sherborne School Foundation.

The breakdown of restricted reserves of £1,646k for Sherborne School Foundation is detailed in that Charity's accounts.

24. Analysis of charitable funds (continued)

(b) Analysis of movements in restricted funds (continued)

Annual Fund Bursaries

From the annual fund donations that are for bursaries in general and will help supplement the support for the Travel and Tour Bursaries, the Personal Development and High Flyer Fund and other bursaries offered by the Foundation in co-operation with the School.

Boissier Bursary

To support one or more bursaries for a boy entering the School. Named in memory of Peter Boissier who died in 2004.

Bursary Programme

To widen access to Sherborne School through a programme of means tested bursaries.

Cricket Square

To support the relaying of the cricket squares within the School and primarily those on the Upper square.

Foundation Fellows

Funds transferred by Sherborne School Foundation to support and fund the enrichment and teaching of Fellows of the School.

Hardship Fund

To support pupils within the School who fall on hard financial times and who the School would like to remain in the School until they complete a key stage of their education.

Shell House Fund

Funds raised for the restoration and upkeep of the Shell House, located in the garden of Harper House.

Sports Coaching Fund

Funds transferred from Sherborne School Foundation to support the coaching of sport through additional coaching and conditioning across all sports, and where necessary, sports tours.

Upper Pavilion

The fund is for the refurbishment and extension of the Upper Pavilion.

Wallace House Fund

To support the pastoral needs of the residents of the Wallace House boarding house primarily to support their academic, pastoral and sporting needs within the House.

Other 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 £1k will be expended next year.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

24. Analysis of charitable funds (continued)

(c) Analysis of movements in unrestricted funds

	Balance at 1 July 2017 £'000	Income Expenditure £'000	Transfers and Investment Gains/(Losses) £'000	Balance at 30 June 2018 £'000
Pension reserve - designated fund	(1,635)	-	249	(1,418)
Accumulation fund	32,598	24,891	(25,204)	32,130
Total	30,963	24,891	(24,955)	30,712

The total transfers, amounting to £155k (2017 - £189k), represent transfers of £155k (2017 - £189k) from the accumulation fund to restricted funds, as detailed in Note 24(b). There is also £174k (2017 - £224k) which will be distributed to Sherborne School from two of its trading subsidiaries which has been included as a Gift Aid donation in the accounting year ended 30 June 2018. Please refer to note 6 for more information.

	Balance at 1 July 2016 £'000	Income Expenditure £'000	Transfers and Investment Gains/(Losses) £'000	Balance at 30 June 2017 £'000
Pension reserve - designated fund	(1,549)	-	241	(1,635)
Accumulation fund	32,642	24,687	(24,542)	32,598
Total	31,093	24,687	(24,301)	30,963

25. Contracts and commitments

At 30 June 2018 the School had commitments as follows:

	2018 £'000	2017 £'000
Contracted for but not provided in these financial statements	1,624	679
Authorised but not contracted	171	3,011

26. Other commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 £'000	2017 £'000
Within one year	8	18
After 1 year but within 5 years	92	148
After more than 5 years	-	29
	100	195

27. Reconciliation of net income/(expenditure) to net cash flow from group operating activities

	2018 £'000	2017 £'000
Net income/(expenditure) before investment gains/(losses)	(149)	540
Adjustments for:		
Investment income	(360)	(355)
Finance costs	25	30
Equalisation of investments	(15)	(7)
Depreciation	1,575	1,495
Loss on disposal of property, plant and equipment	33	-
Add back of non-cash FRS102 charge to defined benefit retirement scheme	149	141
Less cash contributions to defined benefit retirement scheme	(398)	(382)
Advance fees utilised	(745)	(520)
	<u>115</u>	<u>942</u>
Movements in working capital:		
Decrease/(increase) in stocks	(127)	33
Decrease/(increase) in debtors	(158)	229
(Decrease)/increase in creditors	1,048	141
	<u>878</u>	<u>1,345</u>
Cash generated from operations		
Investment income		
Interest paid	(9)	(20)
	<u>869</u>	<u>1,325</u>
Net cash provided by group operating activities		

28. Pension schemes

Teaching Staff

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

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also currently required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%.

This employer rate will be payable until the completion and outcome of the next actuarial valuation which is being prepared as at 31 March 2016. Her Majesty's Treasury published draft Directions for the TPS on 6 September 2018 to allow the Department for Education to finalise this valuation. Early indications from the valuation are that the amount employers will be required to pay towards the scheme may increase substantially from September 2019.

There are also indications that the protections in the new cost cap mechanism required by the Public Service Pensions Act 2013 mean public sector workers will get improved pension benefits for employment over the period April 2019 to March 2023.

The pension costs paid to TPS in the year amounted to £1,062k (2017: £1,091k). At the year end £144k (2017: £149k) was accrued in respect of contributions due to this scheme.

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The School has accounted for its contributions to the scheme as if it were a defined contribution scheme. The School has set out above the information available on the scheme.

Teaching Staff

Accordingly, the School has taken the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The School has set out above the information available on the scheme and the implications for the School in terms of the anticipated rates.

Support Staff Defined Contribution Scheme

The Group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions payable by the Group charged to profit or loss amounted to £322k (2017: £321k). Contributions totalling £47k (2017: £46k) were payable to the fund at the year end and are included in creditors.

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. A full actuarial valuation of this scheme was carried out by a qualified independent actuary at 31 August 2016 and updated by a qualified independent actuary to 30 June 2018.

The contributions made by the employer over the financial year have been £399k (2017: £378k).

28. Pension schemes (continued)

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

	2018 £'000	2017 £'000
Present value of funded obligations	(10,753)	(10,841)
Fair value of plan assets	9,335	9,206
Deficit	(1,418)	(1,635)
Amounts in the balance sheet:		
Liabilities	(1,418)	(1,635)
Assets	-	-
Net liability	(1,418)	(1,635)

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

	2018 £'000	2017 £'000
Opening defined benefit obligation	10,841	10,258
Expenses	110	99
Interest cost	277	303
Actuarial losses	8	573
Benefits paid	(483)	(392)
Closing defined benefit obligation	10,753	10,841

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

	2018 £'000	2017 £'000
Opening fair value of scheme assets	9,206	8,709
Interest income	238	261
Return on scheme assets less interest on net defined benefit pension scheme liability	(24)	246
Contributions by employer	398	382
Benefits paid	(483)	(392)
Fair value of scheme assets at end of year	9,335	9,206

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

28. Pension schemes (*continued*)

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

	2018 £'000	2017 £'000
Current service cost	-	-
Expenses	(110)	(99)
Total charge to net income	(110)	(99)
Net interest on the net defined benefit pension scheme liability	(39)	(42)
Net finance cost	(39)	(42)
Total amount charged within net income	(149)	(141)
Remeasurement of the net defined benefit pension scheme liability	(32)	(327)
Total amount charged to the Statement of Financial Activities	(181)	(468)

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

	2018	2017
Equities	-	-
Bonds	-	-
Fixed Interest Matching Assets	8%	8%
Inflation Linked Matching Assets	12%	12%
Managed Growth	79%	80%
Other	1%	-

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:

	2018 £'000	2017 £'000
Actual return on the scheme assets	214	507

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

28. 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 2018	30 June 2017
Inflation (RPI)	3.3% pa	3.4% pa
Inflation (CPI)	2.3% pa	2.4% pa
Salary increases	n/a	n/a
Rate of discount	2.7% pa	2.6% pa
Rate of increase in pensions in payment where CPI to a maximum of 5% applies	3.35%	3.4%
Rate of increase in pensions in payment where CPI to a max of 2.5% applies	1.75%	1.8%
Assumes life expectancies on retirement age 65:		
Retiring today – males	21.2	21.3
Retiring today - females	23.1	23.2
Retiring in 20 years - males	22.6	22.7
Retiring in 20 years - females	24.7	24.7

29. Related party transactions

Transactions between the School and other group companies that have been eliminated on consolidation are disclosed below:

	2018 £'000	2017 £'000
Sherborne School (Trading) Limited		
Agents commission invoiced to School	335	367
Profits gifted to School	73	128
Support costs invoiced by School	(12)	(12)
Sherborne School (Leisure) Limited		
Pupil usage of sports facilities invoiced to School	129	133
Profits gifted to School	101	96
Support and rental costs invoiced by School	(21)	(20)
Sherborne School (Overseas Trading) Limited		
Interest paid to the School	10	1
Sherborne School Foundation		
Donations to School	43	45
Donated services from School	241	218
Sherborne Schools Worldwide Limited		
Interest paid to the School	3	-

Details of balances due between these entities and the School at the year end are disclosed in debtors and creditors.

Details of the joint venture undertaking, Sherborne Schools Worldwide Limited, are disclosed at note 30.

There were no other related or connected parties during the year.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

30. Joint venture interest

The School owns 50% of the share capital of Sherborne Schools Worldwide Limited (company no. 10730155), which was incorporated on 19 April 2017, and commenced trading on 1 May 2017. The company is jointly owned with Sherborne Girls, and has been incorporated to identify international opportunities, select, market to and enter into arrangements with third parties on behalf of the two Schools jointly, to generate income, increase the value of the Schools' brands and enhance the Schools' reputations.

Sherborne Schools Worldwide Limited's trading results for the fourteen month period to 30 June 2018 are summarised below. The 2017 results summarised below cover the initial two month period to 30 June 2017, as extracted from management accounts to that date; however these results are also incorporated into the fourteen month trading results, and are therefore included as a memorandum only:

	2018 £'000	2017 £'000
Turnover	196	3
Administration	(487)	(34)
Operating loss	(291)	(31)
Interest payable	(7)	-
Loss for the period	(298)	(31)
50% share of loss	(149)	(15)
Shareholder's deficit	(149)	(31)
50% share of shareholder's deficit	(149)	(15)

The School has provided loan funding to Sherborne Schools Worldwide Limited of £150k. Repayments will be made in three equal instalments during the years to 30 June 2021 – 2023. The loan balance at 30 June 2018 is included in note 17 – Debtors, as a balance due after more than one year from a joint venture undertaking. The interest charged on the loan of £3k has been eliminated in the consolidated accounts when calculating the School's net share of loss in the joint venture.

GOVERNORS AND CHARITY TRUSTEES

Sherborne School Governors are the Charity Trustees and Company Directors 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	Roger Stewart Fidgen Esq, FRICS
Vice Chairman	Guy Andrew Hudson Esq, MA
Ex-Officio	Her Majesty's Lord Lieutenant for the County of Dorset, Angus Campbell Esq (resigned 25 November 2017), Russell Lucas-Rowe (appointed 25 November 2017) The Vicar of Sherborne, The Reverend Canon Eric Woods DL, MA, FRSA
Co-Opted	Mrs Isabel Anne Cooper Burke, MB, BS, MRCGP Alan Charlton Esq, CMG, CVO Mrs Vicki Cotter, LLB (Hons), LLM Michael Levick French Esq, FCA Dr Max Jonas (appointed 16 January 2018) Mrs Angela Claire Lane BA, FCA Robin Anthony Langley Leach Esq, MA Lt Gen David Leakey CMG CVO CBE MA Cantab (appointed 3 March 2018) George Marsh Esq, MA, Cert Ed Rupert Hugo Wynne Robson Esq (resigned 2 October 2018) Mrs Gillian Staley, BSc, MSc, CMIOSH Mrs Elaine Stallard JP (appointed 25 January 2018) Robert Jan Temmink Esq, QC, MA, BL, FCI Arb The Reverend Canon Keith Wilkinson BA, FRSA (resigned 25 November 2017) Michael Trevenen Wilson Esq, BSc
Staff Nominated Governor	Matthew James Whittell Esq, MA, MSc

Members of Committees

Finance and General Purposes Committee

Roger Fidgen, Guy Hudson (Chairman), Angela Lane, Vicki Cotter, Rupert Robson, Matthew Whittell.

Investment Sub-Committee

Michael French, Guy Hudson (Chairman).

Estates and Infrastructure Committee

Vicki Cotter (Chairman), Max Jonas, David Leakey, Robert Temmink.

Academic Committee

George Marsh (Chairman), Robin Leach, Keith Wilkinson.

Pastoral Committee

Eric Woods (Chairman), Isabel Burke, Robin Leach, Gilly Staley.

Sherborne School

GOVERNORS, OFFICERS AND ADVISERS for the year ended 30 June 2018

Nominations Committee

Roger Fidgen (Chairman), Guy Hudson, Vicki Cotter, Robin Leach.

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

OFFICERS

Headmaster and Chief Executive	D A Lockett BA DPhil FRSA FHA
Bursar and Clerk to the Governors	Mrs L A Robins BSc MRICS
Address	Sherborne School Abbey Road Sherborne DT9 3LF
Website	www.sherborne.org

ADVISERS

Bankers	Lloyds Bank Plc 1 st Floor Sedgemoor House Deansgate Avenue Taunton Somerset TA1 2UF
Solicitors	Stone King Sewell LLP 13 Queen Square Bath BA1 2HJ
Auditor	haysmacintyre 10 Queen Street Place London EC4R 1AG
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