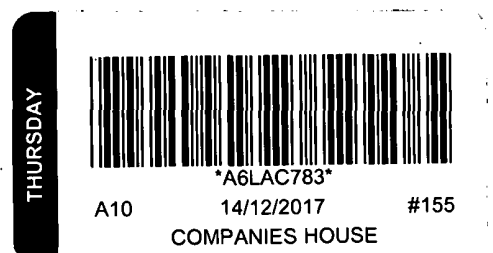


Registered Charity Number: 1120616
Registered Company Number: 06292085

THE DOWNS, MALVERN COLLEGE PREP SCHOOL
(A company limited by guarantee)

Annual report and financial statements
for the year ended 31 July 2017



THE DOWNS, MALVERN COLLEGE PREP SCHOOL

**Annual report and financial statements
for the year ended 31 July 2017**

Contents	Page
Reference and Administrative Information	3-4
Report of the Governors	5-17
Independent Auditor's Report	18-20
Statement of Financial Activities	21
Balance Sheet	22
Statement of Cash Flows	23
Notes to the financial statements	24-38

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

For the year ended 31 July 2017

Reference and Administrative Information

Status and administration

The School is a charitable company limited by guarantee and was incorporated on 25 June 2007, registered company number 06292085. The charity is registered in England and Wales; charity number 1120616. The School was formed by the merger of The Downs School (Colwall) and Malvern College Preparatory School which took effect from 31 August 2008. The governing document is the Articles of Association dated 26 June 2007. The School's trading and marketing name is The Downs Malvern.

Charitable objects

The primary object of the School is "to advance the education of boys and girls by the provision of a day and/or boarding Preparatory School in or near Malvern and by ancillary or incidental educational activities and other associated activities for the benefit of the community".

Governors

Chairman: Mr K Madden Esq.

Mrs C Elgar (c)

Dr S Guy

S Hill Esq. (b)

S King Esq. (a)

C Le Bas Esq. (a & d)

C Leonard Esq. (a & d)

I MacLeod Esq. (b & c) (resigned 13/06/17)

D Morris Esq. (d)

Nominated by

The Governors

The Governors

The Governors

Malvern College

The Governors

The Governors

Malvern College

The Governors

The Governors

(a) member of the Commercial Committee

(b) member of the Education Committee

(c) member of the Welfare and Health and Safety Committee

(d) member of the Marketing Committee

Constitution of the Governors

Governors are appointed by the existing Governors and the maximum number of Governors is 12.

Officers

Headmaster:

A S Cook Esq.

Bursar:

G Ralphs Esq.

Key management personnel

Headmaster:

A S Cook Esq.

Deputy Headmaster:

A McKay Esq.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

For the year ended 31 July 2017

Reference and Administrative Information (continued)

Registered office and principal address

The Downs, Malvern College Prep School
Brockhill Road
Colwall
Malvern
Worcestershire
WR13 6EY

Professional service providers

Bankers:

Lloyds Banking Group PLC
48 Belle Vue Terrace
Malvern
Worcestershire
WR14 4QG

Independent Auditor:

Crowe Clark Whitehill LLP
Carrick House
Lypiatt Road
Cheltenham
Gloucestershire
GL50 2QJ

Insurance Brokers:

Marsh Brokers Limited
Rockwood House
9-17 Perrymount Road
Haywards Heath
West Sussex
RH16 3DU

Lawyers:

Veale Wasbrough Vizards
Narrow Quay House
Narrow Quay
Bristol
BS1 4QA

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017

The Governors present their annual report and the audited financial statements for the year ended 31 July 2017.

Reference and Administrative Information is set out on pages 3 to 4 which forms part of this report. This section also provides details of its constitution and its charitable objects.

Chairman's statement

The School has consolidated its recent growth and development. Pupil numbers for 2017/18 are expected to be on budget at 255 as the School pursues its Development Plan to build towards a target of about 280. This has been achieved while also providing the necessary additional levels of staffing and educational resources. Plans are in place for some significant improvements to the existing fabric, buildings and grounds. Pupils have again achieved excellent results both academically and in the very wide range of curricular and extra-curricular opportunities provided. The Headmaster had a thorough external appraisal in June 2017 and received an extremely positive and complimentary report which reflects well both on his leadership and the state of the School. The Governing Body has functioned well and is to be further strengthened by new members with educational, legal and child protection expertise and experience.

Strategic Report

Structure, Governance and Management

Recruitment and training of Governors

The Directors of the company are also charity Trustees for the purposes of charity law and throughout the report are collectively referred to as the Governors. They are listed on page 3. New Governors are selected and appointed by the existing Governors.

All Governors are members of at least one of the sub-committees or have responsibilities for specific aspects of the School to give them an insight into the workings of the School. On induction, the Governors complete online Safeguarding and Safe Recruitment training. They are made aware of the School's safeguarding policies and receive all Independent Schools' Inspectorate and D of E updates that are sent to the School. Governors receive safe-guarding training every 3 years.

Organisational management

The Governors hold one ordinary meeting of the Governors in each School term and other such committee meetings also meet termly. The Committee names are Commercial, Education, Welfare and H&S and Marketing. The School no longer has to hold an annual general meeting although general meetings can still be called annually if needed.

The day-to-day running of the School is delegated to the Headmaster and Deputy Headmaster as the key management personnel. The remuneration of the key management personnel is discussed in detail each year by the Commercial Sub-Committee, with awareness of industry standards, and approved by the full Board of Governors.

Governors' insurance

The School purchased, and maintained throughout the financial year, insurance to protect the Governors from personal liability.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Related parties

Malvern College and The Downs School (Colwall)

In June 2007, as part of the merger between Malvern College Prep School and The Downs School (Colwall), Malvern College agreed to contribute £5.5m to the new entity, The Downs, Malvern College Prep School. This contribution was completed in the year ended 31 July 2009.

Also as part of this merger, The Downs School (Colwall) agreed to donate the land and buildings of the Downs School site, valued at £5.5m, to The Downs, Malvern College Prep School. This donation was made in the year ended 31 July 2008.

Principal risks and uncertainties

Risk management

A register of significant risks is reviewed by the Governors on a regular basis. The register considers the principal areas of the School's operations and considers the major risks faced in each of the risk areas along with controls designed to mitigate those risks. These controls are considered to be adequate and are frequently reviewed. The risk register is maintained by the Headmaster, with oversight by the Governors, and reviewed termly by the Commercial committee and at one Governors' meeting during the year.

Price and cost risk

The School reviews its fees charged to parents on an annual basis. The fees charged are based on the principles of full cost recovery. These fees are factored into the School's plans and income forecasts. Salary levels are also set by reference to the School's plans and income forecasts as well as to prevailing market rates, specifically in the Education sector for the academic staff. These are communicated to staff each year during the annual salary review process. Other costs are controlled by contract negotiations and competitive tendering with suppliers.

The key current risks identified and being managed by the School are the failure to meet the requirements of an expanding School and managing the shortage of teaching space for current needs. Both risks have been managed by a regular review of the requirements resulting in a co-ordinated approach from all parties of the School to ensure that the required and agreed work is planned and completed within the identified timescales and within budget.

Aims, strategies and objectives

The Downs Malvern aims to provide a first class education in a secure, caring and disciplined environment, where every pupil can fulfill his or her unique potential – academically, creatively, physically, socially and spiritually.

In order to meet this aim the School is committed to the following objectives:

Providing a broad and balanced curriculum which values academic excellence, but also attaches great importance to effort, enthusiasm and enjoyment in all areas of learning and activity;

Promoting the welfare of every pupil by developing their confidence and self-esteem, giving them responsibility and opportunities to exercise leadership, helping them to develop mature attitudes and preparing them for their senior Schools and adult lives;

Building a strong sense of community in which all feel valued and respected, where each has a contribution to make and where there is a growing awareness of our common responsibility for the

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Aims, strategies and objectives (continued)

wider world in which we live and especially our environment.

The strategies adopted by the School to achieve these objectives are:

- Employing qualified and quality specialist staff.
- Creating a stimulating and interesting environment in which all can work.
- Staff establishing a love of learning.
- Establishing within the pupils an understanding of loyalty and commitment to each other and the School.
- Creating a society built upon respect for each other and the School, irrespective of race, creed, gender, disability.
- Giving accessibility to excellent teaching resources.
- Working closely with a professional, dedicated and supportive Governing body.
- Establishing a management structure which permits staff ease of access, open communications and regular involvement in decision making.
- Creating an environment in which all staff are encouraged to have harmonious relationships with teaching, kitchen, grounds, cleaning, peripatetic and other ancillary staff.

The success of these strategies to achieve the aims and objectives of the School is measured by:

- Positive feedback from pupils and parents and the local community.
- Examination/Scholarship results and successful entry to senior Schools.
- Having sufficient financial surplus to reinvest in the further enhancement of the education of the pupils and to continue the scholarship and bursary provision.
- Long term successes of pupils in life.

Whilst The Downs Malvern is a School where Christian values, ideals and practice are considered to be important, in implementing these aims and objectives, it also values diversity and warmly welcomes pupils of other faiths.

The School is registered as a Charitable Company under the direction of a Board of Governors. The Headmaster is a member of the Independent Association of Preparatory Schools (IAPS), the leading professional association for Heads of independent preparatory Schools.

Public Benefit

Charitable and Community Activities

During the year, the School raised funds for the following charities:

- Tikondwe School in Malawi
- Headmaster's Challenge – Kilimanjaro Climb
- The Royal British Legion – Remembrance Sunday
- Meningitis Trust
- Acorns Children's Hospice
- St Richard's Hospice
- Macmillan Cancer Research; the School participated in the "World's Biggest Coffee Morning" and in addition raised funds at the Harvest Festival and Carol Service
- Children in Need
- Comic Relief
- Help for Heroes
- St Michael's Hospice
- Toilet Twinning

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Charitable and Community Activities (continued)

And, as always, all at The Downs Malvern continue to look for new opportunities.

Throughout the year a number of groups, mainly local, accessed and took advantage of the School's facilities at either a reduced, or free of, charge:

- The Downs Light Railway Trust
- Colwall Ladies' Badminton Club
- The Poultney Players' Badminton Club
- Colwall Village Table Tennis Club
- Young National School Symphony Orchestra
- The Malvern Hills Kidz Club
- The English Youth Symphony Orchestra
- Local cricket clubs, Bosbury, Strollers, Chasers, Colwall and Ledbury Cricket Clubs using indoor and outdoor facilities
- Rugby Tykes training for children aged between 4 and 7 years in the Sports Hall
- Half Term sports camps
- Residential camp for a karate club

These events and more have enabled the School to foster links with the local community and all events are well supported by the parents. The Governors confirm that they have complied with their duty in Section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England.

Review of the year

The "administrative" focus for the Headmaster during the 2016/2017 academic year was to ensure that a similar rate of growth of the school to that recently experienced continued throughout the year. This was achieved successfully.

The Governors, Headmaster and the SMT (Senior Management Team) focused on the implementation of the 5 year Development Plan previously approved and adopted by the Governors. By the end of the Summer Term 2017, the major features of that Development Plan had been accomplished in readiness for a larger school in September 2017. It is anticipated that numbers at The Downs Malvern will be in the region of 260 in September 2017 and thus a programme of classroom construction and relocation started in July 2016 (See "Future Developments").

As in previous years, the Governors and the Headmaster conducted a strategic review of all the operating costs of the School to ensure it was operating at maximum efficiency and as cost effectively for parents as possible. The Bursar, Finance Bursar and the Head of Human Resources also assisted with this review.

Pupil numbers at the start of the 2015/16 academic year were 240.

Pupil numbers at the start of the 2016/17 academic year were 254.

This number of 254 was achieved through continued positive and active marketing of the School throughout the academic year by the Marketing Assistant and Registrar and through a focus on retention of pupils.

By the end of the year the School had 44 full-time boarders.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Review of the year (continued)

Marketing

The marketing has progressed significantly during the year under the guidance of a Governors' Sub Committee and through the marketing experience of the Registrar and the Marketing Assistant. During the course of the year, the Marketing Assistant established a very sound marketing programme which included many new publicity opportunities, greater use of social media to broadcast information about the School and the website was updated.

In addition to the termly Open Days, the School also held a number of visitor days at the School, which included a re-run of last year's very successful "Grandparents' Day". The welcome return of the Downs Light Railway and a major Open Day Steam Gala over the May Bank Holiday weekend which involved several miniature steam railway enthusiasts from around the world and attracted nearly 1000 visitors to The Downs Malvern. This historic event led to a variety of marketing opportunities.

The marketing ventures during the year, local, regional, national and international, have led to an increase in the number of children in the School, and in particular, the number of full boarders has risen over the year. The Headmaster represented the school alongside Malvern College in Dubai in March 2017.

Academic

The School aims to provide an excellent educational experience that is consistent with its aims and aspirations. In particular, it aims to meet the needs of developing each pupil to realise his or her potential by providing a balanced curriculum and extra-curricular activities that encourage both success and satisfaction. Throughout the School, the curriculum aims to give pupils good experience in linguistic, mathematical, scientific, technological, human and social, physical and aesthetic and creative education. During the 2016/2017 academic year in-service training for the staff once again focused on Safeguarding and Child Protection matters following the further re-publication of the KCSIE (Keeping Children Safe In Education) documentation and the ISI Inspection of the school.

Children were prepared for the Common Scholarship and Common Entrance examinations at the end of Year 8. 27 scholarships and awards (Academic, Art, Music, Sports, Drama, DT and All Rounder) were achieved by children in Year 8 to a variety of senior Schools. Those children who did not sit the various scholarship exams successfully passed Common Entrance Examinations for their respective senior schools.

These children in Year 8 who passed successfully on to their senior school, did so with a real sense of academic achievement and with great confidence that will stand them in good stead as they face the obvious demands and challenges. A substantial part of their final year at The Downs Malvern is geared towards this move to the senior school and preparation includes teambuilding events at School, in the Brecon Beacons and in Cornwall.

The Outdoor Pursuits programme at The Downs Malvern was extended significantly during the year with the appointment of a new member of staff, one of two NQTs appointed to run the programme and to ensure that the very best use of our extensive grounds and the surrounding hillsides were utilised to maximum effect. Every child in the school from Year 2 to Year 8 had at least one opportunity for an offsite overnight residential experience either in a specific outdoor activities centre on the Malvern Hills or in Wales or Cornwall. One of the Year 2 teachers was trained by the Forest School Association to Level 3 Forest School and is now able to present Forest School training to other staff at The Downs Malvern and at other local schools. The NQT who took on the responsibility for the Outdoor Pursuits programme has also received specific and appropriate training and is a Mountain Leader.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Academic (continued)

The "hobbies" programme on a Saturday morning has continued to offer to the children an ever increasing range of activities. These activities include pottery, railway, soccer, horse riding, natural world, music technology, cricket, rambling, computing, swimming, gardening, origami, chess, art, yoga and knitting.

The staff at the School encourage pupils to achieve well in a wide range of activities, in line with the School's aim that they should enjoy individual and team success and satisfaction. Pupils have the opportunity to receive individual instrumental and speech and drama tuition. During the year, many awards were gained in instrumental music and speech & drama examinations. The School achieves very well in a selection of sports. Pupils from the School represent the county or are in development squads in rugby, cricket, hockey, tennis, swimming and a local school of excellence for football. All of these achievements contribute to the development of pupils' confidence, understanding of team responsibilities and respect for each other.

In August 2016, the Senior Management Team (SMT) completed their annual review all of the School's policies, including; Headmaster's Guidelines, Staff Guidelines, Academic, Pastoral, Health and Safety, Boarding and Early Year Foundation Stage (EYFS). All policies were approved by the Governors where appropriate.

Policies have been uploaded onto the School's website and the documentation page of the ISI website as required. Following the ISI Inspection in November 2015, the Inspectors reported that the Policies were compliant with D of E expectations and that the school met all the ISSR and NMS (Boarding) regulations. On notification of any regulatory updates from the ISI or D of E, these policies were updated in order to maintain compliance. This continues to be the case and was reported as such to the Governors.

In June 2017, the Headmaster underwent a very successful appraisal process conducted by an external appraiser, Mr Hugh Davies-Jones.

Boarding

Last year's boarding exceeded the previous year's which had been reported on as being the busiest since the formation of the School in 2008. Once again, this was due to the increase of the marketing of the School although the number of local and UK boarders also showed an increase on the previous year's figures. At our peak at the end of the year, we had 57 boarders including flexi and weekly boarders making use of the various boarding options on offer to them. The boarders come from a range of countries across the world. The boarding age range was from 6 to 13, with most of the boarders being in their final two years at the School. The "Young Boarder" option was introduced in September 2016 and the younger children, now numbering 14, were specifically looked after by the Matrons and GAP students during period after School and supper as well as during the evening meal. In September 2016, we welcomed 3 junior boarders from Tenerife, aged 6 who were placed in the Pre prep Year 2. They settled in extremely quickly, thus the Junior boarding option proved to be a great success. The House was thriving and full of life thanks to the hard work of the boarding team. The children who stayed in at the weekends, who did so in increasing number, were involved in a wide-ranging set of activities and expeditions both on site and at an encouraging variety of splendid off site venues.

The children are very respectful of and positive about their boarding house and the new equipment bought each year. This includes games and IT equipment as well as curtains, carpets and other fittings. This area of the School continues to be a very happy and successful area and the children feel that they are well-cared for and feel safe. The school is confident that all the NMS are met as required and this has been reported to the Governors Welfare Committee and to the full Board.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Sport

All children at the School participate in the major sports offered and many take part in the various "additional" sports offered through the Activities Programme, particularly on Saturday mornings.

Physical Education/Games

Participation is at the root of all our sport, so that children enjoy sport and achieve their full potential. All teachers and coaches at The Downs Malvern are extremely keen to make every child feel valued when participating in the various sports and develop those children with more ability or obvious potential. Games are a central part of life at the School and the PE curriculum ensures a healthy physical development for each child.

Through a broad and balanced PE and Games programme, pupils are encouraged and taught to take an interest in their own physical well-being and development. Winter sports include rugby, hockey, netball, football and cross country, whilst in the summer cricket, rounders, tennis and athletics make up the games programme. Children are also encouraged to take part in sporting activities outside the School and achievements are regularly acknowledged and publicised at School, on the website, via our social media outlets and through our Celebration Assemblies.

A full set of academic, sporting and extra-curricular achievements are reported to the Governors in termly reports. These achievements are many and the number of successes has continued to increase year on year. In addition to the sporting successes of the senior teams, the School has been able, due to increasing numbers, to field more teams in each age group thus enabling all children at the school to represent their school at least three times each term. Girls started playing cricket at the school in April 2016 and this was developed further in 2017 with the appointment of female staff dedicated to the enhancement of the Girls' Cricket programme. In May 2017, The Downs Girls team came second in an eight-school tournament at Malvern College. Our already strong links with Worcester Warriors Rugby Club and West Bromwich Albion football club were strengthened further and links were forged between The Downs Malvern and local primary schools through the hosting of various sports tournaments aimed at local primary schools.

Pastoral

The extensive pastoral network throughout the School is founded on a well-publicised "Circle of Care" programme. The School also has a range of pastoral care policies that are regularly reviewed and updated by the Governors' Pastoral Care sub-committee. It is not surprising that feedback from the parents and the Year 8 leavers' questionnaire and from information given during the Head's appraisal indicates, very clearly, that all consider that the pastoral care at The Downs Malvern continues to be excellent.

There are four competitive House groups at the School; Morgan, Sanger, Cadbury and Lewis Houses. The four Houses meet each week and various inter-House competitions in academic, sports, music and drama activities take place. Each House is encouraged to support a charity of its own choice, which was decided upon after the election of the new House Leaders early in the new academic term.

During the 2016/2017 academic year Mrs Hunter was the Designated Senior lead (Safeguarding) and Mrs Richardson, the Deputy Designated Senior Lead (Safeguarding). Mrs Prasad as Head of EYFS, was responsible for the safeguarding of the children in the EYFS. This post will be handed to Mrs Hutchins when Mrs Prasad leaves the EYFS in September 2017. Mrs Hunter will stand down from her role as Head of PSHE and focus on the DSL role with Mrs Lloyd being appointed to run the PSHE programme at the school.

The Headmaster's wife, Mrs Cook, has in addition to several other roles at the School, an overview and responsibility for the well-being of all at the School.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Relationships with Parents and the Local Community

Through very positive interaction with the parents and the local community the excellent links reported upon previously have been strengthened further. Parents have become more and more involved in activities in the School and in an extremely supportive and positive way. Parents are very welcome to support their children at matches, attend assemblies, concerts and productions and help on School trips.

Parents are also given the chance to share their expertise with the pupils by visiting to talk about their cultural background and many happily assist by running clubs both after school and on Saturday mornings in the hobbies sessions. The 'Friends of The Downs' association has organised several excellent events at the School during the year, including a major Summer Ball. Funds raised through these events have been used by the School to provide smaller "icing on the cake" items as well as larger items. In July 2017, the amount raised by the Friends of The Downs stood in excess of £12,000.

Parents are encouraged to be involved in the work and progress of their children. They are provided with home-school communication books for younger pupils and prep diaries for older ones. These provide good opportunities for easy contact with form tutors. Parents are specifically asked to give feedback to the School on their views about any aspect of school life. Many parents attend the Friday Celebration Assembly, which is held by the Chaplain from Malvern College, Brother Andrew and the Headmaster. The Pre-prep Celebration Assembly is held on Thursdays and is always well attended by the parents.

Over the year the School has continued to extend and foster its links with the local community. This has included many opportunities for local residents to participate in special events at the School, such as 'Remembrance Service' and a variety of fundraising events, which, on the whole, supported a wide range of charities listed in the Public Benefit section of this report.

Local groups have used the School's facilities, including Rugby Tykes, The English Symphony Orchestra (ESO), children's orchestras, Colwall Badminton Club, Colwall and Mathon Cricket Clubs, Colwall Table Tennis Club, Malvern Hills Kidz Club, the Colwall Community Choir and others. The Colwall Community Choir preformed "Zimbe" in The Downs Memorial Hall in June 2017. This also involved the years 4, 5 and 6 children who sing in the school's choir.

In 2017, the summer holidays, once again, saw several outside groups using the School's boarding facilities. These lets were arranged and managed by the Commercial department at Malvern College on behalf of The Downs Malvern. These external lets included the National Youth Symphony Orchestra, The British Taekwondo Association and Colwall Cricket Club girls' National U13 and U15 cricket festivals. The School has benefitted in a variety of ways from this additional outside use of the facilities, financially and from a PR and marketing point of view.

Good links also exist between the School and other independent and maintained schools through sports matches.

Performing Arts Music

During the year, seventeen visiting instrumental teachers delivered approximately 116 instrumental lessons per week to our pupils and three new instruments which were added to the programme.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Performing Arts (continued)

Extra-curriculum music activities included:

Junior Choir (Years 2-4)
Senior Choir (Years 5-8)
Chamber Choir (Years 6-8)
Plus, Orchestra, Jazz band, String Group and Rock Band.

The popular musical hobbies programme on Saturday mornings included:

Music IT, Rock Band, Keyboards and Advanced Theory.

Trips, visits and outside concerts included:

- Carol Singing at the Malvern Theatres.
- The Worcester Competitive Arts Festival at which the children were presented with the prestigious awards for their magnificent contributions to the festival.

Numerous concerts and performances took place in school throughout the year:

- Chapel services included Harvest, Remembrance, and Christmas Carols.
- Two informal evening concerts were held in each term.
- Ensembles Concert in June 2017 concluded the school year and included all the major ensembles in the School, along with year group Recorders and the Rock Bands.
- Many pupils performed during Friday morning Assemblies.
- A "Grandparents' Concert" in June 2017 at which the visitors' grandchildren performed.
- The Summer Concerts in June 2017 brought to a suitable conclusion, another extremely successful year in the Music Department at The Downs Malvern.

28 pupils were entered for Associated Board and Trinity Guildhall music examinations during the year and all achieved the expected successes. These were reported to the School, parents and Governors throughout the year.

Art

Art is taught in a spacious and bright environment, which allows the teachers to teach and develop the subject and continues to be a very popular choice throughout the School.

Regular art trips were organised for pupils of all ages throughout the School to Gloucester Cathedral, Worcester Museum and Art Gallery and to the National Gallery in London.

Examples of pupils' work were exhibited at the SATIPS (Support and Training in Prep Schools) National Prep Schools' Art Exhibition held in Cheltenham.

In addition to the timetabled lessons, extra art sessions were organised on a regular basis on Tuesday and Thursday evenings, as well as the occasional weekend. Art competitions continued to be held throughout the year to encourage pupils of all ages beyond the classroom. Extra art for Art Scholars was offered as an activity on Saturday mornings and on Tuesday evenings.

Drama

The Headmaster continued with his "Theatre Trips" and took the senior children to see "The Lion King" at the Malvern Theatres and Malvern College's production of "Alice" and "A Midsummer Night's Dream" at the Rogers Theatre at Malvern College. The Pre-Prep theatre trips were welcomed with great

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Drama (continued)

enthusiasm by the children and their parents.

The highly successful major senior School production was held at the end of the Spring Term and children from Years 5 to 8 performed "Les Miserables" in the Rogers Theatre at Malvern College.

The Pre-prep children also presented an equally colourful and musically entertaining production of "Eddy the Penguin Saves The World" and all took part in the traditional Nativity Play at the end of the Autumn Term held in the School's Memorial Hall.

Throughout the year the children at The Downs Malvern have many opportunities to experience drama in one form or another. Every child is involved in at least one "public" performance each year. Many children have opted to have LAMDA (London Academy of Music & Dramatic Art) as one of their chosen activities and the School has a very successful and competitive House drama competition. Children in the senior part of the School receive one drama lesson each week.

All the children who took part in the LAMDA classes during the year performed in relaxed style presentations during each term and all were successful in the wide variety of examinations in which they took part. As with all results, academic and extra-curricular, these results were presented to the Governors in termly reports, reported on the School's website and celebrated in Assemblies. The LAMDA teacher, Mrs Henry, is pleased to report an increase in the number of children taking the LAMDA opportunity that the school offers.

Mrs Bedwell taught Drama as part of the formal English programme and from September 2017, Mrs Read, a new appointment with considerable Drama experience, will be the focus of all the dramatic activity at The Downs.

Summary

The School and the pupils have had a very industrious year with pupil numbers continuing on the upward trend seen over the past two years. The Headmaster has overseen the need to appoint new staff and to plan new developments in order to accommodate the growth in numbers. In September 2013 the school opened with 171 children and in September 2014 with 196 children. The number of children on the school's roll increased again in September 2015 and 2016. It is anticipated that the 2017/2018 academic year will be even more successful and we all look forward to taking the School up to our Development target of 276 pupils by February 2018.

Financial review

The result for the year is a surplus of £34k (2016: surplus £33k), which includes a depreciation charge of £418k (2016: £374k). The underlying operational result (before taking into account this item) was a surplus of £452k (2016: surplus of £407k). The pupil numbers at the School exceeded the budgeted numbers which resulted in the surplus generated. Additional costs were incurred in the educational area because of the increased numbers of pupils.

A donation of £43k (2016: £14k) was made to the School by Malvern College during the year in recognition of the staff concessions offered to staff at Malvern College by the School.

Reserves

Total reserves are £6,784k (2016: £6,750k). Of the total unrestricted funds of £6,779k (2016: £6,744k), £5,866k (2016: £6,044k) comprises fixed assets, leaving £913k (2016: £700k) as free reserves. Restricted funds are £5k (2016: £6k).

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Reserves (continued)

Considering the significant investment in the School at the time of the merger, the level of free reserves is considered sufficient for the immediate needs of the School. The policy is to build up free reserves to meet future capital expenditure requirements as they are identified to maintain the standard of educational services currently provided. The current level of free reserves is sufficient to meet the future plans for the School of the Memorial Hall refurbishment and creation of a new changing room.

Plans for future periods

The Headmaster and SMT reviews the school's strategic framework regularly and report on such to the Governors for discussion and approval. A significant review is underway.

The current planning consists of two key documents: "The Development Plan" and the "Masterplan" and these, together, present strategy for the major plans for development out to 2020. The key objectives representing the fundamental foundations of the School development that were set out in the strategy, as updated for recent developments, are:

Academic Development:

All at the school aim to:

- continue to provide a leading academic programme with a focus on innovative teaching and learning, not least, through the appointment of the most able teachers available and through ongoing training of the staff.
- improving thinking skills in order to maximise every child's learning potential.
- recognise the importance of updating the new teaching technologies thus providing immediate and future educational benefit.
- ensure that teachers' time and the resources available to them are most efficiently utilised.

Pastoral Development:

All at the school aim to:

- Develop and enhance a programme within the School that will help all involved at the school to understand the need for strong community links within and beyond the school.
- Make use of every opportunity to help produce positive relationships with others.
- Ensure that staff training is appropriate and up to date in order to promote the highest standards of pastoral care.

Facilities Development:

The school is fortunate to have excellent facilities which enhance the whole educational experience for the children and which provide the staff with a tremendous platform from which they provide excellent levels of care and education. The main thread of the Masterplan is to ensure that these facilities, in particular the older sections of the school, are refurbished to a very high standard in order to achieve a high impact/low cost position.

The Governors agreed to the appointment of Squires and Brown an architectural practice that specialises in the design and development of independent schools. It is led by Mr. John Squires who has 22 years' experience of working exclusively within the sector, designing individual buildings and advising on strategic plans.

They were appointed in September 2016 to help the school create a development plan that sets out the best medium-term strategy for how the school facilities should change over the next 5-7 years in order to support pupil number projections and academic/pastoral objectives. This allows robust financial planning with individual capital projects delivered with confidence and in a logical sequence.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Plans for future periods (continued)

This work was to follow three stages. Firstly, to review the existing accommodation and compare it against our experience within the sector. Secondly, identifying the main obstacles that will restrict growth beyond the natural capacity, and the weaknesses in the quality and/or extent of facilities relative to the market and the school's objectives. And finally, the architects produced 3 options for how the campus may look in 5-7 years' time – each addressed the issues and goals previously identified.

It is understood that whatever design is finally adopted it will have to be completed in phases over a number of years. The purpose of the "Masterplan" is to set a framework from which individual building projects can be brought forward in detail whilst understanding the broader context.

This final report from the architects includes initial development plans, sketch ideas for the campus and quotes taken from our interviews with staff. It also includes the final Masterplan for the campus and the process taken to agree the final design, written in chronological order.

The latest of such developments include:

- the creation of two new classrooms from within an older building at the school
- the purchase of a large prefabricated classroom to allow for the expansion of the Pre prep
- the refurbishment of the two Year 3 classrooms in the White House
- a complete external renovation of the Music School
- the continuation of the rolling paths and window replacement programme
- the replacement of the roofs on the Memorial Hall, the White House and the Music School.

The most immediate three developments under consideration are:

- the complete refurbishment of the Memorial Hall, both internally and externally.
- the creation of a fifth changing room in the Sports Hall to allow for the growing numbers in the school.
- the continuation of the general refurbishment programme.

Statement of Governors' responsibilities

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

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2017 (continued)

Statement of Governors' responsibilities (continued)

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, 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 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on disclosure of information to the auditor

So far as each Governor is aware, there is no relevant audit information of which the charitable company's auditor is unaware.

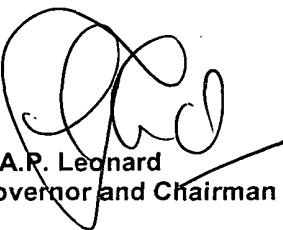
The Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Independent Auditor

Crowe Clark Whitehill LLP have indicated their willingness to accept their reappointment and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board of Governors, the Report of the Governors, including the Strategic Report, was authorised on *21 November 2017*
by



C.A.R. Leonard
Governor and Chairman of the Commercial Committee

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School

Year ended 31 July 2017

Opinion

We have audited the financial statements of The Downs, Malvern College Prep School for the year ended 31 July 2017 which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 charitable company's affairs as at 31 July 2017 and of its incoming resources and application of resources 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.

This report is made solely to the Governors, 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 Governors 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 Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

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

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

Other information

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

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School

Year ended 31 July 2017

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.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Report of the Governors, prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Governors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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; or
- the 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

Responsibilities of the Governors

As explained more fully in the Governors' responsibilities statement set out on pages 16 and 17, 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 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

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School

Year ended 31 July 2017

liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Guy Biggin

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

Carrick House

Lypiatt Road

Cheltenham

GL50 2QJ

S Dec 2017

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Statement of Financial Activities (including income and expenditure account) for the year ended 31 July 2017

		Unrestricted Funds	Restricted Funds	2017 Total	2016 Total
	Notes	£	£	£	£
INCOME FROM:					
Charitable activities					
School fees	3	2,982,061	-	2,982,061	2,596,045
Ancillary trading income	4	377,336	-	377,336	362,570
Trading activities	4	73,251	-	73,251	69,841
Investments		1,021	-	1,021	1,001
Donations	2	2,898	44,459	47,357	46,536
TOTAL		3,436,567	44,459	3,481,026	3,075,993
EXPENDITURE ON:					
Raising funds					
Financing costs	5	3,001	-	3,001	2,975
Charitable Activities					
Provision of Education	5	3,398,008	46,008	3,444,016	3,039,876
TOTAL		3,401,009	46,008	3,447,017	3,042,851
Net income / (expenditure) and net movement in funds	6	35,558	(1,549)	34,009	33,142
RECONCILIATION OF FUNDS					
Fund balances b/f 1 August	13	6,743,774	6,255	6,750,029	6,716,887
Fund balances c/f 31 July	13	6,779,332	4,706	6,784,038	6,750,029

The notes on pages 24 to 38 form part of the financial statements.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Balance Sheet as at 31 July 2017
Company number: 06292085

	Notes	2017 £	2016 £
Fixed assets:			
Tangible assets	8	5,865,773	6,044,201
Total fixed assets		5,865,773	6,044,201
Current assets:			
Stocks		3,152	3,497
Debtors	9	164,668	139,788
Cash at bank & in hand		1,341,193	1,221,246
Total current assets		1,509,013	1,364,531
Liabilities:			
Creditors: amounts falling due within one year	10	(448,397)	(519,570)
Net current assets		1,060,616	844,961
Total assets less current liabilities		6,926,389	6,889,162
Creditors: amounts falling due after more than one year	11	(142,351)	(139,133)
Total net assets		6,784,038	6,750,029
The funds of the charity:			
Restricted funds	13	4,706	6,255
Unrestricted funds	13	6,779,332	6,743,774
Total charity funds		6,784,038	6,750,029

The financial statements on pages 21 to 38 were approved and authorised for issue by the board of Governors on 21 November 2017 and were signed on its behalf by:


C Leonard
Governor

The notes on pages 24 to 38 form part of the financial statements.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Statement of Cash Flows for the year ended 31 July 2017

	Notes	2017	2016
		£	£
Cash flows from operating activities:			
Net cash provided by operating activities	16	375,639	482,240
Cash flows from investing activities:			
Interest received		1,021	1,001
Payments to acquire tangible fixed assets		(239,964)	(239,491)
Net cash outflow from investing activities		(238,943)	(238,490)
Cash flows from financing activities:			
Financing costs		(3,001)	(2,975)
Capital element of hire purchase payments		(13,748)	(13,748)
Net cash used in financing activities		(16,749)	(16,723)
Change in cash and cash equivalents in the reporting period	17	119,947	227,027
Cash and cash equivalents at the beginning of the reporting period		1,221,246	994,219
Cash and cash equivalents at the end of the reporting period		1,341,193	1,221,246

The notes on pages 24 to 38 form part of the financial statements.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017

Charity information

The Downs, Malvern College Prep School is a charitable company limited by guarantee and was incorporated in England and Wales on 25 June 2007 (company no: 06292085). The Downs, Malvern College Prep School is registered as a charity with the Charity Commission England and Wales (charity no: 1120616). Its registered and principal office is Brockhill Road, Colwall, Malvern, Worcestershire, WR13 6EY.

1 Principal accounting policies

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The Downs, Malvern College Prep meets the definition of a public benefit entity under FRS 102.

Basis of accounting

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

The functional and presentational currency of the Charity is considered to be GBP because that is the currency of the primary economic environment in which the Charity operates.

Going concern

The Governors have considered the School's financial forecasts to assess the School's ability to meet its liabilities as they fall due. They have considered the expectations of pupil numbers, forecast School operating costs and current assets and do not believe there are material uncertainties over the School's ability to continue as a going concern. Accordingly the accounts have been prepared on a going concern basis.

Donations

Donations are credited to income when the Charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the year in which the service is provided. Fees receivable are stated after deducting allowances, scholarships, grants, bursaries and exhibitions allowed by the School.

Trading and Ancillary trading income

All trading and ancillary trading income is accounted for in the period in which the income is earned.

Investment income

Bank interest earned on funds on deposit is accounted for in the period in which the investment income is earned.

Final term deposits

Final term deposits are deposits placed when pupils join the School which are offset against fees and disbursements due for the last term each pupil attends. All deposits are classified as creditors, and are treated as deferred revenue.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

1 Principal accounting policies (continued)

Expenditure

Expenditure is accrued as soon as a liability is considered probable. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. There are no costs which cannot be directly attributed to particular headings.

Bursaries, grants and allowances payable

Grants from restricted funds are included as expenditure in the period for which the award is given. Bursaries and allowances from unrestricted funds towards School fees at the School are treated as a reduction in those fees.

Support costs

Support costs comprise the direct costs, including staff, attributable to School activities, an appropriate apportionment of indirect costs and governance costs. These support costs are all allocated to the activities of the School in the Statement of Financial Activities.

The governance costs comprise the cost of external audit, the costs of Governors' meetings and strategic salary costs. The strategic salary costs include the costs of preparing the financial statements and the costs of senior staff involvement in the strategic management of the School.

Irrecoverable VAT

Any irrecoverable VAT is charged to the Statement of Financial Activities, or capitalised as part of the cost of the related asset, where appropriate.

Fund accounting

Unrestricted funds are available for use at the discretion of the Governors in furtherance of the general objectives of the School and have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the School for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Pension costs

The School contributes to the Teachers' Pension Scheme at rates set by the Scheme Actuary and advised to the Governors by the Scheme Administrator. This scheme is a multi-employer pension scheme. It is not possible to identify the School's share of the underlying assets and liabilities of the Teachers' Pension Scheme on a consistent and reasonable basis and therefore, as required by FRS102, the scheme is accounted for as if it were a defined contribution scheme. Accordingly, the School's contributions, which are in accordance with the recommendations of the Government Actuary, are charged in the period in which the salaries to which they relate are payable.

The School also contributes to one defined contribution scheme for non-teaching staff. Amounts paid in relation to this scheme are charged to the Statement of Financial Activities when they fall due. All pension costs are allocated to unrestricted funds.

Finance Leases

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Charity. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Financial Activities so as to produce a constant periodic rate of charge on the net obligation outstanding in each

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

1 Principal accounting policies (continued)

period.

Tangible fixed assets

Assets with a cost below £1,000 are not capitalised.

Depreciation

Land is not depreciated. Depreciation of other assets is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. Fixed Assets are not depreciated until they are brought into use. The principal annual rates, applied on a straight line basis on other assets, used for this purpose are:

	%
Buildings	2.5-10
Building improvements	10-20
Fixtures & fittings	10-25
Computers and equipment	12.5-26

Stocks

Stocks comprise food stores and stationery which are stated the lower of cost and net realisable value.

Debtors

Short term debtors are initially measured at transaction price, less any impairment. Prepayments are recorded at the amount prepaid.

Cash

Cash is represented by cash in hand and deposits with financial institutions.

Creditors

Short term creditors are initially measured at the transaction price.

Basic financial instruments

The Downs, Malvern College Prep School has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The items in the financial statements where these estimates and judgements have been made include the following:

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

1 Principal accounting policies (continued)

Useful economic lives of tangible assets

The annual depreciation charges for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the tangible fixed assets and note 1 for the useful lives for each class of assets.

Impairment of debtors

The School makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 9 for the net carrying amount of the debtors and note 12 for the associated impairment provision.

2 Donations

	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Donations	47,357	46,536

A donation of £43k (2016: £14k) was made to the School by Malvern College during the year in recognition of the concessions offered to staff at Malvern College by the School.

3 School fees

The School's tuition fee income comprised:	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Gross fees	3,581,891	3,071,853
Less: scholarships, bursaries etc	(643,327)	(489,403)
	2,938,564	2,582,450
Add back: allowances paid for by restricted funds	43,497	13,595
	2,982,061	2,596,045

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

4 Other income

	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Trading activities		
Lettings and other income	73,251	69,841
	73,251	69,841
Ancillary trading income		
Music, speech & drama income	204,442	183,906
Registration fees, trip income and other income	172,894	178,664
	377,336	362,570

5 Expenditure

	Staff costs £	Other costs £	Depreciation £	Year ended 31 July 2017 £	Year ended 31 July 2016 £
Raising funds					
Financing costs	-	3,001	-	3,001	2,975
Total	-	3,001	-	3,001	2,975
Charitable activities					
Teaching	1,573,372	240,205	-	1,813,577	1,589,373
Welfare	126,581	295,590	-	422,171	398,311
Premises	44,417	358,250	418,392	821,059	715,623
Support costs of schooling	109,262	277,947	-	387,209	336,569
Provision of Education	1,853,632	1,171,992	418,392	3,444,016	3,039,876
Total expenditure	1,853,632	1,174,993	418,392	3,447,017	3,042,851

Included within support costs are governance costs of £32,747 (2016: £31,358) which mainly comprise the costs of administering the charity and audit fees.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

6 Net income / (expenditure) for the year

	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Net income / (expenditure) for the year is stated after charging:		
Auditor's remuneration for audit	6,650	6,500
Auditor's remuneration for other assurance engagements	1,175	750
Auditor's remuneration for accountancy	-	300
Auditor's remuneration for taxation services	1,000	1,000
Depreciation/fixed asset write-off – owned assets	404,644	361,757
Depreciation/fixed asset write-off – on finance lease	13,748	12,521
Finance charges on finance lease	1,754	1,754

7 Employee & Governor information

	Year ended 31 July 2017	Year ended 31 July 2016
	Number	Number
The monthly average headcount of persons employed by the School during the year was:		
Teaching	53	48
Pastoral	2	2
Domestic	10	11
Administration	9	9
	74	70

Staff Costs

	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Wages & Salaries	1,542,392	1,340,793
Social Security costs	125,578	93,863
Other Pension costs (note 15)	185,662	155,227
Total	1,853,632	1,589,883

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

7 Employee & Governor information

The number of employees whose emoluments exceeded £60,000 was:

	Year ended 31 July 2017	Year ended 31 July 2016
	Number	Number
£80,001 - £90,000	1	1

For those staff whose emoluments exceed £60,000 pension contributions amounting to £13,959 (2016: £13,412) were paid by the School. None of the Governors received any remuneration during the current year (2016: none). 1 Governor received reimbursement for travel expenses of £266 (2016: one Governor for £646).

	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Senior Management Team Remuneration	175,966	167,059

The amount stated above is including pension and employers' national insurance.

During the year, the Charity made redundancy/termination payments amounting to £nil (2016: £1,000).

Governors

Two Governors (2016: two) had two children each at the School during the year. One Governor received a sibling allowance for one of the children and an exhibition for the other child. The other Governor received sibling allowances for both children and an exhibition for one child. All these fee concessions were awarded on an arms-length basis.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

8 Tangible fixed assets

	Freehold land & buildings	Asset under construction	Building improvements	Fixtures, fittings & computer equipment	Total
	£	£	£	£	£
At cost					
At 31 July 2016	8,413,233	129,830	1,529,733	403,528	10,476,324
Additions	89,515	95,465	3,819	51,165	239,964
Transfers	205,763	(225,295)	19,532	-	-
At 31 July 2017	8,708,511	-	1,553,084	454,693	10,716,288
Accumulated Depreciation					
At 31 July 2016	3,039,978	-	1,108,878	283,267	4,432,123
Charge in the year	203,260	-	148,736	66,396	418,392
At 31 July 2017	3,243,238	-	1,257,614	349,663	4,850,515
Net book values					
At 31 July 2017	5,465,273	-	295,470	105,030	5,865,773
At 31 July 2016	5,373,255	129,830	420,855	120,261	6,044,201

The Freehold land and buildings were valued at £5,500,000 at 21 June 2007, on a freehold basis with vacant possession, by valuers John Goodwin, Chartered Surveyor, while in the ownership of The Downs School (Colwall). This valuation formed the basis for the value at which the assets were transferred to the company under the terms of the merger deed, and this is accordingly taken as the deemed cost of the asset. 12% of the £5,500,000 land and buildings transferred was identified as land in the year and no depreciation has been charged.

The net book value of the equipment held on finance leases for the charity was £14,975 (2016: £28,722).

At the start of the prior year there was a change to the estimated useful economic lives of the assets within the Freehold land & building asset category that were being depreciated over 20 years. The estimate of the useful economic life of these assets was increased from 20 years to 40 years. As a result of this change, the depreciation charge in the year for these assets is £209k lower and the effect of this change will continue for 33 years.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

9 Debtors

	31 July 2017	31 July 2016
	£	£
School fees	102,841	87,132
Other debtors	18,563	9,063
Prepayments	29,736	27,698
Accrued income	13,528	15,895
	164,668	139,788

School fees are stated after impairment provisions totalling £13k (2016: £27k).

10 Creditors: amounts falling due within one year

	31 July 2017	31 July 2016
	£	£
Trade creditors	21,911	68,194
Advanced fees	233,388	164,369
Taxation and social security	32,492	27,147
Pension costs	888	702
Other creditors	2,131	930
Finance lease (note 18)	13,747	13,748
Entrance fee deposits	45,895	54,676
Accruals	97,945	189,804
	448,397	519,570

11 Creditors: amounts falling due after more than one year

	31 July 2017	31 July 2016
	£	£
Entrance fee deposits	142,351	125,386
Finance lease (note 18)	-	13,747
	142,351	139,133

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

12 Financial instruments

	2017	2016
	£	£
Financial assets measured at settlement value (a)	1,476,125	1,333,336
Financial liabilities measured at settlement value (b)	135,734	286,423

- (a) Financial assets measured at settlement value comprise cash, fee debtors, other debtors (including staff loans) and accrued income.
 (b) Financial liabilities measured at settlement value comprise trade creditors, accruals and other creditors and finance leases.

Impairment losses charged to financial assets measured at settlement value in the year amounted to £12,396 (2016: £63).

13 Funds

	At 1 August 2016	Income	Expenditure	At 31 July 2017
	£	£	£	£
Restricted funds				
Development Appeal -				
Science Fund	941	-	-	941
The Downs Light Railway Fund	3,968	-	(1,440)	2,528
Restricted donations	1,346	962	(1,071)	1,237
Malvern College	-	43,497	(43,497)	-
	6,255	44,459	(46,008)	4,706
Unrestricted funds				
School fund	6,743,774	3,436,567	(3,401,009)	6,779,332
Total charity funds	6,750,029	3,481,026	(3,447,017)	6,784,038

The Development Appeal balance represents amounts for science and The Downs Light Railway as shown in the note above.

Restricted donations comprise amounts for bursaries and a flagpole which were kindly given to the School.

The Malvern College donation of £43k (2016: £14k) was made to the School during the year in recognition of the staff concessions offered to staff at Malvern College by the School.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

13a Comparative Funds

	At 1 August 2015 (Restated)	Income	Expenditure	At 31 July 2016
	£	£	£	£
Restricted funds				
Development Appeal -				
Science Fund	2,264	-	(1,323)	941
The Downs Light Railway Fund	5,439	21,859	(23,330)	3,968
Restricted donations	-	8,582	(7,236)	1,346
Malvern College	-	13,595	(13,595)	-
	7,703	44,036	(45,484)	6,255
Unrestricted funds				
School fund	6,709,184	3,031,957	(2,997,367)	6,743,774
Total charity funds	6,716,887	3,075,993	(3,042,851)	6,750,029

The Development Appeal balance represents amounts for science and The Downs Light Railway as shown in the note above.

Restricted donations comprise amounts for Hymn books, a cooker for Design & Technology, a cricket scoreboard and for Music and Science which were all kindly given to the School.

The 'Friends of The Downs' fund has been moved from Restricted funds to Unrestricted funds as at 1 August 2015.

The Malvern College donation of £14k (2015: £35k) was made to the School during the year 2015/16 in recognition of the staff concessions offered to staff at Malvern College by the School.

14 Analysis of the net assets between funds

The net assets are held for the various funds as at 31 July 2017 as follows:

Net assets of the School's funds	Fixed assets	Net current assets	Long term liabilities	Fund balances
	£	£	£	£
Restricted funds	-	4,706	-	4,706
Unrestricted funds	5,865,773	1,055,910	142,351	6,779,332
	5,865,773	1,060,616	142,351	6,784,038

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

14a Comparative Analysis of the net assets between funds

The net assets were held for the various funds as at 31 July 2016 as follows:

Net assets of the School's funds	Fixed assets	Net current assets	Long term liabilities	Fund balances
	£	£	£	£
Restricted funds	-	6,255	-	6,255
Unrestricted funds	6,044,201	838,706	(139,133)	6,743,775
	6,044,201	844,961	(139,133)	6,750,029

15 Pensions

Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £181,626 (2016: £151,947) and at the year-end £nil (2016: £nil) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pension Scheme Regulations 2014. 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 following scheme valuations undertaken by the Government Actuary's Department. The latest 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 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 outcome of the next actuarial valuation, which is due to be prepared as at 31 March 2016, with any resulting changes to the employer rate expected to take effect from 1 April 2019. This valuation will also determine the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

Other pension schemes

From 1 July 2014, the School has contributed to a defined contribution pension scheme on behalf of its employees. The cost to the School of this scheme for the year to July 2017 is £4,036 (2016: £3,280).

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

16 Reconciliation of cash flows from operating activities

	2017 £	2016 £
Net income for the year	34,009	33,142
Adjustments for:		
Fixed assets depreciation	418,392	374,278
Interest received	(1,021)	(1,001)
Financing costs	3,001	2,975
Decrease/(Increase) in stocks	345	(299)
Increase in debtors	(24,880)	(7,424)
(Decrease)/Increase in creditors	(54,207)	80,569
Net cash provided by operating activities	375,639	482,240

17 Analysis of net funds

	1 August 2016 £	Cash- flow £	31 July 2017 £
Net cash:			
Cash at bank and in hand	1,221,246	119,947	1,341,193
Hire purchase leases	(27,495)	13,748	(13,747)
Net funds	1,193,751	133,695	1,327,446

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

18 Finance leases

The total minimum lease payments under finance leases are as follows:

	31 July 2017	31 July 2016
	£	£
Within 1 to 2 years	-	13,747
Over one year	-	13,747
Within 1 year	13,747	13,748
	13,747	27,495

The School had a capital commitment at 31 July of £nil (2016: £82k in relation to the Music and Classroom creation projects).

19 Related party transactions

Malvern College

At the end of July 2017, £11k was owed by the School to Malvern College for amounts paid by Malvern College on behalf of the School (2016: £5k). At the end of July 2017, £13k was owed to the School by Malvern College for amounts paid by the School on behalf of the Malvern College (2016: £nil).

The School paid £90k (2016: £60k) to Malvern College for the provision of bursarial services throughout the year.

A donation of £43k (2016: £14k) was made by Malvern College to The Downs Malvern during the year in recognition of the concessions offered to staff at Malvern College by The Downs Malvern.

A loan of £4k (2016: £6k) to the Headmaster was outstanding at the year end. The loan was for expenditure in relation to furnishing and equipping the Headmaster's house and is being repaid monthly. An interest rate of 4.75% pa is applied to this loan.

SMB Ltd undertook project work in 2016 and 2017 on the Music School and on the construction of two classrooms at the School. SMB Ltd is run and owned by Mr S Morris, brother of Mr D Morris, who is a Governor of the School. The tender process was undertaken fully at 'arms length'.

20 Taxation

The School was a registered charity throughout the year and, as such, for its charitable (primary purpose) trading was not liable to corporation tax on the surplus of income over expenditure for the year, or to capital taxes on gains arising from the disposal of assets. For any surplus, over the small trading exemption on non-primary purpose trading, corporation tax will be payable.

21 Capital

The School is a company limited by guarantee. Each member has undertaken to contribute £10 to the assets of the company to meet its liabilities if called on to do so. The total amount guaranteed by members at 31 July 2017 was £110 (2016: £110).

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2017 (continued)

22 Comparative SOFA

	Unrestricted Funds	Restricted Funds	2016 Total
	£	£	£
INCOME FROM:			
Charitable activities			
School fees	2,596,045	-	2,596,045
Ancillary trading income	362,570	-	362,570
Trading activities	69,841	-	69,841
Investments	1,001	-	1,001
Donations	2,500	44,036	46,536
TOTAL	3,031,957	44,036	3,075,993
EXPENDITURE ON:			
Raising funds			
Financing costs	2,975	-	2,975
Charitable Activities			
Provision of Education	2,994,392	45,484	3,039,876
TOTAL	2,997,367	45,484	3,042,851
Net expenditure and net movement in funds	34,590	(1,448)	33,142
RECONCILIATION OF FUNDS			
Fund balances b/f 1 August	6,709,184	7,703	6,716,887
Fund balances c/f 31 July	6,743,774	6,255	6,750,029