

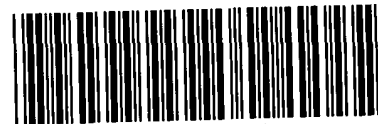
INDEPENDENT SCHOOLS INSPECTORATE

(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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COMPANIES HOUSE

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

COMPANY INFORMATION

Directors	Carolyn Tanya Brown (appointed 11 March 2019) Christine Anne Swabey Fraser Stuart Burrill Freya Caroline Guinness (appointed 11 March 2019) Jamie Robert Drummond Smith Mark Howard Stephens Paul Roger Cook Philip James Beach (appointed 11 March 2019) Simon Graham Camby (appointed 11 March 2019)
Registered number	06458829
Registered office	1st Floor CAP House 9-12 Long lane London EC1A 9HA
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

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INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

CHAIR'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Chair presents her statement for the period.

I am delighted to introduce the annual report and accounts for the Independent Schools Inspectorate for 2018, my first full year as Chair of the Board of Directors. It has been an important year in the development of the organisation, marking ten years since its incorporation as a separate legal entity. Although our core purpose has not changed during that time, namely to advance education and to promote and safeguard the well-being of children and young people through school inspection services, the world around us has continued to change, challenging us to reflect on our practice, our governance and our reach and ambition.

The schools we inspect are characterised by their diversity, ranging widely in size, geographic spread, age range, boarding and day schools, mixed ability or with a specialist focus. The inspection framework needs to be relevant to all these schools and we value feedback received from individual inspections as well as through more formal mechanisms such as regular meetings with ISC Associations. Individual inspection teams are led by highly qualified Reporting Inspectors and it is a reflection of their commitment to supporting school improvement and outcomes for pupils that the current inspection framework is in large measure well received. The Chief Inspector has a continuing focus on quality assurance and professional development, and peer review remains a valued part of the process, helping spread the good practice that is so often evident in the schools we inspect.

Hearing the voice of the child continues to be a focus for inspector training and underscores our commitment to putting safeguarding of children at the centre of all our activity. We have stepped up our engagement with IICSA, bringing much of the work in house, both to better manage the financial consequences, but more importantly to ensure we are taking every opportunity to reflect on our own practice to proactively engage in the debate about how to improve safeguarding in our schools. We remain mindful that IICSA is addressing one particular aspect of safeguarding, but children and young people today face an increasingly challenging world, with managing social media and internet access requiring new approaches to protecting children from harm.

We began the year with an extensive consultation exercise with all our key stakeholders, which has proved an important catalyst for developing a more open and transparent culture at ISI. We appreciate that our schools face many challenges, not least financial, and how we communicate with them around inspection fees and our own financial condition required a fresh approach. This report is a step towards increased transparency and we also welcome the setting up of a fees working group with a number of bursars from the sector to receive feedback and advice. We are committed to maintaining fees at the current level with only inflationary adjustments for the remainder of the current cycle and are confident the much improved financial position will support this.

In the last annual report, I indicated we planned to review our governance structure, both to ensure we complied with the highest possible standards of contemporary governance and to improve our relationships with the schools we inspect, their associations, as well as Ofsted and the Department for Education. That we have achieved a successful transition from a representative form of governance, to one based on skills and experience, is a tribute in particular to the Directors and Members who applied themselves so diligently and thoughtfully throughout the year to work through the issues. Their names are provided later in this report and I would like in particular to thank all those who stepped down as a result of the changes, both for their support during the governance review and importantly for their contribution to ISI over many years.

We have as a consequence welcomed new members to the Board, and together we look forward to working with the team at ISI as we begin consultations on a new strategy. Caroline Hoare joined us as the new Chief Executive in July of 2018, and she has already set about refreshing the executive team, recognising the need to invest in our staff as we continue to develop a professional and sustainable organisation that is well placed to support our ambitions. On behalf of the Board, I would like to thank everyone at ISI for their hard work and dedication during another year of change. Thanks to their efforts, we are now able to build on sure foundations to extend our mission and ensure inspection adds value both to the schools we inspect and to the broader educational landscape.

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

CHAIR'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

Name Christine Swabey
Chair

Date 12 June 2019

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors 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 Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

ISI's Mission

Our mission is to ensure that children and young people in independent schools and colleges in the UK and internationally stay safe and receive high quality, effective education.

What We Do

The Independent Schools Inspectorate (ISI) inspects independent schools in England which belong to one of the associations in the Independent Schools Council. There are seven associations in the Independent Schools Council, namely the Girls' School Association, the Headmasters' and Headmistresses' Conference, the Independent Association of Prep Schools, the Independent Schools Association, the Society of Heads, the Association of Governing Bodies and the Independent Schools Bursars' Association. Eighty per cent of pupils in independent education in the UK attend a school inspected by ISI. The remaining twenty per cent attend an independent school inspected by Ofsted.

ISI carries out its inspections under authority and licence from the Department for Education (DfE), which is the regulator in all matters of school inspection in England. ISI is also approved by the DfE to undertake inspections of British Schools Overseas (BSO) and authorised by the Home Office to inspect Private Further Education Colleges (PFE) seeking to recruit students from abroad.

Each school that ISI inspects is scheduled to have two inspections (a regulatory compliance inspection and an educational quality inspection) within a six-year period. The current cycle began in 2016 and ends in 2022. ISI inspection reports for regular cycle inspections are available to the public on the ISI website and always on a school's own website.

ISI is a not for profit organisation, committed to making efficient use of its resources in pursuit of its educational mission and adding real value to the schools it inspects and to the broader education sector. It has a wholly owned subsidiary, ISI Consultancy Ltd (ISIC), which carries out training and consultancy in the UK and overseas. ISI Consultancy, British Schools Overseas and Educational Oversight inspections generate additional income, and all profits from these activities are reinvested in ISI, in its people and systems, in order to ensure the organisation can continue to develop and enhance its services.

ISI inspections are known for their quality, offering constructive professional dialogue grounded in the realities of current educational practice. We use the standards against which we inspect as a baseline, not a ceiling, in assessing outcomes for pupils. The peer review element of our inspection teams also enables us to share best practice and current thinking for the benefit of the sector as a whole.

Review of Activities in 2018**How we are governed**

ISI is a not-for-profit company limited by guarantee, with a board of directors and company members.

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

The directors who served during the year were:

Andrew Simon Hampton* (resigned 8 March 2019)
Charles Lionel Elvin (resigned 30 June 2018)
Damian James Ettinger* (resigned 8 March 2019)
David William Taylor* (resigned 8 March 2019)
Emma Hattersely* (resigned 8 March 2019)
Fraser Stuart Burrill
Jamie Robert Drummond Smith
Mark Howard Stephens
Mark Nicholas Hartley* (appointed 5 June 2018, resigned 8 March 2019)
Penelope Sari Kirk* (resigned 30 June 2018)
Paul Roger Cook
Stephen Adrian Holliday* (resigned 8 March 2019)
Valerie Ann Dunsford* (resigned 8 March 2019)
Christine Anne Swabey
*Directors nominated by one of the ISC associations

The members of ISI during 2018 were (all nominated by ISC associations):

Garry Bowe
Paul Motte
David Vanstone
Margaret Milner-Williams
Michael Jeans
Marion Gibbs

ISI was advised on the review of its governance arrangements by the law firm Bircham Dyson Bell (BDB), specialists in governance for the not-for profit sector. The Board created a governance working group (GWG) to oversee the review, its membership drawn from the Board, both independent and association directors and the members. GWG thoroughly considered the outcomes of the stakeholder consultation exercise and BDB's advice, and new articles of association were drawn up and adopted by the Board and members by unanimous resolution on 19 September 2018. The new articles came into effect from 1 January 2019.

Following the adoption of new articles, the members of ISI are now the same as the directors. Under the new articles, the ISC associations no longer nominate directors to ISI's Board. All directors are independently recruited and following an open recruitment process, four new directors were appointed in February 2019. The appointments were made against a skills matrix agreed by the Board. The Director roles are unremunerated.

Committees

The Board was supported in exercising its responsibilities in 2018 by two Board sub-committees, as follows:

- **The Finance and Risk Committee**

As well as Board directors with extensive financial experience, we have a school bursar as an external member of our Finance and Risk Committee (FRC). This helps us understand the financial pressures that schools face, and how to engage with schools on billing and fee structures. The FRC also maintains an overview of the major risks facing ISI and its strategies for mitigating these.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

• **The Nominations and Remuneration Committee**

This committee advises the Board on appointments to the Board, its committees and the Educational Advisory Forum. It also makes pay and reward recommendations for senior staff.

As part of the new governance arrangements agreed in September 2018, the Board resolved to establish a new Educational Advisory Forum (EAF) in 2019. This will be a valuable source of expert educational advice and guidance for the Board's strategic thinking, helping us deliver world-class inspections and contribute to the development of education in the UK and internationally.

Quality Assurance

ISI is quality-assured by the Department for Education, which is the regulator for all schools in England. They require Ofsted to undertake a range of monitoring activities which includes onsite visits and reviews of reports. We publish their monitoring report on our website too.

ISI has extensive internal systems for its own quality assurance and we have continued to develop these during 2018. Feedback is gathered from all schools and inspection teams after inspections and is used to support inspector training and enable collection and analysis of robust data. It also informs the development of inspection materials and processes.

Inspections

In 2018, ISI undertook 366 Regulatory Compliance inspections and 81 Educational Quality inspections. In the same period, the DfE commissioned ISI to undertake 23 additional inspections, 25 material change visits and 58 progress monitoring visits. Educational oversight, monitoring visits and financial checks were conducted for 63 private further education colleges in 2018 and ISI conducted 16 British Schools Overseas (BSO) inspections during the year.

Safeguarding

Safeguarding has been a major area of focus as usual this year. The inspection of safeguarding is threaded through all our inspection activities, including the analysis of policies and school records, pupil and staff interviews, observations, questionnaires and discussions. Inspectors scrutinise closely how the culture of the school safeguards and promotes the welfare of pupils. We seek to work across organisational boundaries to engage with other agencies to share best practice and learnings in safeguarding. We have a dedicated staff member at the central office to discuss any safeguarding concerns that anyone may have about an ISC school and advise on how best to proceed, depending on the nature of the concern.

This year we have continued to engage with the Independent Inquiry into Child Sexual Abuse, where we have given evidence and will do so again in the next phase of the inquiry. The inquiry's scope is wide-ranging and there will be many learnings from its activities, feeding into our own continuous process of reflection and improvement of our practice. Our work on IICSA in 2018 has required a significant commitment of resources, primarily in terms of staff time, with a consequent reduction in external legal costs. This is likely to remain on the agenda for some time to come, with further investigations by IICSA planned for 2019 and 2020 on residential schools.

Our Inspector body

We take great pride in our inspectors. They are a highly experienced and extensively trained body of people, who have generally been senior leaders in independent schools, so they are familiar with the challenges schools face. The most senior inspectors (Reporting Inspectors) have an in-depth initial training programme and then biannual training, as well as an annual conference. Team Inspectors also undergo an initial training programme and from 2019 will have their own annual conferences. There are times when our inspectors need guidance or

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

simply a second opinion. For this we have a small body of very experienced inspectors, one of whom is always on-call, to support our two Deputy Chief Inspectors in answering questions and providing clarification.

In 2018 we trained over 700 people on 20 different courses. 160 new Team Inspectors joined us and 20 new Reporting Inspectors. 106 Reporting Inspectors attended their annual update training and 90 new heads attended a New Heads event.

Staffing

2018 saw a number of changes in ISI's staffing. We chose not to fill some vacancies arising during the year, and refocussed other posts to better manage cost and support the organisation's development.

We have brought more inspection expertise in house, to build our expertise in a sustainable way and reduce our reliance on external costs. The two new Deputy Chief Inspectors appointed in 2018 will provide enhanced capacity to support the Chief Inspector in ensuring our inspection services are of the highest quality.

Professional development for staff and inspectors has been an increased area of activity, and we have therefore appointed a Learning and Development Manager in order to expand our programme, including more distance learning to complement our face-to-face offer.

Management of Resources

We have continued to manage our resources efficiently, while investing prudently in our staff and systems, in order to deliver the best service possible. This focus on cost control, alongside an increase in income from BSO and PFE inspections, contributed to a significant improvement in ISI's financial position at the end of 2018. For example:

- We negotiated the surrender of our ground floor office lease at our head office in London in 2018, and planned for the consolidation of our operations onto one floor in order to save costs in the future and at the same time to create a more collaborative working environment.
- The 2018 budget included contingency for significant external legal spend on IICSA. Given the scope of ISI's involvement in the Inquiry during 2018, we were able to manage most of the legal work in-house this year and therefore did not incur substantial external cost.
- A review of our IT support costs delivered both in-year and sustainable savings. We developed our IT infrastructure in-house to support both inspection delivery and data analysis, as well as strengthening our cyber security. We also introduced new, robust policies and processes to meet GDPR requirements and to ensure the security and integrity of the data we hold.
- Choosing not to fill some vacant roles and to delay recruitment to others generated a significant reduction in 2018 staffing costs.
- We carried just under half the number of "brought forward" inspections provided for in the budget (ie where DfE requests an inspection of an individual school to be brought forward or for additional inspections to be undertaken).

These factors meant that in 2018 ISI made a surplus of £1,356,476 before tax (2017: £440,705 loss). This surplus enabled an improvement in our reserves, thereby ensuring that we can fund the forthcoming inspections during the second half of the six-year inspection cycle and also meet unpredictable costs such as those stemming from our involvement in IICSA.

We are now half way through our current inspection cycle and the majority of scheduled educational quality inspections (EQIs) fall within the second half of the cycle. An EQI is more extensive than a regulatory compliance inspection and therefore more expensive to deliver. ISI has to budget over the whole six-year period so that it

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

has sufficient reserves to meet the higher costs towards the end of the cycle, while spreading inspection fees evenly over the cycle to reduce the burden on schools. In addition, the timing of "brought forward" inspections is largely outside ISI's control, and means that we must operate with a reasonable financial cushion to be able to deliver such inspections as required.

The ISI reserves policy is based on a maximum targeted reserve of £3m. This can be split into an operational reserve of £1.5m, which is equivalent to six months' worth of overheads, and an inspection-related reserve of £1.5m to meet the higher costs in 2020 and 2021 arising from the EQIs referred to above, whilst restricting fee increases to the rate of inflation. The Board sees rebuilding and sustaining a reasonable level of reserves as a key part of ISI's strategy.

At the end of 2018 the group reserves stood at £1.6m, meeting our operational reserves target ahead of expectations. The overall reserves target remains a priority for the reasons given above.

ISI Consultancy

ISI Consultancy provides training for education professionals in the UK and internationally. It also offers international inspection and other school support services.

We offer a wide range of seminars in our London offices, from How to Measure Progress to Demystifying the Single Central Register. In 2018 we trained over 600 education professionals. Our seminars are well-attended and get good feedback. We regularly refresh the course offering, to reflect emerging themes from inspection and ensure that we address the changing needs of our schools.

On the international front, we know that British education is held in high-esteem in most of the world, and we are drawing on our expertise in the UK to develop a range of training and other services to support English-speaking schools in other countries.

Future Strategy

2019 will be a year of consolidation, continuing to improve our core services and strengthen our dialogue with schools, ISC associations and the education sector as a whole. Recognising the importance of this, we have recently appointed a Communications and Stakeholder Engagement Manager to develop a comprehensive communications strategy.

Our major focus for the year will be developing ISI's strategy for the next three years, articulating how we will deliver world-leading school inspection services and contribute effectively to the continuous improvement of education and safeguarding, both in the UK and internationally. Education and safeguarding are constantly changing – whether through technological advances, social trends or new research – and we want to reflect best practice nationally and internationally.

We are keen that this process is fully informed by the views of our key stakeholders, and will therefore be consulting widely. We want to understand better what we do well and how we could add more value to the schools we inspect and more broadly, celebrating and sharing best practice. Gathering feedback will continue to ensure that our work helps schools create positive outcomes for their pupils – the young people at the heart of everything we do.

INDEPENDENT SCHOOLS INSPECTORATE
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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 12 June 2019 and signed on its behalf.



Jamie Robert Drummond Smith
Director

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDEPENDENT SCHOOLS INSPECTORATE

Opinion

We have audited the financial statements of Independent Schools Inspectorate (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets and the related notes, 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 of the parent Company's affairs as at 31 December 2018 and of the Group's profit 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent 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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

INDEPENDENT SCHOOLS INSPECTORATE
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDEPENDENT SCHOOLS INSPECTORATE
(CONTINUED)

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group strategic report and the Directors' report have 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Group strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, the directors 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 directors 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 directors are responsible for assessing the Group's and the parent 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 directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDEPENDENT SCHOOLS INSPECTORATE
(CONTINUED)

Auditors' 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 Auditors' 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 Auditors' report.

Use of our report

This report is made solely to the 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 Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Thomas Wilson (Senior statutory auditor)

for and on behalf of
Haysmacintyre LLP

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

~~12 June 2019~~

19 July 2019

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Income	6,763,463	5,962,862
Operating expenses	(2,777,884)	(3,460,462)
Gross surplus	3,985,579	2,502,400
Administrative expenses	(2,638,610)	(2,839,390)
Impairment charges	-	(104,942)
Operating surplus/(deficit)	1,346,969	(441,932)
Interest receivable and similar income	9,507	1,227
Surplus/(deficit) before tax	1,356,476	(440,705)
Tax on surplus/(deficit)	(1,806)	1,698
Surplus/(deficit) for the year	1,354,670	(439,007)

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 16 to 22 form part of these financial statements.

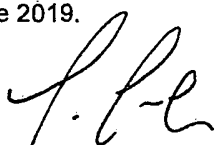
INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)
REGISTERED NUMBER: 06458829

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	4	155,703	207,605
Tangible assets	5	157,329	14,507
		<u>313,032</u>	<u>222,112</u>
Current assets			
Debtors: amounts falling due within one year	6	165,955	197,698
Cash at bank and in hand		1,626,974	390,288
		<u>1,792,929</u>	<u>587,986</u>
Creditors: amounts falling due within one year	8	(515,013)	(573,819)
Net current assets		<u>1,277,916</u>	<u>14,167</u>
Total assets less current liabilities		<u>1,590,948</u>	<u>236,279</u>
Net assets		<u>1,590,948</u>	<u>236,279</u>
Reserves			
Income and expenditure account		1,590,948	236,279
		<u>1,590,948</u>	<u>236,279</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 June 2019.



Jamie Robert Drummond Smith
Director

The notes on pages 16 to 22 form part of these financial statements.

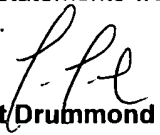
INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)
REGISTERED NUMBER: 06458829

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	4	155,704	207,605
Tangible assets	5	156,951	14,009
Fixed asset investments		250,000	250,000
		<u>562,655</u>	<u>471,614</u>
Current assets			
Debtors: amounts falling due within one year	6	344,266	173,923
Cash at bank and in hand		1,312,501	281,421
		<u>1,656,767</u>	<u>455,344</u>
Creditors: amounts falling due within one year	8	(481,675)	(525,665)
Net current assets/(liabilities)		<u>1,175,092</u>	<u>(70,321)</u>
Total assets less current liabilities		<u>1,737,747</u>	<u>401,293</u>
Net assets		<u>1,737,747</u>	<u>401,293</u>
Reserves			
Income and expenditure account		1,737,747	401,293
		<u>1,737,747</u>	<u>401,293</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 June 2019.


Jamie Robert Drummond Smith
 Director

The notes on pages 16 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

1.3 Going concern

The Directors consider there are no material uncertainties about the Company's ability to continue as a going concern. The review of our financial position, reserves levels and future plans gives Directors confidence that ISI remains a going concern for the foreseeable future.

1.4 Income

Income is generated from annual inspection fees and is recognised net of VAT in the year to which it relates. The company operates a six year cycle and charges an annual fee so that schools can plan more effectively for budgetary purposes.

1.5 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.6 Taxation

Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

1.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

1.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Leasehold Improvements	- Over the period of the lease
Fixtures and fittings	- 15% on cost
Office equipment	- 15% on cost
Computer equipment	- 33% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

1.9 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Auditors' remuneration

Fees payable to the Group's auditor for the audit of the Group's annual financial statements totalled £10,350 (2017: £10,000).

3. Employees

The average monthly number of employees, including directors, during the year was 29 (2017 - 30).

4. Intangible assets

Group

	Software £
Cost	
At 1 January 2018	207,605
At 31 December 2018	<u>207,605</u>
Amortisation	
Charge for the year	51,902
At 31 December 2018	<u>51,902</u>
Net book value	
At 31 December 2018	<u><u>155,703</u></u>
At 31 December 2017	<u><u>207,605</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Intangible assets (continued)

Company

	Software £
Cost	
At 1 January 2018	207,605
At 31 December 2018	<u>207,605</u>
Amortisation	
Charge for the year	51,901
At 31 December 2018	<u>51,901</u>
Net book value	
At 31 December 2018	<u>155,704</u>
At 31 December 2017	<u>207,605</u>

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. Tangible fixed assets

Group

	Long-term leasehold improvements £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2018	212,803	50,938	3,584	138,654	405,979
Additions	128,635	890	-	31,768	161,293
At 31 December 2018	341,438	51,828	3,584	170,422	567,272
Depreciation					
At 1 January 2018	212,803	46,164	537	131,967	391,471
Charge for the year on owned assets	-	2,132	509	15,831	18,472
At 31 December 2018	212,803	48,296	1,046	147,798	409,943
Net book value					
At 31 December 2018	128,635	3,532	2,538	22,624	157,329
At 31 December 2017	-	4,773	3,047	6,687	14,507

INDEPENDENT SCHOOLS INSPECTORATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. Tangible fixed assets (continued)

Company

	Long-term leasehold property £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2018	212,803	50,327	3,393	138,654	405,177
Additions	128,635	890	-	31,768	161,293
At 31 December 2018	341,438	51,217	3,393	170,422	566,470
Depreciation					
At 1 January 2018	212,803	45,860	537	131,967	391,167
Charge for the year on owned assets	-	2,012	509	15,831	18,352
At 31 December 2018	212,803	47,872	1,046	147,798	409,519
Net book value					
At 31 December 2018	128,635	3,345	2,347	22,624	156,951
At 31 December 2017	-	4,466	2,856	6,687	14,009

6. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	98,156	66,167	55,761	28,972
Amounts owed by group undertakings	-	-	223,417	17,530
Other debtors	13,594	9,715	13,594	9,715
Prepayments and accrued income	54,205	121,816	51,494	117,706
	165,955	197,698	344,266	173,923

INDEPENDENT SCHOOLS INSPECTORATE
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank and cash balances	1,640,078	390,288	1,312,501	281,421
	<u>1,640,078</u>	<u>390,288</u>	<u>1,312,501</u>	<u>281,421</u>

8. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	24,756	189,273	9,476	189,096
Other taxation and social security	41,059	50,123	41,059	50,123
Accruals and deferred income	449,198	334,423	431,140	286,446
	<u>515,013</u>	<u>573,819</u>	<u>481,675</u>	<u>525,665</u>

9. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

10. Pension commitments

The Company operated a defined contributions pension scheme covering all of its employees with a charge for the year of £151,887 (2017: £125,803). The employer's contributions are charged to the profit and loss account in the year in which they arise. No further liabilities accrue to the Company under this scheme.

11. Controlling party

There is no individual holding ultimate control of the company.