

Company Number: 00522385
Registered Charity Number: 310283

Millfield

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

for the year ended

31 August 2017



Company Number: 00522385
Registered Charity Number: 310283

Millfield

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GOVERNORS, OFFICERS AND ADVISORS for the year ended 31 August 2017

GOVERNORS

The Governors of Millfield ("the School") are the School's charity trustees under charity law and the directors of the charitable company. During the year the activities of the Governing Body were carried out through five committees. In addition to the committees some members of the Governing Body also act as trustees for Millfield Retirement Benefits Scheme and as directors of subsidiary companies (Millfield School Enterprises Limited and Millfield Overseas Limited). The members of the Governing Body who served in office as Governors during the year and subsequently are detailed below.

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Roland Rudd	Chairman		*						
Stuart Burns	resigned 20 August 2017				*				
Wim Bushell				*c				*c	
Richard Clark			*					*	
Clare Cripps				*			*		
Stephen East	appointed 24 March 2017	*	*						
Richard Exley	Deputy Chair	*	*c						
Christobel Flood	resigned 23 January 2018				*				
Tim Griffiths	appointed 24 March 2017		*					*	
Kate Griggs	appointed 16 June 2017								
Christopher Hirst				*	*				
Andrew Jackson			*			*		*	
John Lever				*	*				
John Maudslay		*					*		
Atul Patel		*c	*						*
Sir John Reith KCB, CBE	resigned 24 March 2017		*						
Anabel Sexton									
Marc Simon						*			
Timothy Taylor					*c				
Robert Thornton				*	*				
Peter Warner					*				
David Williamson			*			*	*c		*c

*c denotes the current Chair of a committee or board.

1. Audit, Compliance and Risk Committee
2. Building and Finance Committee
3. Appointments Committee
4. Education Committee
5. Development Committee (chaired by the Headmaster)
6. Trustee, Millfield Retirement Benefits Scheme
7. Director, Millfield School Enterprises Limited
8. Director, Millfield Overseas Limited

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GOVERNORS, OFFICERS AND ADVISORS (*continued*)
for the year ended 31 August 2017

OFFICERS - (key management personnel currently and throughout the year)

Craig Considine	Headmaster of Millfield
Shirley Shayler	Headmistress of Millfield Prep School
Mark Suddaby	Bursar of Millfield Schools

SECRETARY AND CLERK TO THE GOVERNORS

Rachel Summerhayes

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SOLICITORS

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REPORT OF THE GOVERNING BODY for the year ended 31 August 2017

The Governors present their Annual Report and financial statements for the year ended 31 August 2017 and confirm that they comply with the requirements of the Charities Act 2011, the Companies Act 2006, and the Charities SORP FRS 102.

The Governing Body confirms that the financial statements comply with the charity's governing document, with current statutory requirements, with applicable accounting standards in the United Kingdom, and with the Charities Statement of Recommended Practice (FRS 102).

Structure, Governance and Management

Governing Documents

Millfield ("the company" or "the School") is a company limited by guarantee, first incorporated as Millfield School Limited on 4 August 1953 and constituted under Memorandum and Articles of Association dated 9 November 1979 and last amended on 21 March 2014. It is also a registered charity, number 310283.

Governing Body

The Governing Body is self-appointing. Governors are usually appointed for a three year term of office. Retiring Governors are eligible for re-appointment. New Governors are appointed by the Governing Body on the recommendation of the Appointments Committee. Candidates are proposed by existing Governors on the basis of the expertise and experience they can offer the School, taking into consideration the regular skills audit of the Governing Body against the categories of skills deemed necessary by the Governing Body for providing proper management oversight and control.

Recruitment and training of Governors

Appropriate information and training is provided to new Governors. They are provided with induction information, a Governors' Handbook and information on their responsibilities as a charity trustee. They meet for individual briefings with the members of the Executive Group, the Chairman of Governors and relevant senior staff members. The Governing Body recognises that new Governors must feel confident that they are equipped to meet their statutory and wider legal responsibilities and appropriately tailored courses and further information are made available to them through the Clerk to the Governors. Where appropriate, members of the Governing Body attend external trustee training and information courses designed to keep them informed and updated on current issues in the sector and regulatory requirements. All Governors receive safeguarding training as part of their induction which is updated every three years. Indemnity insurance is in place for Governors. During the year, Millfield paid £3,052 (2016: £2,992) in respect of indemnity insurance for its Governors.

Organisational management

The members of the Governing Body, as the charity trustees, are legally responsible for the overall management and control of the School, including policy setting and strategic planning. The detailed work of the Governors is delegated to five committees, each of which operates under terms of reference which are approved by the Governing Body, and which are required to report to the full Governing Body on a regular basis.

- Audit, Compliance and Risk Committee
- Building and Finance Committee
- Appointments Committee
- Education Committee
- Development Committee

In addition to the committees, certain members of the Governing Body also act as trustees for Millfield Retirement Benefits Scheme and as directors of Millfield School Enterprises Limited and Millfield Overseas Limited.

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REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Structure, Governance and Management (*continued*)

Organisational management (continued)

The day to day running of the School is delegated to the Headmaster of Millfield, the Headmistress of Millfield Prep School, and the Bursar of Millfield Schools ("the Executive Group") as key management personnel, who in turn are supported by their Senior Management Teams ("SMT"). The Heads and Bursar attend meetings of the Governing Body's Committees.

The remuneration of key management personnel is set by the Governing Body, with the policy objective of recruiting and retaining appropriately qualified and experienced personnel and of rewarding them fairly and responsibly for their contribution to the School's success.

The appropriateness and relevance of the remuneration policy is reviewed annually, including reference to comparisons with other independent schools, to ensure the School remains sensitive to the broader issues of pay and employment conditions elsewhere.

The School aims to recruit, develop and retain high quality teaching and non-teaching staff who support the School's ethos and objectives. Delivery of the School's charitable vision and purpose is primarily dependent on its key management personnel and staff costs are the largest single element of the School's charitable expenditure.

Group Structure and Relationships

The School provides independent (boarding and day) education for boys and girls between the ages of 2 and 7 years (pre-prep day only school), 7 and 13 years (prep school) and 13 and 18 years (senior school).

In addition to its principal activity, the School also operates a wide variety of educational and recreational holiday courses, retail outlets and related activities, some of which are carried out through a trading subsidiary company, Millfield School Enterprises Limited. All surpluses from these activities are reinvested in the School for the benefit of its principal educational activity.

The School also owns 100% of the share capital of Millfield Overseas Limited, a company incorporated on 21 December 2012 which has remained dormant since incorporation.

Employee Involvement and Equal Opportunities

Regular meetings are held throughout the organisation, in which current issues, teaching and non-teaching, are discussed with staff. The Governors are committed to ensuring that Millfield provides equality of opportunity in recruitment and employment. All applicants for employment and existing employees are treated by reference to their particular aptitudes, abilities and relevant qualifications and receive equal treatment as provided for by law regardless of gender, sexual orientation, marital status, race, colour, nationality, ethnic or national origins, religious belief, age or disability.

Millfield recognises that disabled persons may have special requirements and makes reasonable adjustments to interview procedures, work arrangements, premises, equipment, job design, training and retraining to remove potential barriers to disabled employees in the working environment.

Investment Powers, Policy and Performance

There are no specific restrictions on the Governors' investment powers; where necessary Governors seek the advice of a qualified investment advisor prior to making any investments. At present no investments are held and cash reserves are held in short term deposits designed to achieve competitive returns at minimum risk.

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Objects, Aims, Objectives and Activities

Charitable Objects

The School's principal activity is the education and pastoral care of its pupils, reflecting the objects set out in the Articles of Association, which are:

"to establish and maintain at Millfield in the County of Somerset, a school or schools for the education of boys and girls, and young men and young women and to give to such pupils general or specialised instruction of the highest class but so that each such school shall be carried on as an educational charity and as an independent object to establish and acquire as a going concern, and carry on, support or manage elsewhere, any subsidiary or affiliated schools".

In setting the School's objectives and planning activities the Governors have given due regard to the latest guidance on public benefit published by the Charity Commission.

Mission, Vision and Strategy

Our mission is to discover and develop the potential within each pupil. Our vision comprises three elements:

- To support and nurture individuals with diverse needs to develop confidence and resilience through a wide range of opportunities.
- To serve our pupils by establishing a dynamic, international learning community based on diligence, mutual respect and understanding.
- To achieve these goals by drawing on the richness of the School environment and its people, the broader Millfield community and by encouraging each pupil to achieve their highest standards in all aspects of life.

The School's strategic vision for the period to 2020 was published in September 2016 and identifies four clear strategic priorities to achieve its Mission and Vision:

- The creation of a *Dynamic Learning Environment*, which offers an exceptional and distinctive academic experience for our pupils to prepare them for life beyond Millfield;
- A *Transformational Pupil Experience* which encompasses all modes of learning; academic, co-curricular, experiential, pastoral and sport;
- An *Engaging Lifelong Community* which sets individual pupil wellbeing within the context of the wider community;
- A *Sustainable Future* to ensure Millfield's prominence and relevance for future generations.

The enablers to achieve the strategic priorities are:

- Exceptional people - the outstanding performance and contribution of our staff.
- High-quality infrastructure - a sustainably modern, efficient and stimulating teaching and learning and work environment.
- Financial stability and growth - consolidate our overall financial strength to deliver our strategic goals and enhance the School's competitive position.
- Technology - Making the most of new technology and different ways of working, including mobile devices and green energy, to enhance teaching and learning and the work environment.

Further detail on the school's strategy can be found in the document "Millfield 2020: Our Strategic Vision", which is available on the School's website.

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REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Public Benefit

The School remains committed to the aim of providing public benefit.

Access

The Governors operate a Scholarships and Bursaries Policy, details of which are published on the school's website. This is designed to enable access to the school for talented pupils who would benefit from an education at Millfield, by offering fee discounts of up to 100%. The Governors believe this is a vital way in which to ensure that children from families who would otherwise not be able to afford the fees can access the education the school offers.

Scholarships which recognise academic, sporting, musical, artistic or all round achievement and potential may be awarded and these may be supplemented with means-tested bursaries with the objective of trying to ensure that those children who would best benefit from a Millfield education are able to do so, regardless of the financial circumstances of their parents. A limited number of bursaries may also be available on entry to Millfield in cases where a pupil does not meet all requirements for a scholarship. Once a child has entered the school, and whether or not he or she has a scholarship, the school may provide means-tested bursaries if a pupil's continuing education becomes at risk through financial hardship. Such awards also have regard to both the individual's educational ability and their contribution to the wider school community.

In the year to 31 August 2017, the total value of scholarships and bursaries (excluding staff discounts and other concessions) was £5.7 million (2016: £5.2 million), representing 11.7% of gross fee income (2016: 11.1%), and a total of 808 pupils (50% of all pupils) (2016: 766 pupils and 49% of all pupils) benefited in some way from awards.

The Millfield Foundation is an independent charity set up to raise funds for the provision of scholarships to pupils at the school and provided some financial support to a number of pupils during the year.

The School continues to give support to its pupils and to facilitate open access in many other ways. These include the provision of a Learning Support Centre at the Senior School and a Learning Development Centre at the Prep School which address various types of specific learning difficulties, predominantly dyslexia. Currently these serve over 600 pupils. Millfield prides itself in offering an educational experience which brings out the best in individuals, nurturing talents and abilities as well as enabling students to be positive in addressing their specific areas of need.

Community Partnerships

Millfield aims to be a good neighbour in the community and develops mutually beneficial partnerships wherever possible. Our facilities have again been used extensively throughout the year for public benefit by outside organisations and the local community. The School values and promotes the ethos of service, and staff and pupils are active members of the community.

The presence of overseas students at the School promotes an understanding of diverse cultures and traditions, producing an intangible benefit within the wider community in the UK. It also raises the knowledge and understanding of the UK in communities abroad.

Pupils at Millfield develop a strong sense of civic duty and a clear understanding of the value of community service, which forms a direct, intangible benefit to society as a whole, as does the sense of self-discipline and concern for others that is actively encouraged by the School.

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REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Public Benefit (*continued*)

The School actively seeks ways in which its facilities can be put to use for the benefit of the wider community. Society also benefits indirectly from the high level of academic, sporting and artistic achievements attained by the pupils and facilitated by the staff at the School, and directly by the savings to the Exchequer of funding the cost of education to UK pupils which would otherwise be borne by the state.

Examples from the many activities that provide public benefit are highlighted below:

Supporting local, national and international charities

- Providing an annual activity day for approximately 800 visitors from Mencap
- Significant fund raising by pupils and staff for a variety of local, national and international charities
- Making donations to local charities through the Millfield Educational Trust
- More than 455 pupils and staff participating in the Glastonbury Road Run and raising funds for charity
- Managing nature and wildlife reserves, providing public access to land managed for conservation purposes
- Loaning equipment and provision of facilities free of charge to local charities
- Groups of pupils running activities at Cheddar Vale Gateway Club, a social club for people with learning difficulties, organising Christmas and Spring parties for an old people's care home, accompanying children and adults with learning difficulties to Glastonbury Fair, performing concerts at local care homes and doing voluntary and conservation work at Shapwick Heath
- Local care home residents visit Millfield Prep each Wednesday to watch sports matches and enjoy match teas
- Pupils' voluntary work includes visits to local retirement homes, volunteering for charities and other community activities through the Duke of Edinburgh Award scheme
- Providing facilities to Mercy Ships for fundraising events
- Providing local children with special needs with a unique educational experience through the Greatwood Horsepower programme
- Millfield Prep boarding pupils took part in a Tough Mudder event, raising more than £1,600 for Special Boat Service bereaved families charity
- Staff and pupils visited a game reserve in India to take part in local conservation efforts as well as painting a local school
- Pre-prep pupils raised more than £700 for the Canine Partners 'Dogs for the Disabled' programme as part of their Christmas fun and games events

Promoting sports in the community

- Hosting a number of local community swimming clubs on a regular basis, opening up our facilities and giving access to our 50 metre swimming pool. We also run lifeguard training courses for local people
- Hosting, organising and providing facilities for a huge number of clubs, schools and representative organisations, including athletics, hockey, netball, cricket, tennis, basketball, golf, football and fencing
- Use of Astroturf training facilities for local youth football clubs
- Hosting the Mendip Cross Country League events and the English Schools Cup
- Hosting the British Equestrian horse trials which is open to the public
- Hosting rugby courses for local rugby coaches such as the Activate course
- Multi-activity courses are available at a subsidised rate for local children to enable them to experience and benefit from a range of activities during school holidays together with children of the same age groups from around the world
- Millfield grounds staff teach on courses for the Institute of Groundsmanship to assist in the development of better playing surfaces for local communities
- Organising sports days for local schools

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REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Public Benefit (*continued*)

Promoting drama, music and the arts in the community

- High standard drama, dance and music productions are provided by our staff and pupils free of charge to the public in excellent facilities
- An art gallery and a sculpture park are open to the public. During the year the Atkinson Gallery hosted five public exhibitions.
- Free concerts attended by local elderly people are held in the Johnson Hall and in local parish churches
- A choral society open to members of the local community with weekly rehearsals run by our staff and an annual concert in Wells Cathedral
- Providing free tea and dance events for children from local primary schools and special schools and elderly people from local care homes
- Organising a writing competition for local schools through our Prep School
- Providing a series of professional concerts featuring renowned international musicians. This includes an outreach event involving a workshop for local primary school children
- Hosting a joint concert with the Singing Children of Africa at the Prep School to help raise funds for Educate the Kids charity
- Providing music workshops with local primary schools
- Providing three workshops for a local junior school of drawing, printing or ceramics with two local artists, which resulted in an exhibition of the pupils' work in the Atkinson Gallery foyer. There was a private view for pupils, parents and staff as part of the local artists exhibition
- Sponsorship of events at the Wells Festival of Literature

Assisting local state schools and colleges

- Cyber Security learning festival for Millfield Prep pupils and local secondary school pupils
- Lego learning festival for Millfield Prep pupils and local primary school pupil
- Robot Workshop held in conjunction with High Ham and Kingsbury Episcopi Primary Schools
- Outreach Tennis courses held at local primary schools
- Hosting the Somerset regional UK Chess Challenge with 100 of the best players from across the county competing
- Hosting the UK Mathematics Trust team maths challenge regional final
- Hosting and providing initial teacher training in a range of subjects in association with Mid-Somerset Consortium
- Providing facilities for SAT test candidates from the region for US university entrance
- Taking groups of children and teachers from local schools to Worley Hill for guided walks and practical conservation experience
- Hosting pupils from Durrington High School for an afternoon of sports activities
- Providing a wide range of lectures, conferences and competitions to which pupils from other schools are invited
- Hosting work experience for trainee teachers

Bobby Moore Academy

Two of Millfield's Governors have been appointed as Governors of the Bobby Moore Academy ("the Academy"), a new free school in the Queen Elizabeth Olympic Park, London which opened in September 2017 as part of the David Ross Education Trust. This establishes a strong link between the School and the Academy and it is intended to develop a range of educational and sporting partnerships.

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Strategic Report

Review of the Year's Principal Achievements and Performance

Pupil Numbers

The Governors aim to maintain a Millfield "Mix" which encourages a diverse balance in the School community. An analysis of the number and percentage of pupils during the year is shown in the table below:

	Millfield	MPS/Pre-Prep
1. Overseas pupils	20%	14%
2. Day pupils	319	297
3. Boarders	938	134
4. Boys	61%	51%
5. Girls	39%	49%
6. Nationalities	60	23

Educational Performance

The School aims to offer a far broader educational experience than can be measured simply by pupil success in public examinations. With around 600 pupils in the sixth form, Millfield has a much larger number of candidates sitting A levels than many schools of equivalent standing. The top 100 pupils in our Upper Sixth regularly achieve grades which are equivalent to or better than entire year groups of a similar size in more selective schools. At A Level, the pass rate amongst Upper Sixth pupils was 98.9% (2016: 99.1%) and 52.6% of entries were awarded A*, A or B grades (2016: 55.6%). The 100 highest achieving candidates gained excellent results: 91.1% of entries from this group were awarded A*, A or B grades and 30 individual pupils achieved three or more A grades.

There were also strong results from pupils who took the Advanced Vocational Qualifications. In the four BTEC courses offered (Art & Design, Business, Sport and Music Technology), the pass rate was 100% with 78% of entries achieving distinctions.

Sixth form pupils leave Millfield to attend a wide variety of higher education institutions, including Oxbridge, the Russell Group universities and leading arts and music colleges, or move into professional sport. In addition, Millfield provides specialist support to pupils looking to study in the US and a sizeable proportion of leavers gain places at North American universities. In 2017, 37 leavers and former pupils were offered places at North American universities and many more accepted places at 19 different Russell Group universities.

At GCSE, 89.9% of Year 11 pupils achieved five or more passes at grades A* to C with 43.4% of entries being awarded A* or A grades. The proportion of entries gaining A* or A grades amongst the 100 highest achieving candidates at GCSE was 75.6%. 31 individual pupils achieved 10 or more A* or A grades at GCSE.

Quality Staff

The pupil:teacher ratio stands at 6.5:1 (2016: 6.4:1). The School continues to recruit high quality teaching staff and also aims to attract and retain high quality support staff who are aligned to its objectives and to the needs of its pupils. Career planning, development, training, mentoring and appraisal systems continue to assist in obtaining the best from our existing staff.

Millfield aims to offer far more than a strong academic performance. The Governing Body and staff place particular importance on robust and effective systems and processes which enable the School to deliver excellent pastoral care, support and guidance for our pupils.

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REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Review of the Year's Principal Achievements and Performance (*continued*)

Pupils

A detailed review of the pupils' principal achievements and performance in the year are available from the School's website in 'The Year at Millfield 2016/17' and 'The Year at Millfield Prep 2016/17' publications. These publications are an excellent record of the numerous and diverse achievements of Millfield pupils during the year and demonstrate the tailored offerings for different age groups which allow pupils to discover and develop their potential and to acquire the resilience, confidence, attributes and skills which will enable them to be fulfilled in their adult lives.

Development of Facilities and Resources

During the year, a number of developments were completed and some remain ongoing. These include the full refurbishment of Portway boarding house for female boarders, partial refurbishment of Butleigh boarding house for male boarders, internal remodelling and full refurbishment of Mill day house, re-lining, re-glazing and major refurbishment of the swimming pool, internal re-fit of prep school science labs, re-roofing the pre-prep school roof, upgrading a number of sports pitches including the Sir Gareth Edwards pitch as well as a continuation of a number of energy improvement works including lighting upgrades, boiler replacements and PV installations. The planned project to begin construction on the Millfield Centre for Enterprise was deferred.

Financial Review

The School's charitable educational activities continue to be the main source of the charity's consolidated income and expenditure.

For the financial year ended 31 August 2017, the net surplus was £1.9 million (2016: £1.8 million) after charging £4.5 million (2016: £4.2 million) for depreciation on the School's property and equipment but before costs in connection with the Millfield Centre for Enterprise, and actuarial gains and losses relating to the pension scheme. The School's total income on its unrestricted School funds increased by 4.3% to £51.1 million (2016: 1.4% to £49.0 million) due to fee increases of approximately 3.25% and an increase in pupil numbers during the Millfield English Language Holiday Courses during the summer. Total unrestricted expenditure increased by 7.4% to £50.9 million (2016: increased 6.8% to £47.4 million).

The Governors intend that the School should aim to generate an investment surplus of at least 12% of net fee income. The School exceeded this target during the year ended 31 August 2017 excluding costs incurred in connection with the Millfield Centre for Enterprise project. The Governors made a decision to defer this project and terminate the construction contract which resulted in costs incurred to the date of termination and contract termination costs totalling £1.3 million being recognised in the consolidated statement of financial activities.

There is a liability of £6.1 million (2016: £7.6 million) (as reported in accordance with Financial Reporting Standard Number 102 ("FRS 102")) in respect of the Millfield Retirement Benefit Scheme (the Scheme) for some non-teaching staff as set out in Note 22 to the Accounts. The Scheme was closed to future benefit accrual and salary linkage on 31 December 2014. The Governors are satisfied that current and future cash flows are sufficient to meet the liability.

The School's trading subsidiary, Millfield School Enterprises Limited, contributed turnover, profit and net assets as outlined in note 12 to the Financial Statements. All surpluses are re-invested in the School.

Capital expenditure in the year was £6.7 million (2016: £5.8 million). Cash flow for the year as reported in the Consolidated Cash Flow Statement was £0.7 million net inflow of funds (2016: £1.4 million net inflow). The unsecured fixed term loan is repayable over 20 years from 2 September 2002; the amount outstanding at the balance sheet date is £2.9 million (2016: £3.4 million).

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REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Reserves

The Governors' policy is to examine the needs, risks and challenges faced by the School in both the short and medium terms along with relevant financial plans and forecasts and to establish reserves sufficient to meet these requirements including the School's longer-term capital expenditure commitments and any longer-term financial obligations, including the actuarially calculated funding deficit of £6.1 million (2016: £7.6 million) on the School's defined benefit pension scheme that under FRS102 is accrued as a liability. It is intended that this liability is repaid from operating cash flows, in accordance with the recovery plan agreed between the Governors and the Pension Scheme Trustees. Further information can be found in note 22 to these financial statements.

There are no free reserves, but Governors are satisfied with this position given the bank facilities that are available and the flexibility and strength of future cash flows. This policy is reviewed on a regular basis and monitored in line with the buildings development programme, which is funded from operating surpluses and a fixed term loan.

The Governors expect the present level of activities to be sustained at broadly the same level for the current year despite the challenging environment and the financial position is expected to remain at the current satisfactory position. They anticipate no difficulty in meeting the obligations of the Charity and there is no financial dependence on key donors.

Risk Management

The Board of Governors is responsible for the management of the risks faced by Millfield. An ongoing process has been established for identifying, evaluating and managing risks faced by the School and a risk management policy is in place. Detailed considerations of risk are delegated to the Audit, Compliance and Risk Committee. This Committee, assisted by the School's executive management team, has identified and prioritised the key risks and a strategy for dealing with them has been approved by the Board of Governors. A formal review of risks will continue to be undertaken on at least an annual basis and documented in a risk register.

The key controls used include:

- Formal agendas and minutes for all Committee and Board activity
- Clearly defined organisational responsibilities
- Comprehensive risk register
- Internal Audit
- Comprehensive strategic planning, revenue and capital budgeting, cash flow and management accounting
- Formal written policies
- Clear authorisation and approval levels
- Compliance with statutory requirements and external guidelines as appropriate
- Safeguarding procedures, as required by law, for the protection of children

Through the above risk management procedures the Governors are satisfied that the principal risks identified on page 14 have been adequately addressed where necessary. It is recognised, however, that systems can only provide reasonable but not absolute assurance that major risks have been appropriately managed.

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Risk Management (*continued*)

Principal risks

The principal risks identified by the Governors of the School are:

	Risk	Mitigation
Safeguarding of Pupils	Risk of harm to the School's pupils	Comprehensive policies and procedures to safeguard pupils and to promote their welfare are in place.
Financial	External economic factors having an adverse effect on pupil numbers and cash flows.	In addition to maintaining tight budgetary controls over expenditure and having a clear and effective marketing strategy to attract future pupils, the School has established a cash reserve in order to provide a contingency against possible reductions in pupil numbers and has planned its future capital expenditure to ensure that an adequate cash reserve is maintained.
Governance	Inability to recruit Governors with the appropriate skills, experience, and commitment.	Governor recruitment is based on an analysis of skills needed using a skills matrix, which is regularly reviewed and updated. Governor appointments are overseen by the Appointments Committee, with a clear procedure for identifying and interviewing potential candidates.
Reputation	Damage by an adverse event.	Appropriate operational policies and procedures are in place and are reviewed by Governors, including a formal complaints procedure and a disaster recovery plan. The School manages media through a media officer, and engages a PR consultant.
Competitor	Pupils decide to take up places at competitor schools.	The School continues to invest in infrastructure and people to ensure that the School's offering is of the highest standard and enables pupils to reach their personal best in each learning domain; academic, the arts, co-curriculum and sport.

Future Plans

The School's future plans are set out in the document "Millfield 2020: Our Strategic Vision", which is available on the School's website.

Millfield 2020, is the School's Strategic Vision and is driven by four key principles to achieve the Mission and Vision statements. 'Sustainable Future' describes our ambition to promote and develop dynamic teaching, learning and work environments to create world-class facilities.

Craig Considine, the current Headmaster of Millfield, has decided to leave the School after ten years' outstanding service and leadership to take up a new role as Chief Executive Officer of Tanglin Trust School, Singapore, from August 2018. The Governors are delighted that Gavin Horgan, currently Head at Worksop College, has been appointed to the role of Headmaster of Millfield to succeed Mr Considine.

The Governing Body is particularly grateful to the teaching and support staff, who continue to support the School through their hard work and enthusiasm. It also appreciates the valuable contribution given by parents, Old Millfieldians ("OMs") and other friends of the School.

The Governing Body would also like to thank Sir John Reith, who retired in March 2017, for his excellent service to the School as a Governor since 2008 and as Chair of Governors since 2010.

Millfield

REPORT OF THE GOVERNING BODY (*continued*) for the year ended 31 August 2017

Statement of Governors Responsibilities

The Governors (who are also directors of Millfield for the purposes of Company law) are responsible for preparing the Report of the Governing Body (incorporating the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The Governors confirm that they have complied with the duty in section 17 (5) of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit. The Governors have referred to the guidance in the Charity Commission's general guidance on Public Benefit when reviewing the School's aims and objectives and in planning the School's future activities. In particular, the Governors have considered how planned activities will contribute to the aims and objectives they have set.

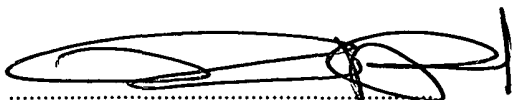
In so far as the Governors are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- 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.

Auditor

The company is currently undergoing a selection process for the appointment of its external auditors. A resolution to appoint the selected firm will be put to the forthcoming Annual General Meeting.

The Report (incorporating the Strategic Report) was approved by the Board of Governors of Millfield on 17 March 2018 and signed on its behalf by:



Roland Rudd
Chair of Governors

Millfield

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLFIELD

Opinion on financial statements

We have audited the financial statements of Millfield (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 August 2017 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act.

Basis for opinion

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

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

Other information

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

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

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report (and the incorporated Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report (and the incorporated Strategic 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report (and the incorporated Strategic Report).

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

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

Responsibilities of Governors

As explained more fully in the Statement of Governors' responsibilities set out on page 15, 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 trustees 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 trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

RSM UK Audit LLP

KERRY GALLAGHER (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

5 April 2018

Millfield

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating a consolidated income and expenditure account)

for the year ended 31 August 2017

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000	Total 2016 £'000
Income from:					
Charitable Activities:					
- Fees receivable	3	41,574	-	41,574	40,461
- Other educational income	4	3,523	-	3,523	3,585
Other Trading Activities:					
- Other fees and external hiring		4,855	-	4,855	3,722
- Subsidiary trading income		801	-	801	845
- Fees from external hiring		220	-	220	299
Investments	5	79	1	80	49
Donations and legacies	6	3	452	455	268
Other Income	7	46	-	46	49
Total Income		51,101	453	51,554	49,278
Expenditure on:					
Charitable Activities:					
		(45,314)	-	(45,314)	(42,517)
Raising Funds:					
- Other fees and external hiring		(4,335)	-	(4,335)	(3,613)
- Subsidiary trading		(704)	-	(704)	(647)
- Fundraising		(162)	-	(162)	(280)
Total Raising Funds		(5,201)	-	(5,201)	(4,540)
Finance and Other Costs		(426)	-	(426)	(377)
Total Expenditure	8	(50,941)	-	(50,941)	(47,434)
Net income before transfers		160	453	613	1,844
Transfers between Funds	19	49	(49)	-	-
Other recognised gains/(losses):					
Re-measurement of the net defined benefit liability	22	1,241	-	1,241	(5,828)
Net Movement in Funds		1,450	404	1,854	(3,984)
Total Funds Brought Forward		44,861	965	45,826	49,810
Total Funds Carried Forward	19	46,311	1,369	47,680	45,826

All amounts relate to continuing operations.

Millfield

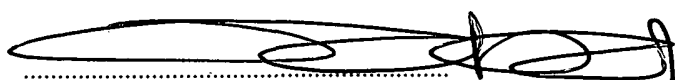
BALANCE SHEETS

for the year ended 31 August 2017

		<u>Group</u>		<u>Company</u>	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Fixed Assets					
Tangible fixed assets	11	62,664	60,849	62,643	60,817
Investments	12	-	-	325	325
		<u>62,664</u>	<u>60,849</u>	<u>62,968</u>	<u>61,142</u>
Current Assets					
Stocks	13	293	306	-	-
Debtors: amounts falling due within one year	14	1,465	1,710	1,303	1,586
Cash at bank and in hand		10,425	9,730	10,382	9,699
		<u>12,183</u>	<u>11,746</u>	<u>11,685</u>	<u>11,285</u>
Creditors: amounts falling due within one year	15	<u>(15,122)</u>	<u>(13,083)</u>	<u>(15,044)</u>	<u>(13,127)</u>
Net Current liabilities		<u>(2,939)</u>	<u>(1,337)</u>	<u>(3,359)</u>	<u>(1,842)</u>
Total Assets Less Current Liabilities		59,725	59,512	59,609	59,300
Creditors: amounts falling due after more than one year	16	<u>(5,957)</u>	<u>(6,104)</u>	<u>(5,957)</u>	<u>(6,104)</u>
Net Assets Excluding Pension Liability		53,768	53,408	53,652	53,196
Defined benefit pension liability	22	<u>(6,088)</u>	<u>(7,582)</u>	<u>(6,088)</u>	<u>(7,582)</u>
Net Assets Including Pension Liability		<u>47,680</u>	<u>45,826</u>	<u>47,564</u>	<u>45,614</u>
Funds					
Unrestricted funds					
- General		52,399	52,443	52,283	52,231
- Pension reserve	22	<u>(6,088)</u>	<u>(7,582)</u>	<u>(6,088)</u>	<u>(7,582)</u>
	19	<u>46,311</u>	<u>44,861</u>	<u>46,195</u>	<u>44,649</u>
Restricted funds	19	<u>1,369</u>	<u>965</u>	<u>1,369</u>	<u>965</u>
Total Funds		<u>47,680</u>	<u>45,826</u>	<u>47,564</u>	<u>45,614</u>

The parent company's net income for the year, before movement in the pension reserve was £0.4 million, (2016: net income £1.4 million).

The financial statements were approved and authorised for issue by the Board of Governors of Millfield on 17 March 2018 and signed on its behalf by:



Roland Rudd
Chair of Governors

The notes on pages 21 – 49 form part of these financial statements.

Millfield

CONSOLIDATED CASH FLOW STATEMENT as at 31 August 2017

	Note	2017 £'000	2016 £'000
Operating Activities			
Cash generated from operations	23	3,067	3,435
Investing Activities			
Interest received		80	49
Interest paid		(358)	(322)
Purchase of tangible fixed assets	11	(6,700)	(5,774)
Proceeds on sale of tangible fixed assets		66	2
Net cash used in Investing Activities		<u>(6,912)</u>	<u>(6,045)</u>
Financing Activities			
Repayment of borrowings		(473)	(441)
Receipts from new advance fee contracts		5,039	4,583
Advanced fees repaid		<u>(26)</u>	<u>(155)</u>
Net cash generated from Financing Activities		<u>4,540</u>	<u>3,987</u>
Cash and cash equivalents at end of year		695	1,377
Cash and cash equivalents at beginning of the year		<u>9,730</u>	<u>8,353</u>
Cash and cash equivalents at end of the year		<u>10,425</u>	<u>9,730</u>
Relating to:			
Bank balances included in cash at bank and in hand		<u>10,425</u>	<u>9,730</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2017

1. General Information & Principal Accounting Policies

Millfield Limited ("the Company") is a company limited by guarantee domiciled and incorporated in England. The address of the Company's registered office and principal place of business is Millfield, Street, Somerset, BA16 0YD.

The School consolidated accounts consist of the Company and all of its subsidiaries detailed in note 12. The Company's and subsidiary's principal activities and nature of operations are detailed on page 6.

A summary of the more important accounting policies, including those affecting the most significant items in these financial statements, is set out below:

a) *Basis of accounting*

The accounts have been prepared under the Companies Act 2006 and in accordance with the Charities Statement of Recommended Practice and FRS 102. The school is considered to be a Public Benefit Entity under FRS102. The accounts are drawn up on the historical cost basis of accounting.

Monetary amounts in these accounts are rounded to the nearest £'000 except where otherwise indicated.

b) *Reduced disclosure*

In accordance with FRS 102, the charity has taken advantage of the exemption from the following disclosure requirements:

- Section 7 'Statement of Cash flows' – Presentation of a charity only Statement of Cash Flow and related notes and disclosures

The financial statements of the charity are consolidated in the financial statements of Millfield. The consolidated financial statements of Millfield School are available from its registered office.

c) *Basis of consolidation*

The group consolidates on a line by line basis the financial statements of the charity and its subsidiary undertakings made up to 31 August 2017 using purchase accounting. All intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements are presented in sterling which is also the functional currency of the Company and its subsidiaries.

As permitted by Section 408 of the Companies Act 2006, the parent company's income and expenditure account has not been included in these financial statements.

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

1. Principal Accounting Policies (*continued*)

d) *Going concern*

The group had net current liabilities of £2,939,000 (2016: £1,337,000) at the balance sheet date. In considering whether the going concern basis is appropriate, the Governors have considered surplus and cash-flow projections prepared for the period to 31 August 2027. These projections indicate that the School will be able to meet its liabilities as they fall due and together with current arrangements with the School's bankers and other lenders, forecast that the School will be able to operate within the facilities currently available. The Governors have no reason to believe that current borrowing facilities will not be continued.

In light of the above the Governors have concluded that it is appropriate to use the going concern basis in the preparation of these financial statements.

e) *Funds*

The restricted funds comprise donations earmarked by the donors, or the terms of an appeal, for specific purposes. Unrestricted funds are expendable at the discretion of the Governors in furtherance of the objects or administration of the charity. Designated funds comprise unrestricted funds, which are earmarked for particular purposes by the Governors.

f) *Fees and similar income*

Fees receivable, charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are stated after deducting allowances, scholarships and other remissions granted by the School.

Fees for education to be provided in future years are carried forward as deferred income in the balance sheet. These fees are released to the Statement of Financial Activities over the period in which the School provides the services in future years. Fee receivable under the School's Advanced Fee scheme attract interest which is charged to the Statement of Financial Activities, in the period over which the advance fee creditor is released to fee income.

g) *Stocks*

Stocks are stated at the lower of cost and estimated selling price less cost to complete and sell. In general, cost is determined on a weighted average cost basis. At each reporting date the School assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment in profit or loss. Reversal of impairment losses are also recognised in profit or loss.

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

1. Principal Accounting Policies (*continued*)

h) *Tangible fixed assets*

Expenditure on fixed assets is capitalised except for expenditure incurred on the replacement of assets of low value with a short life. Subsequent costs of repair, renovation and replacement expenditure are written off as incurred in the Consolidated Statement of Financial Activities ("SOFA"), unless it is probable that such costs will generate future economic benefits. Items costing less than £5,000 are written off as an expense as acquired.

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation 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. The principal annual rates used for this purpose are:

	Straight Line Basis %
Freehold land	-
Freehold property	2 – 4
Extensions and improvements to buildings	10
Fixtures, fittings and equipment	15
Computers	33 1/3
Motorised plant and vehicles	15
Assets under construction	-

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired, and if such conditions exist, the School estimates the recoverable value of the asset. Any shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairment losses.

j) *Investments*

The School has elected to hold investments in subsidiary undertakings at cost less impairment. Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversal of impairment losses are recognised immediately in the income or expenditure account.

k) *Retirement benefits*

Defined contribution plans

For defined contribution schemes the amount charged to expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method.

Liability

The net liability represents the present value of the defined benefit obligation minus the fair value of the plan assets out of which obligations are to be settled.

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

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

1. Principal Accounting Policies (*continued*)

k) Retirement benefits (*continued*)

Gains or losses

Gains or losses recognised in the statement of financial activities:

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

Gains or losses recognised in other comprehensive income:

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

Retirement benefits to employees of the group are provided through three pension schemes, two defined benefit, and one defined contribution:

- (a) The Teachers' Pension Scheme (a defined benefits scheme) at rates set by the Scheme Actuary and advised to the Governors by the Scheme Administrator. The scheme is a multi employer pension scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the School. In accordance with FRS102 therefore, the scheme is accounted for as a defined contribution scheme.
- (b) The Millfield Retirement Benefit Scheme (a defined benefit scheme) was closed to new members on 1 September 2005, and closed to future accrual and salary linkage on 31 December 2014. This scheme is accounted for under FRS102, with the annually calculated notional surplus or deficit on the funding of the Scheme shown in the financial statements as a liability entitled "Pension Reserve", which is deducted from Unrestricted Funds in the balance sheet.
- (c) The Millfield School Work Save Pension Plan is a defined contribution scheme.

l) Donations

Donations receivable for the general purpose of the charity are credited to unrestricted funds. Donations for purposes restricted by the wishes of the donor are taken to restricted funds where these wishes are legally binding on the Governors. Where donations are received as gifts in kind, and are capable of financial measurement, the donation is included in the financial statements at an estimate of the value to the charity. All donations are recognised when the economic benefit is considered probable.

m) Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

1. Principal Accounting Policies (*continued*)

n) Financial Instruments

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

Financial assets

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

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

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

Financial liabilities

Financial instruments are classified as liabilities according to the substance of the contractual arrangements entered into. Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

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

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Derecognising financial assets and liabilities

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

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

1. Principal Accounting Policies (*continued*)

o) Critical accounting estimates and areas of judgement

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 group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for fee debtors requires a judgement by management regarding the likelihood of recovery. Management review and assess fee debtors on an individual account basis and provide for debts as appropriate, with the year end provision being reported as £269,000 (2016: £253,000).

In valuing the deficit on the School's defined benefit pension scheme judgements need to be made by management as to what are the most appropriate assumptions to use in the valuation. The closing deficit was £6.1 million (2016: £7.6 million) and the adoption of different assumptions could have a material impact on the deficit.

p) Expenditure

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

Costs of raising funds include all fund-raising and financing support costs. Support costs include bursary costs, payroll administration, budgeting and accounting, information technology, human resources and training. Governance costs include those costs associated with constitutional and statutory requirements.

The irrecoverable element of VAT is included within the item of expense to which it relates.

q) Taxation

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

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

2. Net Income

	2017 £'000	2016 £'000
Net incoming Funds is stated after charging:		
Auditor's remuneration for:		
- External Audit (Company £33,600 (2016: £31,200))	34	34
- Internal audit	11	12
- Taxation - compliance services to the Company and its subsidiaries	5	5
- Pension scheme audit	7	6
Depreciation of tangible fixed assets	4,539	4,235
Operating lease costs – minibuses	126	75
Loss on disposal of tangible fixed assets	280	48
Stock		
- Amounts expensed to cost of sales	412	360
- Impairment losses recognised in cost of sales	31	50
Interest payable		
- Loan interest	212	245
- Net interest on the net defined pension benefit liability	147	76
- Interest on fees in advance	65	54

3. Fees Receivable

	2017 £'000	2016 £'000
School fees	48,785	47,091
Less: Scholarships	(3,720)	(2,859)
Bursaries	(1,983)	(2,371)
Other concessions	(1,508)	(1,400)
	<u>41,574</u>	<u>40,461</u>

4. Other Educational Income

	2017 £'000	2016 £'000
Registration and acceptance fees	250	228
Travel, school trips, examination fees and other charges to pupils	3,273	3,357
	<u>3,523</u>	<u>3,585</u>

5. Investment Income

	2017 £'000	2016 £'000
Bank and other interest	80	49

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

6. Voluntary Income

	2017 £'000	2016 £'000
Donations	455	268

7. Other Income

	2017 £'000	2016 £'000
Interest on overdue fees	31	34
Rents received	15	15
	<u>46</u>	<u>49</u>

8 Analysis of Expenditure

	Staff costs £'000	Other £'000	Deprec- iation £'000	2017 Total £'000	2016 Total £'000
Charitable activities:					
Teaching costs	19,489	3,526	415	23,430	22,174
Welfare	2,490	4,881	80	7,451	7,224
Premises	2,141	4,408	3,684	10,233	8,687
Support costs of schooling	2,261	1,526	349	4,136	4,373
Governance costs	-	64	-	64	59
Total Charitable Activities	<u>26,381</u>	<u>14,405</u>	<u>4,528</u>	<u>45,314</u>	<u>42,517</u>
Raising Funds:					
Ancillary fees and external hiring	1,500	2,835	-	4,335	3,613
Subsidiary trading	177	516	11	704	647
Fundraising	90	72	-	162	280
Total Raising Funds	<u>1,767</u>	<u>3,423</u>	<u>11</u>	<u>5,201</u>	<u>4,540</u>
Finance and other costs	-	426	-	426	377
Total Expenditure	<u>28,148</u>	<u>18,254</u>	<u>4,539</u>	<u>50,941</u>	<u>47,434</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

9. Employee Information

	2017 Group Number	2016 Group Number	2017 Company Number	2016 Company Number
The average number of persons (full-time equivalent) employed during the year was:				
Teaching	262	254	262	254
Administration and support	467	454	458	441
	<u>729</u>	<u>708</u>	<u>720</u>	<u>695</u>
The average number of persons employed by the group during the year was:	<u>1,042</u>	<u>1,036</u>	<u>986</u>	<u>980</u>
Staff costs (for the above persons)	£'000	£'000	£'000	£'000
Wages and salaries	23,663	22,557	23,505	22,359
Social security costs	2,099	1,871	2,089	1,860
Defined benefit pension costs	1,865	1,806	1,865	1,806
Defined contribution pension costs	521	530	514	522
	<u>28,148</u>	<u>26,764</u>	<u>27,973</u>	<u>26,547</u>
Aggregate employee costs of key management personnel (including salary, benefits, pension contributions and national insurance)	<u>587</u>	<u>571</u>	<u>587</u>	<u>571</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

9. Employee Information (*continued*)

The number of employees whose emoluments (excluding pension contributions) exceeded £60,000 were:

	2017 Number	2016 Number
£60,001 - £70,000	18	19
£70,001 - £80,000	4	1
£80,001 - £90,000	1	2
£90,001 - £100,000	2	2
£100,001 - £110,000	1	1
£110,001 - £120,000	1	1
£120,001 - £130,000	2	1
£200,001 - £210,000	-	1
£210,001 - £220,000	1	-

No emoluments were paid to the Governors in respect of their services to Millfield during the year, nor have they received any other form of disclosable trustee benefit (2016: nil). During the year, 14 (2016: ten) Governors were reimbursed expenses totalling £14,170 (2016: £10,588) for travel and subsistence and the School paid £3,052 (2016: £2,992) for Governors indemnity insurance.

10. Taxation

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

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

11. Tangible Fixed Assets (Group)

	Freehold Property £'000	Assets under construct- ion £'000	Extensions and improve- ments to buildings £'000	Fixtures Fittings and Equipment £'000	Computers £'000	Motorised Plant and Vehicles £'000	Total £'000
Cost							
At 1 Sept 2016	72,216	1,024	21,174	5,466	3,720	623	104,223
Additions	1,066	1,456	3,009	769	348	52	6,700
Transfers	180	(716)	536	-	-	-	-
Disposals	-	(249)	(1,220)	(309)	(666)	(17)	(2,461)
At 31 Aug 2017	73,462	1,515	23,499	5,926	3,402	658	108,462
Depreciation							
At 1 Sept 2016	26,210	-	9,763	3,619	3,285	497	43,374
Charge for year	1,505	-	1,991	615	380	48	4,539
Disposals	-	-	(1,136)	(307)	(656)	(16)	(2,115)
At 31 Aug 2017	27,715	-	10,618	3,927	3,009	529	45,798
Net book value							
At 31 Aug 2017	45,747	1,515	12,881	1,999	393	129	62,664
At 1 Sept 2016	46,006	1,024	11,411	1,847	435	126	60,849

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

11. Tangible Fixed Assets (Company)

	Freehold Property £'000	Assets under construct- -ion £'000	Extensions and improve- ments to buildings £'000	Fixtures Fittings and Equipment £'000	Computers £'000	Motorised Plant and Vehicles £'000	Total £'000
Cost							
At 1 Sept 2016	72,216	1,024	21,174	5,461	3,678	583	104,136
Additions	1,066	1,456	3,009	769	348	52	6,700
Transfers	180	(716)	536	-	-	-	-
Disposals	-	(249)	(1,220)	(309)	(666)	(17)	(2,461)
At 31 Aug 2017	73,462	1,515	23,499	5,921	3,360	618	108,375
Depreciation							
At 1 Sept 2016	26,211	-	9,763	3,615	3,266	464	43,319
Charge for year	1,505	-	1,991	614	372	46	4,528
Disposals	-	-	(1,136)	(307)	(656)	(16)	(2,115)
At 31 Aug 2017	27,716	-	10,618	3,922	2,982	494	45,732
Net book value							
At 31 Aug 2017	45,746	1,515	12,881	1,999	378	124	62,643
At 1 Sept 2016	46,005	1,024	11,411	1,846	412	119	60,817

The net book value of the Group and Company tangible fixed assets includes an amount of £4,246,065 (2016: £4,246,065) in respect of freehold land which is not depreciated.

Included within the Group and Company's freehold property are assets which are licenced to the subsidiary under operating leases, where Millfield acts as the lessor, with a net book value of £198,869 (2016: £205,498).

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

12. Fixed Asset Investments

	2017	2016
Company	£'000	£'000
Interest in group undertakings at cost	<u>325</u>	<u>325</u>

The Company had the following subsidiary undertakings, at the year-end, all with the common registered office on page 4:

	Millfield Overseas Limited	Millfield School Enterprises Limited
Nature of business	Dormant	Service
Company number	08339295	01553104
Proportion of nominal value of issued shares held by the Company	100%	100%
Country of incorporation	England	England
	£'000	£'000
Net assets	<u>-</u>	<u>441</u>
Turnover	-	1,379
Expenditure	<u>-</u>	<u>(1,475)</u>
Loss for financial year	<u>-</u>	<u>(96)</u>

The results of the subsidiary entities have been included in these consolidated financial statements.

Millfield Overseas Limited was incorporated on 21 December 2012 and was dormant for the years ended 31 August 2017 and 2016.

13. Stocks

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Goods for resale	<u>293</u>	<u>306</u>	<u>-</u>	<u>-</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

14. Debtors: amounts falling due within one year

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade debtors – school fees	899	971	899	971
Trade debtors – other	108	168	2	85
Other debtors	39	88	39	87
Prepayments	419	483	363	443
	<u>1,465</u>	<u>1,710</u>	<u>1,303</u>	<u>1,586</u>

15. Creditors: amounts falling due within one year

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank loan (see note 16)	506	473	506	473
Amounts received under advance fee scheme (see note 18)	4,308	3,600	4,308	3,600
Amount due to subsidiary	-	-	46	143
Trade creditors	2,105	1,557	1,987	1,463
Taxation and social security costs	776	704	776	704
Other creditors	451	631	451	631
Accruals	1,949	1,406	1,943	1,401
School fees paid in advance	4,498	4,128	4,498	4,128
School fee deposits held	529	584	529	584
	<u>15,122</u>	<u>13,083</u>	<u>15,044</u>	<u>13,127</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

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

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Fixed term loan (see below)	2,398	2,904	2,398	2,904
Amounts received under advance fee scheme (see note 18)	1,656	1,331	1,656	1,331
School fees deposits held	1,903	1,869	1,903	1,869
	<u>5,957</u>	<u>6,104</u>	<u>5,957</u>	<u>6,104</u>

Fixed Term Loan – Group and Company

The loan is unsecured and repayable over 20 years from 2 September 2002 at a fixed interest rate of 6.88% p.a, as follows:

	2017	2016
	£'000	£'000
Over one year:		
Within 1 to 2 years	541	506
Within 2 to 5 years	1,857	1,744
Over 5 years	-	654
	<u>2,398</u>	<u>2,904</u>
Within one year	506	473
	<u>2,904</u>	<u>3,377</u>

17. Financial Instruments

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial Assets				
Debt instruments measured at amortised cost	1,046	1,227	940	1,143
Equity instruments measured at cost less impairment	-	-	325	325
	<u>1,046</u>	<u>1,227</u>	<u>1,265</u>	<u>1,468</u>
Financial Liabilities				
Measured at amortised cost	<u>14,149</u>	<u>13,024</u>	<u>14,071</u>	<u>13,068</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

18. Advance Fee Payments – Group and Company

Parents sometimes deposit a lump sum with the School as an advance on future fees. Each arrangement is in respect of an agreed amount to be credited against future fee bills for an agreed number of terms. The unused balance of the advance is repayable upon request. It is intended that the advance fees will be applied as follows:

	2017 £'000	2016 £'000
Over one year:		
Within 1 to 2 years	851	718
Within 3 – 5 years	685	519
After 5 years	120	94
	<u>1,656</u>	<u>1,331</u>
Within one year	<u>4,308</u>	<u>3,600</u>
	<u>5,964</u>	<u>4,931</u>

Figures for advanced fee payments are included within the balance for school fees paid in advance (notes 15 and 16). The balance represents the accrued liability under these arrangements. The movements during the year were:

	2017 £'000	2016 £'000
Balance at 1 September 2016	4,931	3,594
New contracts	5,040	4,583
Amount accrued to contracts	<u>65</u>	<u>54</u>
	<u>10,036</u>	<u>8,231</u>
Amounts utilised in the payment of fees to the school	(4,046)	(3,145)
Refunds of fees paid in advance	<u>(26)</u>	<u>(155)</u>
Balance at 31 August 2017	<u>5,964</u>	<u>4,931</u>

Millfield

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2017

19. Funds – Group

	Balance 1 September 2016 £'000	Income £'000	Expenditure £'000	Defined benefit liability/ transfers £'000	Balance 31 August 2017 £'000
Unrestricted funds:					
- General	52,231	50,300	(50,560)	312	52,283
- Designated Millfield School Enterprise Limited	212	801	(634)	(263)	116
Pension reserve	(7,582)	-	253	1,241	(6,088)
	44,861	51,101	(50,941)	1,290	46,311
Restricted:					
- Millfield Centre Fund	923	427	-	-	1,350
- Sports Equipment Fund	13	-	-	(12)	1
- Other Funds	29	26	-	(37)	18
	965	453	-	(49)	1,369
Total Group	45,826	51,554	(50,941)	1,241	47,680

	Balance 1 September 2015 £'000	Income £'000	Expenditure £'000	Defined benefit liability/ transfers £'000	Balance 31 August 2016 £'000
Unrestricted funds:					
- General	51,096	48,157	(47,173)	151	52,231
- Designated Millfield School Enterprise Limited	97	845	(585)	(145)	212
Pension reserve	(2,078)	-	324	(5,828)	(7,582)
	49,115	49,002	(47,434)	(5,822)	44,861
Restricted:					
- Millfield Centre Fund	650	273	-	-	923
- Sports Equipment Fund	14	2	-	(3)	13
- Other Funds	31	1	-	(3)	29
	695	276	-	(6)	965
Total Group	49,810	49,278	(47,434)	(5,828)	45,826

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

19. Funds – Company

	Balance 1 September 2016 £'000	Income £'000	Expenditure £'000	Defined benefit liability/ transfers £'000	Balance 31 August 2017 £'000
Unrestricted funds:					
- General	52,231	50,300	(50,560)	312	52,283
Pension reserve	(7,582)	-	253	1,241	(6,088)
	44,649	50,300	(50,307)	1,553	46,195
Restricted funds:					
- Millfield Centre Fund	923	427	-	-	1,350
- Sports Equipment Fund	13	-	-	(12)	1
- Other Funds	29	26	-	(37)	18
	965	453	-	(49)	1,369
Total Company	45,614	50,753	(50,307)	1,504	47,564

	Balance 1 September 2015 £'000	Income £'000	Expenditure £'000	Defined benefit liability/ transfers £'000	Balance 31 August 2016 £'000
Unrestricted funds:					
- General	51,096	48,157	(47,173)	151	52,231
Pension reserve	(2,078)	-	324	(5,828)	(7,582)
	49,018	48,157	(46,849)	(5,677)	44,649
Restricted funds:					
- Millfield Centre Fund	650	273	-	-	923
- Sports Equipment Fund	14	2	-	(3)	13
- Other Funds	31	1	-	(3)	29
	695	276	-	(6)	965
Total Company	49,713	48,433	(46,849)	(5,683)	45,614

Restricted Funds

Restricted Funds are restricted to the purchase of capital items specified by those donors. The fixed asset acquisition will discharge the restriction and the purchase of the asset will be reflected as a transfer from restricted to unrestricted funds in the year of acquisition.

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

20. Allocation of Group Net Assets

	Fixed assets £'000	Net current assets/ (liabilities) £'000	Long term liabilities £'000	Pension reserve £'000	Total £'000
Unrestricted funds:					
- General	62,664	(4,308)	(5,957)	-	52,399
Designated funds					
- Pension reserve	-	-	-	(6,088)	(6,088)
Restricted funds					
- Millfield Centre Fund	-	1,351	-	-	1,351
- Sports Equipment Fund	-	1	-	-	1
- Other Funds	-	17	-	-	17
Total Group as at 31 August 2017	62,664	(2,939)	(5,957)	(6,088)	47,680

	Fixed assets £'000	Net current assets/ (liabilities) £'000	Long term liabilities £'000	Pension reserve £'000	Total £'000
Unrestricted funds:					
- General	60,849	(2,302)	(6,104)	-	52,443
Designated funds					
- Pension reserve	-	-	-	(7,582)	(7,582)
Restricted funds					
- Millfield Centre Fund	-	923	-	-	923
- Sports Equipment Fund	-	13	-	-	13
- Other Funds	-	29	-	-	29
Total Group as at 31 August 2016	60,849	(1,337)	(6,104)	(7,582)	45,826

21. Capital Commitments

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Contracted but not provided as at 31 August	<u>1,086</u>	<u>663</u>	<u>1,086</u>	<u>624</u>

22. Pension Obligations

The total group pension contributions were £2,786,000 (2016: £2,735,693) of which £1,865,236 (2016: £1,805,305) related to the Teachers' Pension Scheme, £400,000 (2016: £400,000) related to the Millfield Final Salary Scheme for non-teaching staff and £521,170 (2016: £530,388) was paid into defined contribution schemes.

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 £1,865,236 (2016: £1,805,305) there were no amounts accrued in respect of contributions to this scheme at either year end.

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 and completed in 2018, 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.

Final Salary Scheme

For some of its non-teaching staff, the School operates a funded final salary scheme, whose assets are held in separate trustee-administered funds.

From 1 September 2005, the final salary scheme was closed to new members. On 31 December 2014, after consultation with the Trustees and active members, the Scheme was closed to future accrual and salary linkage. Qualifying new staff are automatically enrolled into a defined contribution scheme with contribution rates equivalent to the minimum rates set out by the Government in respect of auto enrolment schemes.

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

22. Pension Obligations (*continued*)

Triennial Valuation

The final salary scheme is subject to triennial valuations by independent actuaries, the last full actuarial valuation was carried out as at 1 September 2016, using the projected unit method. The following actuarial assumptions were made:

Investment returns (period up to retirement)	5.4%
Investment returns (period after retirement)	1.7%
Inflation - RPI	2.9%
Inflation - CPI	2.2%
Salary growth	2.2%
Pension increases (on pension in excess of Guaranteed Minimum Pension)	
- accrued up to 1 September 2005	2.9%
- accrued from 1 September 2005	2.1%

At the valuation, the market value of the assets held was £13,738,000 and this value was sufficient to cover 69% of the benefits accrued to members after allowing for expected future increases in earnings, giving a shortfall of £6,088,000.

Employer's deficit contributions made to the scheme in the period were £400,000 (2016: £400,000). Deficit contributions will be paid at £420,000 per year up to and including 31 December 2036. Going forward the School will need to meet expenses, any insurance premiums and PPF levies separately. The Scheme's next triennial valuation is 1 September 2019. The level of contributions in respect of any deficit will be subject to review at the next actuarial valuation.

These financial statements reflect the requirements of FRS 102. The expense for the year as calculated by the actuary together with the re-measurement of the deficit are recognised in the Consolidated Statement of Financial Activities as shown below:

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

22. Pension Obligations (*continued*)

	2017 £'000	2016 £'000
Statement of financial position		
Fair value of scheme assets	13,738	13,390
Present value of defined benefit obligation	(19,826)	(20,972)
Net deficit in scheme	(6,088)	(7,582)
Changes in the defined benefit obligation		
Defined benefit obligation at start of period	20,972	15,752
Interest cost on defined benefit obligation	415	623
Benefits paid	(411)	(382)
Actuarial (gain)/loss	(1,150)	4,979
Defined benefit obligation at end of period	19,826	20,972
Changes in the fair value of scheme assets		
Fair value of scheme assets at start of period	13,390	13,674
Interest income on scheme assets	268	547
Return less interest income on scheme assets	91	(849)
Contributions by the employer	400	400
Benefits paid	(411)	(382)
Fair value of scheme assets at end of period	13,738	13,390
Total expense recognised in expenditure		
Net interest on net defined benefit liability	147	76
Expenditure charged in year	147	76
Total amount recognised in the statement of financial activities		
Return less interest income on scheme assets	91	(849)
Actuarial gain/(loss) on liabilities	1,150	(4,979)
Re-measurement gain/(loss) recognised in the SOFA	1,241	(5,828)
Assets		
Target return	11,838	11,653
Property	1,614	1,438
Insurance annuities	117	128
Cash and net current assets	169	171
Fair value of scheme assets	13,738	13,390
Actual return on scheme assets over period	359	(302)

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

22. Pension Obligations (*continued*)

	2017 £'000	2016 £'000
Reconciliation of funded status		
Opening deficit	(7,582)	(2,078)
Employer contribution	400	400
Charge recorded in P&L	(147)	(76)
Gain/(loss) recorded in statement of financial activities	1,241	(5,828)
Closing deficit	(6,088)	(7,582)
Main financial assumptions	2017 % pa	2016 % pa
Discount rate	2.5	2.0
Price inflation :		
- RPI	3.5	2.9
- CPI	2.6	2.0
Deferred pension increases:		
- Pensions accrued to 5/4/09	2.6	2.0
- Pensions accrued from 6/4/09	2.5	2.0
Pension increases in payment:		
- GMPs accrued from 6/4/88	3.0	3.0
- Non-GMPs accrued to 31/8/05	3.3	2.9
- Pension accrued from 1/9/05	2.2	2.1
Mortality assumptions and life expectancies	2017	2016
Expected future lifetime from age 65:		
- Male currently aged 65	21.9	21.9
- Female currently aged 65	23.8	23.9
- Male currently aged 45	23	23
- Female currently aged 45	25	25

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

23. Reconciliation of net income to net cash generated from operations

	2017 £'000	2016 £'000
Net income	613	1,844
Adjustments for:		
Depreciation of tangible fixed assets	4,539	4,235
Defined benefit pension scheme adjustment	(253)	(324)
Interest receivable	(80)	(49)
Interest payable	424	376
Loss on sale of tangible fixed assets	280	48
Operating cash flows before movements in working capital	5,523	6,130
Increase in stocks	13	(28)
Increase in debtors	245	(296)
Increase in creditors and provisions	1,332	774
Advance fees applied	(4,046)	(3,145)
	(2,456)	(2,695)
Cash generated from operations	3,067	3,435

24. Financial Commitments

At 31 August 2017 the group had total future minimum lease payments under non-cancellable operating leases, as follows:

	Motor Vehicles	
	2017 £'000	2016 £'000
Amounts due within one year	126	75
Amounts due in two to five years	332	204

25. Related Party Transactions

Transactions between the School and its subsidiary, Millfield School Enterprises Limited are disclosed below:

	2017 £'000	2016 £'000
Purchases of goods in year	579	511
Rents received	33	33
Amounts owed to related parties at year end	46	143
Gift Aid received	230	113

The School has a limited number of pupils who are family members of governors. Fees are payable at the same level as other pupils, and entitlement to fee remission is considered in line with the School's stated policy.

Millfield

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2017

26. Prior year Consolidated Statement of Financial Activities by Fund

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total 2016 £'000
Income from:				
Charitable Activities:				
- Fees receivable	3	40,461	-	40,461
- Other educational income	4	3,585	-	3,585
Other Trading Activities:				
- Other fees and external hiring		3,722	-	3,722
- Subsidiary trading income		845	-	845
- Fees from external hiring		299	-	299
Investments	5	40	9	49
Donations and legacies	6	1	267	268
Other Income	7	49	-	49
Total Income		49,002	276	49,278
Expenditure on:				
Charitable Activities:				
		(42,517)	-	(42,517)
Raising Funds:				
- Other fees and external hiring		(3,613)	-	(3,613)
- Subsidiary trading		(647)	-	(647)
- Fundraising		(280)	-	(280)
Total Raising Funds		(4,540)	-	(4,540)
Finance and Other Costs		(377)	-	(377)
Total Expenditure	8	(47,434)	-	(47,434)
Net income before transfers		1,568	276	1,844
Transfers between Funds	19	6	(6)	-
Other recognised losses:				
Re-measurement of the net defined benefit liability	22	(5,828)	-	(5,828)
Net Movement in Funds		(4,254)	270	(3,984)
Total Funds Brought Forward		49,115	695	49,810
Total Funds Carried Forward	19	44,861	965	45,826

All amounts relate to continuing operations.

Millfield

NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 August 2017

27. Contingent Liabilities

The School has a catering contract with Chartwells until 31 August 2021. As part of the contract the School has benefitted from an investment in the School's dining hall facilities which, under the terms of the contract, are written down over a straight line basis from the date of expenditure to the 31 August 2021. In the event that the School terminates the contract early it would be liable to repay the written down value of the investment. As at the year end the written down value of the investment is £720,000 (2016: £900,000).

28. Capital

The Company is limited by guarantee and does not have a share capital.