

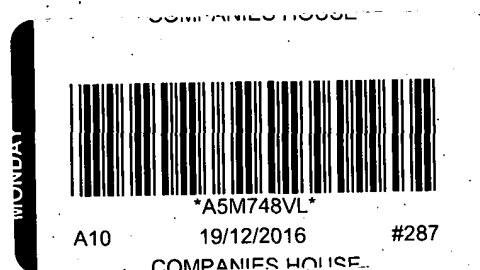
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**CHEAM SCHOOL EDUCATIONAL TRUST**  
**(A Company Limited by Guarantee)**

**GOVERNORS' REPORT**  
**AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2016**

Company Registration No. 01843219  
Charity Registration No. 290143

haysmacintyre  
Chartered Accountants  
London



## CHEAM SCHOOL EDUCATIONAL TRUST

### REFERENCE AND ADMINISTRATIVE INFORMATION

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The Board of Governors present their annual report for the year ended 31 August 2016, together with the audited financial statements for the year, and confirm that they comply with the requirements of the Companies Act 2006 and the Company's Memorandum of Association and the Charities SORP 2005.

### REFERENCE & ADMINISTRATIVE INFORMATION

Cheam School Educational Trust is a charitable company established in 1984 with the school originally founded in 1645. The Company Registration number is 1843219 and the Charity Registration number is 290143. The liability of its members is limited to £1 each by guarantee. The registered office and principal address of the Company is at Cheam School, Newbury Road, Headley, Berkshire RG19 8LD.

#### *Governors*

The School Governors, who are also Charity Trustees, and also any past Governors who served during the year as indicated, are:

#### **Board**

#### **Finance Committee**

R.D. Boycott (Chairman)	
D. K. Tinsley	✓
S.E Fenton	resigned June 2016
Mrs S. Scrope	
Mrs W. Batchelor	
R.H Moore	
R.D. Marsh	✓
J. Leigh	
B. J. Reid	✓
Mrs A. E. H. May	
R. Hornsby	appointed June 2016

#### *Key Executives and Professional Advisors*

The Head:	M. R. Johnson (to 31 August 2016) M. Harris (from 1 September 2016)
The Bursar:	M. S. Smith
Bankers:	National Westminster Bank Plc 30 Market Place Newbury, Berkshire, RG14 5AJ
Solicitors:	Irwin Mitchell LLP Mercantile House 18, London Road Newbury, Berkshire, RG14 1JX
Auditors:	haysmacintyre Chartered Accountants & Statutory Auditors 26 Red Lion Square London, WC1R 4AG

# **CHEAM SCHOOL EDUCATIONAL TRUST**

## **GOVERNORS' REPORT**

**FOR THE YEAR ENDED 31 AUGUST 2016**

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### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### ***Governing Document***

The Charity is governed by the provisions of the Memorandum and Articles of Association last amended on 28 June 2005.

#### ***The Governing Body***

The Governing body is elected on the basis of nominations and recommendations received from various sources, with a view to ensuring as wide a mix as possible of relevant expertise. Members usually serve for a term of five years and are eligible to stand for re-election.

#### ***Trustee Training***

New members to the Board are inducted into the workings of the School, and also the Company as a registered charity, including board policy and procedures. Training courses are organised by the Bursar and are attended as required. A record of training is kept on the members file.

#### ***Organisational Management***

The Board meets once each term to determine the general policy for the Trust and review its overall management and control, for which they are legally responsible. The Finance Committee meets prior to each Board meeting, specifically to review budgets and accounts, and to make recommendations to the Board.

#### ***Organisational Structure and Relationships***

The day to day running of the School is delegated to the Head and Bursar who report to the Board each term. The Head is supported by the Senior Management Team which consists of the Deputy and Assistant Headmaster, Director of Studies, Head of Pre-Prep, Head of Juniors, Head of Scholars, Director of Performing Arts, Headmaster's wife and the Bursar. Other specific sub-committees exist to provide a forum for the remainder of the staff.

### **OBJECTS, AIMS, OBJECTIVES AND PRINCIPAL ACTIVITIES**

The principal Object of the Charitable Trust, in accordance with its Memorandum and Articles of Association, is the education of boys and girls up to the age of 13.

#### ***Objectives for the Year***

1. To achieve the highest academic results possible so that all pupils gain entry to the senior school of their choice.
2. Continuous development of existing academic, pastoral, social and sporting activities.
3. To achieve a sound financial base to allow for future development of academic and sporting activities.

#### ***Principal Activity***

The Trust continues to operate a Preparatory and Pre-Preparatory boarding and day school for both boys and girls from 3 to 13. The fees are set at a level to ensure the financial viability of the School and at a level that is consistent with providing a first class education to boys and girls.

#### ***Key management personnel remuneration***

Key management personnel remuneration policy is determined by the School's Finance Committee against sector benchmarking and in consideration of other relevant information (i.e. geographical factors). Any revisions to remuneration or remuneration policy are put to the Board for approval.

# CHEAM SCHOOL EDUCATIONAL TRUST

## GOVERNORS' REPORT (continued)

### FOR THE YEAR ENDED 31 AUGUST 2015

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#### STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

##### *Equal Opportunities*

Our school welcomes pupils from all backgrounds. To admit a prospective pupil we need to be satisfied that our School will be able to educate and develop a prospective pupil to the best of their potential. Entrance interviews and assessments are undertaken to satisfy ourselves and parents that potential pupils can cope with the pace of learning and benefit from the education we provide. An individual's economic status, gender, race, religion or disability do not form part of our assessment process. The School will make reasonable adjustments to meet the needs of pupils or staff who are or who become disabled.

##### *Community Links*

Our School is part of the local community and we are keen to participate in any way that we can. Close relations continue to be fostered between the School and two local primary schools, Ashford Hill and Kingsclere primary schools and a pre-school, St John's, Newbury. The school also supports the local village community shop with financial assistance and maintenance when asked. The school has contributed to the cost of restoring the spire of St Paul's Church, Ashford Hill and the cost of replacing the children's playground at Ashford Hill Primary School.

##### *Bursaries & Scholarships*

The Governors view the School's bursary awards as important in helping to ensure children from families, who would otherwise not be able to afford the fees, can access the education the School offers. Bursaries are available to all who meet our general entry requirements and are made only on the basis of parental means or to relieve hardship. The School does not have large endowments or investments to fund any awards and has therefore to ensure that there is a balance between fee-paying parents, many of whom make considerable personal sacrifices to fund their children's education and those benefiting from the awards. This year the Trust was able to support a number of pupils (14) through means tested bursaries and scholarships. One of the bursaries is worth 100% of the annual fee. The current total value of the bursaries and scholarships reduced the annual fee income by £420,591

## **STRATEGIC REPORT**

### **REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR**

#### *Operational performance of the School*

**Academic and Pastoral:** Total pupil numbers were 398, a decrease of 7 over the previous year with 352 day pupils and 46 full time boarders. Flexi boarding continues to be popular generating £373,184 of income versus last year's income of £364,391. All 57 pupils passed their Common Entrance exam into a senior school of their choice. In addition 22 scholarships were awarded by 12 senior schools to 19 of them. The school supports a pupil at the JLD School of Dancing with their tuition fees. The School supports a pupil (Benandert Lubasi) at the Tongabezi Trust School, Zambia.

**Facilities:** The Governors are satisfied that the school's facilities now offer a broad range of educational facilities to children of all academic ability and interests. The School, as a matter of course, continues to invest considerable funds in the maintenance of existing facilities and infrastructure. As part of the ongoing development plan the Governors have identified the need for an all-weather sports pitch. Plans have been submitted for approval by the local authorities and funds raised to finance the project. The Trustees will make a final decision on whether to proceed in due course.

**Public Benefit:** The purpose of the school is the advancement of education for boys and girls from the age of three to thirteen in accordance with the Memorandum and Articles of Association. The school receives no funding from the state and is therefore obliged to charge fees to its customers (the parents) to cover the remuneration of its staff, operating costs and the maintenance costs both present and in the future associated with the upkeep of the school's fabric and facilities.

The Trustees aim to ensure that the school's quality of education offered and the facilities that it possesses should be, wherever possible and without detriment to its existing customers, of benefit to the public and in particular the local community. The document 'Cheam in the Community' published by the Headmaster in 2005 and updated annually shows in

## **CHEAM SCHOOL EDUCATIONAL TRUST**

### **GOVERNORS' REPORT (continued)**

#### **FOR THE YEAR ENDED 31 AUGUST 2016**

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

detail how this is achieved ranging at the top of the public benefit scale from giving 100% bursaries to gifted children from the local community whose parents do not have the ability to pay the fees to allowing local clubs and other organisations the use of the School's facilities free of charge.

In setting our objectives and planning our activities our Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging. The Trustees acknowledge the guidance and will strive, wherever it is reasonably possible, to follow it.

Two charitable organisations have benefited from the use of the School's facilities this year in their own fundraising events; Army Benevolent Fund and Home Start for Families,

The following public organisations have benefited from the use of the School's facilities as an entertainment or sporting venue free of charge; Kingsclere Old Peoples' Home, Headley Community Shop, Kingsclere-Ecchinswell and Ashford Hill Youth Cricket Club, Headley Brownies & Scouts, Hampshire Girl Guides.

The following organisations have benefited from donations or by fundraising events held at the School: South Warwickshire Foundation NHS Foundation Trust, PALS, Hampshire Isle of Wight Air Ambulance, MOVE (Hampshire), Great Ormond Street Hospital Charity, Kids for Kids, The Samaritan Purse Appeal, The Brain Tumour and the Alec Normand Fund & Leukaemia Research, Guide Dogs for the Blind, RNLI, Thames Valley Air Ambulance and The Children's Society.

The School has contributed to the funds and assisted the local community of Headley village in keeping Headley Community Shop and Village Post Office open and continues to do so. The school also assists with the upkeep of the grounds. The School supports and donates to the maintenance fund of the two local parish churches in Ashford Hill and Headley. The school assisted with and donated to the Ashford Hill Primary school fete.

The School continues to assist Ashford Hill Primary school and St John's Pre School with minibus transport when required. Kingsclere Primary School has benefited with the services of the school's Head of Music who provides music lessons to pupils at the school. The School has received a certificate of support from the Secretary of State for Defence for its support and assistance in the resettlement of ex-forces personnel.

#### **FINANCIAL REVIEW**

The financial results for the year are shown in the statement of financial activities on Page 8 which shows net income, before transfers, of £90,237 (2015: £446,048).

##### ***Investment performance***

The Trust invests cash funds at variable rates of interest with the Bank. The Trust has recently invested in two properties for which it charges a rent.

##### ***Fundraising performance***

Donations totalling £ 3,740 have been received in the year towards development fund from parents and past pupils. Additionally other funds were raised from lettings and on-site activity camps during the year

# CHEAM SCHOOL EDUCATIONAL TRUST

## GOVERNORS' REPORT (continued)

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### FINANCIAL REVIEW (Continued)

##### *Reserves Policy*

Reserves at 31 August 2016 totalled £9,094,156 (2015: £9,003,919), of which £8,141,540 were unrestricted (excluding the Development Fund and Cheam Bursary Funds). After deducting amounts applied towards fixed assets totalling £10,768,540 and the related secured loan of £1,650,000 the level of free reserves is £(977,000) compared to £236,925 in 2015.

The Trust initiated the '*Cheam Bursary Fund*' in August 2004 to enable it to offer an academic bursary to a disadvantaged child from the local community. The fund stood at £460,486 at 31 August 2016 having raised money in the year from donations from parents and past pupils to top up the amounts previously raised by the School. Bursaries totalling £16,669 were granted from the fund in the year.

The reserves policy of the School has been based on the School's objectives. Its main features are:

- a) To achieve a margin of working capital sufficient to enable all aspects of the School's work to be conducted in an orderly and efficient manner and to deal with the managements of the School's buildings and maintenance programme.
- b) To provide resources to fund the School to provide cover for unexpected or unavoidable items of expenditure, which cannot be funded from current income.

In order to meet the criteria in (a) and (b) above, the Trustees have instigated a policy of transferring at least £30,000 per term into a 'Reserves' fund. The Trustees intention is to have a substantial fund (£500,000) within five years.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The Board continues to keep the School's activities under review and consider the major risks faced in each of the principal areas of the School's operations. In the opinion of the Board the School has established resources and review systems which, under normal conditions, should allow these risks to be mitigated to an acceptable level in its day to day operations.

In particular the Trustees have identified the major risks as being;

Dramatic fall in pupil numbers: strategies and plans are in place to ensure the school remains an attractive option for future parents both academically and in the provision of excellent facilities. However, the Trustees recognise that the reputation of a school can be destroyed through the actions of others both past and present in a very short time and could result in a dramatic loss of pupils. The Trustees have ensured that training and preparation have been put in place to mitigate any such event.

Withdrawal of loan financing: should such an event occur the Trustees have enough capital funds to repay the loan in its entirety.

Catastrophic business interruption: insurance is in place to offset the effects of the interruption and provide alternative means for teaching and learning.

Loss of 'key player': insurance is in place to offset the financial effects of the loss of a key player until a replacement can be recruited.

#### FUTURE PLANS

**The Governors' objectives and strategies are reviewed every year.** The majority remain unchanged and they continue to ensure, through sound financial diligence, that the school continues to be a market leader through the provision of modern facilities and first class teaching staff. The existing business plan was reviewed by the Governors' and they have published their plan to carry them forward for the next five years. Mr Martin Harris took up the appointment of Headmaster on 1 September 2016 following the retirement of Mark Johnson and his wife after 18 years' service to the School.

# **CHEAM SCHOOL EDUCATIONAL TRUST**

## **GOVERNORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 AUGUST 2016**

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### **STATEMENT OF GOVERNORS' RESPONSIBILITIES**

The Governors are responsible for preparing the annual report and the financial statements in accordance with applicable law and 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 Trust and of the result of the Trust for that period. In preparing financial statements, the Governors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the principles and methods of the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume the Trust will continue in business.

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

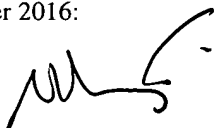
So far as each of the Governors is aware at the time the report is approved:

- There is no relevant audit information of which the Trust's auditors are 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 Auditors are aware of that information.

### **AUDITORS**

A resolution proposing the re-appointment of haysmacintyre as auditors of the Trust from 1 September 2016 will be approved by the Governors.

The Governors' statement, incorporating the Strategic Report is hereby approved on behalf of the Governors on 25<sup>th</sup> November 2016:



**R. D. Boycott**  
**Chair**

**25<sup>th</sup> November 2016**

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

## CHEAM SCHOOL EDUCATIONAL TRUST

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We have audited the financial statements of Cheam School for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

### Respective responsibilities of governors and auditors

As explained more fully in the Governors' Responsibilities Statement set out on 6, the governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

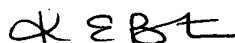
### Opinion on other matter prescribed by the Companies Act 2006

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

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

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

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



Kathryn Burton  
Senior Statutory Auditor  
for and on behalf of haysmacintyre  
Statutory Auditors

26 Red Lion Square  
London  
WC1R 4AG

Date: 25 November 2016

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006



CHEAM SCHOOL EDUCATIONAL TRUST

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 AUGUST 2016

INCOME AND EXPENDITURE	Notes	General Unrestricted Fund 2016 £	Bursary Fund 2016 £	Development Fund 2016 £	Other Funds 2016 £	Bursary Fund Total 2016 £	Funds Total 2015 £
<b>INCOME FROM:</b>							
<b>Income from charitable activities</b>							
Tuition fees	1	7,229,211	-	-	-	7,229,211	7,287,303
Disbursements and extras		79,380	-	-	-	79,380	84,368
Other educational income	2	16,344	-	-	-	16,344	14,380
<b>Investments</b>							
Interest receivable	3	3,493	874	809	-	5,176	16,770
<b>Voluntary sources</b>							
Donations and appeal income	4	-	-	3,740	-	3,740	34,445
<b>Other incoming resources</b>							
Other income	5	9,810	-	-	-	9,810	5,328
		<u>7,338,238</u>	<u>874</u>	<u>4,549</u>	<u>-</u>	<u>7,343,661</u>	<u>7,442,594</u>
<b>EXPENDITURE ON:</b>							
<b>Raising funds</b>							
Finance costs		75,231	-	-	-	75,231	101,159
Prepaid fee discount		32,318	-	82	-	32,400	39,782
<b>Charitable activities</b>							
<i>School operating costs</i>							
Teaching costs		4,117,136	-	-	-	4,117,136	3,808,165
Welfare		1,080,778	-	-	-	1,080,778	1,037,081
Premises		1,088,716	-	-	-	1,088,716	1,099,383
Support costs of schooling		835,497	-	-	-	835,497	888,602
Grants		-	16,669	-	6,997	23,666	22,374
		<u>7,229,676</u>	<u>16,669</u>	<u>82</u>	<u>6,997</u>	<u>7,253,424</u>	<u>6,996,546</u>
<b>Net income before transfers</b>		108,562	(15,795)	4,467	(6,997)	90,237	446,048
Transfers between funds		-	-	-	-	-	-
<b>Net income after transfers</b>		108,562	(15,795)	4,467	(6,997)	90,237	446,048
Balance brought forward		8,032,978	476,281	442,307	52,353	9,003,919	8,557,871
Balance carried forward		<u>8,141,540</u>	<u>460,486</u>	<u>446,774</u>	<u>45,356</u>	<u>9,094,156</u>	<u>£9,003,919</u>

All activities are continuing. All the funds are unrestricted apart from the Development Fund and the Other Funds, comprising the Learning Support Fund and the Grand Piano Fund. No summary income and expenditure account has been prepared because this information is clearly identified in the above statement.

The accompanying notes are an integral part of the accounts.

## BALANCE SHEET

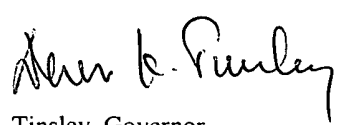
AS AT 31 AUGUST 2016

	Notes	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	9	10,768,540	10,716,994
<b>CURRENT ASSETS</b>			
Debtors -			
Fees and extras in arrears		24,887	14,073
Other debtors, stocks and prepayments		179,439	134,295
Cash and cash equivalents		2,613,053	2,950,517
		<u>2,817,379</u>	<u>3,098,885</u>
<b>CREDITORS - due within one year</b>			
Fees received in advance		(443,057)	(190,336)
Prepaid fees	11	(1,720,701)	(1,915,422)
Other creditors	12	(678,005)	(756,202)
Bank loan	13	(300,000)	(300,000)
		<u>(3,141,763)</u>	<u>(3,161,960)</u>
<b>NET CURRENT LIABILITIES</b>		(324,384)	(63,075)
<b>CREDITORS - Due after one year</b>	13	(1,350,000)	(1,650,000)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>£9,094,156</u>	<u>£9,003,919</u>
<b>UNRESTRICTED FUNDS</b>			
<i>Designated fund</i>			
General Fund	15	8,141,540	8,032,978
Cheam Bursary Fund	16	460,486	476,281
Development Fund	17	446,774	442,307
Learning Support Fund	18	45,356	52,353
		<u>£9,094,156</u>	<u>£9,003,919</u>

The financial statements were approved and authorised for issue by the Board of Governors on 25 November 2016 and were signed below on its behalf by:



R. D. Boycott, Chairman



D. K. Tinsley, Governor

The accompanying notes are an integral part of the accounts.

**CHEAM SCHOOL EDUCATIONAL TRUST**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 AUGUST 2016**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Cash flow from operating activities</b>		
Net income for the year	90,238	446,048
Depreciation	334,500	378,099
Interest receivable	(5,176)	(16,770)
Interest paid	75,231	101,074
(Increase)/decrease in debtors	(55,958)	49,689
Increase/(decrease) in creditors	174,523	(15,316)
	<u>613,358</u>	<u>942,824</u>
<b>Net cash generated from operating activities</b>		
<b>Cash flow from investing activities</b>		
Interest received	5,176	16,770
Purchase of fixed assets	(386,046)	(486,846)
	<u>(380,870)</u>	<u>(470,076)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Bank loan repayments	(300,000)	(300,000)
Bank loan drawdown	-	-
Increase/(decrease) in prepaid fees (net)	(194,721)	(329,436)
Interest paid	(75,231)	(101,074)
	<u>(569,952)</u>	<u>(730,510)</u>
<b>Net cash used in financing activities</b>		
<b>Increase/(decrease) in cash and cash equivalents</b>	<u>(337,464)</u>	<u>(257,762)</u>
Cash and cash equivalents as at 1 September	<u>2,950,517</u>	<u>3,208,279</u>
Cash and cash equivalents as at 31 August	<u><u>2,613,053</u></u>	<u><u>2,950,517</u></u>

# CHEAM SCHOOL EDUCATIONAL TRUST

YEAR ENDED 31 AUGUST 2016

## ACCOUNTING POLICIES

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### ACCOUNTING POLICIES

Cheam School Educational Trust is a charitable company incorporated in England and Wales. Further company information can be found on page 1.

**a) Basis of Accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2016), the Companies Act 2006 and FRS 102 the financial reporting standard applicable in the UK and the Republic of Ireland. Consolidated accounts have not been prepared as the subsidiary is dormant and has no assets or liabilities.

Having reviewed the funding facilities available to the School together with the expected ongoing demand for places and the School's future projected cash flows, the Governors have a reasonable expectation that the School has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the School's financial statements.

**b) Fees receivable and similar income**

Tuition fees are stated after deducting allowances for awards and other remissions. Other educational income comprises income from school outings, activities and other related income. These sources of income are included in the accounts when they become receivable and their value can be measured with reasonable probability.

**c) Expenditure**

Expenditure is accrued

Charitable activity costs comprises all expenditure directly related to the objects of the school including direct staff costs attributable to each activity. Support costs included within the charitable activity comprise the costs of all resources utilised to directly support the school's primary activities.

Governance costs are those costs incurred in connection with the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

**d) Pension costs**

The Trust contributes to the Teachers' Pension Defined Benefits Scheme at rates set by the Scheme Actuary and advised to the Board by the Scheme Administrator. The scheme is a multi-employer pension scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the school. In accordance with FRS 102 therefore, the scheme is accounted for as a defined contribution scheme. Please also see Note 13 on page 18.

All non-teaching staff are members of a defined contribution scheme, where required by pursuant legislation, which complies with the requirements for a stakeholder pension scheme.

**e) Fixed assets**

All items of a capital nature with a value of over £1,000 are capitalised. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The principal rates used for this purposes are:

Freehold land	Freehold land is not depreciated
Freehold buildings	2%
Furniture, fixtures and equipment	10%
Computers	25%
Motor vehicles	20%

Freehold improvements include any capital expenditure relating to land and buildings which is believed not to have a useful economic life of 50 years.

# CHEAM SCHOOL EDUCATIONAL TRUST

YEAR ENDED 31 AUGUST 2016

## ACCOUNTING POLICIES (continued)

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### ACCOUNTING POLICIES (continued)

**f) Financial Instruments**

The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**g) Operating Leases**

Rental charges are charged on a straight line basis over the term of the lease.

**h) Debtors**

Trade and other debtors are recognised at the settlement amount due after any discounts offered. Prepayments are valued at the amount prepaid net of any discounts due.

**i) Cash at bank and in hand**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**j) Creditors and Provisions**

Creditors and provisions are recognised where the School has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any discounts due.

**k) Fund accounting**

The funds of the School are accounted for as unrestricted or restricted income, in accordance with the terms of trust imposed by the donors or any appeal to which they may have responded.

**Unrestricted** income belongs to the School's corporate reserves, spendable at the discretion of the Governors either to further the School's Objects or to benefit the School itself. Where the Governors decide to set aside any part of these funds to be used in future for some specific purpose, this is accounted for by transfer to the appropriate designated fund.

**Designated** funds are a particular form of unrestricted funds consisting of amounts, which have been allocated or designated for specific purposes by the governors. The use of designated funds remains at the discretion of Governors.

**l) Critical sources of estimation uncertainty and accounting judgements**

The governors consider there to be the following key sources of estimation uncertainty and have therefore applied judgement:

**Useful lives of fixed assets**

The useful lives over which fixed assets are depreciated are estimated by reference to historical experience of the times assets are retained and utilised by the school.

**m) Employee benefits**

Employee benefits are accounted for in the period in which the employee's services were provided.

**n) Employee termination payments**

Employee termination payments are accounted for in the period in which the employee ceased employment with the School.

**CHEAM SCHOOL EDUCATIONAL TRUST**

**NOTES TO ACCOUNTS**

**YEAR ENDED 31 AUGUST 2016**

1.	CHARITABLE ACTIVITIES		2016 £	2015 £	
	Fees receivable consist of:				
	Boarding and tuition fees		7,657,176	7,687,924	
	Less scholarships, bursaries and remissions given		(427,965)	(400,621)	
			<u>£7,229,211</u>	<u>£7,287,303</u>	
2.	OTHER ANCILLARY INCOME		2016 £	2015 £	
	Registration fees		5,638	4,799	
	Other		10,706	9,581	
			<u>£16,344</u>	<u>£14,380</u>	
3.	INTEREST RECEIVABLE		2016 £	2015 £	
	Bank interest		<u>£5,176</u>	<u>£16,770</u>	
4.	DONATIONS AND APPEAL INCOME		2016 £	2015 £	
	Donations received		3,740	32,631	
	Tax recovered on gift aided donations		-	1,814	
			<u>£3,740</u>	<u>£34,445</u>	
	Donations received are in respect of the School's development plan and bursary fund.				
5.	OTHER INCOME		2016 £	2015 £	
	Rent and lettings		8,165	2,379	
	Miscellaneous		1,645	2,949	
			<u>£9,810</u>	<u>£5,328</u>	
6.	ANALYSIS OF EXPENDITURE	Staff Costs £	Other £	Depreciation £	Total £
	Cost of generating funds				
	Finance costs	-	75,231	-	75,231
	Prepaid fee discount	-	32,400	-	32,400
	Fundraising costs	-	-	-	-
	School operating costs				
	Teaching	3,819,174	261,962	36,000	4,117,136
	Welfare	609,148	471,630	-	1,080,778
	Premises	370,202	401,206	298,500	1,069,908
	Support	441,757	412,548	-	854,305
	Grants	-	23,666	-	23,666
	Total resources expended	<u>£5,240,281</u>	<u>£1,678,643</u>	<u>£334,500</u>	<u>£7,253,424</u>

# CHEAM SCHOOL EDUCATIONAL TRUST

## NOTES TO ACCOUNTS (continued)

YEAR ENDED 31 AUGUST 2016

7. STAFF COSTS	2016 £	2015 £
Wages and salaries	4,427,788	4,134,008
Social security costs	406,124	343,372
Pension contributions	406,369	336,086
	<u>£5,240,281</u>	<u>£4,813,466</u>
The average number of employees in the year was:	No.	No.
Teaching	97	95
Others	73	71
	<u>170</u>	<u>166</u>
The number of employees whose emoluments exceeded £60,000		
£60,000 - £70,000	4	2
£70,000 - £80,000	-	3
£80,000 - £90,000	1	1
£90,000 - £100,000	1	-
£100,000 - £110,000	1	-
£150,000 - £160,000	-	1
£200,000 - £210,000	1	-
	<u>1</u>	<u>-</u>

### Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme (England and Wales) ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £351,348 (2015: £282,796). At the year end £48,833 was outstanding (2015: £40,971).

The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pensions Regulations 2010 and 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 Department. The latest valuation report in respect of the TPS was prepared at 31 March 2012 and was published in June 2014. This report confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015.

The Department of Education has also devolved the scheme administration costs to scheme employers in the form of an administration charge of 0.08% of the employers' salary costs which has resulted in a total employer payment rate of 16.48%. The next revision to the employer contribution rate is not expected to take effect until 1 April 2019. This will follow on from the next actuarial valuation which is due at 31 March 2016. 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.

### Incorporated Association of Preparatory Schools Retirement

The School also participates in a defined contribution scheme with the Incorporated Association of Preparatory Schools Retirement Plan for teachers and non-teachers. During the year, £55,019 (2015: £53,290) was recognised as an expense in the Statement of Financial Activities.

# CHEAM SCHOOL EDUCATIONAL TRUST

## NOTES TO ACCOUNTS (continued)

YEAR ENDED 31 AUGUST 2016

### 7. STAFF COSTS (continued)

None of the Governors received any remuneration. No trustees were reimbursed for out of pocket expenses (2015: £NIL). The school has purchased Governor's liability insurance. As the premium is included with other insurance costs, it is not separately identifiable.

Key management personnel remuneration in the year was £462,706 (2015: £383,951).

8. RESOURCES USED	2016 £	2015 £
Resources used include (excluding VAT):		
Operating lease payments	95,365	89,145
Auditor's remuneration - Audit	11,750	11,250
- Other services	1,200	1,200
Depreciation	334,500	378,099

### 9. TANGIBLE FIXED ASSETS:

The movements of tangible fixed assets are as follows:

	Freehold land and freehold buildings £	Furniture, fittings and equipment £	Motor vehicles and garden equipment £	Computers £	Total £
<b>COST OR VALUATION</b>					
At 1 September 2015	12,594,729	718,519	157,950	273,053	13,744,251
Additions	158,371	127,328	5,160	95,187	386,046
At 31 August 2016	12,753,100	845,847	163,110	368,240	14,130,297
<b>DEPRECIATION</b>					
At 1 September 2015	2,308,402	494,878	79,095	144,882	3,027,257
Charge for the year	240,000	24,000	34,500	36,000	334,500
At 31 August 2016	2,548,402	518,878	113,595	180,882	3,361,757
<b>NET BOOK VALUE</b>					
At 31 August 2016	£10,204,698	£326,969	£49,515	£187,358	£10,768,540
At 31 August 2015	10,286,327	223,641	78,855	128,171	10,716,994

### 10. INVESTMENT IN SUBSIDIARY

The company has an investment in a subsidiary undertaking which comprises a holding of 1 ordinary share of £1, being the whole of the issued share capital of Cheam Trading Limited (formerly Cheam Asia Limited), a company registered in England. The subsidiary undertaking was incorporated on 14 April 2016 and has been dormant throughout the period and has no assets or liabilities.



**CHEAM SCHOOL EDUCATIONAL TRUST**

**NOTES TO ACCOUNTS (continued)**

**YEAR ENDED 31 AUGUST 2016**

**11. PREPAID FEES**

The movement on the prepaid fees scheme during the year were as follows:

	2016 £	2015 £
<b>Balance at 1 September 2015</b>	1,915,422	2,244,858
New contracts	352,002	275,895
Amount accrued to contracts	31,376	39,783
	<u>2,298,800</u>	<u>2,560,536</u>
Amounts utilised in payment of fees	(578,099)	(645,114)
<b>Balance at 31 August 2016</b>	<u><u>£1,720,701</u></u>	<u><u>£1,915,422</u></u>

Assuming pupils remain with the School, prepaid fees will be applied as follows:

	2016 £	2015 £
<b>Within one year</b>	558,810	595,433
Between two and five years	911,232	912,330
After five years	250,659	407,659
	<u><u>£1,720,701</u></u>	<u><u>£1,915,422</u></u>

**12. OTHER CREDITORS: - Due within one year**

	2016 £	2015 £
Trade creditors	91,567	191,372
Payroll taxes and social security	143,643	96,686
Other creditors	430,795	456,143
Accruals	12,000	12,000
	<u><u>£678,005</u></u>	<u><u>£756,202</u></u>

**13. BANK LOAN**

	2016 £	2015 £
Due:		
- between one and two years	300,000	300,000
- between two and five years	900,000	900,000
- more than five years	150,000	450,000
	<u>1,350,000</u>	<u>1,650,000</u>
Creditors due within one year	300,000	300,000
	<u><u>£1,650,000</u></u>	<u><u>£1,950,000</u></u>

The above loan, which is secured on the school's freehold property, consists of £825,000 which bears interest at 2.3% over base rate and £825,000 which bears interest at a fixed rate of 5.18%. The loans are repayable over seven years, and commenced February 2013.

# CHEAM SCHOOL EDUCATIONAL TRUST

## NOTES TO ACCOUNTS (continued)

YEAR ENDED 31 AUGUST 2016

### 14. FINANCIAL INSTRUMENTS

2016  
£

2015  
£

Financial assets that are debt instruments measured at amortised cost

24,887

14,073

Financial liabilities measured at amortised cost

2,172,363

2,597,515

Financial assets include fee debtors and extras due in arrears.

Financial liabilities include bank loans, trade creditors and other creditors.

### 15. GENERAL FUNDS

General funds can be applied to the School's operations at the discretion of the governors.

### 16. CHEAM BURSARY FUND

The movements on the Bursary Fund consist of donations, investment income and transfers from the General Fund less bank charges. The Fund is being built up for the award of bursaries and scholarships.

### 17. DEVELOPMENT FUND

The movements on the Development Fund consist of donations and investment income less fundraising costs and bank charges which will be used for future capital projects.

### OTHER FUNDS

### 18. LEARNING SUPPORT FUND

The fund consists of donations of £60,000 which are being used for learning support. £6,997 was spent during the year.

### 19. ALLOCATION OF NET ASSETS BY FUND

	Fixed assets £	Net current assets/ (liabilities) £	Creditors: due after one year £	Total £
General Fund	10,717,789	(1,226,249)	(1,350,000)	8,141,540
Development Fund	-	446,774	-	446,774
Cheam Bursary Fund	-	460,486	-	460,486
Learning Support Fund	-	45,356	-	45,356
	<u>£10,717,789</u>	<u>(£324,381)</u>	<u>£(1,350,000)</u>	<u>£9,094,156</u>

**CHEAM SCHOOL EDUCATIONAL TRUST**

**NOTES TO ACCOUNTS (continued)**

**YEAR ENDED 31 AUGUST 2016**

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**20. TAXATION**

The company is a registered charity and no taxation is payable on its income applied to its charitable objects.

**21. OPERATING LEASE COMMITMENTS**

The School has the following total operating lease commitments due as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Less than one year	123,950	80,054
Two to five years	354,627	127,785
After five years	7,386	-
	<u>£485,963</u>	<u>£207,839</u>

**22. CAPITAL COMMITMENTS**

The School had no capital commitments at year end.

**23. TRANSITION TO FRS 102**

No adjustment has been made to comparative financial information in respect to the School's transition to FRS 102.

## CHEAM SCHOOL EDUCATIONAL TRUST

## NOTES TO ACCOUNTS (continued)

YEAR ENDED 31 AUGUST 2016

## 24. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

	General Fund 2015 £	Bursary Fund 2015 £	Development Fund 2015 £	Other Funds 2015 £	Total 2015 £
<b>INCOMING RESOURCES</b>					
<b>Income from charitable activities</b>					
Tuition fees	7,287,303	-	-	-	7,287,303
Disbursements and extras	84,368	-	-	-	84,368
Other educational income	14,380	-	-	-	14,380
<b>Investments</b>					
Interest receivable	3,278	13,182	310	-	16,770
<b>Voluntary sources</b>					
Donations and appeal income	-	-	24,445	10,000	34,445
<b>Other incoming resources</b>					
Other income	5,328	-	-	-	5,328
	<u>7,394,657</u>	<u>13,182</u>	<u>24,755</u>	<u>10,000</u>	<u>7,442,594</u>
<b>RESOURCES USED</b>					
<b>Raising funds</b>					
Finance costs	101,074	-	85	-	101,159
Prepaid fee discount	39,782	-	-	-	39,782
<b>Charitable activities</b>					
<i>School operating costs</i>					
Teaching costs	3,808,165	-	-	-	3,808,165
Welfare	1,037,081	-	-	-	1,037,081
Premises	1,099,383	-	-	-	1,099,383
Support costs of schooling	848,064	-	-	-	888,602
Grants	-	17,749	-	4,625	22,374
	<u>6,974,087</u>	<u>17,749</u>	<u>85</u>	<u>4,625</u>	<u>6,996,546</u>
<b>Net incoming resources before transfers</b>	420,570	(4,567)	24,670	5,375	446,048
Transfers	(30,000)	30,000	-	-	-
<b>Net incoming resources after transfers</b>	390,570	25,433	24,670	5,375	446,048
Balance brought forward	7,642,408	450,848	417,637	46,978	8,557,871
Balance carried forward	<u>£8,032,978</u>	<u>£476,281</u>	<u>£442,307</u>	<u>£52,353</u>	<u>£9,003,919</u>