

Registered Charity Number: 1120616
Registered Company Number: 06292085

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

Annual report and financial statements
for the year ended 31 July 2022

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Annual report and financial statements for the year ended 31 July 2022

Contents	Page
Reference and Administrative Information	1-2
Report of the Governors	3-9
Independent Auditor's Report	10-12
Statement of Financial Activities	13
Balance Sheet	14
Statement of Cash Flows	15
Notes to the Financial Statements	16-29

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Reference and Administrative Information For the year ended 31 July 2022

Status and administration

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

Charitable objects

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

Governors

Chairman: C A P Leonard (a)
Dr J Dargan (c) (resigned 11 May 2022)
Mrs C Elgar (c) (resigned 30 June 2022)
Dr S Guy (b)
Mrs P Francis (a, c)
S Hill Esq. (b) (resigned 14 July 2022)
S Holroyd Esq. (b)
S King Esq. (a)
C Le Bas Esq. (a) (resigned 14 July 2022)
A K Metcalfe Esq. (b) (appointed 16 June 2022)
D Morris Esq. (resigned 30 June 2022)

Nominated by

Malvern College
The Governors
The Governors
The Governors
The Governors
Malvern College
The Governors
The Governors
The Governors
The Governors

- (a) member of the Commercial Committee
(b) member of the Education Committee
(c) member of the Welfare and Health and Safety Committee

Constitution of the Governors

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

Officers

Headmaster	A Nuttall Esq. (from 15 May 2022) A S Cook Esq. (until 14 March 2022)
Chief Operating Officer	R Breare Esq.
Company Secretary	Mrs N R Roberts (from 1 July 2022) Mrs K E Collyer (until 30 June 2022)

Key management personnel

Headmaster:	A Nuttall Esq. (from 15 May 2022) A S Cook Esq. (until 14 March 2022)
Deputy Head Pastoral:	Mrs A Sigley
Deputy Head Academic:	S Thomas Esq.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Reference and Administrative Information (continued) For the year ended 31 July 2022

Registered office and principal address

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

Professional service providers

Bankers:

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

Independent Auditor:

Crowe U.K. LLP
4th Floor, St James House
St James Square
Cheltenham
Gloucestershire
GL50 3PR

Insurance Brokers:

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

Lawyers:

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

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2022

The Governors present their annual report and the audited financial statements for the year ended 31 July 2022.

Reference and Administrative Information is set out on pages 1 to 2 which forms part of this report. This section also provides details of its constitution and its charitable objects.

Chairman's statement

As we have finally seen the end of Covid-19 restrictions, the School has returned to some semblance of the normality that was enjoyed before the pandemic. It has been gratifying to see the pupils engaging in many of the activities which make a Downs education what it is, from assemblies and singing, to plays, performances and matches, the School has regained its identity and the sense of community that surround such events. A large scale production of 'Joseph' and a fully attended Sports-day were two such events that had been impossible in recent years.

With Alistair Cook's retirement as Headmaster in March 2022 we were fortunate to have a strong SLT in place to guide the School until we were able to welcome Andrew Nuttall as the new Headmaster who joined us in mid-May along with his wife Polly and two young children Alfred and Francesca. The whole family settled in well and were immediately engaged within the School community.

The School continues to provide a high quality education, both in terms of academic challenge and success, but also importantly in the wider co-curricular sense with pupils enjoying success in Sports, Art, Music and Drama as well as S.T.E.M activities such as the Railway. The Downs pupils benefit from a close-knit community where they are happy to be challenged, develop their personal and interpersonal skills, and interact with the wider community in the local area and beyond.

It has been a challenging year financially with the combined financial headwinds of rising interest rates, the looming cost of living crisis and the very large rise in energy prices. The seismic effects of the conflict in Ukraine were unforeseeable and accordingly we will have to manage the effects of an uncertain economic climate for the foreseeable future, which will of course impact the whole sector. Delivery of excellent education to our pupils coupled with strong financial management will ensure we can weather the storm.

The Board of Governors will continue to closely monitor economic, social and educational trends, with a long term view. The strategic position of the School at the forefront of Prep School education in the region has been under review with the Board considering a number of strategic opportunities including a merger with a local Prep School. The School is in a good position to take advantage of the changing dynamics in the sector as well as benefitting from being part of the growing Malvern family of schools which now educates over 4,400 pupils. This close relationship will be reinforced with the planned merger of the charity with Malvern College for 2022/23. This is a strategic opportunity to strengthen the School's position in the local market and places the School in a robust situation from which to further develop. The merger is planned to take place on 31 October 2022.

Strategic Report

Structure, Governance and Management

Recruitment and training of Governors

The School is registered as a Charitable Company under the direction of a Board of Governors. The Headmaster is a member of the Independent Association of Preparatory Schools (IAPS), the leading professional association for Heads of independent preparatory schools. The Directors of the company are also charity Trustees for the purposes of charity law and throughout the report are collectively referred to as the Governors. They are listed on page 1. New Governors are selected and appointed by the existing Governors.

All Governors are members of at least one of the sub-committees or have responsibilities for specific aspects of the School to give them an insight into the workings of the School. On induction, the Governors complete online "Safeguarding and Safe Recruitment" training. They are made aware of the School's safeguarding policies and receive all Independent Schools' Inspectorate and Department for Education updates that are sent to the School. Governors receive safe-guarding training every 3 years as well as ensuring that they are aware of the annual updates to Keeping Children Safe in Education provided by the Department for Education. In addition Governors

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2022 (continued)

Recruitment and training of Governors (continued)

undertake online training annually.

Organisational management

The Governors hold one ordinary meeting of the Governors in each School term and sub-committees also meet termly. There are three sub-committees; a) Commercial, b) Education and c) Welfare and H&S. The School no longer has to hold an annual general meeting although general meetings can still be called annually if needed.

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

Governors' insurance

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

Related parties

Malvern College and The Downs School (Colwall)

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

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

Principal risks and uncertainties

Risk management

A register of significant risks is reviewed by the Governors at least annually. The register considers the principal areas of the School's operations and evaluates the major risks faced in each of the risk areas along with controls designed to mitigate those risks, which are considered to be adequate. The risk register is maintained by the Headmaster, with oversight by the Governors, and reviewed termly by the Commercial Committee. Responsibility for the management of the risks faced by the School is delegated to the Headmaster and the Senior Management Team (SMT) by the Governors. At each termly Commercial Committee meeting the Governors review a summary of the primary risks thought most likely to have the greatest effect on the School and the action taken to mitigate those risks to an acceptable level. The Risk Register and the Safeguarding Policies are presented for discussion and approval at the November Governors' Meeting.

In light of the current uncertain economic climate the Governors believe that the School's financial resources and contingency planning are sufficient to ensure the ability of the School to continue as a going concern for the foreseeable future, being at least twelve months from the date of approval of these financial statements.

Key risks

In the previous financial year, the impact of COVID-19 was the key risk being actively managed, the School adapted well and developed extensive contingency plans should a further lockdown be required.

The key risk currently being managed by the School is the impact of the current economic climate, which could affect budgeted pupil numbers as disposable incomes decrease. This risk is managed by a regular review of pupil recruitment resulting in a coordinated approach from all involved to ensure pupil retention and recruitment. The

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2022 (continued)

Key risks (continued)

School reviews its fees on an annual basis and these are factored into the School's plans and income forecasts.

The current economic climate is having an inflationary impact on our cost base, particularly around utility and catering costs. The School is undertaking an in-depth review of its cost base to improve efficiency and ensure value for money is obtained on all elements of our spend. Other costs are controlled by contract negotiations and competitive tendering with suppliers.

Salary levels are also set by reference to the School's plans and income forecasts as well as to prevailing market rates, specifically in the education sector for the academic staff. These are communicated to staff each year during the annual salary review process.

September 2019 saw an increase in the Employer Contribution rate to the Teachers' Pension Scheme from 16.48% to 23.68%. This 43.69% increase is a substantial additional burden to the School's cost base. If further increases in contribution rates follow in the coming years, remaining in the Scheme may be unaffordable. In line with this, last year, management, staff and governors agreed a phased withdrawal from the TPS.

The Headmaster and all the staff at the School place much emphasis on every aspect of each child's experience at the School. There is an obvious focus on the risks associated safeguarding and safe recruiting protocols as well as the provision of the highest quality of teaching and learning in order to maintain the School's strong academic reputation.

Aims, strategies and objectives

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

In order to meet these aims the School is committed to:

- Providing a broad and balanced curriculum that values academic excellence, but also attaches great importance to effort, enthusiasm and enjoyment in all areas of learning and activity;
- Promoting the welfare of every pupil by developing their confidence and self-esteem, giving them responsibility and opportunities to exercise leadership, helping them to develop mature attitudes and preparing them for their senior schools and adult lives;
- Building a strong sense of community in which all feel valued and respected, where each has a contribution to make and where there is a growing awareness of our common responsibility for the wider world in which we live and especially our environment.

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

Review of the year

Income during the year was approximately in line with the previous year. There was a small reduction in pupil numbers and a continuing trend away from full boarding, however this was offset through the fee increase, a reduction in fee allowances and an increase in flexi-boarding. There has been an encouraging start to the academic year, the new Headmaster has been received very well by our parent base and strong enquiries which will be supported by an effective marketing campaign. This work is being supported by the Marketing Team of Malvern College.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2022 (continued)

Review of the year (continued)

Academic

It was another successful academic year with 18 Scholarships won by 12 Year 8 pupils for their prospective Senior Schools. The breadth of a Downs education is reflected within these awards across the different disciplines of the available scholarships.

Subject	2021-22 Awards	2020-21 Awards
Academic	6 scholarships, 1 exhibition	3 scholarships, 3 exhibitions
Art	1 scholarship	1 exhibition
Drama	1 scholarship, 1 exhibition	1 scholarship
Design Technology	1 scholarship, 2 exhibitions	1 scholarship
Music	1 scholarship	2 scholarships, 2 exhibitions
Sport	2 scholarships, 2 exhibitions	9 scholarships, 1 exhibition
All Rounder	-	1 award

Pastoral

Pastorally, the school continues to develop its systems and structures to ensure that the pupils benefit from its outstanding Pastoral care. The school has renewed its 'Circle of Care' principles to reflect this and expanded the Safeguarding team to better serve the community's needs. The pastoral policies are regularly reviewed by staff as well as the Governors' Welfare and H&S Committee. The most recent ISI report graded the Pastoral care as 'Excellent'.

Boarding

The Boarding community continues to provide a thriving and comfortable environment for the boarders. There are an increasing number of flexi boarders who make use of the opportunity to board one, two or three nights per week. The boarding age range is currently from 8 -13, with the majority of the children boarding being at the upper end of this range. The School has recently appointed a Governor with dedicated oversight of the Boarding provision.

Charities Act 2011 and Public Benefit

The Governors have considered the Charities Act 2011 on public benefit and have had due regard for Charity Commission Guidance on the subject.

The School is committed to funding the education at the School of members of the local community who would not normally be in a position to afford the School's fees but who demonstrate that they would benefit from the educational environment the School offers. The School has limited reserves and the bursary scheme is funded through revenues generated by the School and not through investment income. During the 2021-22 year, bursaries were awarded to 16 pupils (2021: 24 pupils) at an average of £4,035 per pupil (2021: £3,319). The total value of this funding was £64,561 (2021: £79,662).

The School also raised funds for local, national and international charitable organisations. A number of local groups also made use of the School's facilities at either a reduced cost or free of charge, both in term time and throughout the holiday periods.

Financial review

The principal funding source for the School is fee income. In the year gross fee income was £3,140,129 (2021: £3,311,894). The result for the year is a deficit of £654,158 (2021: deficit £405,008), which includes a depreciation charge of £299,949 (2021: £275,139). The underlying operational result (before taking into account this item) was a deficit of £354,209 (2021: deficit of £129,869).

A donation of £194,286 (2021: £166,751) was made to the School by Malvern College during the year in recognition of the staff concessions offered to staff at Malvern College by the School.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2022 (continued)

Financial review (continued)

Capital investment of £155,479 (2021: £102,617) was made. This largely consisted of replacement of windows, replacement of fire alarm, new combination oven, replacement boiler for the sports hall, refurbishment of Headmaster's house and small IT projects.

Reserves

Total reserves are £5,666,662 (2021: £6,320,820). Of the total unrestricted funds of £5,646,922 (2021: £6,314,229), £5,324,968 (2021: £5,469,438) comprises fixed assets, leaving £321,954 (2021: £844,791) as free reserves. Restricted funds are £19,740 (2021: £6,591).

Considering the significant investment in the School at the time of the merger, the level of free reserves is considered sufficient for the immediate needs of the School. The policy is to build up free reserves to meet future capital expenditure requirements as they are identified to maintain the standard of education currently provided. The current level of free reserves is sufficient to meet the future plans for the School.

Plans for future periods

The Headmaster and SMT reviews the School's strategic framework regularly and report on such to the Governors for discussion and approval. The strategic plan has been developed and is currently under review.

With the support of colleagues from Malvern College capital expenditure projects have been identified and prioritised for the continued improvement of the School site with a view to further enriching the children's educational experience in terms of both their academic and pastoral outcomes.

A restructuring of the School's teaching staff is underway with the aim of ensuring efficiency of deployment whilst maintaining outstanding pastoral and academic structures.

During the 2021/22 financial year, the Governors approved the merger of the School into the Malvern College charitable company. The merger is planned for 31 October 2022.

Policies

Investment Policy

Due to the nature of the School's activities and the impact of COVID-19, surplus funds are not held for long periods of time and are not therefore available for long-term investment. Accordingly, the School's policy is to invest such funds in deposit accounts offering a market rate of interest.

Remuneration Policy

The remuneration of key management personnel is set by the Governors, with the objective of providing appropriate incentives to encourage retention of existing staff and also to attract new staff when required.

The appropriateness of the policy is reviewed regularly by the Governors to ensure that the School remains sensitive to the broader issues of pay and employment conditions in the sector.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2022 (continued)

Statement of Governors' responsibilities

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

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- make judgements 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 adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on the Charity Governance Code

As the School is a not for profit organisation which aims to follow charity sector best practice, the Governors have familiarised themselves with the updated version of the Charity Governance Code (the "Code") published in December 2020. The Governors consider that the School's governance framework aligns with appropriate aspects of the Code and will continue to take positive steps towards working in line with the Code in all ways where it is practicable to do so.

Statement on Fundraising

The charity had no fundraising activities requiring disclosure under s.162A of the Charities Act 2011.

Statement on disclosure of information to the auditor

Insofar as each of the Governors, as directors of the charitable company, at the date of approval of this report is aware there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware. Each member of the Board of Governors has taken all steps that he or she should have taken as a member of the Board of Governors in order to make himself or herself aware of the relevant audit information and to establish that the company's auditor is aware of that information.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Report of the Governors for the year ended 31 July 2022 (continued)

Independent Auditor

Crowe U.K. LLP have indicated their willingness to accept their reappointment and a resolution concerning their reappointment will be proposed at a meeting of the Governors.

By order of the Board of Governors, the Report of the Governors, including the Strategic Report, was authorised on 26 October 2022 by

A handwritten signature in black ink, appearing to be 'C A P Leonard', written in a cursive style.

**C A P Leonard
Chairman**

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School for the year ended 31 July 2022

Opinion

We have audited the financial statements of The Downs, Malvern College Prep School for the year ended 31 July 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2022 and of the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity 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

In auditing the financial statements, we have concluded that Governor's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 this gives rise to a material misstatement in the financial statements themselves. 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.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School for the year ended 31 July 2022 (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with Report of Governor; or
- sufficient and proper accounting records have not been kept by the charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities Governor

As explained more fully in the Statement of Governor's Responsibilities statement, Governors 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 Governor's 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, Governors are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School for the year ended 31 July 2022 (continued)

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company for fraud. The laws and regulations we considered in this context for the UK operations were The Education (Independent School Standards) Regulations 2014, General Data Protection Regulation (GDPR), Health and safety legislation, and Employment legislation.

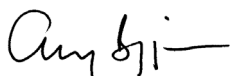
Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of Governors and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, and the Commercial Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, Independent Schools Inspectorate, Ofsted and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Guy Biggin
Crowe U.K. LLP
Statutory Auditor
4th Floor, St James House
St James Square
Cheltenham
GL50 3PR

Date: 26 October 2022

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Statement of Financial Activities (including income and expenditure account) for the year ended 31 July 2022

		Unrestricted Funds	Restricted Funds	2022 Total	2021 Total
	Notes	£	£	£	£
INCOME FROM:					
Charitable activities					
School fees	3	2,794,949	-	2,794,949	2,786,014
Ancillary trading income	4	297,278	-	297,278	195,770
Trading activities	4	40,951	14,705	55,656	27,245
Investments		667	-	667	571
Grants and Donations	2	6	194,286	194,292	192,105
TOTAL		3,133,851	208,991	3,342,842	3,201,705
EXPENDITURE ON:					
Raising funds					
Financing costs	5	(5,918)	-	(5,918)	14,628
Charitable Activities					
Provision of Education	5	3,807,076	195,842	4,002,918	3,592,085
TOTAL	5	3,801,158	195,842	3,997,000	3,606,713
Net (expenditure)/ income and net movement in funds	6	(667,307)	13,149	(654,158)	(405,008)
RECONCILIATION OF FUNDS					
Fund balances b/f 1 August	12	6,314,229	6,591	6,320,820	6,725,828
Fund balances c/f 31 July	12	5,646,922	19,740	5,666,662	6,320,820

The notes on pages 16 to 29 form part of the financial statements.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Balance Sheet as at 31 July 2022

Company number: 06292085

	Notes	2022 £	2021 £
Fixed assets:			
Tangible assets	8	5,324,968	5,469,438
Total fixed assets		5,324,968	5,469,438
Current assets:			
Stocks		4,916	2,619
Debtors	9	302,291	188,053
Current asset investments		807,270	806,831
Cash at bank & in hand		25,194	427,126
Total current assets		1,139,671	1,424,629
Liabilities:			
Creditors: amounts falling due within one year	10	(707,267)	(452,345)
Net current assets		432,404	972,284
Total assets less current liabilities		5,757,372	6,441,722
Creditors: amounts falling due after more than one year	11	(90,710)	(120,902)
Total net assets		5,666,662	6,320,820
The funds of the charity:			
Restricted funds	12	19,740	6,591
Unrestricted funds	12	5,646,922	6,314,229
Total charity funds		5,666,662	6,320,820

The financial statements were approved and authorised for issue by the board of Governors on 26 October 2022 and were signed on its behalf by:



C A P Leonard
Chairman

The notes on pages 16 to 29 form part of the financial statements.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Statement of Cash Flows for the year ended 31 July 2022

	Notes	2022	2021
		£	£
Cash flows from operating activities:			
Net cash (used in)/provided by operating activities	16	(252,599)	(98,593)
Cash flows from investing activities:			
Interest received		667	571
Payments to acquire tangible fixed assets		(155,479)	(102,617)
Net cash outflow from investing activities		(154,812)	(102,046)
Cash flows from financing activities:			
Financing costs		5,918	(14,628)
Capital element of hire purchase payments		-	-
Net cash used in financing activities		5,918	(14,628)
Change in cash and cash equivalents in the reporting period	17	(401,493)	(215,267)
Cash and cash equivalents at the beginning of the reporting period			
	17	1,233,957	1,449,224
Cash and cash equivalents at the end of the reporting period	17	832,464	1,233,957

The notes on pages 16 to 29 form part of the financial statements.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022

Charity information

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

1 Principal accounting policies

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (2nd edition effective 1 January 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

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

Basis of accounting

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

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

Going concern

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

In light of the current climate the Governors have undertaken planning and forecasting and continue to closely monitor the developing situation. Despite the current circumstances the Governors believe that the School's financial resources and contingency planning is sufficient to ensure the ability of the School to continue as a going concern for the foreseeable future, being at least twelve months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

The going concern status of the School will be further strengthened by the merger into the Malvern College charitable company, which is planned for 31 October 2022. The charity legal entity will remain in operation for a period of not less than 12 months as governors consider its future purpose post-merger.

Donations

Donations are accounted for when receivable.

Government Grants: Job Retention Scheme

Income from government grants, whether 'capital' grants or 'revenue' grants, is recognised when the School has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably.

Where entitlement occurs before income is received, the income is accrued. Where income is received in advance of the School having entitlement to the funds the income is deferred.

Fees and similar income

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

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

1 Principal accounting policies (continued)

Trading and Ancillary trading income

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

Investment income

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

Final term deposits

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

Expenditure

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

Bursaries, grants and allowances payable

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

Support costs

Support costs include central function and governance costs. The governance costs comprise the cost of external audit and the costs of Governors' meetings.

Redundancy costs

Redundancy costs are recognised immediately as an expense when committed to terminate the employment of an employee or to provide termination benefits.

Irrecoverable VAT

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

Fund accounting

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

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

Pension costs

The School contributes to the Teachers' Pension Scheme at rates set by the Scheme Actuary and advised to the Governors by the Scheme Administrator. This scheme is a multi-employer pension scheme. It is not possible to identify the School's share of the underlying assets and liabilities of the Teachers' Pension Scheme on a consistent and reasonable basis and therefore, as required by FRS 102, the scheme is accounted for as if it were a defined contribution scheme. Accordingly, the School's contributions, which are in accordance with the recommendations of the Government Actuary, are charged in the period in which the salaries to which they relate are payable.

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

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

1 Principal accounting policies (continued)

Tangible fixed assets

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

Depreciation

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

	%
Buildings	1.8-10
Building improvements	5-20
Temporary classrooms	33
Fixtures & fittings	10-25
Computers and equipment	20-25

Stocks

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

Debtors

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

Current Asset Investments

Current asset investments are cash held on fixed term deposit with financial institutions.

Cash

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

Creditors

Short term creditors are initially measured at the transaction price.

Basic financial instruments

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

Judgments in applying accounting policies and key sources of estimation uncertainty

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

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

Useful economic lives of tangible fixed assets

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

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

1 Principal accounting policies (continued)

Impairment of debtors

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

2 Donations

	Year ended 31 July 2022	Year ended 31 July 2021
	£	£
Government Grants: Job Retention Scheme	-	15,354
Unrestricted donations	6	1,000
Restricted donations	194,286	175,751
Grants and donations	194,292	192,105

A donation of £194,286 (2021: £166,751) was made to the School by Malvern College during the year in recognition of the concessions offered to staff at Malvern College by the School.

The Government grant income received totaling £15,354 in 2021 related to the Government's Job Retention Scheme as part of their response to COVID-19. There was no such income in the year.

There are no unfulfilled conditions and the School has not received any other forms of Government assistance.

3 School fees

The School's tuition fee income comprised:	Year ended 31 July 2022	Year ended 31 July 2021
	£	£
Gross fees	3,140,129	3,311,894
Less: scholarships, bursaries etc.	(539,466)	(615,598)
Less: COVID-19 Temporary Fee Remission	-	(77,033)
	2,600,663	2,619,263
Add back: allowances paid for by restricted funds	194,286	166,751
	2,794,949	2,786,014

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

4 Other income

	Year ended 31 July 2022	Year ended 31 July 2021
	£	£
Trading activities		
Lettings and other income	55,656	27,245
	55,656	27,245
Ancillary trading income		
Music, speech & drama income	143,252	125,011
Registration fees, trip income and other income	154,026	70,759
	297,278	195,770

5 Expenditure

	Staff costs £	Other costs £	Depreciation £	Year ended 31 July 2022 £	Year ended 31 July 2021 £
Raising funds					
Financing costs	-	(5,918)	-	(5,918)	14,628
Total	-	(5,918)	-	(5,918)	14,628
Charitable activities					
Teaching	1,845,250	432,424	-	2,277,674	2,074,684
Welfare	164,203	342,479	-	506,682	462,047
Premises	86,347	300,628	299,949	686,924	621,275
Support costs of schooling	162,616	369,022	-	531,638	434,079
Provision of Education	2,258,416	1,444,553	299,949	4,002,918	3,592,085
Total expenditure	2,258,416	1,438,635	299,949	3,997,000	3,606,713

Included within support costs are governance costs of £10,658 (2021: £14,336) which mainly comprise the costs of administering the charity and audit fees.

6 Net (expenditure)/income for the year

	Year ended 31 July 2022 £	Year ended 31 July 2021 £
Net (expenditure)/income for the year is stated after charging:		
Auditor's remuneration for audit	7,670	8,640
Auditor's remuneration for other assurance engagements	1,300	1,225
Auditor's remuneration for tax services	1,065	1,000
Depreciation/fixed asset write-off – owned assets	299,949	275,139

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

7 Employee & Governor information

	Year ended 31 July 2022	Year ended 31 July 2021
	Number	Number
The monthly average headcount of persons employed by the School during the year was:		
Teaching	47	50
Pastoral	2	2
Domestic	11	11
Administration	11	13
	71	76

Staff Costs

	Year ended 31 July 2022	Year ended 31 July 2021
	£	£
Wages & Salaries	1,775,859	1,705,132
Social Security costs	170,402	153,771
Other Pension costs (note 15)	312,155	295,801
Total	2,258,416	2,154,704

During the year, the Charity made redundancy/termination payments amounting to £15,000 (2021: £16,377). The amount in the current year was in respect of an employee whose emoluments exceeded £60,000.

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

	Year ended 31 July 2022	Year ended 31 July 2021
	Number	Number
£60,001 - £70,000	-	1
£80,001 - £90,000	1	-

For those staff whose emoluments exceed £60,000 pension contributions amounting to £nil (2021: £nil) were paid by the School. None of the Governors received any remuneration during the current year (2021: None). Governors received £1,818 reimbursement for travel expenses (2021: £776).

	Year ended 31 July 2022	Year ended 31 July 2021
	£	£
Senior Management Team Remuneration	248,671	136,706

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

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

Governors

Four Governors (2021: Two) had a child or grandchild at the School during the year. One received sibling allowances for their children and a fee remission, two received exhibitions and one received a staff discount and a fee remission for their children. All fee concessions were awarded on an arms-length basis.

8 Tangible fixed assets

	Freehold land & buildings	Building improvements	Fixtures, fittings & computer equipment	Total
	£	£	£	£
At cost				
At 31 July 2021	10,490,924	410,484	677,447	11,578,855
Additions	-	80,091	75,388	155,479
Transfers	(5,328)	5,328	-	-
At 31 July 2022	10,485,596	495,903	752,835	11,734,334
Accumulated Depreciation				
At 31 July 2021	5,340,418	217,577	551,422	6,109,417
Charge in the year	213,150	23,972	62,827	299,949
At 31 July 2022	5,553,568	241,549	614,249	6,409,366
Net book values				
At 31 July 2022	4,932,028	254,354	138,586	5,324,968
At 31 July 2021	5,150,506	192,907	126,025	5,469,438

The Freehold land and buildings were valued at £5,500,000 at 21 June 2007, on a freehold basis with vacant possession, by valuers John Goodwin, Chartered Surveyor, while in the ownership of The Downs School (Colwall). This valuation formed the basis for the value at which the assets were transferred to the company under the terms of the merger deed, and this is accordingly taken as the deemed cost of the asset. 13% of the £5,500,000 land and buildings transferred was identified as land in the year and no depreciation has been charged.

Notes to the financial statements for the year ended 31 July 2022 (continued)

9 Debtors

	31 July 2022	31 July 2021
	£	£
Trade debtors	152,933	2,463
School fees	73,504	88,886
Other debtors	137	1,003
Prepayments	75,717	95,701
	302,291	188,053

School fees are stated after impairment provisions totalling £15,470 (2021: £24,330).

10 Creditors: amounts falling due within one year

	31 July 2022	31 July 2021
	£	£
Trade creditors	212,289	159,648
Advanced fees	163,850	117,995
Taxation and social security	-	36,958
Pension costs	1,057	-
Other creditors	5,778	1,778
Entrance fee deposits	30,261	36,279
Deferred income	233,798	73,930
Accruals	60,234	25,757
	707,267	452,345

11 Creditors: amounts falling due after more than one year

	31 July 2022	31 July 2021
	£	£
Entrance fee deposits	90,710	120,902
	90,710	120,902

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

12 Funds

	At 1 August 2021 £	Income £	Expenditure £	At 31 July 2022 £
Restricted funds				
Restricted donations	6,591	14,705	(1,556)	19,740
Malvern College	-	194,286	(194,286)	-
	6,591	208,991	(195,842)	19,740
Unrestricted funds				
School fund	6,314,229	3,133,851	(3,801,158)	5,646,922
Total charity funds	6,320,820	3,342,842	(3,997,000)	5,666,662

Restricted donations comprise amounts for bursaries which were kindly given to the School, and funds raised by the Friends of The Downs.

The Malvern College donation of £194,286 (2021: £166,751) was made to the School during the year in recognition of the staff concessions offered to staff at Malvern College by the School.

13 Comparative Funds

	At 1 August 2020 £	Income £	Expenditure £	At 31 July 2021 £
Restricted funds				
Restricted donations	6,591	9,000	(9,000)	6,591
Malvern College	-	166,751	(166,751)	-
	6,591	175,751	(175,751)	6,591
Unrestricted funds				
School fund	6,719,237	3,025,954	(3,430,962)	6,314,229
Total charity funds	6,725,828	3,201,705	(3,606,713)	6,320,820

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

The Malvern College donation of £166,751 (2020: £101,445) was made to the School during the year in recognition of the staff concessions offered to staff at Malvern College by the School.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

14 Analysis of the net assets between funds

The net assets are held for the various funds as at 31 July 2022 as follows:

Net assets of the School's funds	Fixed assets	Net current assets	Long term liabilities	Fund balances
	£	£	£	£
Restricted funds	-	19,740	-	19,740
Unrestricted funds	5,324,968	412,664	(90,710)	5,646,922
	5,324,968	432,404	(90,710)	5,666,662

14a Comparative Analysis of the net assets between funds

The net assets are held for the various funds as at 31 July 2021 as follows:

Net assets of the School's funds	Fixed assets	Net current assets	Long term liabilities	Fund balances
	£	£	£	£
Restricted funds	-	6,591	-	6,591
Unrestricted funds	5,469,438	965,693	(120,902)	6,314,229
	5,469,438	972,284	(120,902)	6,320,820

15 Pensions

Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £297,627 (2021: £283,208) and at the year-end £37,085 (2021 - £31,540) was accrued in respect of contributions to this scheme.

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

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2016 and the Valuation Report, which was published in March 2019, confirmed that the employer contribution rate for the TPS would increase from 16.4% to 23.6% from 1 September 2019. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 23.68%.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

Notes to the financial statements for the year ended 31 July 2022 (continued)

Teachers' Pension Scheme (continued)

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied. The government announced on 4 February 2021 that it intends to proceed with a deferred choice underpin under which members will be able to choose either legacy or reformed scheme benefits in respect of their service during the period between 1 April 2015 and 31 March 2022 at the point they become payable.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards. The pause was lifted in July 2020, and a consultation was launched on 24 June on proposed changes to the cost control mechanism following a review by the Government Actuary. Following a public consultation, the Government have accepted three key proposals recommended by the Government Actuary, and are aiming to implement these changes in time for the 2020 valuations.

The 2016 cost control valuations have since been completed in January 2022, and the results indicated that there would be no changes to benefits or member contributions required. The results of the cost cap valuation are not used to set the employer contribution rate, and HM Treasury has confirmed that any changes to the employer contribution rate resulting from the 2020 valuations will take effect in April 2024.

Until the 2020 valuation is completed it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly no provision for any additional past benefit pension costs is included in these financial statements.

Other pension schemes

From 1 July 2014, the School has contributed to a defined contribution pension scheme on behalf of its employees. The cost to the School of this scheme for the year to July 2022 is £14,064 (2021: £12,594).

16 Reconciliation of cash flows from operating activities

	2022	2021
	£	£
Net expenditure for the year	(654,158)	(405,008)
Adjustments for:		
Fixed assets depreciation	299,949	275,139
Interest received	(667)	(571)
Financing costs	(5,918)	14,628
Increase in stocks	(2,297)	(513)
Increase in debtors	(114,238)	(62,762)
Increase in creditors	224,730	80,494
Net cash used in operating activities	(252,599)	(98,593)

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

17 Analysis of cash and cash equivalents

	1 August 2021 £	Cash-flow £	31 July 2022 £
Net cash:			
Current asset investments	806,831	439	807,270
Cash at bank and in hand	427,126	(401,932)	25,194
Total cash and cash equivalents	1,233,957	(401,493)	832,464

18 Related party transactions

Malvern College

At the end of July 2022, £38,605 was owed by the School to Malvern College for amounts paid by Malvern College on behalf of the School (2021: £5,665). At the end of July 2022, £145,403 was owed to the School by Malvern College for amounts paid by the School on behalf of the Malvern College (2021: £649).

The School incurred £133,714 (2021: £107,734) to Malvern College for the provision of bursarial services, IT subscriptions and IT support services throughout the year.

A donation of £194,286 (2021: £166,751) was made by Malvern College to the School during the year in recognition of the concessions offered to staff at Malvern College by the School. £7,250 was outstanding at the year end (2021:£Nil).

Governors

Within the year, the School purchased items totaling £238 (2021:£nil) from Celtic Marches Beverages, a Company of which D. Morris Esq. was a director, for an event held by the Friends of the Downs. D. Morris was a Governor of the school until 8 February 2022. There was no outstanding amount at year end.

The School reimbursed expenditure, in respect of Friends of The Downs activities, of £1,268 (2021:£nil) to Mrs C. Metcalfe, the spouse of A.K. Metcalfe Esq., a Governor of the school. There was no outstanding amount at year end.

At the year-end, fees totalling £1,786 (2021: £618) were owed from a Governor of the School. The fees were charged on normal commercial terms.

19 Taxation

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

20 Capital

The School is a company limited by guarantee. Each member has undertaken to contribute £10 to the assets of the company to meet its liabilities if called on to do so. The total amount guaranteed by members at 31 July 2022 was £110 (2021: £110).

Notes to the financial statements for the year ended 31 July 2022 (continued)

21 Capital commitments

The School had capital commitments of £nil relating to at 31 July 2022 (2021: £66,207).

22 Post balance sheet events

During the 2021/22 financial year, the Governors approved the merger of the School into the Malvern College charitable company. The merger was planned to take place on 1 August 2022, but was delayed pending authorisation from DfE. The merger is now planned for 31 October 2022.

THE DOWNS, MALVERN COLLEGE PREP SCHOOL

Notes to the financial statements for the year ended 31 July 2022 (continued)

23 Comparative Statement of Financial Activities

		Unrestricted Funds	Restricted Funds	2021 Total	2020 Total
	Notes	£	£	£	£
INCOME FROM:					
Charitable activities					
School fees	3	2,786,014	-	2,786,014	2,702,756
Ancillary trading income	4	195,770	-	195,770	210,165
Trading activities	4	27,245	-	27,245	37,651
Investments		571	-	571	5,364
Grants and Donations	2	16,354	175,751	192,105	176,316
TOTAL		3,025,954	175,751	3,201,705	3,132,252
EXPENDITURE ON:					
Raising funds					
Financing costs	5	14,628	-	14,628	8,469
Charitable Activities					
Provision of Education	5	3,416,334	175,751	3,592,085	3,513,333
TOTAL	5	3,430,962	175,751	3,606,713	3,521,802
Net (expenditure)/ income and net movement in funds	6	(405,008)	-	(405,008)	(389,550)
RECONCILIATION OF FUNDS					
Fund balances b/f 1 August	12	6,719,237	6,591	6,725,828	7,115,378
Fund balances c/f 31 July	12	6,314,229	6,591	6,320,820	6,725,828