



Annual Report and Accounts

Reed's School

For the year ended 31 August 2017

Reed's School
Annual report of the Trustees for the year ended 31 August 2017

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Annual report of the Trustees for the year ended 31 August 2017

Patron
Her Majesty The Queen

The Governors of Reed's School, who are also the Trustees of the Foundation, present their annual report for the year ended 31 August 2017 under the Charities Act 2011, together with the audited accounts for the year, and confirm that the latter comply with the requirements of the Act, its Constitution and the Charities Statement of Recommended Practice on Accounting and Reporting (Charities SORP (FRS102)).

Principal activity

Reed's School, based in Cobham, principally provides education for boys from the ages of 11 to 18 and girls in the Sixth Form. In the year under review, the School averaged 703 (2016: 695) pupils. Registrations for future years are healthy.

The School welcomes pupils from all backgrounds, and is an equal opportunity organisation, committed to an ethos that is free from any form of discrimination.

All Trustees give their time voluntarily and receive no benefit from the charity. Any expenses reclaimed from the charity are set out in note 3(c) to the financial statements.

OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES

Charitable objects

The objects of the Foundation, as set down in the Act and Constitution, are to advance the education of boys and girls who come within one or more of the following categories and, in particular, boys and girls who, in the opinion of the Governors, are in need of financial assistance and pastoral care:-

- Boys or girls who have lost one or both parents; or
- Boys or girls who have been abandoned by their parents or guardians; or
- Boys or girls whose parents are divorced or separated and whose home life is, for any reason, unsatisfactory, unhappy or abnormal.

Aims and values

The School has a purposeful and nurturing ethos. The School aims to develop each pupil's character so they leave Reed's as well-rounded individuals, provide an environment where pupils can flourish, promote academic excellence, find the best in every pupil, create a community for life and prepare pupils for the future.

Inspired by the vision of the Founder, Andrew Reed, a central aim of Reed's School is to support children who have lost one or both parents, and the ethos of celebrating the pupils' successes and inspiring them to unlock their true potential is founded on outstanding pastoral care, excellent teaching and a philosophy of providing a breadth of opportunities for all the pupils.

Intended impact

Reed's is a dynamic and progressive school which aims to provide an excellent education that inspires its pupils to achieve their full potential, to prepare them for a rapidly changing world and equip them with the ability to think critically and independently. The School wants its pupils to have a global perspective and be young people who exhibit the core values of Integrity, Compassion, Curiosity, Resilience, Responsibility and Independence so that they leave Reed's as rounded individuals with a strong moral compass.

Public benefit

The School provides a number of means tested bursary awards to children who have lost the support of one or both parents and who are in need of financial assistance and pastoral care to enable them to attend the School. The desired target for this is 10-15% of the pupil population and in this year there were 71, 10% (2016: 69, 10%).

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The School continues to be heavily involved in the local community and charity work further afield. Outreach programs include:-

- Free master classes offered to local children aged 9 – 11 years;
- The use of the School's facilities by local state schools for sports days and as training facilities for local community youth teams;
- A joint Combined Cadet Force (CCF) run in partnership with a secondary state school;
- The Primary Forum initiative involving 40 state primary schools from deprived areas of Greater London. This provides enrichment activities and ideas and participating schools visit Reed's to share facilities and lessons. Over 1200 children attended forum programmes;
- A ten week after school programme with a local primary school focusing on maths, racket sports and nutrition;
- Launch Car Challenge, with an emphasis in Science, Technology, Engineering and Mathematics (STEM), run weekly throughout the year and attended by 600 year 5 pupils.

Grant-making policy

Scholarships, bursaries and other awards are granted on the basis of the individual's educational potential or in accordance with the objects of the charity. Awards totalling £2.5 million were given to pupils. This included direct funding for Foundation pupils of £961k and a further £353k of funding from external supporters of the Foundation. The availability of all such awards for fee assistance is advertised on the School's website (www.reeds.surrey.sch.uk). The terms and conditions for each kind of award are available on request.

STRATEGIC REPORT

Achievements

Reed's pupils celebrated record-breaking results at GCSE and IGCSE this year. With an outstanding 43% A* grades and 75% A*/A overall, they exceeded previous records by more than 9% points. 60% of the whole year group received at least 7 A* or A grades and 25% achieved straight A*/A grades.

The results for Mathematics were exceptional with 93% of grades at A*/A. Other subjects that achieved results of higher than 80% A*/A grades were Biology, Geography, History, Music, Drama and Latin. English results were also outstanding, continuing the upward trend with A*/A grades of 77% and 75% in Language and Literature respectively.

Students at Reed's received an excellent set of results in their A Level examinations, making a record increase in grades from their AS Level positions. Grades from A*-B remain at around 75%, the same as previous years, with grades at A*/A at 40% and A*-C grades at 93%. Twenty five pupils achieved at least 3 A*/A grades. Students gained places at a number of top universities including Imperial, UCL and Durham, studying a wide range of subjects from Medicine, Aerospace Engineering, Philosophy, Law and Chemical Engineering. This year sees a record of seven students from Reed's going on to prestigious colleges in the United States, including Princeton, Berkeley, Swarthmore and UCSD (University of California in San Diego).

The successes of the pupils have continued to add to the popularity of the School but the real measure of success is to continue to strive to identify and nurture every pupil at the School. Reed's School subscribes to independently set and assessed tests; the results of which create predictions for GCSE, AS and A-level. The School uses these predictions to assess value added performance which is carefully monitored. Once again, the 2017 results delivered statistically positive value added which showed that Reed's pupils have exceeded their original predictions and the School has thus achieved its objective to advance each and every pupil.

Fundraising

The Development Office, through its fundraising activities, continues to provide an important contribution to the School and its Foundation. The Development Office objectives align with the overall objectives of the School and are reviewed by the Governors and senior management within the School.

During the year, the Development Office generated £1,048k being £1,010k of donations and grants and £38k of events income and The Friends of Reed's School (FORS) kindly donated £10k. The breakdown of donations is as follows:

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Foundation funding

Fundraising specifically to sponsor Foundation pupils and to run outreach programmes with primary and secondary schools totalled £781k, some of which is restricted giving and therefore part carried forward on the balance sheet. The Primary and Secondary Forums build links between Independent Schools, State Schools and business with the aim of raising aspirations and improving the performance of young people facing hardship.

Of this amount, £176k was raised via the Reed's School Annual Foundation Appeal. The Foundation Appeal has been held annually since 1815 and is one of the oldest continuous charitable appeals in the Country. This year's Appeal was led by Angela Knight CBE and was strongly supported by individuals, trusts and foundations, City Livery companies, other companies, as well as the greater Reed's community.

Endowment

Through the Growth Fund and the Cazenove Andrew Reed Bursary Fund, the Development Office has been focussing on building the School's endowment in order to ensure the long-term sustainability of the Foundation. The total amount raised in the year for these funds was £113k.

Capital fundraising

Fundraising for capital projects totalled £116k. The Jarrett Indoor Cricket Centre was completed in November 2017 and provides state of the art cricket nets, additional changing facilities and a first floor reception room with viewing galleries to outdoor sports pitches. Profits generated from the lettings of the facility will go towards supporting the Foundation. The facility will also be used by the wider community.

Events

Events generated revenue of £38k, the surplus from which was donated to Oasis and the Reed's Foundation.

Investment performance

Under the Act and Constitution, the endowment and other funds are permitted to be invested in securities and property. This is represented in the accounts by freehold land, buildings and other School amenities, securities quoted on the Stock Exchange and other approved investment vehicles. The School's investments totalled £6.3m at the end of the year and generated a total return of 9.3% for the year.

The Governors believe that the investments are appropriately managed to provide current income for the support of Foundation pupils while maintaining capital values for the long term.

FINANCIAL REVIEW

Results for the year

Net income amounted to £2m (2016: £1.8m) for the financial year ending 31 August 2017. All surpluses generated are used to benefit the pupils through funding better facilities and through raising further the quality of education delivered. The wholly owned subsidiary, Reed's School Enterprises Limited, contributed to the School fund, mainly through the hiring out of the School's facilities sometimes at subsidised fee rates below commercial levels. The consolidated net assets of the charity at 31 August 2017, principally land and buildings, were £24.3m (2016: £22.3m). This does not take account of the market value of the land and buildings which are included on the Balance Sheet at cost.

Reserves

The School's policy remains to build its reserves to fulfil the charitable purpose for which it was founded, to fund continuing investment and improved infrastructure and facilities and to maintain adequate free reserves to enable the School to meet any unforeseen emergency from its own resources. The School aims to achieve these reserves by means of annual operating surpluses and judicious management of its investment assets, supplemented by periodic appeals for both specific and general purposes.

At 31 August 2017, the free reserves (excluding designated and restricted funds and tangible fixed assets, less loans to fund their purchase) were £2.3m (2016: £2.5m). This represents 9.9 (2016 11.5) weeks' expenditure.

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PRINCIPAL RISKS AND UNCERTAINTIES

Economic risks

The Governors consider the main risks to the School are the future affordability of fees, the impact of Brexit on the economy and employment opportunities. The School is currently full and has taken steps to limit its future fee rises by only increasing fees in September 2017 by 2.5%.

Health and Safety risks

Health and Safety remains a significant area for risk management and through detailed risk assessments, planning and awareness of hazards the risks associated with those activities undertaken by pupils and staff are minimised. An external audit of the fire controls, risk management and health and safety was carried out in June 2017; there were no significant findings that required immediate action and suggested enhancements are being undertaken.

Managing risks

The detailed consideration of risk is delegated to the Risk Management Committee, which reports formally to the Governors twice a year. The Committee is formed of Governors and is attended by Senior Management and the risk management process identifies risks and assesses their impact and likelihood and where possible recommends controls to mitigate and monitor those risks. The key controls operated by the School to mitigate risk include:-

- Formal agendas for all Board and Committee activity and timely minutes;
- Detailed terms of reference for all Committees;
- Comprehensive strategic planning, budgeting and management accounting;
- Established organisational structure and reporting lines;
- Formal written policies and their annual review;
- Clear authorisation and approval levels;
- Safeguarding as required by law for the protection of the vulnerable including annual safeguarding and child protection training for all staff;
- Following the Safer Recruitment guidelines.

Through the risk management processes established for the School, the Governors are satisfied that, so far as possible, the major risks identified have been mitigated to an acceptable level. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

The Governors rely on the appointed auditor to test the financial controls and activities of the School and to highlight any concerns to the Finance and Investment Committee as part of the annual audit process.

FUTURE PLANS

The annual strategic plan was approved by the Governors in November 2016 and the Headmaster provided an update to the Governors on the status of the action points at the Away Day in May 2017 and at the Annual Court in June 2017. The strategic aims were:-

- Academic progress: to embed the academic tracking system in the school to raise standards, pupil aspirations and provide stretch and challenge to pupils throughout the school;
- Academic curriculum: to provide a wider breadth of opportunity through a dynamic learning framework for pupils;
- Teaching and learning: to continue to enhance the quality of teaching and learning and to focus on digital learning and its contribution to pupils' progress;
- Pupil welfare, leadership and personal development: to provide pupils with the opportunities to further themselves throughout the academic year;
- Professional development and staff well-being: to continue to embed a professional learning community and ensure staff are highly valued;
- Foundation: to ensure that the Foundation is financially sustainable and that the target number of Foundation pupils are at the School;
- Sustainable business model: to develop a financially sustainable business model;

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- Access to the wider community: to ensure that the School continues to have strong links with the community, local schools and sports clubs.

REFERENCE AND ADMINISTRATIVE INFORMATION

The Foundation, the London Orphan Asylum, now Reed's School, was founded in 1813 and is registered with the Charity Commission under charity number 312008. The Patron, Members, School Officers and professional advisers are listed on pages 9 and 10. Further information on the School, including the 2015 ISI Inspection Report, is available on the School's website (www.reeds.surrey.sch.uk).

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing documents

The Foundation was incorporated by an Act of Parliament in 1845. The Act has since been supplemented by a scheme written by the Minister of Education under the Endowed Schools Act 1869-1948 and approved by Her Majesty in Council on 24 January 1957. This was further varied by a scheme of the Charity Commissioners for England and Wales, dated 7 May 1997, and a Constitution dated 21 May 1997.

Under the Constitution, the Members of Reed's School are the Presidents, Vice-Presidents, Treasurer and Governors and any others who are offered membership of Reed's School by the Governors from time to time.

Governors

Mr Wheeler was appointed as Chairman from September 2016. Mrs Donald was appointed as Governor in September 2016 and as Honorary Treasurer from December 2016. Mr Verstage retired as Governor in June 2017 and agreed to become a Vice President of the School. Mr Plenderleith has agreed to become a Joint President and Mr Grenier and Mr Reed have agreed to become Vice Presidents of the School. The Governors would like to thank them wholeheartedly for their invaluable support and contribution to the School over many years.

The following individuals were appointed as Vice Presidents for their service to the School from September 2017: Mr M Kirkwood and Ms A Knight.

Recruitment and training

Governors are appointed on the basis of eligibility, personal competence, specialist skills and availability. The Governors are a self-appointing body and new Governors are inducted into the workings of the Foundation and School through meetings with the Chairman, Headmaster, Bursar and an induction pack. Training is arranged for all Governors as required on a regular basis.

Organisational management

The Governors have overall responsibility for Reed's School and meet at least three times a year. The committees of the Governors of Reed's School and its wholly owned subsidiaries, Reed's School Enterprises Limited (RSE Ltd) and Reed's School International Ltd, are listed on page 9.

A strategy day was held in May 2017 and the Governors discussed the 2018-23 strategic plan, affordability and market demand, infrastructure improvements, fundraising for the Foundation, international strategy and governance. A further strategy day is planned for May 2018.

The day-to-day running of the School is delegated to the Headmaster, the Bursar and the Senior Leadership Team. The Headmaster and/or the Bursar attend all the committees with relevant members of the Senior Leadership Team.

Staff remuneration is considered each summer. The main objective is to provide the appropriate incentives to encourage enhanced performance and to reward fairly and responsibly individual contributions to the School's success. The Remuneration Committee considers and sets the remuneration for the Headmaster and Bursar after consideration of benchmarking surveys such as those provided by the Association of Governing Bodies of Independent Schools (AGBIS) and Baines Cutler Solutions.

The School Designated Safeguarding Lead (DSL) reports at all Governors' and Risk Management Committee meetings.

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Group structure

The School has a wholly owned subsidiary, Reed's School Enterprises Limited (Registered Company Number 2503013). The principal activities of the Company are the provision of community swimming lessons, letting of sports, general and social facilities including the sale of clothing and sportswear, and the provision of a tuck shop.

The School also has a further wholly owned subsidiary, Reed's School International Ltd (Registered Company Number 9874554). There have been no significant transactions through this Company.

Employment objectives

The School is an equal opportunities employer. Full and fair consideration is given to job applications from disabled persons and due consideration is given to their training and employment needs. Consultation with employees, or their representatives, has continued at all levels with the aim of taking the views of employees into account when decisions are made that are likely to affect their interest.

Investment policy

The Governors aim to invest for growth of the investment funds in real terms into perpetuity within acceptable levels of risk and delegate the management of the investment funds to investment managers, Cazenove Capital Management Limited, on a discretionary basis. The Finance & Investment Committee meets at least three times a year and at least two times a year with the appointed Investment Managers to monitor their management of the portfolio and to review performance. For this purpose, formal reports and valuations incorporating comparative measurement are presented at these meetings.

A total return distribution of 3.5% per annum is provided and this can be drawn from both income and capital. This total return distribution is reviewed on an annual basis.

ACCOUNTING AND REPORTING RESPONSIBILITIES

The Charities Act 2011 requires the Governors, as the Trustees of the Charity, to prepare accounts for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year. In preparing the accounts, the Governors should follow best practice and:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Follow applicable accounting standards and the Charities SORP (FRS102), disclosing and explaining any departures in the accounts;
- Prepare the accounts on the going concern basis unless it is inappropriate to assume that the School will continue in operation.

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Charity at any time, and enable them, as Trustees, to ensure that the accounts comply with charity law. The Governors are also responsible for safeguarding the assets of the Charity and ensuring their proper application, in accordance with charity law, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

The Governors confirm that:-

- So far as they are aware, there is no relevant audit information of which the Charity's auditor is unaware; and
- As the Trustees of the Charity, they have taken the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

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Auditor

A resolution will be proposed at the Annual General Meeting that Mazars LLP be re-appointed as auditor to the Charity for the ensuing year.

This report was approved by the Governors on 7 December 2017.

A handwritten signature in blue ink, appearing to read 'M. Wheeler'.

M Wheeler
CHAIRMAN

Reed's School Charity information

Members of Reed's School, Officers and Advisers

Members of Reed's School

Joint Presidents

Viscount Bridgeman
Mr P B Mitford-Slade OBE

Mr G M Nissen CBE
Mr I Plenderleith CBE

Vice-Presidents

The Earl of Verulam
Sir David Howard Bt
Sir Brian Jenkins GBE
Sir John Kemp-Welch
The Hon Julian F Byng
The Hon Kevin Pakenham
Lord Howard of Penrith
Mr J Alvey CB
Mr J D Andrewes
Mrs I M Barker
Mr P Barton DL
Mr D Brown
Mr D Caddy
Mr J Davie
Mr R S Fidgen

Mr J W Flecker
M M A Grenier
Mr T W N Guinness
Mr D V Harvey JP Mr C R Hawkins
Mr J Herbert
Mr C Holdsworth Hunt
Mr D W Jarrett
Mr M J Kirkwood CMG
Ms A Knight CBE
Mr M Loveday
Mr R L H Lyster
Mr G R Martin
Mrs V McKenna
Mr J R McMillan
Mr A Merry

Mr R Mew
Mrs A F Noakes
Mr M W P Noakes
Mrs A Overstall
Mr T D Page
Mr L A Ponsonby
Mr S Popham
Mr D E Prince
Mr P D Reed
Mr J B Rogers
Mr J G Tregoning
Mr P H H Verstage
Mr B M Winterflood MBE
Mr A Wotton

Governors

		Committees/Boards *							
		1	2	3	4	5	6	7	8
Mr M Wheeler CBE (Chairman)	Elected as Chairman September 2016	x	x			x	x		x
Mrs M Donald (Hon Treasurer)	Elected as Treasurer September 2016	x	x				x		
Mr U D Barnett		x	x			x	x		
Mr D R Blomfield		x							
Mr James Fulton	Appointed September 2016	x		x					
Dr A M McLean		x				x			
Mrs L F Napier		x	x						
Ms B O'Brien-Twohig		x	x		x				
Mrs D M Peacock		x		x	x				
Mr S T Poole		x		x					
Mr H M Priestley		x	x						
Miss K Richardson		x		x		x	x		
Mr M Robinson		x							
Professor P J Sellin		x		x					
Mr Benn Shepherd		x	x		x				
Mr John Simpson	Appointed September 2016	x		x					
Mr R Stewart		x	x				x	x	x
Mr N D W Taunt (Old Reedonians' President)		x	x					x	x
Mr P H H Verstage	Retired June 2017	x	x						

* (1) Board of Governors, (2) Finance & Investment, (3) Education, (4) Foundation, (5) Risk Management, (6) Remuneration, (7) Reed's School Enterprises Ltd Board ("RSE") and (8) Reed's School International Ltd Board ("RSI").

Visitor The Lord Bishop of Guildford

Reed's School Charity information

School Officers (key management personnel currently and throughout the year)

Headmaster Mr M W Hoskins BA MA MSc

Bursar & Secretary to the Governors Mrs L K Hurford BSc (Hons) ACMA

School Advisers

Auditor Mazars LLP
Times House
Throwley Way
Sutton
Surrey
SM1 4JQ

Bankers Lloyds Bank
25 Gresham Street
London
EC2V 7HN

Insurance Brokers AON Limited
103 Waterloo Street
Glasgow
G2 7BW

Solicitors Goodyear Blackie Herrington
Oak House
Tanshire Park
Shackleford Road
Elstead
Surrey
GU8 6LB

Investment Managers Cazenove Capital Management Limited
12 Moorgate
London
EC2R 6DA

Medical Officer Dr R J Draper MB ChB DA DCH DRCOG MRCGP
Oxshott Medical Practice
Holtwood Road
Oxshott
Surrey
KT22 OQL

Charity registration number 312008

Reed's School

Independent auditor's report to the trustees of Reed's School for the year ended 31 August 2017

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the charity and the group's affairs as at 31 August 2017 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Charities Act 2011.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Independent auditor's report to the trustees of Reed's School for the year ended 31 August 2017 (cont.)

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 Act 2011 requires us to report to you if, in our opinion:

- the information given in the Annual Report of the Trustees is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; 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 of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 7, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 trustees 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

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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the charity's members as a body. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

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

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

Times House, Throwley Way, Sutton, Surrey, SM1 4JQ.

Date: 6th March 2018

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Consolidated statement of financial activities for the year ended 31 August 2017

	Notes	Unrestricted funds		Restricted funds	2017 Total funds	2016 Total funds
		General	Designated			
		£'000	£'000	£'000	£'000	£'000
Income and endowments from:						
Donations and legacies		181	-	839	1,020	724
Charitable activities						
School fees receivable	2	13,789	66	-	13,855	13,307
Ancillary trading income		71	-	-	71	55
Other trading activities						
Non-ancillary trading income		437	-	-	437	425
Other activities		90	-	-	90	284
Investments						
Income from investments		112	-	111	223	192
Bank and other interest		12	-	-	12	19
Total income		14,692	66	950	15,708	15,006
Expenditure on:						
Raising funds						
Non-ancillary trading		(498)	-	-	(498)	(465)
Fundraising and development costs	3	(141)	-	-	(141)	(164)
Financing costs	3	(16)	-	-	(16)	(64)
Charitable activities						
Education and grant making	3	(12,889)	(78)	(453)	(13,420)	(12,867)
Total expenditure		(13,544)	(78)	(453)	(14,075)	(13,560)
Net gains on investments	5	174	-	175	349	406
Net income/(expenditure)		1,322	(12)	672	1,982	1,852
Transfers between funds		791	-	(791)	-	-
Net movement in funds		2,113	(12)	(119)	1,982	1,852
Reconciliation of funds:						
Total funds brought forward		17,762	95	4,448	22,305	20,453
Total funds carried forward		19,875	83	4,329	24,287	22,305

The notes on pages 16 to 30 form part of these financial statements.

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Consolidated and Charity balance sheets at 31 August 2017

	Notes	Consolidated		Charity	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Fixed assets:					
Tangible assets	4	18,751	16,762	18,245	16,239
Investments	5	6,343	5,891	6,690	6,286
Total fixed assets		<u>25,094</u>	<u>22,653</u>	<u>24,935</u>	<u>22,525</u>
Current assets:					
Stocks		104	137	1	-
Debtors	6	319	284	698	669
Cash at bank and in hand		3,652	4,240	3,512	4,095
Total current assets		<u>4,075</u>	<u>4,661</u>	<u>4,211</u>	<u>4,764</u>
Liabilities:					
Creditors: Amounts falling due within one year	7	(2,855)	(2,693)	(2,832)	(2,668)
Net current assets		<u>1,220</u>	<u>1,968</u>	<u>1,379</u>	<u>2,096</u>
Total assets less current liabilities		<u>26,314</u>	<u>24,621</u>	<u>26,314</u>	<u>24,621</u>
Creditors: Amounts falling due after more than one year	8	(2,027)	(2,316)	(2,027)	(2,316)
Total net assets		<u>24,287</u>	<u>22,305</u>	<u>24,287</u>	<u>22,305</u>
The funds of the charity:					
Restricted income funds	10	(4,329)	(4,448)	(4,329)	(4,448)
General funds	11	(19,875)	(17,762)	(19,876)	(17,762)
Designated funds		(83)	(95)	(83)	(95)
Total unrestricted funds		<u>(19,958)</u>	<u>(17,857)</u>	<u>(19,958)</u>	<u>(17,857)</u>
Total charity funds		<u>(24,287)</u>	<u>(22,305)</u>	<u>(24,287)</u>	<u>(22,305)</u>

Approved by the Governors and authorised for issue on 7 December 2017 and signed on its behalf by:



M Wheeler
Chairman

Reed's School

Consolidated statement of cash flows for the year ended 31 August 2017

	2017 £'000	2016 £'000
Operating activities		
Net income	1,982	1,852
Adjustments for:		
Depreciation of tangible assets	765	752
Decrease/(increase) in stocks	33	(27)
(Increase) in debtors	(35)	(54)
(Decrease)/increase in creditors	(20)	19
(Gains) on investments	(349)	(406)
Increase/(decrease) in fees in advance	193	(213)
Net cash flows from operating activities	2,569	1,923
Investing activities		
Payments to acquire tangible fixed assets	(2,754)	(896)
Payments to acquire investments	(225)	(1,813)
Receipts from sale of investments	122	1,185
Net cash flows used in investing activities	(2,857)	(1,524)
Financing activities		
Repayment of long term creditors	(300)	(330)
Net cash flows used in financing activities	(300)	(330)
Net (decrease)/increase in cash and cash equivalents	(588)	69
Cash and cash equivalents at the beginning of the year	4,240	4,171
Cash and cash equivalents at end of year	3,652	4,240
Cash and cash equivalents consists of:		
Cash at bank and in hand	3,652	4,240

The notes on pages 16-30 form part of these financial statements.

Reed's School

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

1. Accounting policies

1.1 Accounting convention

Basis of preparation

These financial statements are prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable by charities preparing their accounts in accordance with applicable charity law in the UK and Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

The financial statements consolidate those of the School with its wholly owned subsidiary trading company: Reed's School Enterprises Limited. Reed's School International is not consolidated on the basis that there were no significant transactions in the year.

The financial statements have been prepared on the going concern basis.

Post balance sheet events

The trustees have considered events post balance sheet date and concluded that there are no events that should be reported.

1.2 Income

Fees and other income

Fees receivable and charges for services and for use of premises are accounted for in the period in which the service is provided. Fees received in advance of education to be provided in future under an advance fee payments scheme contract are held as interest bearing liabilities until either taken to income in the term when used or else refunded.

Donations and legacies

Donations and legacies consists of all donations (and related tax recoverable) received during the year, including those resulting from legacies (including cases whereby the School is notified of a legacy in the year and the amount receivable can be reliably estimated at the year end), the Annual Foundation Appeal and fundraising events.

Investment income

Investment income, dividends and interest, including the associated tax credits, have been recorded on a receipts basis. Interest on term deposit has been recorded on an accruals basis.

1.3 Expenditure

Expenditure is accounted for on an accruals basis. Overhead and other expenditure not directly attributable to a particular cost centre is apportioned over the relevant categories on the basis of management estimates. The irrecoverable element of VAT is included with the item of expense to which it relates. Governance costs comprise the costs of running the Charity, including strategic planning for its future development, also external audit, any legal advice for the Governors, and all the costs of complying with constitutional and statutory requirements, such as the costs of Board and Committee meetings and of preparing statutory financial statements and satisfying public accountability.

Reed's School

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

1.4 Funds

Restricted funds

In compliance with SORP (FRS102), any income which has restrictions attached to the use of such funds by the Charity, is separately identified within the Charity's accounts as restricted funds. Where these funds are utilised by the Charity for the purposes for which they are specified, they are released to match the corresponding expenditure in the appropriate accounting periods. Further information is set out in Note 10.

Designated funds

Designated funds are those which the Trustees have set aside for particular future purposes. These funds form part of the unrestricted funds and can be used at the discretion of the Trustees.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the excess of cost over the estimated residual value over the estimated useful economic life of each class of asset, subject to annual review. These rates are currently as follows:

Land and buildings	2%- 10% p.a. straight line
Fixtures, fittings and equipment	10% p.a. straight line
Sporting facilities	5% p.a. straight line
Computer equipment	100% in year of purchase
Motor vehicles	20% p.a. straight line

1.6 Investments

Investments are valued in the balance sheet at their bid price at the balance sheet date. The investment manager, Cazenove Capital Management Limited, is remunerated by way of management fees paid within those pooled funds which it manages.

1.7 Impairment review

An impairment review of fixed assets is carried out by the Governors on an annual basis to ensure that the carrying value of fixed assets is not higher than the recoverable amount.

1.8 Stock

Stock is valued at the lower of cost and net realisable value.

1.9 Financial instruments

The School only has financial assets and 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 with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.10 Operating leases

Rentals payable under operating leases are charged on a straight line basis over the lease term.

Reed's School

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

1.11 Pension schemes

The School 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 an unfunded multi-employer pension scheme. In accordance with FRS 102, therefore, the scheme is accounted for as a defined contribution scheme. The School also contributes to a defined contribution group personal pension scheme for most support staff and, for the rest, the People's Pension.

Contributions to all schemes are charged as they become payable in accordance with the rules of the schemes.

1.12 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method.

2. Charitable activities – fees receivable

	2017 £'000	2016 £'000
Fees receivable consist of :		
School fees	15,966	15,442
Less : total scholarships, bursaries and other awards	(2,564)	(2,534)
Net fees receivable	13,402	12,908
Add back: bursaries and other awards paid for by restricted funds	453	399
Total school fees receivable	13,855	13,307

Scholarships, bursaries, other awards and discounts were given to 344 pupils (2016: 353). Within this means-tested bursaries totalling £961k were awarded to 71 pupils (2016: £877k to 69 pupils).

Reed's School

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

3. Analysis of expenditure

a) Total expenditure

	2017			2016	
	Staff costs	Depreciation	Other costs	Total	Total
	£'000	£'000	£'000	£'000	£'000
Costs of raising funds					
Trading costs	152	25	321	498	465
Development costs	86	-	55	141	164
Financing costs	-	-	16	16	64
Total costs of raising funds	<u>238</u>	<u>25</u>	<u>392</u>	<u>655</u>	<u>693</u>
Charitable expenditure					
<i>Education and grant making</i>					
Teaching	6,368	-	1,130	7,498	7,131
Welfare	467	-	125	592	558
Premises	345	740	1,198	2,283	2,185
Support costs and governance	988	-	1,582	2,570	2,513
Grants, awards and prizes (3b)	-	-	477	477	480
Total expenditure - group	<u>8,168</u>	<u>740</u>	<u>4,512</u>	<u>13,420</u>	<u>12,867</u>
Total expended	<u>8,406</u>	<u>765</u>	<u>4,904</u>	<u>14,075</u>	<u>13,560</u>

b) Grants, awards and prizes awarded to pupils

	2017	2016
	£'000	£'000
From restricted funds:		
Bursaries and other grants	453	458
From unrestricted funds:		
Prizes and leaving awards	24	22
Total grants, awards and prizes	<u>477</u>	<u>480</u>

The School has taken advantage of the exemption available for charities in England & Wales to not provide the names of grant recipients.

Reed's School

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

c) Governance included in support costs

	2017 £'000	2016 £'000
Staff costs	30	30
Governor training	3	3
Governor expenses	1	1
Auditor's remuneration for audit services - charity	16	16
Governance costs - charity	<u>50</u>	<u>50</u>
 Auditor's remuneration for audit services - subsidiary company	 2	 2
 Governance costs - group	 <u><u>52</u></u>	 <u><u>52</u></u>

Neither the Governors nor persons connected with them received any remuneration or other benefits from the School or any connected organisation in either year. In 2017 two Governors (2016: one Governor) were reimbursed expenses during the year.

Total donations received from Governors in 2017 amounted to £20k (2016 £9k).

d) Staff costs

	2017 £'000	2016 £'000
Total staff costs comprised:		
Wages and salaries	6,737	6,553
Taxes and social security costs	703	634
Pension contributions	857	822
Medical insurance premium	109	113
	<u>8,406</u>	<u>8,122</u>
 Aggregate employee benefits of key management personnel	 252	 241

The average number of employees during the year was 158 (2016: 151). Calculated on a full time equivalent basis was 138 (2016: 128) of which 85 (2016: 84) were teaching staff.

Number of higher paid employees in bands of:	2017	2016
£60,001 to £70,000	20	19
£70,001 to £80,000	4	3
£80,001 to £90,000	1	2
£120,001 to £130,000	1	1

Reed's School **Notes to the financial statements for the year ended 31 August 2017**

4. Tangible fixed assets

	Land and buildings freehold	Assets in the course of construction	Charity Sporting facilities	School office and computer equipment	Motor vehicles	Charity total	Land and buildings leasehold	Subsidiary Furniture and equipment	Motor vehicles	Group consolidated total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost										
1 September 2016	19,998	362	1,029	1,672	210	23,271	941	80	7	24,299
Additions	67	2,482	-	191	6	2,746	-	8	-	2,754
Completed in the year	284	(284)	-	-	-	-	-	-	-	-
31 August 2017	20,349	2,560	1,029	1,863	216	26,017	941	88	7	27,053
Depreciation										
1 September 2016	5,623	-	76	1,174	159	7,032	448	52	5	7,537
Charge for the year	414	-	51	260	15	740	19	5	1	765
31 August 2017	6,037	-	127	1,434	174	7,772	467	57	6	8,302
Net book values										
31 August 2017	14,312	2,560	902	429	42	18,245	474	31	1	18,751
31 August 2016	14,375	362	953	498	51	16,239	493	28	2	16,762

£1.9 million of the assets in the course of construction related to the Jarrett Indoor Cricket Centre, this project was completed in November 2017.

Reed's School

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

5. Investments

	Consolidated		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Investments - listed	6,343	5,891	6,343	5,891
Investments- subsidiaries	-	-	347	395
	<u>6,343</u>	<u>5,891</u>	<u>6,690</u>	<u>6,286</u>

a) Investment in subsidiary undertakings

The School owns 100% of the issued share capital of Reed's School Enterprises Limited, incorporated in England and Wales under company number 2503013. The principal activities of the Company are the letting of sports, general and social facilities, the operation of a sports club, the sale of clothing and sportswear, and the provision of a tuck shop. The School also owns 100% of the issued share capital (£1) of Reeds School International Ltd (RSI Ltd) incorporated in England and Wales under company number 9874554. There have been no significant transactions in RSI Ltd.

	2017 £'000
Cost	
At 1 September 2016	395
Provision against value of investment	(48)
At 31 August 2017	<u>347</u>

	2017 £'000	2016 £'000
Subsidiary company		
Turnover	262	248
Cost of sales	(190)	(171)
Gross profit	<u>72</u>	<u>77</u>
Other income	231	233
Administration charges	(351)	(337)
Net loss for the year before taxation	<u>(48)</u>	<u>(27)</u>
Taxation	-	-
Net loss for the year	<u>(48)</u>	<u>(27)</u>
Net assets	<u>347</u>	<u>395</u>

Reed's School

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

b) Investments in listed securities

At bid price	2017 £'000	2016 £'000
At 1 September 2016 (2015)	5,891	4,857
Additions	225	1,813
Disposals	(122)	(1,185)
Investment gains	349	406
At 31 August 2017 (2016)	<u>6,343</u>	<u>5,891</u>

Other investments represent equities, fixed interest securities, hedge funds and property including investments made through Common Investment Funds. These funds are pooled investment vehicles specifically set up for charities and established under the Charities Act 2011. The historical cost of these investments is £5.8m (2016: £5.2m). The Governors have delegated day to day management of these investments to Cazenove Capital Management Limited in accordance with the School's investment policy.

The following investments each represent more than 5% of the portfolio value at 31 August 2017:

	£'000
The Equity Income Trust for Charities	976
Trojan Income Fund	776
Majedie Asset UK Income Fund	742
Charities Property Fund	547
M&G Global Dividend Fund	426
Schroder Charity Equity Fund	407

6. Debtors

	Consolidated		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade debtors	11	25	-	-
School fees and disbursements recoverable	97	100	97	100
Prepayments and accrued income	211	159	211	159
Amounts owed by subsidiary	-	-	390	410
	<u>319</u>	<u>284</u>	<u>698</u>	<u>669</u>

Reed's School

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

7. Creditors: amounts falling due within one year

	Consolidated		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	304	300	304	300
Taxes and social security costs	312	322	309	320
Advance fees (Note 9)	1,556	1,340	1,556	1,340
Other creditors	410	436	397	431
Accruals and deferred income	273	295	266	277
	<u>2,855</u>	<u>2,693</u>	<u>2,832</u>	<u>2,668</u>

8. Creditors: amounts falling due after one year

	Bank loans	Advance fees	Other creditors	Total
	£'000	£'000	£'000	£'000
Amounts repayable by instalments:				
In 1 to 2 years	306	63	898	1,267
In 2 to 5 years	673	87	-	760
After 5 years	-	-	-	-
At 31 August 2017	<u>979</u>	<u>150</u>	<u>898</u>	<u>2,027</u>
At 31 August 2016	<u>1,282</u>	<u>173</u>	<u>861</u>	<u>2,316</u>

In 2006 the School entered into a £3.5m loan agreement with Allied Irish Bank. The loan is secured by a legal charge over the School's freehold property and is repayable over 20 years. Half of the loan carried a fixed rate of interest for the first 10 years, but has now reverted to a variable rate of interest.

In November 2017 the School repaid in full the balance of the AIB loan and entered into a new £5 million loan agreement with Lloyds Bank to fund projects including the re-development of the Sixth Form Centre and the provision of additional teaching facilities. The loan is unsecured and carries a fixed rate of interest for the first 5 years.

Reed's School

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

9. Advance fee payments

Advance fees include the early payment of the Autumn term 2017 fees. Parents may also pay future tuition fees in advance. The money may be returned on the receipt of one term's notice. The movements during the year were:

	2017 £'000	2016 £'000
At 1 September 2016 (2015)		
Amounts falling due within one year	1,340	1,483
Amounts falling due after one year	173	242
	<u>1,513</u>	<u>1,725</u>
New contracts	125	144
Early payment of Autumn term 2017 (2016) fees	1,445	1,096
Amounts utilised in payment of fees	(281)	(320)
Early payment of Autumn term 2016 (2015) fees	(1,096)	(1,132)
	<u>1,706</u>	<u>1,513</u>
At 1 September 2017 (2016)		

10. Restricted funds

	2016 total	Income	Expenditure	Investment income	Net gains on investments	Transfer between funds	2017 total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated small funds	976	-	-	35	55	(35)	1,031
Growth fund	1,630	111	-	57	87	(57)	1,828
Cazenove Andrew Reed bursary fund	568	1	-	19	33	(19)	602
OR's syndicated fund	244	24	(18)	-	-	-	250
Capital fund	584	114	-	-	-	(680)	18
Forum fund	128	1	(10)	-	-	-	119
Other funds	318	588	(425)	-	-	-	481
Total restricted funds	<u>4,448</u>	<u>839</u>	<u>(453)</u>	<u>111</u>	<u>175</u>	<u>(791)</u>	<u>4,329</u>

Reed's School

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

Consolidated small funds:

The consolidated small funds consist of funds held for specific purposes, and are represented mainly by investments. These funds were consolidated by a deed of administration approved and sealed by the Charity Commissioners on 18th April 1991. Income arising from capital invested is included within the Unrestricted General Fund.

The small funds consolidated in 1991 comprised Clift Ford Thomerson Fund, Mullens Funds, Dove Fund, Gilliat Fund, The Barnett Prize Fund, Kirby's Fund, J Walter Smith Scholarship Fund, Cuthbertson Scholarship Fund, Borthwick Fund, The Reed Lecture Fund, The WH Rohrs Fund, the Verstage Donation and the Michel/Syms Fund. The Nissen/Bridgeman Prize Fund was added to these funds in 2006/07.

Growth fund:

This is a fund that is being built up over time, with the intention that future foundation pupils will be supported from investment gains and income generated thereon.

Cazenove Andrew Reed bursary fund:

This fund was created in 2013/14, the School's Bicentenary Year, by former Cazenove partners. The intention is that a Foundation pupil will be funded into perpetuity using the Fund's investment income.

The annual investment income earned on the Consolidated small funds, the Growth fund and the Cazenove Andrew Reed bursary fund was used to provide Foundation bursary awards within the year.

OR's syndicated fund:

Funds raised by Old Reendonians' decade groups to be used to fund future Foundationers.

Capital fund:

Funds for the development of future capital projects. Funds raised for the construction of the Jarrett Indoor Cricket Centre were utilised in the year.

Forum fund:

This fund has been set up to provide bursaries and a program of enrichment for schools in the Primary Forum Group and to assist with training of teachers from these schools.

Other funds:

This is an amalgamation of other restricted funds (for reporting purposes). They are held in cash and include:

- The Ogden Trust - Physics, Maths and Science based Scholarships, matched by Reed's
- LTA Grants – applied in the year according to LTA specified purposes
- Honeypot fund - children selected by the Honeypot Charity
- Foundation Bursaries - funds donated for the support of named Foundationers

Reed's School

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

11. Unrestricted funds – movements in the year

	2016 total	Income	Expenditure	Net gains on investments	Transfer between funds	Provision (loss) on subsidiary	2017 total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charity							
General Reserves	17,762	14,298	(13,102)	174	791	(48)	19,875
<i>Designated Funds:</i>							
Old Reedonians Fund	95	66	(78)	-	-	-	83
	<u>17,857</u>	<u>14,364</u>	<u>(13,180)</u>	<u>174</u>	<u>791</u>	<u>(48)</u>	<u>19,958</u>
Consolidated							
General Reserves	17,762	14,692	(13,544)	174	791	-	19,875
<i>Designated Funds:</i>							
Old Reedonians Fund	95	66	(78)	-	-	-	83
	<u>17,857</u>	<u>14,758</u>	<u>(13,622)</u>	<u>174</u>	<u>791</u>	<u>-</u>	<u>19,958</u>

Designated reserves exist where the Governors have allocated funds for a set purpose. The Old Reedonians' fund is intended to fund the activities or projects supported by the Old Reedonians.

12. Analysis of net assets between funds

Consolidated	General Funds £'000	Designated Funds £'000	Restricted Funds £'000	2017 Total £'000
Tangible fixed assets	18,751	-	-	18,751
Investments	2,882	-	3,461	6,343
Cash at bank and in hand	2,701	83	868	3,652
Other net current liabilities	(2,432)	-	-	(2,432)
Creditors: amounts falling due after more than one year	(2,027)	-	-	(2,027)
Total funds	<u>19,875</u>	<u>83</u>	<u>4,329</u>	<u>24,287</u>

Reed's School

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

13. Capital commitments

At 31 August 2017 there was a contract in place and work had commenced on a new learning resource and study centre in the heart of the Sixth Form House; the contracted value of works amounted to £1.4m (2016 - £nil).

Furthermore there were £216k of contracted works to complete the Jarrett Indoor Cricket Centre. (2016 - £nil).

14. Related party transactions

Reed's School has invested in the whole of the issued share capital of Reed's School Enterprises Limited (the Company), a company incorporated in England and Wales.

During the year the Company paid a management charge of £10k (2016: £10k) and a licence fee of £33k (2016: £33k) to the School.

Additionally, the School paid for the use of a swimming pool £50k (2016: £50k) and for the use of squash courts £6k (2016: £6k) to the Company.

At the balance sheet date the Company owed the sum of £389k (2016: £410k) to the School. This intercompany balance is interest free and has no fixed repayment date.

The School made a loan of £262 to its wholly owned subsidiary Reed's School International Ltd.

15. Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Reed's School

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £691k (2016: £672k).

Reed's School

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

16. Consolidated Statement of Financial Activities – Comparative figures for 2016 by fund type

	Unrestricted funds		Restricted funds	2016 Total funds
	General	Designated		
	£'000	£'000	£'000	£'000
Income and endowments from:				
Donations and legacies	182	-	542	724
Charitable activities				
School fees receivable	13,244	63	-	13,307
Ancillary trading income	55	-	-	55
Other trading activities				
Non-ancillary trading income	425	-	-	425
Other activities	284	-	-	284
Investments				
Income from investments	116	-	76	192
Bank and other interest	19	-	-	19
Total income	14,325	63	618	15,006
Expenditure on:				
Raising funds				
Non-ancillary trading	(465)	-	-	(465)
Fundraising and development costs	(164)	-	-	(164)
Financing costs	(64)	-	-	(64)
Charitable activities				
Education and grant making	(12,346)	(63)	(458)	(12,867)
Total expenditure	(13,039)	(63)	(458)	(13,560)
Net gains on investments	251	-	155	406
Net income	1,537	0	315	1,852
Transfers between funds	(84)	-	84	-
Net movement in funds	1,453	0	399	1,852
Reconciliation of funds:				
Total funds brought forward	16,309	95	4,049	20,453
Total funds carried forward	17,762	95	4,448	22,305

