

Charity Registration No. 1102929

Company Registration No. 05035260 (England and Wales)

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2020

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

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SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

COMPANY INFORMATION

DIRECTORS AND ADVISORS

Directors

Mr M Elias (Chairman)
Mrs J J Marshall (Vice Chairman)
Mr R T Eley
Mrs C E Frost
Mr A S Varley
Mrs M N A Faulder
Mr P W Cook
Mrs L M Worthington
Mrs P L Yianni

Secretary

Mrs J P Stone

Charity No.

1102929

Company No.

05035260

Principal Address and Registered Office

Smallwood Manor Preparatory School Limited
Uttoxeter
Staffordshire
ST14 8NS

Key Management Personnel

Head

Mr J R A Gear

Bursar

Mrs J P Stone

Auditors

RSM UK Audit LLP
3 Hardman Street
Manchester
M3 3HF

Bankers

Lloyds Bank PLC
Pride Hill Shrewsbury
SY1 1DGr

Solicitors

The Eric Whitehead Partnership
14 Chapel Street, Cheadle
ST10 1DY

Investment Advisers

UBS AG
3 Finsbury Avenue, London
EC2M 2AN

Insurance Brokers

Marsh Limited
Capital House
1 to 5 Perrymount Road
Haywards Heath
West Sussex
RH16 3SY

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

DIRECTORS' REPORT (*incorporating the Strategic Report*) YEAR ENDED 31ST AUGUST 2020

The directors present their report and financial statements for the year ended 31st August 2020 and confirm they comply with the requirements of the Charities Act 2011, including the Directors' and Strategic Reports, under the Companies Act 2006.

REFERENCE AND ADMINISTRATIVE INFORMATION

The charity was formed in 2004 and is registered with the Charity Commission as charity number 1102929. The charity is a limited liability company and wholly owned subsidiary of The Woodard Corporation (charity number 1096270). The charitable company is incorporated in the United Kingdom. Directors of the Company are also Fellows (members) of the Woodard Corporation and participate in the election of its board of management and are committed to its charitable objects.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Company is governed by Articles of Association as adopted by Special Resolution dated 20 March 2013, replacing those dated 28 January 2004 amended by Special Resolution(s) dated 25 January 2006, 28 April 2009 and 23 June 2009. They permit funds to be managed in such a manner as the directors see fit, provided that such powers are only exercised for the purposes of attaining the objects and in a manner which is legally charitable. The Articles of Association forbid the distribution of any property or funds, which are to be applied solely towards the promotion of the objects of the company.

Governing Body

The governors, who are the directors and charitable trustees of the company and comprise the governing body of Smallwood Manor Preparatory School Limited, trading as Denstone College Preparatory School (DCPS), are elected to hold office for five years. The school is governed by the governing body which operates using a number of committees. Membership of each committee is outlined later in this report. The governing body met three times during the year.

Recruitment and Training of Governors

All governors are Corporate Fellows of the Woodard Corporation. Corporate Fellows are responsible for electing the Woodard Corporation Board. Governors are recruited on the basis of nominations from school contacts and from selection when a post becomes available. The governing body look to ensure a mix of skills and select new governors on the basis of background, competence, specialist skills and, in the case of Fellows, Christian commitment. Governors are provided with induction training by the Head, Bursar and staff and a wider programme of training events is organised by the Woodard Corporation. The school also encourages governors to attend events run by the Association of Governing Bodies of Independent Schools (AGBIS).

Where possible the governors consider that the skills and experience of the Board should comprise the following:

A Governor with the following skills, attributes and experience:-

Management; planning and strategy; administration; governance/trusteeship; health and safety; project management; conflict resolution; consultancy; risk management; child protection; education and/or training; human resources/personnel; arts and culture; commerce; property and buildings; religion; equal opportunities and diversity; financial/banking; fund raising; marketing; pastoral; accountancy; research; information technology; legal; media/PR; education (SEN); insurance; engineering and medicine.

One Governor may have one or more of these skills.

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DIRECTORS' REPORT (*incorporating the Strategic Report*) **YEAR ENDED 31ST AUGUST 2020**

Volunteers

Governors are volunteers providing their time for free to support the governance of the school. The school also relies on a number of others to undertake volunteer roles including Assistant Librarian; Pre-school and Main Prep work experience, Art Therapist and Chess Club.

Organisational Management

The school is governed by the governing body which delegates work to a number of committees. Membership of each committee is outlined later in this report. The directors determine the general policy of the company.

Finance Committee – the Finance Committee has a remit to consider budgets, both revenue and capital, cash flow information and financial reports, including the financial statements. It also considers financial policies and the financial regulations. It makes recommendations to the governing body for approval. The Finance Committee met three times during the year.

Estates Committee – the Estates Committee develops the school's estates strategy, including capital developments and maintenance of the buildings and it makes recommendations to the governing body. It met three times during the year.

Education Committee – the Education Committee is responsible for oversight of the academic performance of the school and educational policy, making recommendations to the governing body. It met three times during the year.

The day to day management of the company is delegated to the Head and the Bursar as the Key Management personnel, overseeing educational, pastoral and administrative functions in consultation with the senior staff. The day to day administration is undertaken within the policies and procedures approved by the governors which provide for only significant expenditure decisions and major capital projects to be referred to the governors for prior approval.

The Head oversees the recruitment of all educational staff, whilst under delegated authority the bursar oversees the recruitment of administrative and non-teaching support staff. The Head and Bursar are invited to attend governors' meetings.

The remuneration of key management personnel is set by the Board, with the policy objective of providing appropriate incentives to encourage enhanced performance and of rewarding them fairly and responsibly for their individual contributions to the school's success.

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

We aim to recruit, subject to experience, at the lower to medium point within a band, providing scope for rewarding excellence. Delivery of the school's charitable vision and purpose is primarily dependent on our key management personnel and staff costs are the largest single element of our charitable expenditure.

Group Structure and Relationships

The school has a wholly owned non-charitable subsidiary, Smallwood Manor School Enterprises Limited, the activities and trading of which are described below.

The school has developed links with a wide range of organisations to ensure the widest possible access to our facilities and schooling. Through membership of IAPS and through networking with peer groups we ensure that we are able to attain the highest standards of quality and performance. We encourage our pupils to develop an awareness of the social context of the all-round education they receive at the school and they are engaged in a number of activities to enhance their understanding. We also cooperate with many local charities in our ongoing endeavours to widen public access to the schooling we can provide, to optimise the educational use of our cultural and sporting facilities and to awaken in our pupils, in the public interest, an awareness of the social context of the all-round education they receive.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

DIRECTORS' REPORT (*incorporating the Strategic Report*) YEAR ENDED 31ST AUGUST 2020

CHARITABLE OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES

Charitable Objects

The charity's objects, as set out in the Articles of Association, are to promote and extend education (including spiritual, moral, social, cultural and physical education) in accordance with the doctrines and principles of the Church. The Church is defined as being the Church of England and churches in full communion with the See of Canterbury.

Intended impact

Woodard schools strive for the best all round education of every aspect of each individual; they ensure high standards of religious education; and they see themselves as communities working together for the benefit of all members, and of the Church and the nation. They are strong Christian foundations which adhere to catholic belief as found in the Church, to Christian worship focused in the Eucharist, and to the care of each individual and the whole school community particularised in the ministry of the Chaplain.

Aims

DCPS is a day school for pupils from the ages of 2 to 11. It aims to support children in reaching their potential in all areas of their activity at the school, and in the wider community. This may be in academic subjects but could just as easily be reflected in success in art, drama, sport, music or dance. We produce 'well rounded' individuals who are able to make a positive contribution to society. All Woodard schools aim to provide a rounded education to help the pupils to make their way in adult life.

Primary objectives

The primary objectives of DCPS to fulfil these aims are:

- to provide a stimulating learning environment in which pupils can develop their academic potential to the full;
- to provide a happy and secure pastoral environment in which pupils can learn to live together and thus foster a sense of community, respect for one other and good citizenship;
- to provide pupils with the opportunity to take advantage of a breadth of co-curricular activities in order to develop positively all aspects of their character;
- to provide pupils with the opportunity to take decisions based on their own judgment and to communicate those decisions appropriately and effectively;
- to provide financial support to enable children whose parents are unable to afford the full fees to benefit from an DCPS education;
- to provide a clear, simple and effective management structure capable of taking timely decisions and allocating necessary resources appropriately, and
- to provide the necessary administrative and logistic framework to meet the needs of members of staff and pupils alike.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

DIRECTORS' REPORT *(incorporating the Strategic Report)* YEAR ENDED 31ST AUGUST 2020

Strategies to achieve the primary objectives

This year our focus has been on the extending the range of academic opportunities for all pupils and extending access to school facilities for the local community. We have continued to make the facilities available to outside organisations which also puts the school's facilities to good educational use when not otherwise needed.

Principal Activities of the Year

The principal activity of the school is the delivery of education to pupils ranging from 2 to 11 years of age. We also run a number of summer school activities and the school is open at other times for use by the local community. Pupil numbers at the school during the year were as follows:

	2019/2020		2018/2019	
Preparatory School	87		102	
Pre-Preparatory School	30		31	
Pre-School	25		28	
Total	<u>142</u>		<u>161</u>	
	2019/2020		2018/2019	
	Boys	Girls	Boys	Girls
Preparatory School	53	34	63	39
Pre-Preparatory School	20	10	21	10
Pre-School	13	12	14	14
Total	<u>86</u>	<u>56</u>	<u>98</u>	<u>63</u>

Public Benefit

Within the objects, the school aims to create an environment to nurture children, to get the best from them and to allow them to develop and fulfil their potential. We provide them with a first class independent education and a wide range of sporting and artistic opportunities. Our public benefit aim is that all pupils will be self-confident and desire to contribute to the wider community.

In the furtherance of these aims the DCPS governors, as the charity trustees, have complied with the duty in s.17 of the Charities Act 2011 to have due regard to the Charity Commission's published general and relevant sub-sector guidance concerning the operation of the public benefit requirement under that Act.

Our school welcomes pupils from all backgrounds. To admit a prospective pupil we need to be satisfied that our school will be able to educate and develop a prospective pupil to the best of their potential and in line with the general standards achieved by their peers. Entrance interviews and assessments are undertaken to satisfy ourselves and parents that potential pupils can cope with the pace of learning and benefit from the education we provide. An individual's economic status, gender, ethnicity, race, religion or disability do not form part of our assessment processes.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

DIRECTORS' REPORT (*incorporating the Strategic Report*) **YEAR ENDED 31ST AUGUST 2020**

Our school is a part of a wider community and we are keen that our staff and pupils participate. Our school also offers a resource to support a range of educational activities for the benefit of local children attending state schools and their teachers. Our governors are committed to developing our programme of cooperation and joint working with local maintained sector junior and secondary schools. The activities undertaken and the success of our programme are explained in the 'Review of Achievements and Performance for the Year' section of this report.

Woodard and its schools provide a significant benefit to the public. The school strives to ensure that measures of public benefit are appropriate, and that significant sections of the public are not excluded from the opportunity to benefit from the education and facilities offered due to the need to pay a fee. In addition to significant provision of bursaries and other forms of financial support, the school provides a wide range of opportunities for community benefit and facilities and events are often open to all. Further detail of the public benefit offered is included in the section entitled 'Review of Achievements and Performance for the Year' below.

It is a key requirement of evidencing public benefit that any private benefit to individuals or elements of the charity will be incidental to the charity's objectives. An example of private benefit may be the reimbursement of travelling expenses for trustees attending training courses: any private benefit to individuals or elements of Woodard are incidental to delivery of the charitable objectives.

Bursaries & Scholarships

Bursaries

The governors view our bursary awards as important in helping to ensure children from families who would otherwise not be able to afford the fees can access the education we offer. Our bursary awards are available to all who meet our general entry requirements and are made solely on the basis of parental means or to relieve hardship where a pupil's education and future prospects would otherwise be at risk for example in the case of redundancy. In assessing means we use the methodology promulgated by the Independent Schools' Bursars Association, which takes a number of factors into consideration including family income, investments and savings and family circumstances for example dependant relatives and the number of siblings. Our school does not have an endowment and in funding our awards we have to be mindful that we must ensure a balance between fee-paying parents, many of whom make considerable personal sacrifices to fund their child's education, and those benefiting from the awards.

The bursary awards range from 5% to 100% remission of fees. We also have a hardship fund that supplements bursary awards to pay for co-curricular activities, equipment and school trips. Information about fee assistance through bursaries is provided to all applying to the school. We also advertise the awards each summer in the local press and at local libraries. Further details of our bursary policy and how to apply are available on our website.

This year the value of means tested bursaries totalled £36,837 and represented 3% of our gross fees. They provided assistance to 13 of our pupils. A hardship fund is also available to help pupils in receipt of bursaries meet the costs of school trips, examination entrance fees and similar expenses.

Employment Policy

We are an equal opportunity organisation and are committed to a working environment that is free from any form of discrimination on the grounds of colour, race, ethnicity, religion, sex, sexual orientation or disability. We will make reasonable adjustments to meet the needs of staff or pupils who are or become disabled.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

DIRECTORS' REPORT (*incorporating the Strategic Report*) YEAR ENDED 31ST AUGUST 2020

STRATEGIC REPORT

REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR

Impact of Coronavirus Pandemic

Schools were ordered to close to all except the children of 'Key Workers' in March 2020 and much of the education was moved online. In brief the impact has been to raise the level of uncertainty and risk for the whole education sector.

Smallwood Manor Preparatory School adapted well to the new situation and classroom teaching was moved online using Microsoft Teams. Virtual learning and pastoral support were provided to all students. The school received excellent feedback from parents regarding the virtual learning programme. The impact on the financial results for the year to 31st August 2020 has been significant but this has been mitigated as much as possible through furloughing staff throughout the school, leaving just an essential skeleton staff. The main school building was mothballed, the Pre-School building was used for the care of Key Workers and any child at risk. Some teachers were also furloughed, for example, those teaching Games, Art, Music and Drama. Teaching assistants, not working within the Key Workers building, were furloughed, along with catering, cleaning, finance and marketing staff. Due to the young age of the Pre-Prep children, and the amount of time they could reasonably interact with online teaching, a reduced curriculum was provided. Fees for Pre-Prep children were reduced to 55% and 65% for Main Prep children for the Trinity term; this reflected the reduced educational provision and costs saved through closing part of the site and furloughing staff. Parents welcomed the reduction in fees, many families having suffered a negative financial impact as a result of the Coronavirus. It was felt that the fee reduction was balanced and fair.

Reception, Year 1 and Year 6 pupils returned to school on the 1st June 2020. Year 5 returned on the 22nd June. Year 2, Year 3 and Year 4 returned for outside sessions with their form teachers during the last week for the Trinity term.

All pupils returned in September 2020, and the school has made a number of adaptations to make social distancing possible including; introducing one-way systems, all cleaning and catering staff receiving additional COVID training, changing meal and break times to accommodate the separate safe working bubbles, provision of PPE, additional cleaning of the school during the working day, and adaptation to COVID safe sport lessons within the school.

It remains to be seen how much this will impact financial results for forthcoming years, however performance of detailed financial modelling has taken place, looking forward at least 12 months, demonstrating that the school has, through a combination of bank balances held, guaranteed support from the parent company Woodard Corporation, and an agreed plan to merge with Denstone College on the 1st September 2021 (or as soon as it is legally possible to do so), there is sufficient cash to remain a going concern for the 2020/21 academic year.

The Promotion of Education

During the year we educated 142 children between the ages of 2 and 11. The school provides a very high standard of education and this is validated in review of the academic results, our measurements of added value and through external inspection. The school offers a broad curriculum and educates children with a wide range of abilities.

Academic Results

We have had an outstanding year. Each child in Year 6 was awarded a place to their first choice of senior school and 14 scholarships and exhibitions were awarded. The average mark gained by our pupils in their entrance exams to senior school was 67%.

We continue to promote the breadth of education available at DCPS and have introduced a number of new activities and initiatives over the course of the year.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

DIRECTORS' REPORT (*incorporating the Strategic Report*) YEAR ENDED 31ST AUGUST 2020

Improving Facilities

We continue to improve facilities through constant investment in the fabric of the buildings and assets, and ambitious programmes to provide the best facilities to support teaching and learning.

Arts, Music and Drama

One of the important elements of any Woodard school is the concentration on arts, music and drama. All three departments contributed significantly to the school's success over the course of the year. Children have continued to be invited to join the National Children's Choir of Great Britain. Numerous external music exams were passed as well, the choir performed at the Denstone Farm Shop and Waitrose, Uttoxeter shortly before Christmas and also participated in the Derby Art Festival, winning their category.

There were two Nativity productions by Pre School and Pre Prep in the Michaelmas term, 'The Toy Shop' and 'Everyone Loves a Baby'. These involve every child in the Pre School and Pre Prep in one capacity or another. Form assemblies took place throughout the year, some by Microsoft Teams.

Pupils continue to shine in Art and Design Technology. Art work is regularly displayed around the school and in local businesses. Pupils have been awarded prizes in both National and regional competitions.

Sport

Every child had the opportunity to represent the school on the games field over the course of the year. Several individuals achieved success at district and county level.

Significant Events

The school continues to work closely with Denstone College, a senior school which is also a member of the Woodard Corporation group of schools and with whom there is an agreed plan to merge on the 1st September 2021 (or as soon as it is legally possible to do so). Regular meetings between subject coordinators here and Heads of Department at the College are held. Pupils from the College visited DCPS on a weekly basis to assist with activities and parents from DCPS attended various workshops at Denstone College.

Wider Education

We have continued to make better use of our site for outdoor learning.

Community

We continue to let the site to religious groups, Charities such as the Samaritans, children's organisations and musical ensembles over the course of the year, both at weekends and during the school holidays. The site is also used by a local Guide troupe and various swimming clubs and organisations make use of the school's pool.

Parents' supper evenings are held at a local pub each term and these are open to friends, past parents and others not associated with the school.

Outreach

The preparatory school has a formal partnership scheme with Denstone College whereby children of teachers receive a remission on fees of up to 25%.

Charitable Activities

As well as supporting the local community, pupils & staff from further afield used the school as a residential centre.

The school community takes part in a wider range of sponsored events and other fundraising activities, often driven by the friends and parents of the school in conjunction with the school.

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DIRECTORS' REPORT (*incorporating the Strategic Report*) **YEAR ENDED 31ST AUGUST 2020**

Investment Performance Against Objectives

The company's investments are managed by UBS AG and in the opinion of the advisers the performance has been satisfactory.

Statement on Brexit

Following the outcome of the UK referendum on European Union membership, the UK left the European Union on 31st January 2020. In preparation for this date, and in anticipation of the transition period, the school reviewed operations to understand and plan for the initial impact from Brexit. Guidance was also available from a number of sources including the Independent Schools Bursars Association. At this stage it is not possible to implement comprehensive policies for all possible changes as the future trade, visa and travel agreements are not yet in place. The school will continue to work with relevant authorities, staff, parents and suppliers to fully understand the impact in all areas including particularly visa requirements, the supply chain and data handling and protection, in order to minimise risk and potential disruption.

FINANCIAL REVIEW

Results for the Year

The net outgoing expenditure for the year amounted to £227,915 of which the operating loss on school activities was £244,993. This loss has been a direct consequence of the COVID-19 pandemic hitting both the school fees receivable and perhaps more importantly the letting side of the business. School fees for the year were down by some 15.7% on last year.

Our trading company continues to hire out Smallwood Manor's facilities during vacations and school hours, as well as undertaking commercial activity on behalf of the school and externally. The company reduced the school's operating loss by £17,078. Group total funds decreased by £227,915 for the year.

The parents of our pupils often make significant sacrifices to pay the fees. In doing so they help to relieve the state of the financial burden of educating 117 UK based children. The saving is estimated to have a value in the last year of £762,723.

The school is unable to recover the VAT on purchases it makes. During the past year, the company has paid an estimated £85,000 in VAT on goods and services.

In addition to the very substantial benefits our school brings to our pupils, the local community and society through the education we offer, our bursary programme create a social asset without cost to the Exchequer.

The company provides a pension to some staff under the terms of the Pensions Trust Growth Plan. As a result of this pension scheme being under funded, the company is committed to contributing to a recovery plan. During the course of the year the company made contributions to the recovery plan of £1,664 and the recognised liability under the plan decreased by £1,510, with this value being recognised in the Statement of Financial Activities. Further details can be found in note 23.

Reserves Level and Policy, and Financial Viability

It has been the school's policy to utilise funds to ensure that high quality up-to-date facilities are provided for the benefit of pupils. The aim is to budget so as to provide sufficient working capital to meet the present needs and future development requirements of the school without the requirement to have recourse to sales of tangible fixed assets, or use of the school's readily realisable investments supporting unrestricted funds. Unrestricted funds decreased by £227,204 to total £1,662,381, as shown in note 22. The governing body plans to meet long term liabilities through careful management of resources, investments and through building reserves through operations and trading.

As detailed further in the Going Concern section of the Directors' Report, the intention is to gift the trade of the charitable company and certain business assets (excluding the school land and buildings, which are to be marketed for sale) to Denstone College at 1st September 2021 (or as soon as it is legally possible to do so thereafter). It is intended that the Smallwood Manor site will be sold, any remaining liabilities settled and net proceeds will be gifted to Denstone College for continuing investment in the

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

DIRECTORS' REPORT (*incorporating the Strategic Report*) YEAR ENDED 31ST AUGUST 2020

preparatory school. It is intended that Smallwood Manor Preparatory School Limited and its trading subsidiary Smallwood Manor Enterprises Limited will commence the necessary steps to undertake a voluntary winding up of the two companies.

The governors have invested substantial sums into school buildings in recent years, including £103,372 in the year in relation to a new roof and fire escape and have a continuing programme of refurbishment, development and investment to maintain excellent teaching facilities for our pupils. The governors consider that given the strength of the charity's balance sheet, the stable cash flow from stable student rolls and the ongoing popularity of our school, that there is no need to build up a free reserve.

The company's unrestricted reserves are primarily invested in tangible fixed assets which are all used for its direct charitable activities, or held in short-term bank deposits.

PRINCIPAL RISKS AND UNCERTAINTIES

Coronavirus Pandemic

It should be noted that these financial statements were compiled during the COVID-19 global pandemic and before a vaccine was identified. Like most trustees, the governors keep under consideration the impact of a catastrophic event on the school's ability to continue, but that event may come about from many causes and being specific about the source is not possible. The consideration of risks in the paragraphs below is therefore reflective of a more stable environment and does not specifically look at the pandemic, or other similar events, but offers a wider view of common events plus a specific risk looking at those events that could impact the continuity of education.

The governors consider the economic turbulence of recent years and the affordability of fees by parents across the independent sector to be the principal risk faced by the school. The governing body, therefore, decided last year to increase in September 2019 by only 4.5% for main-prep and £2.9% for pre-prep. For September 2020 the governing body has decided to freeze fees for the upcoming year.

Health and Safety is always a significant area for risk management. The risks range from fire and infrastructure to personal risks (most notably when away from the campus on trips and expeditions). The level and breadth of activity at the school is impressive and the risks associated with all activities are minimised by thorough planning and risk assessment.

The governing body is responsible for the identification and management of risks. The major risks to which the charity is exposed, as identified by the directors, have been reviewed and systems or procedures have been established to manage those risks. Detailed examination of the risks and establishment of controls to mitigate them is delegated to the Executive Officers and the process is overseen by the Risk Committee on behalf of the governing body. A formal review of the risk management processes is undertaken annually.

The principal risks to which the school is exposed include those affecting protection of pupils and security and preservation of charitable assets both now and in the future. Significant risk areas:

- the market in which the school operates is highly competitive and we monitor developments in education to ensure that pupils always receive a first class, holistic and varied educational experience in our school
- we strive to ensure that all staff are able to work in a safe and supportive environment and policies, procedures and training in Human Resource management and Health and Safety help to ensure that the school meets expectations
- the school operates in a highly regulated sector, including in matters of child protection, and we appoint appropriate professional advisers to ensure that we can keep up to date with all requirements; school or individual membership of bodies being the constituent associations of the Independent Schools Council also ensure that we have access to up to date information and support
- the school operates in an increasingly litigious environment and we appoint appropriate professional advisers and purchase insurance using specialist brokers and advisers to ensure that we can keep up to date with all requirements and meet all challenges
- all organisations face difficult economic conditions and directors and senior managers in the school keep abreast of economic conditions locally, nationally and internationally to identify trends and develop plans to address issues

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

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The key controls used by the school include:

- formal agendas and minutes for all meetings of the governing body and committees
- terms of reference for all committees
- comprehensive strategic planning, financial forecasting, budgeting and management accounting
- established and identifiable organisational structures and reporting lines which are regularly reviewed
- comprehensive formal written policies
- clear authorisation limits
- vetting procedures, as required by law, for protection of the vulnerable

The school plans strategically having regard for risk. The executive provide the governing body with regular reports which include details of the principal strategic objectives and the activity to achieve those objectives. The school also records significant achievements and updates the governing body and Woodard on short-term plans.

The strategy is discussed between the governing body and the Woodard Board and protocols have been developed and agreed which outline the relationship between the two bodies.

Financial risk management objectives and policies

The school uses financial instruments, other than derivatives, comprising loans, cash and other liquid resources and various other items such as trade debtors, creditors and finance lease arrangements that arise directly from operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The main issues arising from the group's financial instruments are liquidity risk and interest rate risk. The school's directors adopt policies for managing each of the risks and these are summarised below:

- Liquidity risk – the school seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs
- Interest rate risk – the school finances operations through a mixture of retained surpluses

GOING CONCERN

As discussed in more detail in the basis of preparation section of Accounting Policies, the directors consider that the preparation of the financial statements on a non-going concern basis that reflects the intention of the trade of the charitable company and certain business assets (excluding the school land and buildings, which are to be marketed for sale) to be gifted to Denstone College at 1st September 2021 (or as soon as it is legally possible to do so thereafter), is the appropriate basis for both Smallwood Manor Preparatory School Limited and its trading subsidiary Smallwood Manor Enterprises Limited. Following the merger of activities, it is intended that Smallwood Manor Preparatory School Limited and its trading subsidiary Smallwood Manor Enterprises Limited will commence the necessary steps to undertake a voluntary winding up of the two companies.

Performance of detailed financial modelling demonstrates that the school has, through a combination of bank balances held, guaranteed support from the parent company Woodard Corporation, and an agreed plan to merge activities with Denstone College on the 1st September 2021 (or as soon as it is legally possible to do so thereafter), sufficient cash to remain a going concern to the end of the 2020/21 academic year.

Scenario analysis performed demonstrates that there are sufficient funds available to meet the cost of increased bad debt which could arise, where parents' financial circumstances are further impacted by COVID-19. The school monitors fee debtors closely.

The school continues to take advantage of reliefs offered by the UK Government including the Job Retention Scheme, and the deferral of HMRC payments.

FUTURE PLANS

The Board's strategic plan is a rolling plan which is reviewed and updated each year. The key objectives of the current plan are:

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

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1. To promote the reputation of the school, ensuring that DCPS is generally perceived as the best co-educational, day Prep School in the area and that the school moves forward, as a day school, providing an education which prepares the children for an exciting and fast-changing future.
2. To increase pupil numbers throughout the age-range.
3. To widen access through the provision of means-tested bursaries.
4. To develop links with the community and with local schools particularly.
5. To develop the site by improving teaching and learning facilities.
6. To prioritise the next major projects.
7. To develop the site, bearing the 'visitor' in mind.
8. To ensure a healthy annual income from lettings of the school to outside groups and organisations.
9. To ensure a healthy annual revenue surplus, enabling the school to plan future development with confidence.
10. To establish, monitor, review and develop consistent, coherent and effective policies and practices.
11. To continue to encourage faith within the community.
12. To improve staff skills and practice through planned and continued professional development.
13. To seek to develop a broader outlook for pupils through contacts with other schools, some of which will be abroad.

Following an in-depth review of all areas of the school, we believe merger and relocation to the Denstone College site by September 2021 to be the best way to achieve these future plans. This will widen the opportunities available for our current and future students and allow them to experience the unrivalled academic and superb pastoral care offered at Denstone College.

DIRECTORS

The directors who served during the year, and the committees of which they are members, are:

M Elias (Chairman)	Finance
P P Choudhury	(resigned 06/02/2020)
M N A Faulder	
J J Marshall	
A S Varley	
R T Eley	
L M Worthington	
C E Frost	
P W Cook	Finance
C B Robinson	(appointed 03/03/2020 resigned 31/10/2020)
P L Yianni	(appointed 03/03/2020)

None of the directors has any beneficial interest in the company. The company buys trustees and officers insurance on behalf of the directors.

AUDITORS

RSM UK Audit LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

DIRECTORS' REPORT *(incorporating the Strategic Report)* YEAR ENDED 31ST AUGUST 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and accounting 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 and group will continue in business.

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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors of Smallwood Manor Preparatory School Limited on *8th January 2021* including, in their capacity as company directors, approving the Directors' and Strategic Reports contained therein, and signed on its behalf by:



M ELIAS

CHAIRMAN

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED *YEAR ENDED 31ST AUGUST 2020*

Opinion

We have audited the financial statements of Smallwood Manor Preparatory School Limited (the 'charitable company') and its subsidiary (the 'group') for the year ended 31 August 2020 which comprise the Consolidated and Charity Statements of Financial Activities, the Consolidated and Charity Balance Sheets and the notes to the financial statements, including a summary of significant 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 charitable company's affairs as at 31 August 2020 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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

Emphasis of matter - non-going concern basis of accounting

We draw attention to Note 1 of the financial statements, the basis of accounts preparation policy, which describes the preparation of the financial statements on a non-going concern basis, due to the proposed cessation of trade at some point in 2021 and the planned merger of activities with Denstone College. At the point of merger of activities, certain business assets (excluding the school land and buildings, which are to be marketed for sale) of the Smallwood Manor Preparatory School Limited and its trading subsidiary Smallwood Manor Enterprises Limited, will be gifted to Denstone College. Following the merger of activities, it is intended that Smallwood Manor Preparatory School Limited and its trading subsidiary Smallwood Manor Enterprises Limited will commence the necessary steps to undertake a voluntary winding up of the companies. There have been no adjustments made to the financial statements as a result of the application of the non-going concern basis of accounting. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our 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.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED YEAR ENDED 31ST AUGUST 2020

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report and the incorporated Strategic Report prepared for the purpose of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report and the incorporated Strategic Report.

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

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

Responsibilities of trustees

As explained more fully in the Statement of Directors' responsibilities set out on page 11 to 12, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED *YEAR ENDED 31ST AUGUST 2020*

Use of our report

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

Dale Thorpe (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF
Date: 8 January 2021

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income and Expenditure Account) YEAR ENDED 31ST AUGUST 2020

	Notes	Unrestricted Funds £	Restricted Funds £	Endowed Funds £	Total 2020 £	Total 2019 £
Income and endowments from:						
Charitable Activities						
School fees receivable	2	1,161,598	-	-	1,161,598	1,378,661
Ancillary trading income	3	135,479	-	-	135,479	271,808
Other trading activities						
Non-ancillary trading income	4	30,108	-	-	30,108	58,865
Investments						
Investment income	5	80	-	301	381	466
Bank and other interest	6	1,887	-	-	1,887	3,797
Other - Grants and donations						
Grants and donations	7	193,543	-	-	193,543	410
Other incoming resources		-	-	-	-	699
TOTAL INCOMING RESOURCES		1,522,695	-	301	1,522,996	1,714,706
Expenditure on:						
Raising funds						
Non-ancillary trading	8	13,450	-	-	13,450	25,665
Financing costs	9	52,368	-	-	52,368	26,804
Investment management		7	-	40	47	65
TOTAL DEDUCTIBLE COSTS		65,825	-	40	65,865	52,534
Charitable Activities						
Education and grant making	8	1,683,888	-	-	1,683,888	1,597,472
TOTAL EXPENDITURE		1,749,713	-	40	1,749,753	1,650,006
Net (losses)/gains on investment assets	14,15	(186)	-	(972)	(1,158)	(331)
Net income/(expenditure)		(227,204)		(711)	(227,915)	64,369
Transfers between funds		-	-	-	-	-
Net Movement in funds for the year		(227,204)	-	(711)	(227,915)	64,369
Fund balances at 1st September 2019		1,889,585	-	11,153	1,900,738	1,836,369
FUND BALANCES AS AT 31ST AUGUST 2020		1,662,381	-	10,442	1,672,823	1,900,738

All amounts relate to continuing activities. All recognised gains and losses in the current and prior year are included in the statement of financial activities. The notes on pages 21 to 41 form part of these financial statements.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

CHARITY STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income and Expenditure Account) YEAR ENDED 31ST AUGUST 2020

	Notes	Unrestricted Funds £	Restricted Funds £	Endowed Funds £	2020 £	2019 £
Income and endowments from:						
Charitable Activities						
School fees receivable	2	1,161,598	-	-	1,161,598	1,378,661
Ancillary trading income	3	135,479	-	-	135,479	271,808
Other trading activities						
Non-ancillary trading income	4	17,078	-	-	17,078	34,035
Investments						
Investment income	5	80	-	301	381	466
Bank and other interest	6	1,462	-	-	1,462	2,944
Other - Grants and donations						
Grants and donations	7	193,543	-	-	193,543	410
Other incoming resources		-	-	-	-	699
TOTAL INCOMING RESOURCES		1,509,240	-	301	1,509,541	1,689,023
Expenditure on:						
Raising funds						
Financing costs	9	52,363	-	-	52,363	26,786
Investment management		7	-	40	47	65
TOTAL DEDUCTIBLE COSTS		52,370	-	40	52,410	26,851
Charitable Activities						
Education and grant making	8	1,683,888	-	-	1,683,888	1,597,472
TOTAL EXPENDITURE		1,736,258	-	40	1,736,298	1,624,323
Net (losses)/gains on investment assets	14,15	(186)	-	(972)	(1,158)	(331)
Net income/(expenditure)		(227,204)	-	(711)	(227,915)	64,369
Transfers between funds		-	-	-	-	-
Net Movement in funds for the year		(227,204)	-	(711)	(227,915)	64,369
Fund balances at 1st September 2019		1,889,585	-	11,153	1,900,738	1,836,369
FUND BALANCES AS AT 31ST AUGUST 2020		1,662,381	-	10,442	1,672,823	1,900,738

All amounts relate to continuing activities. All recognised gains and losses in the current and prior year are included in the statement of financial activities. The notes on pages 21 to 41 form part of these financial statements.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

CONSOLIDATED AND CHARITY BALANCE SHEETS AS AT 31ST AUGUST 2020

	Note	Group 2020 £	2019 £	Charity 2020 £	2019 £
FIXED ASSETS					
Tangible assets	13	1,056,408	996,499	1,056,408	996,499
Securities Investments	14	9,715	10,919	9,815	11,019
Investment Property	15	645,000	645,000	645,000	645,000
		1,711,123	1,652,418	1,711,223	1,652,518
CURRENT ASSETS					
Stock		-	-	-	-
Debtors	16	96,713	84,490	96,713	242,945
Cash at bank and in hand		113,085	492,503	113,060	333,948
		209,798	576,993	209,773	576,893
CURRENT LIABILITIES					
Creditors payable within one year	17	(240,128)	(306,693)	(240,203)	(306,693)
NET CURRENT (LIABILITIES)/ASSETS		(30,330)	270,300	(30,430)	270,200
TOTAL ASSETS LESS CURRENT LIABILITIES		1,680,793	1,922,718	1,680,793	1,922,718
LONG TERM LIABILITIES					
Creditors payable after one year	18	-	(12,500)	-	(12,500)
Provisions for liabilities	23	(7,870)	(9,380)	(7,870)	(9,380)
NET ASSETS		1,672,923	1,900,838	1,672,923	1,900,838
REPRESENTED BY:					
CALLED UP SHARE CAPITAL	19	100	100	100	100
ENDOWED FUNDS	21	10,442	11,153	10,442	11,153
UNRESTRICTED FUNDS					
General reserve	21	1,662,381	1,889,585	1,662,381	1,889,585
		1,672,923	1,900,838	1,672,923	1,900,838

The financial statements were approved and authorised for issue by the Board on... 8th January 2021 and signed on its behalf by

M Elias

M ELIAS

CHAIRMAN

Company registration number 05035260

The notes on pages 21 to 41 form part of these financial statements.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31ST AUGUST 2020

	2020 £	2019 £
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	(278,365)	140,461
Cash flows from investing activities:		
Dividends, interest and rents from investments	2,268	4,263
Proceeds from the sale of property, plant and equipment	-	700
Purchase of property, plant and equipment	(103,372)	(282,229)
Purchase of investments	46	65
Net cash provided by (used in) investing activities	(101,058)	(277,201)
Cash flows from financing activities:		
Financing costs	5	18
Net cash provided by (used in) financing activities	5	18
Change in cash and cash equivalents in the year	(379,418)	(136,722)
Cash and cash equivalents at the beginning of the year	492,503	629,225
Cash and cash equivalents at the end of the year	113,085	492,503

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year and in the preceding year are:

a) Basis of Accounting

The accounts of the group have been prepared under the Companies Act 2006 and in accordance with the Statement of Recommended Practice for Charities ('SORP (FRS102)') and with applicable UK Accounting Standards. They are drawn up on the historical cost accounting basis except that property and share investments held as fixed assets are carried at fair value.

Smallwood Manor Preparatory School Limited meets the definition of a public benefit entity under Financial Reporting Standard (FRS) 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Further details are provided in note 29, and in the accounting policies for depreciation of fixed assets, for pensions and for bad debts. The financial statements are presented in sterling (£) and the functional currency is sterling (£).

b) Basis of Preparation of the Financial Statements and Going Concern

The activities of Smallwood Manor Preparatory School Limited are set to merge with Denstone College on 1 September 2021. Following the transition, it is intended that Smallwood Manor Preparatory School Limited and its trading subsidiary Smallwood Manor Enterprises Limited, will commence the necessary steps to undertake a voluntary winding up of the two companies. There is uncertainty over the precise timing, but to reflect the intention of the two companies to cease trading at some time in 2021 and to merge activities with Denstone College, the financial statements have been prepared on a non-going concern basis that reflects the intention of the trade of the charitable company and certain business assets (excluding the school land and buildings, which are to be marketed for sale) to be gifted to Denstone College.

To this effect, a forecast and cashflow has been prepared to the date of merger of activities, and was approved by the Board. The directors consider that COVID-19 will continue to have an impact, particularly in relation to external lettings income, but given the relatively predictable nature of payroll and purchase costs, plus the reasonable expectation that the vast majority of pupils still at the school will transfer to Denstone College, the directors do not consider that COVID-19 will materially affect the ability of the school to continue to trade in the period up to merger of activities.

Given that all the assets (excluding the school land and buildings, which are to be marketed for sale) of the two companies will be gifted to Denstone College, there will not be any impact on the reported financial results and balances as at 31 August 2020; the main impact has been in the provision of additional disclosure.

The directors consider that the preparation of the financial statements on a non-going concern basis that reflects the intention of the trade of the charitable company, and certain business assets (excluding the school land and buildings, which are to be marketed for sale) to be gifted to Denstone College is the appropriate basis.

Performance of detailed financial modelling demonstrates that the school has, through a combination of bank balances held, guaranteed support from the parent company Woodard Corporation, and the agreed plan to merge activities with Denstone College on the 1st September 2021 (or as soon as it is legally possible to do so thereafter), there is sufficient cash to remain a going concern to the end of the 2020/21 academic year.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

c) **Group Accounts**

The financial statements consolidate the financial statements of the company, and all its subsidiary companies, charitable trusts and funds with all inter-company balances being eliminated. Entities are consolidated where Smallwood Manor Preparatory School Limited exercises overall control either through ownership of shares, or through having common trustees with a common objective. Accounting policies are consistently applied between group companies.

d) **School Fees Receivable and Similar Income**

Fees receivable and other educational income are accounted for in the period in which the service is provided. Fees receivable are stated after deducting allowances, scholarships and other remissions by the school, but include contributions received from restricted funds for scholarships, bursaries and other grants. Fees in Advance Scheme Contracts are those fees received in advance of education to be provided in future years under a specific contract. The fees are either held as investments in interest bearing assets until taken to income to match liabilities in the term when used, or refunded, or they are held within the unrestricted reserves of the school. Any surplus of assets over liabilities is held within the fund as a buffer. Debts are provided for if not recovered within one term. Estimating amounts to provide against recovery of debts is a matter of judgement.

e) **Ancillary and Non-Ancillary Trading Income**

Ancillary trading income represents amounts from activities to generate funds within the charitable objects, for example school shop sales, coaches to and from school and school trips. Non-ancillary trading income represents amounts from activities not directly related to the charitable objects, for example lettings of school facilities out of term time and rental from spare school buildings. Income from these activities is recognised in the Statement of Financial Activities when the goods are sold or services provided.

f) **Voluntary sources, Grants and Donations**

Voluntary incoming resources are accounted for as and when entitlement arises, the amount can reliably be quantified and the economic benefit is considered probable.

Voluntary income for general purposes is accounted for as unrestricted and is credited to the General Reserve. Where the donor or an appeal has imposed trust law restrictions, voluntary income is credited to the relevant restricted fund and incoming endowments are accounted for as permanent trust capital or expendable trust capital, according to whether the donor intends retention to be permanent or not. Gifts in kind are valued at estimated open market value at the date of gift, in the case of assets for retention or consumption, or at the value to the school in case of donated services or facilities.

g) **Coronavirus Job Retention Scheme (CJRS) income**

The CJRS grant is receivable as compensation for staff costs incurred and for the purpose of giving immediate financial support to the schools with no future related costs. It is recognised in income in the period in which it becomes receivable.

h) **Expenditure**

Expenditure is accrued as soon as there is a contractual obligation or a liability is considered probable, discounted to present value for longer term liabilities. Expenditure is allocated to expense headings either on a direct cost basis or apportioned according to time spent. The irrecoverable element of VAT is included with the item of expense to which it relates. Bad debts are provided for in accordance with the group bad debt policy.

i) **Finance and Other Costs**

Other costs include amounts accrued in accordance with the terms of Fees in Advance Scheme Contracts.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

j) Pension Costs

The school company participates in the Teachers' Pensions scheme, which is an unfunded government scheme, and The Pensions Trust scheme, both of which provide benefits based on final pensionable pay. The funds of the schemes are separate from the company, although the company's share of the schemes cannot be identified as the schemes are multi-employer schemes, and so the pension costs are accounted for as defined contribution schemes.

The company offers membership of the Pensions Trust Growth Plan to employees other than the full-time academic staff. The Pensions Trust Growth Plan is a multi-employer pension scheme where the scheme assets are pooled for investment purposes and cannot be attributed to individual employers. Benefits are paid from the total scheme assets. It is in most respects a money purchase arrangement, but has some guarantees. As a result it is not possible or appropriate to identify the assets and liabilities of the scheme which are attributable to the company, though, due to the guarantees inherent in the scheme, the companies remain potentially liable for a debt on withdrawal from the scheme. In accordance with Financial Reporting Standard (FRS) 102 (section 28) therefore, the scheme is accounted for in a fashion which is similar to a defined contribution scheme.

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. More detail is given in note 23.

k) Tangible Fixed Assets and Depreciation

In accordance with Section 35.10 (d) of FRS102, Smallwood Manor Preparatory School Limited has elected to use the carrying value of any of the above freehold land and buildings previously carried at a valuation, as their deemed cost at the date of transition to FRS102, 1 September 2014.

Tangible fixed assets are stated at cost less depreciation. Individual capital items, or projects, with a value greater than £10,000 are capitalised. Assets in the course of construction are stated at cost less any provision for impairment. They are transferred to completed assets when substantially all of the activities necessary to get the asset ready for use are complete. Where appropriate cost includes our own labour costs in relation to construction, and directly attributable overheads.

Where tangible fixed assets have been acquired with the aid of specific grants they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset based on current market prices, over its expected useful life, as follows:

Freehold land is not depreciated

Freehold Buildings:	- Variable according to the building and written off over the expected useful life (see paragraph below)
Plant and equipment	- 10% on cost
Fixtures and fittings	- 33.3% on cost
Motor vehicles	- 25% on cost

The company has reviewed its tangible assets, which comprise land, buildings and initial fixtures and fittings. The company undertakes an annual review of all buildings assessing their useful economic life. In some cases the useful economic life of a building is anticipated to be of considerable length, often in excess of 100 years. The buildings are capitalised in the financial statements at historic cost. Where the calculated depreciation charge is a material figure, it is charged in these financial statements but, where the carrying value is not more than the estimated recoverable amount and the depreciation on the building is not material to these financial statements, it has been assessed, but not charged on the basis that it is not material. The directors will continue to carry out annual assessments of the recoverable amount and the estimated useful life of all buildings and where the depreciation is a material value, it will be

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

charged. The review is based on the directors' assessments of the market value and the future economic benefit derived from an asset versus its carrying value in the financial statements.

When the company undertakes a significant refurbishment project that will have an economic benefit, the cost of the refurbishment is capitalised, recorded separately under 'Freehold Improvements', its useful life is estimated and it is depreciated over that useful life.

No depreciation is provided for in respect of investment properties in accordance with Section 16 of FRS102. Such properties are held for their investment potential and not for consumption within the business. Investment properties are stated at their fair value at the balance sheet date.

The company exercises judgement in selection of appropriate rates for depreciation of fixed assets, and for matters of impairment.

l) Financial Instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

m) Securities and Fees in Advance Investments

Securities and Fees in Advance investments are carried at fair value, which is deemed to be market value as at the balance sheet date.

Unrealised gains and losses arising on the revaluation of investments are credited or charged to the Statement of Financial Activities and are allocated to the appropriate fund according to the 'ownership' of the underlying assets. Realised gains and losses are the difference between sales proceeds and opening market value where the investment was held at the beginning of the year, or sales proceeds less cost of purchase where the investment was acquired in the year. The revaluation reserve reflects the accumulated total of unrealised gains and losses. Uninvested cash is the balance of liquid cash, held as an investment, which has not been invested in securities.

n) Stocks

Stocks comprise raw materials, consumable stores and goods held for resale: they are valued at the lower of cost and net realisable value.

o) Leasing Commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives or the period of the lease whichever is the shorter. The interest element of the obligations is charged to the Statement of Financial Activities over the period of the lease. Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight line basis over the lease term. Lease incentives are accounted for over the lease term on a straight-line basis.

p) Deposits from parents

Deposits received from parents are repayable within one term's notice, and are recorded as short term liabilities.

q) Fund Accounts

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charity. Endowment funds are further sub-divided into permanent and expendable, where required by the terms of the trust.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

Designated funds comprise funds which have been set aside at the discretion of the directors for specific purposes. The purposes and uses of the designated funds are set out in the notes to the financial statements.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS *YEAR ENDED 31ST AUGUST 2020*

r) **Taxation**

The company is a registered charity and as such are exempt from income tax and corporation tax under the provisions of Section 478 of the Corporation Tax Act 2010. There is no similar exemption for VAT, which is included in expenditure or in the cost of assets as appropriate.

The school has a subsidiary company that is subject to taxes including corporation tax and VAT in the same way as any commercial organisation. The tax charged to the profit and loss account is based on the subsidiary company's profit for the year and takes into account tax arising because of timing differences between the treatment of certain items for tax and accounting purposes. The subsidiary company distributes the majority of its profits to Smallwood Manor Preparatory School Limited under Gift Aid and tax liabilities are kept to a minimum.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

2. CHARITABLE ACTIVITIES - SCHOOL FEES RECEIVABLE

	2020 £	2019 £
The school fees income comprises:		
Gross fees	1,303,039	1,586,033
Less: Total scholarships, bursaries, etc	(141,441)	(207,372)
	1,161,598	1,378,661

Scholarships, bursaries and other awards were paid to 43 pupils (2019: 50 pupils). Within this, means-tested bursaries totalling £36,837 were paid to 13 pupils (2019: £70,810 to 13 pupils). The value of fee discounts given to parents in respect of online learning made necessary by the COVID-19 pandemic totalled £157,312 (2019: £nil).

3. CHARITABLE ACTIVITIES - ANCILLARY TRADING INCOME

	2020 £	2019 £
Extras	52,346	54,803
Entrance fees and registration fees	1,150	4,300
Pupil transport	1,683	3,194
Rent receivable and related income	67,261	173,053
Sundry other income	13,039	36,458
	135,479	271,808

4. OTHER TRADING ACTIVITIES

	2020 £	2019 £
Non-ancillary trading income		
Smallwood Manor School Enterprises Limited	30,108	58,865
	30,108	58,865

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

5. INVESTMENTS - INVESTMENT INCOME

	Unrestricted	Restricted	Endowed	Total 2020 £	Total 2019 £
Securities investment income					
Equities	38	-	250	288	349
Fixed interest	42	-	51	93	117
Other	-	-	-	-	-
	<u>80</u>	<u>-</u>	<u>301</u>	<u>381</u>	<u>466</u>

6. INVESTMENTS - BANK AND OTHER INTEREST

	Unrestricted	Restricted	Endowed	Total 2020 £	Total 2019 £
Bank interest	1,887	-	-	1,887	3,797
	<u>1,887</u>	<u>-</u>	<u>-</u>	<u>1,887</u>	<u>3,797</u>

7. OTHER - GRANTS AND DONATIONS

	Unrestricted	Restricted	Endowed	Total 2020 £	Total 2019 £
Government grants - CJRS	193,543	-	-	193,543	-
Other donations	-	-	-	-	410
	<u>193,543</u>	<u>-</u>	<u>-</u>	<u>193,543</u>	<u>410</u>

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

8. ANALYSIS OF EXPENDITURE

a) Total expenditure

	Staff costs (note 10) £	Support Costs £	Depreciation (Note 13) £	Total 2020 £	Total 2019 £
Costs of raising funds					
Non ancillary trading	-	13,450	-	13,450	25,665
Financing cost (note 9)	-	52,368	-	52,368	26,804
Investment management	-	47	-	47	65
Total cost of generating funds	-	65,865	-	65,865	52,534
Charitable expenditure					
Teaching	1,015,013	35,426	6,690	1,057,129	958,710
Welfare	92,406	27,232	5,475	125,113	141,609
Premises	49,719	183,675	25,898	259,293	234,736
School administration	131,595	103,949	5,400	240,943	258,932
Grants awards and prizes (note 7b)	-	401	-	401	1,622
Movement in pension recovery plan	-	154	-	154	1,863
Governance	-	855	-	855	-
Education and grant making	1,288,733	351,692	43,463	1,683,888	1,597,472
Total Expenditure	1,288,733	417,557	43,463	1,749,753	1,650,006

b) Grants' awards and prizes

The school makes awards to individual families to support schooling.

	2020 £	2019 £
From Unrestricted Funds:		
Prizes and leaving awards	100	1,229
From Endowed Funds:		
Prizes and leaving awards	301	393
	401	1,622

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

8. ANALYSIS OF EXPENDITURE (Continued)

c) Total resources expended include:

The company reimburses governors for out of pocket expenses including travel subsistence and accommodation, where a claim is made. No trustees were reimbursed during the year.

	2020 £	2019 £
Remuneration paid to auditor for audit services	9,382	8,675
Depreciation of tangible fixed assets:		
- owned by the Charitable Company	43,463	35,919
Reimbursement of personal expenses to governors	855	-

9. FINANCING COSTS

	2020 £	2019 £
Bank charges	5	18
Provision for bad and doubtful debts	52,363	26,786
	52,368	26,804

10. STAFF COSTS

	2020 £	2019 £
The aggregate payroll costs for the year were:		
Wages and salaries	1,060,129	991,626
Social security costs	81,818	78,315
Other pension costs	145,533	100,980
Private medical insurance	1,253	1,421
	1,288,733	1,172,262

Included in staff costs are redundancy or termination payments totalling £26,996 (2019: £NIL).

The Head, Deputy Head and Bursar are classed by the school as being the Key Management Personnel.

None of the governors received remuneration or other benefits from Smallwood Manor Preparatory School Limited or from any connected body.

Aggregate employee benefits of key management personnel	147,211	158,355
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The number of higher paid employees whose annual emoluments were £60,000 or more was:

	2020 No	2019 No
£60,001 - £70,000	1	1

The number with retirement benefits accruing:
- in Teacher Pension schemes was

1	1
---	---

Of which the contributions amounted to

£14,316	£9,810
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For 2020 there are no (2019: None) employees earning over £60,000 per year that have chosen not to participate in a pension scheme.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

10. STAFF COSTS (Continued)

The average number of employees during the year calculated on a head count basis, was 65
(2019: 65)

	2020 No	2019 No
Teaching	20	20
Other activities	45	45
	<hr/> 65 <hr/>	<hr/> 65 <hr/>

11. DIRECTORS

None of the directors (or any persons connected with them) received any remuneration during the year.
Scholarships totalling £NIL were awarded to children of directors attending the school (2019: £NIL).

12. TAXATION

The company is a registered charity and therefore no liability to taxation arises on its charitable activities.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

13. TANGIBLE FIXED ASSETS

Group and company

	Freehold Land & Buildings £	Plant & Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 st September 2019	973,183	141,845	69,531	21,594	1,209,153
Additions	103,372	-	-	-	103,372
Disposals	-	-	-	-	-
At 31st August 2020	1,076,555	141,845	69,531	21,594	1,309,525
Depreciation					
At 1 st September 2019	76,504	58,220	69,531	5,399	209,654
Charge for year	23,880	14,183	-	5,400	43,463
Disposals	-	-	-	-	-
At 31st August 2020	100,384	72,403	69,531	10,799	253,117
Net book value at 31st August 2020	976,171	69,442	-	10,795	1,056,408
Net book value at 31 st August 2019	896,679	83,625	-	16,195	996,499

All assets are used for charitable purposes.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

14. SECURITIES INVESTMENTS

	2020 £	2019 £
Group investments		
At 1 September 2019	10,919	11,315
Reinvested income	-	-
Investment management fees	(47)	(65)
Gains/(Losses) on investments	(1,158)	(331)
	<hr/>	<hr/>
Group investments at 31 August 2020	9,714	10,919
Investment in subsidiaries	100	100
	<hr/>	<hr/>
Company investments at 31 August 2020	9,814	11,019
	<hr/>	<hr/>
Investments comprise:		
Listed investments		
Fixed interest	2,796	
Equities	6,602	
	<hr/>	
Cash	316	
	<hr/>	
Group investments at 31 August 2020	9,714	
Investment in subsidiaries	100	
	<hr/>	
Company investments at 31 August 2020	9,814	
	<hr/>	

Smallwood Manor Preparatory School Limited owns all of the share capital of Smallwood Manor School Enterprises Limited, a company incorporated in England/Wales. Further details are provided in note 24.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

15. INVESTMENT PROPERTIES

Group and Company

	2020 £	2019 £
Valuation at 1 September 2019	645,000	645,000
Valuation at 31 August 2020	645,000	645,000

Investment properties consist of those of Company's land and buildings that are held for investment purposes and which are not used in the school's own activities, primarily residential houses which are let out on the open market. The company is responsible for improvements and maintenance of the properties. Where properties are occupied on leases, they cannot be realised other than in accordance with the lease terms.

A formal valuation of the properties was prepared by John German Chartered Surveyors as at 27 November 2013. This valuation was reassessed by the Bursar and Estates Manager as at 31 August 2020 based on information supplied by Abode Estate Agents (Uttoxeter) and is deemed to be still an appropriate market value. Since 31 August 2020, a desktop valuation has been performed by Savills in preparation for the merger with Denstone College, which also indicates that the value of investment properties remains appropriate.

16. DEBTORS

	Group 2020 £	2019 £	Company 2020 £	2019 £
School fees receivable	10,922	39,948	10,922	39,948
Other debtors	62,688	5,192	62,688	5,192
Prepayments and accrued income	23,103	38,679	23,103	38,679
Amounts due from subsidiary company	-	-	-	158,455
Amounts due from parent company	-	671	-	671
	96,713	84,490	96,713	242,945

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

17. CREDITORS: amounts falling due within one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Deposits from parents	26,950	29,150	26,950	29,150
Fees received from parents in advance of term	-	68,453	-	68,453
Trade creditors	106,153	120,912	106,153	120,912
Taxation and social security	20,281	11,535	20,281	11,535
Other creditors	2,436	22,511	2,436	22,511
Accruals	41,927	28,126	41,927	28,126
Deferred income	42,261	25,742	42,261	25,742
Amounts due to subsidiary company	-	-	75	-
Amounts due to parent company	120	264	120	264
	240,128	306,693	240,203	306,693

Summary of movements in deferred income

	£
Balance at 1 September 2019	25,742
Movement during the year	16,519
Balance at 31 August 2020	42,261

Deferred income arises due to deposits received in advance for lets of the property.

18. CREDITORS: amounts falling due after one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Deposits from parents	-	-	-	-
Other creditors	-	-	-	-
	-	-	-	-

The vast majority of pupils will attend the school for the duration of their primary education. However deposits received from parents are repayable within one term's notice, and therefore are recorded as short term liabilities for the year ended 31 August 2020.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

19. SHARE CAPITAL

	2020 £	2019 £
Authorised		
100 Ordinary Shares of £1 each	100	100
Allotted, called up and fully paid		
100 Ordinary Shares of £1 each	100	100

20. FUNDS

The company's funds are analysed under the following headings:

a) ENDOWED FUNDS

Funds set aside to promote, assist and support the charitable objectives of the school.

b) UNRESTRICTED FUNDS

Unrestricted funds represent accumulated income from the school's activities and other sources that are available for the general purposes of the school.

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted £	Restricted £	Endowed £	Total 2020 £	Total 2019 £
Tangible fixed assets	1,056,408	-	-	1,056,408	996,499
Securities investments	1,349	-	8,366	9,715	10,919
Property investments	645,000	-	-	645,000	645,000
Share capital	100	-	-	100	100
Net current assets	(32,506)	-	2,076	(30,430)	270,200
Long term liabilities	(7,870)	-	-	(7,870)	(21,880)
	1,662,481	-	10,442	1,672,923	1,900,838

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

22. SUMMARY OF MOVEMENTS ON MAJOR FUNDS

	At 1 Sept 2019 £	Incoming resources £	Resources expended £	Gains/ (losses) £	At 31 August 2020 £
Endowed Funds					
Bursary Fund	-	-	-	-	-
School Pupil Bequest	-	-	-	-	-
Prize Fund	-	-	-	-	-
Scholarship bursary and prize fund	11,153	301	40	(972)	10,442
Total Endowment	11,153	301	40	(972)	10,442
Unrestricted Funds					
General Reserve	1,568,517	1,522,695	1,749,713	(186)	1,341,313
Designated	2,316	-	-	-	2,316
Revaluation Reserve	318,752	-	-	-	318,752
	1,889,585	1,522,695	1,749,713	(186)	1,662,381
Total Funds	1,900,738	1,522,996	1,749,753	(1,158)	1,672,823

Note 20 provides details of the individual funds.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

23. PENSION SCHEMES

Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), for its teaching staff. The employer's pension costs paid to the Teachers' Pension Scheme in the period amounted to £130,654 (2019: £88,786) and at the year-end £15,715 (2019: £11,393) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pension Scheme Regulations 2010 as amended 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 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 of 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' Pension.

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. A consultation was launched by the government on 16 July 2020, and closed to responses on 11 October 2020.

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 the government is preparing to complete the cost control element of the 2016 valuations, which is expected to be completed in 2021.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until the consultation and the cost cap mechanism are 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.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

23. PENSION SCHEMES (Continued)

Pensions Trust Growth Plan

The school participates in the TPT Retirement Solutions - The Growth Plan, which is a multi-employer scheme providing benefits to over 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the school to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for it as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the school is potentially liable for other participating employers' obligations if those employers are unable to meet their share of scheme deficits following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficits on an annuity purchase basis on withdrawal from the scheme.

Summary of provision for pension deficit recovery plan

	Company 2020 £	2019 £
TPT Retirement Solutions - The Growth Plan	7,870	9,380

TPT Retirement Solutions - The Growth Plan Deficit Contributions

A full actuarial valuation for the scheme was carried out at 30 September 2017. This actuarial valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m.

The scheme's previous valuation was carried out at 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2016 to 31 March 2025:	£12.945m per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 31 March 2028:	£54,450 per annum (payable monthly and increasing by 3% each on 1st April)

Unless a concession has been agreed with the Trustee the term to 30 September 2025 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the employer has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

23. PENSION SCHEMES (Continued)

Present Values of Provision	2020 £	2019 £
Present value of provision	7,870	9,380
Reconciliation of opening and closing provisions	2020 £	2019 £
Provision at 1 September 2019	9,380	8,903
Unwinding of the discount factor	82	138
Deficit contribution paid	(1,664)	(1,386)
Remeasurements - impact of any change in assumptions	72	176
Remeasurements - amendments to the contribution schedule	-	1,549
Provision at 31 August 2020	7,870	9,380

Income and expenditure impact	2020 £	2019 £
Interest expense	82	138
Unwinding of the discount factor	-	-
Remeasurements - impact of any change in assumptions	72	176
Remeasurements - amendments to the contribution schedule	-	1,549
Contributions paid in respect of future service *	-	-
Costs recognised in income and expenditure account	-	-

Assumptions	2020 % per annum	2019 % per annum
Rate of discount	0.55	0.97

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Deficit Contributions Schedule

The following schedule shows the deficit contributions agreed between the company and the scheme at each year end period:

	2020 £	2019 £
Year 1	1,714	1,664
Year 2	1,766	1,714
Year 3	1,819	1,766
Year 4	1,873	1,819
Year 5	794	1,873
Year 6		794
Year 7		
Year 8		
Year 9		
Year 10		

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

23. PENSION SCHEMES (Continued)

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

24. SUBSIDIARIES

The Company owns all of the share capital of Smallwood Manor School Enterprises Limited, a company incorporated in England/Wales (Company number: 05181896). This company carries out trading activity on behalf of the school including commercial letting.

Smallwood Manor School Enterprises Limited had a turnover of £30,108 (2019: £58,865), gross profit of £20,508 (2019: £39,784), and a profit before tax and gift aid of £17,078 in the year ended 31 August 2020 (2019: profit of £34,035). At 31 August 2020 the company had shareholder's funds of £100 (2019: £100).

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

25. Consolidated Statement of Financial Activities – Comparative figures by fund type

Year Ended 31 August 2019	Unrestricted £	Restricted £	Endowed £	Total £
Income and endowments from Charitable activities				
School fees receivable	1,378,661	-	-	1,378,661
Ancillary trading income	271,808	-	-	271,808
Other trading activities				
Non-ancillary trading income	58,865	-	-	58,865
Investments				
Investment income	73	-	393	466
Bank and other interest	3,797	-	-	3,797
Voluntary sources				
Grants and donations	410	-	-	410
Other incoming resources	<u>699</u>	<u>-</u>	<u>-</u>	<u>699</u>
Total Incoming Resources	<u>1,714,313</u>	<u>-</u>	<u>393</u>	<u>1,714,706</u>
Expenditure on:				
Raising funds				
Non ancillary trading	25,665	-	-	25,665
Financing costs	26,804	-	-	26,804
Investment management	9	-	56	65
Total Deductible Costs	<u>52,478</u>	<u>-</u>	<u>56</u>	<u>52,534</u>
Charitable activities				
Education and grant making	1,597,079	-	393	1,597,472
Total resources expended	<u>1,649,557</u>	<u>-</u>	<u>449</u>	<u>1,650,006</u>
Net gains/(losses) on investment assets	(82)	-	(249)	(331)
Net income/(expenditure)	<u>64,674</u>	<u>-</u>	<u>(305)</u>	<u>64,369</u>
Transfers between funds	-	-	-	-
Net movement in funds for the year	<u>64,674</u>	<u>-</u>	<u>(305)</u>	<u>64,369</u>
Fund balances at 1 st September 2018	1,824,911	-	11,458	1,836,369
Fund Balances at 31st August 2019	<u>1,889,585</u>	<u>-</u>	<u>11,153</u>	<u>1,900,738</u>

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

26. CONTINGENT LIABILITIES

The Company has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2019. As of this date the estimated employer debt for the Company was £47,228 (2019: £53,594) including Series 3 liabilities.

27. ULTIMATE CONTROLLING PARTY

The Woodard Corporation Limited is the ultimate controlling party, a registered charity number 1096270, which is incorporated in England and Wales (company number 04659710). Copies of the financial statements of the Woodard Corporation can be obtained from High Street, Abbots Bromley, Rugeley, Staffordshire, WS15 3BW. The accounts of Smallwood Manor Preparatory School Limited are included within the consolidated financial statements of the Woodard Corporation Limited.

28. RELATED PARTIES

As stated in note 26, Smallwood Manor Preparatory School Limited is a wholly owned subsidiary of The Woodard Corporation. An amount of £7,096 (2019: £10,905) was paid during the year to Woodard Corporation by way of a levy to meet running costs. At the year end The Woodard Corporation owed Smallwood Manor Preparatory School Limited £NIL (2019: £671). In addition, Smallwood Manor Preparatory School Limited owed The Woodard Corporation £120 (2019: £264).

The company also controls a subsidiary trading company, Smallwood Manor School Enterprises Limited (registered number 05181896). The registered office of the subsidiary trading company is the same as the school.

Transactions in relation to marketing materials and office consumables has taken place in the year between Smallwood Manor Preparatory School Limited and McConnell's (Midlands) Limited, a firm of which Mr R T Eley, Director of Smallwood Manor Preparatory School Limited, is a director. Smallwood Manor Preparatory School Limited made total purchases of £4,746 (2019: £10,671) from McConnell's (Midlands) Limited, with payments of £1,343 (2019: £7,153) outstanding at the year end date.

Reimbursement of travel and subsistence expenses to directors totalled £855 (2019: £NIL).

29. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the directors are required to make estimates and judgements. The matters detailed below are considered to be the most important in understanding the judgements that are involved in preparing the financial statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cashflows. Accounting policies are shown at note 1 to the financial statements.

Pension scheme deficit reduction payments

As explained at note 23, there is a deficit reduction plan in place in respect of the company's membership of the Pension Trust's Growth Plan. FRS 102 requires a liability to be recognised in respect of the present value of future contributions payable under the terms of the deficit recovery plan. The incorporation of this liability in the financial statements involves the exercise of judgement in a number of areas, including the selection of an appropriate discount rate.

Pension scheme contingent liability

As explained at note 26, there is a contingent liability in the event that the company were to withdraw its membership of the Pension Trust's Growth Plan. The independent qualified actuaries advising the Pensions Trust in respect of the contingent withdrawal liability exercise significant judgement in determining the amount of that liability. Judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

SMALLWOOD MANOR PREPARATORY SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST AUGUST 2020

30. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2020 £	2019 £
Net expenditure for the year (as per the statement of financial activities)	(227,915)	64,369
Adjustments for:		
Depreciation charges	43,463	35,919
(Gains)/losses on investments	1,158	331
Dividends, interest and rents from investments	(2,268)	(4,263)
Financing costs	(5)	(18)
Loss/(profit) on the sale of fixed assets	-	(699)
Defined benefit pension scheme	-	-
(Increase)/decrease in stocks	-	42
(Increase)/decrease in debtors	(12,223)	20,912
Increase/(decrease) in creditors	(80,575)	23,868
Net cash provided by operating activities	(278,365)	140,461

31. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash at bank and in hand	113,085	492,503
Total cash and cash equivalents	113,085	492,503