



DRAGON SCHOOL TRUST LIMITED

GROUP ACCOUNTS FOR THE YEAR ENDED

31 AUGUST 2007

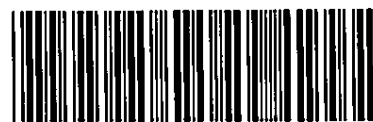
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Company number 524331

Registered charity number 309676

WEDNESDAY



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COMPANIES HOUSE

DRAGON SCHOOL TRUST LIMITED

ANNUAL REPORT AND ACCOUNTS 2007

GOVERNORS, OFFICERS AND ADVISERS

Dragon School Trust Limited ("Dragon School" or "Trust") is a company registered under the Companies Act 1985 and a registered charity. It is a company limited by guarantee; the liability of members of the company is limited to £1 each. The Governors of the Dragon School are trustees of the charity, and directors and members of the company. During the year those serving were

‡ a b	Prof R W Ainsworth	
†	J R Beale	
	P J D E Byam Shaw	(appointed 17 November 2007)
*	G P Candy	
	Mrs A M Eastwood	(resigned 16 June 2007)
†	P Mrs L J Holmes	
* ‡ b	o C I M Jones	
* ‡	o N J A Kane	(resigned 17 November 2007)
* ‡	o D T R Lewis	(chairman)
‡ a	o G Marsh	
	Dr J A F Spence	(appointed 17 November 2007)
* †	P Lady J A K Stringer	
*	P o W G Touche	
* †	P W A Webb	
a	o T D Wheare	
* ‡	Mrs G H Wilson	
	P Ms J Whitbread	(appointed 17 November 2007)
a	Prof D J Womersley	
*	member of the General Purposes Committee	
†	member of the Development Committee	
‡	member of the Nomination and Remuneration Committee	
a	member of the Academic Committee	
b	member of the Bursaries Committee	
P	current parent	
o	Old Dragon	

The Board of Governors is a self-appointing body. Governors hold office for six years, whereupon they may be reappointed. Governors retire at the age of 70. There may be no more than 20 and no fewer than seven Governors. The Nomination and Remuneration Committee is tasked with reviewing the membership of the Governing Body and the performance and remuneration of Headmaster and Bursar, reporting via the Chairman to the full board of Governors termly.

The General Purposes Committee (GPC) has particular responsibility for finance, reporting to the full board. Both the GPC and full board meet three times a year as a matter of routine. The Development Committee, which also reports to the full board, is made up of both Governors and others closely connected with the school. The Bursaries Committee deals with grant applications, means testing and interviews.

The Headmaster is J R Baugh. The company secretary and Bursar is I M Caws.

DRAGON SCHOOL TRUST LIMITED
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GOVERNORS, OFFICERS AND ADVISERS continued

The Trust appoints professional advisors to deal with specialist matters from time to time
 All contracts are subject to review as circumstances merit

Architects	MEB People and Places LLP Sevenoaks Kent
Auditors	haysmacintyre London
Bankers	Barclays Bank plc Oxford <i>and from March 2007</i> Coutts & Co London
Insurance brokers	H S B C Insurance Haywards Heath West Sussex
Investment advisors	Brewin Dolphin Securities Limited Lymington Hampshire
Pension advisors	Mathews Comfort & Co Limited Oxford <i>and</i> Affinity Independent Financial Advisors Bierton, nr Aylesbury, Oxfordshire
Solicitors	Henmans, Manches <i>and</i> Morgan Cole Oxford
Surveyors	Sidleys <i>and</i> M ^c Bains Cooper Oxford

Registered office and address for correspondence

The Dragon School
 Bardwell Road
 Oxford
 OX2 6SS

Web-site	www.dragonschool.org
e-mail contact	bursar@dragonschool.org

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2007

The Governors present their annual report and audited accounts for the year ended 31 August 2007 in compliance with current statutory requirements for companies and charities and the company's Memorandum and Articles of Association. This report, together with the two preceding pages, incorporates the information required for the directors' report under the Companies Act. Comparative figures in the accounts are for the year ended 31 August 2006.

REFERENCE AND ADMINISTRATIVE INFORMATION

The Dragon School was founded in 1877. It was incorporated in 1953 as a company limited by guarantee and registered at Companies House, number 524331. It is registered with the Charity Commission under charity number 309676. The Governors, principal executive officers and advisers are given on pages 1 to 2, together with contact details.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Dragon School is governed by its Memorandum and Articles of Association dating from 1953 and last amended in 2007.

Governing Body

The Dragon School is run by the Governors, who are listed on page 1 together with information on how the members of the governing body are appointed to office.

Recruitment and training of Governors

New Governors are appointed at a meeting of the full board on the basis of recommendations made by the Nomination and Remuneration Committee. That Committee receives suggestions from Governors, school officers, advisers, and unsolicited requests. After an initial consideration of suitability on the basis of the existing board's known skills and needs, and confirmation of interest and eligibility, a detailed review of suitability is carried out together with an interview before a recommendation is made to the full board.

New Governors receive a detailed induction on-site from the Chairman, Headmaster and Bursar which is accompanied by extensive documentation. Further information is provided about the Dragon School by specific staff presentations at the start of each Governors' meeting, and general information about schools and charity administration provided through relevant publications. Further opportunities to attend appropriate seminars and training events are offered when they occur.

Organisation and management

The Governors, as the charity trustees of the Charity, are legally responsible for the overall management and control of the School. The full board of Governors meets at least once a term, receiving reports from committees who meet with similar frequency. Further information about the current committees are set out on page 1.

The day to day running of the school is delegated to the Headmaster and Bursar, supported by the senior management team and staff. The Headmaster and Bursar both attend all Governors' and sub-committee meetings except those of the Nomination and Remuneration Committee and when restricted business is discussed.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2007 - continued

Group structure and relationships

The Dragon School has a wholly owned trading company, Dragon School Trading Limited (company number 1379919), which is used to generate income for the School through the hire of facilities and sale of Dragon-related souvenirs. All profits are paid to the Trust.

The Dragon School is associated with two other charities, 'The Lynam Educational Fund' (274993), whose objects include assistance with school fees in cases of need but which in addition has general charitable objects, and 'The Dragon Christmas Charity Sale' (1106073), which raises money in particular for the benefit of children and families. Further information about these charities may be obtained from the Charities Commission, or from the Bursar. The School provides appropriate assistance at no cost but has no control over these charities and their activities and financial results are not included within these reports and accounts.

The School actively supports the independent schools sector and in particular the furtherance of educational standards and the quality of pastoral care, through participation in and subscription to umbrella organisations such as IAPS, BSA and JET and through exam setting and curriculum review processes. The School also maintains strong links with local state schools and is a leading member of the Oxfordshire Independent and State Schools' Partnership (OISSP).

Additionally the School develops and maintains links with a number of schools and charities overseas both through regular contacts and as opportunity and need arise.

The School, as it has done for a number of years, continues to actively promote the use of its facilities (eg playing fields, astros, Lynam Hall, music school and IT) by other groups in the community particularly those involved in educational or child-related activities, letting others use its facilities at a discounted rate or, where appropriate for other charities, gratis. Over the summer holidays it again helped a number of local charities, as well as itself providing a 'summer school' at nominal charge to help young children from local state schools. It runs a programme whereby teachers of specialist subjects such as Classics and PSHE teach teachers and children from other non-fee-paying schools without this expertise. Surplus equipment is donated to other schools or charities. The provision of facilities for these purposes is valued at an estimated £28k (at the normal discounted rates for charitable use).

During the year the staff and its pupils raised just over £18k for other charities through cake sales, Red Nose Day, play collections, and similar events. In addition the Dragon Christmas Charity Sale raised a further £101k for various charities from the sale held at the end of the Christmas term on the school's premises, run by the parents with the assistance of pupils and staff.

Risk management

The Governors are responsible for the management of the risks faced by the Dragon School. They review regularly a summary of the primary risks thought most likely to materialise or have the greatest effect, together with the action taken to mitigate those risks. They also undertake annually a formal review of the detailed table of identified risks from which the primary risks are extracted. The detailed table, which in turn represents the summary of a pyramidal structure of risk assessment and reporting carried out throughout the School and its operations, is scrutinised in greater detail by the General Purposes Committee and approved by the full Board.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2007 - continued

Risk management (cont)

The School's key controls include

- detailed terms of reference for all Committees
- formal agendas for all Committee and Board activity
- written minutes of all board meetings
- established organisational structure and lines of reporting
- formal written policies covering all important activities
- comprehensive planning over appropriate time-scales both long and short
- comprehensive management accounting, reporting and budgetary control
- strict vetting procedures with respect to employment of staff

Through the risk management processes established for the School, the Governors are satisfied that the major risks identified have been adequately mitigated. It is recognised that systems cannot provide absolute assurance that all possible risks have been identified or managed.

CHARITABLE OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES

Charitable objects

The Dragon School's charitable objects are as set out in the Memorandum of Association. The primary object is to advance the education of the public by acquiring and carrying on any school or schools for the education of children and young adults. In pursuit of these objects the School runs the Dragon School at Bardwell Road and its pre-prep department Lynams, additionally it manages a number of restricted funds in connection with the development of the school's facilities, and the provision of bursaries, prizes and other educational purposes.

Aims

Within the Dragon School's objects, the 'Dragon School' is a preparatory school for boys and girls from 8 to 13 years old; in addition it also runs its pre-prep department 'Lynams', which is based at a separate site a short distance from the main school. Lynams takes children from the age of 4. The Dragon intends to provide a wide-ranging educational experience for all children, stretching all to the best of their respective abilities in academic, artistic, sporting, cultural and social activities. Although real excellence is achieved by pupils in many fields, particularly the academic, the School is most proud of its liberal ethos, the inclusivity of its educational provision and its pastoral care for all.

Objectives for the year

The Dragon School's immediate object this year was to continue to provide the best possible education and care for each and every pupil, ensuring that those leaving for other schools achieve the places desired.

Strategies used to achieve the year's objectives

The School continued formal self-review of all areas of operation so as to improve methods and procedures, particularly of teaching and pastoral care, but additionally in the process of monitoring and assessing its own procedures. Academic and pastoral records kept on pupils were improved through the use of the School's IT systems and this information allowed better monitoring of pupils' progress and well-being. Teaching was improved by the acquisition of additional facilities and training. As usual, special teaching was provided to leavers tailored to the schools of their choice and the pupils' abilities to ensure their applications were successful.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2007 - continued

Principal activities of the year

The School provided education to its pupils in accordance with its stated aims and motto *arduus ad solem*. Demand for school places continues to exceed capacity, in large part due to the recognised high standards achieved by the School. During the year the school had (on average) 849 pupils made up of 251 boarders and 384 day children at the main school and a further 214 pupils at Lynams. Of the total pupils, 569 were boys and 280 were girls.

Grant making policy

The School is particularly sensitive about the costs associated with delivering first class education, and, in general, seeks to extend its facilities as far as possible to those who might not otherwise be able to afford them. In particular it has carried out specific fund-raising to enable bursaries to be awarded, in appropriate circumstances covering nearly all of the fees.

During the year 18 '125th Anniversary Dragon Bursaries' were granted, with a total of 22 renewed and awarded for 2007/8. Bursaries, scholarships and grants aggregated £536k in 2006/7 and this is planned to increase annually.

In general, grants are made from the bursaries, general and other specific funds to provide financial help with the fees or in recognition of academic potential and ability. Of the 849 pupils, 68 have had some financial assistance with their fees through discounts or grants from the Trust's funds. Where significant financial help may be required, the Bursaries Committee considers all circumstances involved in a grant application, including where appropriate means testing and interviews, with a view to distributing income as fairly and as effectively as possible. All grants are made subject to annual review.

REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR

Operational performance of the Dragon School

Schools provide a continuity from generation to generation rarely found in other organisations in day to day life, and this gives them their strength, but change, whether stealthy or sudden, is inevitable. During the year under review, the Dragon succeeded in facing up to its own apparent fate, associated with the expiry of the lease for the main site in 2058. Governors had debated this for a decade, they had decided that remaining in Oxford, and on the existing site, especially after the investment of millions of pounds in the specialist facilities there, was necessary. The landlord, however, had been reluctant to discuss, let alone negotiate, the purchase of the freehold, sharing the Dragon's own assessment of the long-term value of the site in the context of what is available in Oxford.

Significant time and effort by the senior management team and by Governors, and their advisors, was required to put together a package that was acceptable to all parties, and could be funded within the School's means. Extremely careful negotiations culminated in the Dragon owning its own land from

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2007 - continued

Operational performance of the Dragon School (cont)

January 2007, although the final payment to the previous landlord will not be until January 2014. Further financial details are set out in note 23 to the accounts, but great pleasure was derived from noting in the Easter term the first occasion of many day-to-day events taking place on the School's own land.

It is probably safe to say that pupils did not notice this momentous change taking place under their very feet. Oblivious they might have been, but they are the justification for the freehold purchase. In 2006/7 they were as productive and energetic as ever, at all levels, flourishing in academic, sporting and artistic fields, and the list of exceptional achievements in all areas is extensive. More important is the inclusivity of these, with almost all pupils representing the School in matches, or achieving commendations or awards of some kind. To take the final year-group as a sort of culminating example, more than one in three leavers aged 13 won an award to a senior school; and over 60% of papers at Common Entrance were assessed at A or B by senior schools.

The School's building programme over the last two years has been scaled back while the negotiations about the freehold purchase were in train, however, internal departmental re-organisation, rationalisation, and improvement continue. Another boarding house was completely rewired and replumbed over the summer, the road giving access to Lynam's was completely relandscaped to make it safer for users, particularly small children, and a small but popular addition that seems to have become known as 'the Cauldron' was the provision of space for cooking, fully equipped to enable a class of children to be taught properly.

In addition, the School has continued development of its sustainable development strategy. The Carbon Trust reviewed the School's energy use in April 2006 and some key recommendations have already been implemented including the purchase of a swimming pool cover. Initiatives on waste management have also been put in place.

The Governors are grateful for the tremendous parental support for the School. It is the commitment of parents, the leadership of the Headmaster, the effort put into caring for the pupils by the staff, and the energy of those pupils, and the sound administrative and financial management of the bursary team, which make the school what it is today and enable it to face the future with confidence.

Fundraising performance

The School's principal fundraising efforts have been made to attract resources for the provision of bursaries. In this area the School has again achieved significant success, raising £470k for bursaries, as well as another £9k for other purposes. The School is also the grateful recipient of grants from the Lynam Educational Fund totalling £34k with which it can provide help with fees to parents whose circumstances unexpectedly change, providing continuity at school for children in a period when their home lives may be radically upset.

Investment performance against objectives

The investments that the School has are principally held against the known future liabilities of its prepaid fees arrangements, and are held in government stocks. These are held until maturity, being selected as due for redemption when the respective fees fall due, they are purchased with a known total return rate to redemption.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The Trust's accounts reflect its general success as a school and the operating surplus of £857k (2006 £1,883k) is invested in the major capital projects needed to keep the school in the forefront of preparatory

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2007 - continued

FINANCIAL REVIEW AND RESULTS FOR THE YEAR (cont)

education, and in the provision of subsidised education for children otherwise unable to attend such a school. The lower surplus compared to last year is due to the additional interest payable on the new loans with respect to the freehold purchase. Inevitably, the demand for capital investment continues to exceed available resources and in setting the fees the Governors have to balance accessibility and fairness to current parents with the requirements of an increasingly capital-intensive business.

As pupil numbers are relatively static, expansion not being practicable on the existing sites, fee income is similarly consistent. The challenge is to continue to match the School's own high standards of education with this fee base while continuously improving facilities. Funding arranged from the School's bankers for the freehold purchase means that current cash increased to the year-end by £609k, although day-to-day operations are secured, the new £21,000k loan and the deferred payment of £9,000k require careful ongoing management. Within this framework, however, the School spent £372k on property and building improvements (excluding the cost of the freehold) and a further £252k on other equipment. The main property projects included completing the conversion of the Rink into an indoor activities area and offices, safety improvements to Richards Lane by Lynams, and provision of a new playground also at Lynams. Other equipment purchases, as in previous years, were primarily of IT equipment but also included (more prosaically) benches and lockers to improve sports changing facilities.

A professional valuation of most of the School's properties was carried out during the year but only for the purposes of securing additional bank borrowings. Since the year-end the School has sold two small residential properties (realising £1,095k).

With respect to the bank loan, the School has arranged hedging with its bankers covering the total amount due over the period of the loan, so as to effectively fix the interest rate and eliminate the risk of increases to the interest payable.

Reserves policy

The Governors review the restricted and designated reserves regularly. The specific objects of restricted funds are explained in the notes to the accounts. None of the restricted funds are limited by their objects as to the expenditure of capital except the Endowed Bursaries fund. Most of the general reserve is represented by fixed assets, especially the school land and buildings, as shown on the balance sheet. It is thus not excessive. Free reserves are monitored termly by reference to cash flows projected to the end of the academic year and then for a further ten years, with the objective of scheduling major expenditure for the school as early as possible within the funds available. Sufficient current assets are held to meet the liabilities of other funds.

Investment policy and objectives

The Trust's investment powers are governed by its Memorandum of Association. These permit funds to be invested in or upon such investments, securities or property as may be thought fit.

The Trust's main group of investments is held with respect to prepaid fees. Prepaid fees funds are invested in Government stocks with redemption dates matched to individual schemes' requirements and held to redemption, the yield to this point being matched with the discount offered on individual schemes.

Miscellaneous investment arises from gifts of sundry investments. These are held with a view to realising maximum capital value within the foreseeable future and then sold.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2007 - continued

FUTURE PLANS

The School completed a major review of its strategic framework in 2005 and uses the agreed results for medium and long-term planning. Specific formal documentation was drawn up covering guiding principles, the strategy setting out the major strands of development out to 2020, and specific plans for the next five years including key objectives to be achieved in each of the main pillars of school development (Academic, Pastoral, ICT and Facilities) in that period.

The key objectives set out in the Strategic Plan over the next decade are

Academic Development

- Maintain a leading position and reputation for innovative and exciting teaching and learning
- Maximise all children's learning potential and prove "value-added"
- Embrace new technologies for children's immediate and future educational benefit.
- Achieve more efficient use of teachers' time and resources
- Contribute academic and pedagogic resources to the wider community

Pastoral Development

- Create structures within the school that assist children, staff and parents to develop clear identities.
- Maximise all opportunities in the school to help provide children with the social skills to develop positive relationships with others
- Ensure that parents are fully involved in the school's pastoral and welfare initiatives
- Develop training at all levels to help children, staff and parents develop strategies for understanding and promoting good pastoral care

ICT Development

- Provide staff with a more effective and efficient teaching platform at school and at home
- Enable the school to better deploy and utilise staff effort.
- Allow all members of the school to benefit from ICT based resources
- Create a climate of curiosity and creativity
- Facilitate academic and non-academic administrative efficiency

Social Impact and Public Benefit

- Widen access further by increasing the existing bursary scheme (currently 25 places)
- Widen the Summer Dragons (state school 'summer school') initiative
- Establish the School as a recognised leader for pupil-led social benefit initiatives
- Develop the existing initiatives with local schools
- Reflect sustainable development through policy and practice at all levels

Facilities Development

Following the successful purchase of the freehold of the School's site, facilities development plans are currently under review

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2007 - continued

GOVERNORS' RESPONSIBILITIES

The Governors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and its subsidiary ("the Group") at the end of the period, and of the profit or loss of the Group for that period. In preparing those financial statements, the Governors are required to,

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

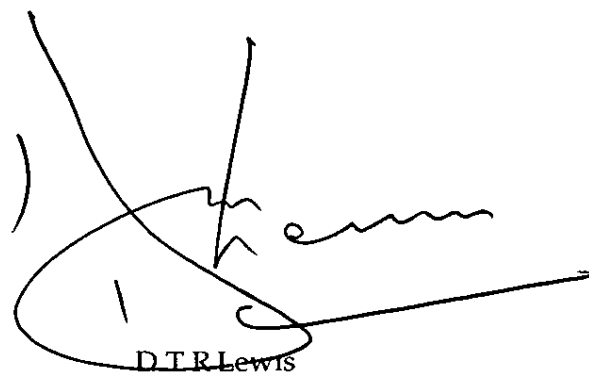
The Governors are responsible for ensuring that the Trust keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

- there is no relevant audit information of which the company's auditors are unaware, and
- the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The Governors, having ensured that accounts have been prepared, have requested the Auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report

ON BEHALF OF THE GOVERNORS,

A large, stylized handwritten signature in black ink, appearing to read 'D.T.R. Lewis', is written over the printed name.

D.T.R. Lewis
Chairman
1 March 2008

Independent auditors' report to the members of Dragon School Trust Limited

We have audited the financial statements of Dragon School Trust Limited for the year ended 31 August 2007 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheet, the Group Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governors and auditors

As described in the statement of Governors' Responsibilities the charity's Governors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Governors are also directors of Dragon School Trust Limited for the purposes of company law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the Governors' Report is consistent with the financial statements. We also report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Governors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's and group's affairs as at 31 August 2007 and of its incoming resources and application of resources in the year then ended, including its income and expenditure,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Governors' report is consistent with the financial statements.


haysmacintyre
Registered Auditors

5 March 2008

Fairfax House
15 Fulwood Place
London
WC1V 6AY

DRAGON SCHOOL TRUST LIMITED

GROUP STATEMENT OF FINANCIAL ACTIVITIES (SoFA) FOR THE YEAR ENDED 31 AUGUST 2007

	Note	Unrestricted funds		Restricted funds	Endowed funds	Total funds	Total funds
		Schools	Trading			2007	2006
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Income from charitable activity							
School fees	2	12,417	-	-	-	12,417	11,720
Other educational	3	49	-	-	-	49	51
Other ancillary trading	3	121	-	-	-	121	27
Income from generated funds							
Dragon Trading turnover	22	-	34	-	-	34	47
Investment income	4	187	-	68	16	271	242
Donations		36	-	394	85	515	743
Total incoming resources		12,810	34	462	101	13,407	12,830
RESOURCES EXPENDED							
Costs of generating funds							
Fundraising for voluntary resources		273	-	-	-	273	210
Dragon Trading costs		-	8	-	-	8	10
Other costs		87	-	-	-	87	13
Total costs of generating funds		360	8	-	-	368	233
Charitable expenditure							
Schools and grantmaking		11,140	1	221	16	11,378	10,546
Schools - financing costs	5	776	-	-	-	776	150
Total charitable expenditure		11,916	1	221	16	12,154	10,696
Governance costs							
		27	1	-	-	28	18
Total resources expended	6	12,303	10	221	16	12,550	10,947
NET INCOMING RESOURCES BEFORE NOTIONAL PROPERTY LOAN INTEREST							
			531	241	85	857	1,883
Notional property loan interest	5,23		(199)	-	-	(199)	-
NET INCOMING RESOURCES			332	241	85	658	1,883
Investment gains/(losses)			(55)	14	-	(41)	(54)
Transfers between funds	19		17	(17)	-	-	-
NET MOVEMENT IN FUNDS			294	238	85	617	1,829
Fund balances at 1 September 2006			15,835	1,417	304	17,556	15,727
FUND BALANCES AT 31 AUGUST 2007			16,129	1,655	389	18,173	17,556

All activities are continuing

The above results include unrealised losses on investments £32k (2006 losses £52k) The net movement in funds excluding this amount is £649k (2006 £1,881k)

As a company limited by guarantee and a charity it is not appropriate to show a reconciliation of 'shareholders funds'

The notes on pages 15 to 26 form part of these accounts In particular, notes 19 to 21 provide additional detail about specific funds

DRAGON SCHOOL TRUST LIMITED

CHARITY AND CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2007

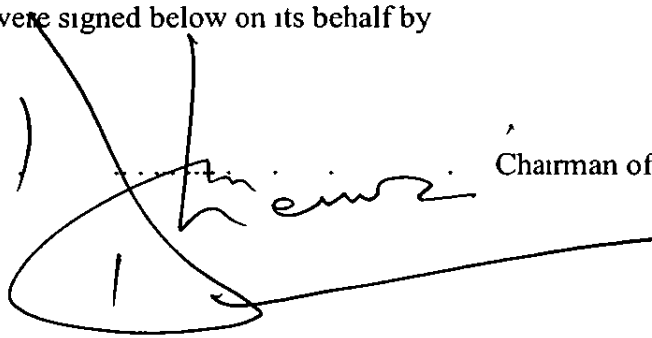
	Note	Group 2007 £'000	2006 £'000	Charity 2007 £'000	2006 £'000
Fixed assets					
Tangible assets for operational use	10	45,556	18,798	45,556	18,798
Investments	22			-	-
		<u>45,556</u>	<u>18,798</u>	<u>45,556</u>	<u>18,798</u>
Current assets					
Stocks	12.	20	20	15	15
Debtors	13	442	374	439	371
Investments	14	1,642	2,228	1,642	2,228
Cash at bank and in hand	15	2,834	2,225	2,833	2,225
		<u>4,938</u>	<u>4,847</u>	<u>4,929</u>	<u>4,839</u>
Creditors due within one year	16	<u>(4,447)</u>	<u>(3,923)</u>	<u>(4,438)</u>	<u>(3,915)</u>
Net current assets		<u>491</u>	<u>924</u>	<u>491</u>	<u>924</u>
Total assets less current liabilities		46,047	19,722	46,047	19,722
Creditors amounts due in more than one year	17	<u>(27,874)</u>	<u>(2,166)</u>	<u>(27,874)</u>	<u>(2,166)</u>
Total net assets	20	<u>18,173</u>	<u>17,556</u>	<u>18,173</u>	<u>17,556</u>
Endowment funds		389	304	389	304
Restricted funds		1,655	1,417	1,655	1,417
Unrestricted funds designated		-	1,610	-	1,610
Unrestricted funds general		16,129	14,225	16,129	14,225
Fund balances	19	<u>18,173</u>	<u>17,556</u>	<u>18,173</u>	<u>17,556</u>

The notes on pages 15 to 26 form part of these accounts

The financial statements were approved and authorised for issue by the Board of Governors on 1 March 2008 and were signed below on its behalf by

D T R Lewis

Chairman of Governors



DRAGON SCHOOL TRUST LIMITED

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operations	18a	1,905	2,334
Returns on investments and servicing of finance			
Interest paid	(614)		(82)
Investment income receipts	277		245
		(337)	163
Capital expenditure and financial investment			
Payments for tangible fixed assets	(21,158)		(970)
Proceeds from sale of fixed assets	3		-
		(21,155)	(970)
Management of liquid resources			
Proceeds from redemption of investments	556		176
Acquisition of investments	(11)		(618)
		545	(442)
Cash (outflow)/inflow before movements on prepaid fees and financing		(19,042)	1,085
Prepaid fees scheme			
Received	543		681
Utilised	(483)		(454)
		60	227
Property loan advanced	21,000		-
Property loan repaid	(1,409)		(498)
		19,591	(498)
Increase in cash	18b	609	814

Charity law requires separate administration of the cashflows of endowed and other restricted funds of the Trust. This constraint has not adversely affected group cashflows as stated above.

The notes on pages 15 to 26 form part of these accounts.

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

1 ACCOUNTING POLICIES

a) Basis of accounting

The accounts are prepared under the historical cost convention as modified by the revaluation of listed investments, in accordance with the Companies Act 1985 (as amended), applicable accounting standards and the Statement of Recommended Practice and Reporting by Charities The Charities SORP (2005). The following accounting policies have been used consistently in dealing with items which are considered material in relation to the group's accounts

b) Consolidation/ group accounts

The Trust has beneficial ownership of 100% of the share capital of Dragon School Trading Limited. The group accounts consolidate the results of this subsidiary. As the subsidiary pays any surpluses to the parent, the surplus dealt with in the parent company's accounts is identical to that shown on the group income and expenditure account. As permitted by s230 of the Companies Act 1985 no individual profit and loss account is presented. The Trust's Governors represent ultimate controllers of the group.

c) Incoming resources – fees and similar income

Incoming resources are recognised, in general, only with respect to the period of account. Specifically, fees paid with respect to future terms are carried forward as liabilities, and donations of any sort are included only when resources are irrevocably transferred. School fees include extras.

d) Incoming resources – donations

Donations are recognised only on receipt of cash or irrevocable title to assets for which a publically traded market establishes daily values.

e) Resources expended

Governance costs comprise the costs of running the charity as such, including legislative and regulatory compliance costs, and including strategic planning, audit, and the costs of public accountability.

With respect to resources expended running the school, 'property' includes costs of maintaining the buildings used for educational purposes, while 'welfare' include boarding and catering costs, 'support' represents other costs of servicing the direct teaching function. Irrecoverable VAT is included with the item of expense to which it relates in all cases. Overheads and other costs not directly attributable to a functional activity are apportioned on the basis of management estimates consistently applied.

f) Tangible fixed assets

Land and buildings are shown at original cost. Fixtures and fittings are capitalised when they are included in the provision of additional facilities, such as when a building is extended or converted, other fixtures and fittings are charged to revenue in the year of purchase. Equipment costing over £150 is capitalised.

Depreciation is provided on all assets other than freehold land. Freehold buildings are amortised on a straight line basis, taking into account their estimated residual value, which in the case of education-specific buildings is considered negligible but in the case of residential property is expected to approximate their original costs. Leasehold land and buildings are amortised over the period of the lease. With respect to other assets depreciation is provided at straight line on cost.

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

1 ACCOUNTING POLICIES (CONTINUED)

f) Fixed assets (cont)

The estimated lifetimes of various types of assets in use are

Freehold buildings	Over 50 years
Leasehold property	Over period of lease
Other	3-10 years

g) Investments

Quoted investments are stated at their market value at the year end. Movements in value are reflected in the SoFA together with any gains or losses on disposal. Other investments are shown at cost.

h) Pension costs

Pension costs represent contributions under the Teachers' Pensions Agency (TPA) teachers' superannuation scheme, various defined contribution schemes and provision against amounts due with respect to specific obligations recognised by the Trust. Both the TPA and the defined contribution schemes' costs are shown in the accounts as charged, the payments being made to external funds.

i) Stock

Stock of consumables held at the year-end are valued at cost, subject to their usability. Stock held for resale is valued at the lower of cost and net realisable value. Purchases of educational materials for the next academic year are carried forward as prepayments.

j) Property creditor

The long-term property creditor has been discounted to net present value using the Trust's fixed bank borrowing rate. Interest is charged to income and expenditure account at this rate and added to the outstanding credit balance until the date of repayment.

2. SCHOOL FEES

	2007	2006
	£'000	£'000
School fees and extras	12,717	11,974
less scholarships, bursaries and grants	<u>(536)</u>	<u>(386)</u>
	12,181	11,588
Bursaries paid from restricted funds	<u>236</u>	<u>132</u>
	<u>12,417</u>	<u>11,720</u>
All income is generated in the UK		
As well as the above contributions to pupil fees from its own resources, the School is advised that the Lynam Educational Fund has provided additional support direct to parents totalling	<u>6</u>	<u>26</u>

3. OTHER INCOME

Other educational charitable activities

Courses, holiday courses, conferences	7	9
Registration fees	<u>42</u>	<u>42</u>
	<u>49</u>	<u>51</u>
Other ancillary trading income		
Commission and similar income	19	12
Ball tickets	83	-
Other	<u>19</u>	<u>15</u>
	<u>121</u>	<u>27</u>

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

4 INVESTMENT INCOME	2007	2006
	£'000	£'000
Investment income arises from		
Listed investments	141	119
Bank deposits	104	104
Other sources	26	19
	<u>271</u>	<u>242</u>
 5 FINANCING COSTS		
Interest payable is due to		
Bank loans and overdrafts	694	73
Discount allowed on prepaid fees schemes	79	73
Other	3	4
	<u>776</u>	<u>150</u>
Notional interest on property loan	199	-
	<u>975</u>	<u>150</u>

Financing costs as detailed here are included in charitable expenditure as part of the operation of the School

6 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £'000	Depreciation £'000	Other £'000	Total £'000
Cost of generating funds				
Fundraising for voluntary resources	124	-	149	273
Dragon Trading costs	1	-	7	8
Other costs	4	-	83	87
Total cost of generating funds	<u>129</u>	<u>-</u>	<u>239</u>	<u>368</u>
 Charitable expenditure				
Schools and grantmaking				
Teaching	5,230	256	843	6,329
Welfare	955	57	940	1,952
Premises	247	409	1,159	1,815
Support costs of schooling	697	13	335	1,045
Grants, awards and prizes	-	-	237	237
	<u>7,129</u>	<u>735</u>	<u>3,514</u>	<u>11,378</u>
Schools - financing costs*	-	-	776	776
Total charitable expenditure	<u>7,129</u>	<u>735</u>	<u>4,290</u>	<u>12,154</u>
 Governance costs	<u>-</u>	<u>-</u>	<u>28</u>	<u>28</u>
 Total resources expended	<u>7,258</u>	<u>735</u>	<u>4,557</u>	<u>12,550</u>
*add Notional property loan interest	-	-	199	199
Total outgoing resources	<u>7,258</u>	<u>735</u>	<u>4,756</u>	<u>12,749</u>

Staff costs are further detailed in note 7. No allocation has been made of senior management time spent on governance matters as such time is additional to full time roles providing support to the School's teaching.

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

6 ANALYSIS OF TOTAL RESOURCES EXPENDED (cont)

	2007 £'000	2006 £'000
Included in 'other costs' are:		
Auditors' remuneration (incl VAT where non-recoverable)		
- for audit	12	11
- for other services	8	2
Operating leases - land and buildings	7	5
Included in 'depreciation' is:		
Deficit on disposal of fixed assets	2	1
	<u>2</u>	<u>1</u>

7a) EMPLOYEES

	2007 £'000	2006 £'000
Staff costs		
Wages and salaries	6,113	5,892
National Insurance	501	484
Pension costs	644	622
Total as in note 6	<u>7,258</u>	<u>6,998</u>
The numbers of employees whose remuneration was over £50k fell into the following bands.	No	No
£50 - £60k	8	9
£60 - £70k	2	1
£80 - £90k	-	2
£90 - £100k	2	-
Of these higher paid staff all had defined contribution pension schemes, total cost	£'000 <u>100</u>	£'000 <u>93</u>
	£'000	£'000
Total pension costs were made up of		
TPA pension contributions	513	484
Defined contribution schemes	<u>131</u>	<u>138</u>
	<u>644</u>	<u>622</u>

The Governors did not receive any remuneration. The accounts do not estimate the value of their time and expertise in governance and support roles. One Governor received travel expenses of £322 (2006 £215)

	2007	2006
The average number of employees was		
	No	No
Teaching	167	158
Pensioners	16	17
Support staff	100	105
Development (fundraising and alumni)	7	4
(These figures exclude Governors)	<u>290</u>	<u>284</u>

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

7b) PENSIONS

The majority of the staff participate in one of two pension schemes the Teachers' Superannuation Scheme run by the Teachers' Pension Agency specifically for teaching staff, and a Norwich Union Group Personal Pension scheme.

The Teachers' Superannuation Scheme (TSS) is a contributory scheme run by the Teachers' Pension Agency, the benefits of which are governed by the Teachers' Superannuation (Consolidation) Regulations 1988, as amended. The Scheme pays guaranteed benefits protected against inflation and gives an annual pension and tax free lump sum on retirement. The normal retirement age in this scheme was 60 for both sexes during the year and it is a 'final salary' scheme, the benefits being assessed on the individual's salary on retirement and not on the salary on which contributions have been made. The scheme is periodically reviewed by the Government Actuary who determines the appropriate level of contribution. Contributions from employees were at 6.4% and from the employer 14.1% for the year.

As the TSS scheme is a notional scheme with any deficit being underwritten by the Treasury, no further disclosure of information is required.

The Norwich Union scheme is a defined contribution scheme. The assets of the scheme are held separately from the Trust in an independently administered fund.

Included within salary costs are amounts paid to former employees whose pension provisions were inadequate during their employment. The total amount paid was £80k (2006 £87k). The Trust intends to continue with these payments but is under no legal liability so to do, accordingly the accounts do not include any estimate, actuarial or otherwise, of a possible total future commitment.

8 RELATED PARTIES

Five of the Governors had children at the school during the year for which they are charged normal fees and extras as agreed in the standard parent-school contract.

Another Governor's brother is a partner in the School's firm of architects, with which the School contracts - independently of the Governor - in building projects. The total paid, under standard RIBA terms and rates, on these contracts during the year under review was £9k (incl VAT, 2006 £15k), as at the year-end a balance of £1k (2006 £2k) was due.

One other Governor's wife is a doctor at the practice appointed by the school to assist with medical responsibilities in its health centre, the practice was paid in the year on rates based on those set by MOSA £9k (incl VAT, 2006 £9k), as at the year-end a balance of £3k (2006 nil) was due.

One Governor is a partner in a firm of estate agents and surveyors appointed by the School to value certain of its freehold properties. The total paid to this firm during the year under review was £2k.

During the year Smaug Abroad Ltd, a company owned by one former and one current employee of the Dragon School, provided trips for pupils. Smaug Abroad Ltd invoices parents and others directly for these services.

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

9 TAXATION

As a registered charity the Trust does not pay corporation tax on surpluses arising from its charitable activities. The Trust's subsidiary, Dragon School Trading Limited, pays corporation tax on profits, but these are nil for tax purposes after allowing for the payment of profits to the parent company as a charge.

The Trust suffers irrecoverable VAT on all purchases other than those made by its subsidiary trading company. VAT paid to Customs and Excise totalled approximately £613k (2006 £511k) during the year.

10 TANGIBLE FIXED ASSETS (Group and parent company) for own use

	Freehold property £'000	Leasehold property £'000	Motor Vehicles £'000	Other £'000	TOTAL £'000
Cost					
at 1 9 2006	9,438	10,474	163	2,267	22,342
additions	27,123	122	-	252	27,497
reclassified	10,580	(10,580)	-	-	-
disposals	-	-	-	(117)	(117)
at 31 8 2007	47,141	16	163	2,402	49,722
Depreciation					
at 1 9 2006	392	1,498	96	1,558	3,544
charge	367	2	27	337	733
reclassified	1,485	(1,485)	-	-	-
released	-	-	-	(111)	(111)
at 31 8 2007	2,244	15	123	1,784	4,166
Net book value					
at 1 9 2006	9,046	8,976	67	709	18,798
at 31 8 2007	44,897	1	40	618	45,556

The rebuild cost of properties included in freehold and leasehold was approximately £31,000k at the most recent insurance review (September 2007). This does not include the value of the land for which no estimate of value has been made. With respect to other assets (fixtures, fittings and equipment), these are insured for £2,000k (see note 1d). These values are cited merely for comparison with the book values shown above.

Virtually all assets held are used for the purposes of the school's operation, some small proportion is used for management and trading, but identification of the amounts involved is not practicable.

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

11 COMMITMENTS, CAPITAL AND OPERATING LEASES

The Trust had capital commitments of £35k (2006. £102k) with respect to building contracts in progress at the year-end. There were no amounts committed but not yet contracted.

Commitments under operating leases for land and buildings next year total £11k (2006 £3k), these commitments expire in less than five years

12 STOCKS

	Group		Parent company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Goods for resale	5	5	-	-
Consumables	15	15	15	15
	<u>20</u>	<u>20</u>	<u>15</u>	<u>15</u>

13 DEBTORS

	Group		Parent company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade debtors	303	249	283	234
Amount owed by subsidiary	-	-	18	13
Loans	9	14	9	14
Prepayments	108	89	108	89
Accrued income	22	22	21	21
	<u>442</u>	<u>374</u>	<u>439</u>	<u>371</u>

14 INVESTMENTS HELD AS CURRENT ASSETS

	Group and parent company	
	2007	2006
	£'000	£'000
Investments are shown at value		
U K. Government stocks	1,375	1,978
Other U K. listed investments	267	250
	<u>1,642</u>	<u>2,228</u>
Historical cost	<u>1,648</u>	<u>2,228</u>
Value of investments		
brought forward	2,228	1,840
disposals at value brought forward	(565)	(178)
acquired	11	618
change in unrealised values	(32)	(52)
carried forward	<u>1,642</u>	<u>2,228</u>

Included in the above are M&G Charifund units at £212k, and 7 different holdings of various government stocks, each represent more than 5% of the total investments held

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

15 CASH AT BANK AND IN HAND

	Group		Parent company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Cash on deposit	741	2,071	741	2,071
Current bank accounts and petty cash	2,093	154	2,092	154
	<u>2,834</u>	<u>2,225</u>	<u>2,833</u>	<u>2,225</u>

As from 2007, the cleared balance on the main current account offsets the bank loan

16 CREDITORS FALLING DUE WITHIN ONE YEAR

	£'000	£'000	£'000	£'000
Bank loans (note 18)	978	556	978	556
Taxation and social security	213	208	210	206
Trade creditors	493	472	493	472
Accruals	317	38	311	32
Deferred income				
- fees received in advance	1,209	1,107	1,209	1,107
- deposits held	85	88	85	88
- prepaid fees scheme (note 17)	652	662	652	662
Other creditors (property purchases – note 23)	500	792	500	792
	<u>4,447</u>	<u>3,923</u>	<u>4,438</u>	<u>3,915</u>

17 a) CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and parent company	
	2007	2006
	£'000	£'000
Bank loans	19,695	526
Other creditors (property purchases – note 23)	6,339	-
Deferred income prepaid fees	1,464	1,315
Deposits held	376	325
	<u>27,874</u>	<u>2,166</u>

b) ANALYSIS OF LONG TERM CREDITORS

Bank loans		
due within one year	978	556
due between two and five years	4,504	526
due in more than five years	15,191	-
	<u>20,673</u>	<u>1,082</u>
Deferred income - prepaid fees		
due within one year	652	662
due between two and five years	1,250	1,015
due in more than five years	214	300
	<u>2,116</u>	<u>1,977</u>
Other creditor (property purchases – note 23)		
due in more than five years	6,339	-

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

17b) ANALYSIS OF LONG TERM CREDITORS (cont)

The previous bank loan from Barclays was repaid during the year. As at the year-end, £21,000k of an agreed total facility of £22,000k had been borrowed from Coutts & Co. This loan is repayable by fixed instalments totalling £2,121k per annum. A hedging facility has simultaneously been arranged so that in effect interest is fixed at 5.615%. The loan is secured by a fixed and floating charge on the whole of the Trust's property, together with additional specific charges over several freehold properties.

The loan outstanding at the year-end represents 44% (2006: 34%) of the cost of properties used for security.

The other creditor for property purchases represents the net present value of the balance due on the Trust's purchase of its freehold. The total amount due is £9,000k, this is secured by a second charge over the freehold property purchased and is interest free (see also note 23). This represents 31% of the cost of properties used for security.

18 NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of net incoming resources to cash inflow from operations

	2007 £'000	2006 £'000
Net incoming resources	658	1,883
Interest payable	975	150
Interest receivable	(271)	(242)
Depreciation charges	733	618
Decrease in stocks	-	5
(Increase)/ decrease in debtors	(74)	88
Decrease in creditors	(119)	(169)
Loss/(surplus) on disposal of fixed assets	3	1
Net cash inflow from operations	<u>1,905</u>	<u>2,334</u>

b) Analysis of cash flows and net debt

	1 9 2006 £'000	Cash flow £'000	other movements £'000	31 8 2007 £'000
Cash at bank and in hand	2,225	609	-	2,834
Debt: bank loans	(1,082)	(19,591)	-	(20,673)
Debt: property purchase – balance	-	-	(6,339)	(6,339)
Current asset investments	2,228	(554)	(32)	1,642
Total	<u>3,371</u>	<u>(19,536)</u>	<u>(6,371)</u>	<u>(22,536)</u>

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

19 FUNDS DETAILED MOVEMENTS

	Note	Balance at 1 Sept 2006 £'000	Income £'000	Outgoing resources £'000	Investment gains/ (losses) £'000	Transfers £'000	Balance at 31 Aug 2007 £'000
ENDOWMENT FUND	21a	3	-	-	-	-	3
ENDOWED BURSARIES FUND	21b	301	101	(16)	-	-	386
		304	101	(16)	-	-	389
RESTRICTED FUNDS							
Knatchbull Memorial fund	21c	50	2	(1)	5	-	56
Prize funds	21d	16	1	-	1	(3)	15
Bursaries funds	21e	1,274	450	(220)	8	3	1,515
Development fund	21f	77	9	-	-	(17)	69
		1,417	462	(221)	14	(17)	1,655
UNRESTRICTED FUNDS							
DESIGNATED							
Prepaid fees	21g	-	140	(79)	(59)	(2)	-
Freehold fund	21h	1,610	-	-	-	(1,610)	-
General fund		14,225	12,670	(12,423)	4	1,653	16,129
		15,835	12,810	(12,502)	(55)	41	16,129
CHARITY total funds		17,556	13,373	(12,739)	(41)	24	18,173
Non-charity trading funds	22	-	34	(10)	-	(24)	-
GROUP		17,556	13,407	(12,749)	(41)	-	18,173

20 FUNDS NET ASSETS	Note	Fixed Assets £'000	Invest- ments £'000	Other net current assets £'000	Long term liabilities £'000	Total net assets £'000
ENDOWMENT FUND	21a	-	-	3	-	3
ENDOWED BURSARIES FUND	21b	-	-	386	-	386
		-	-	389	-	389
RESTRICTED FUNDS						
Knatchbull Memorial fund	21c	-	55	1	-	56
Prize funds	21d	-	14	1	-	15
Bursaries funds	21e	-	125	1,390	-	1,515
Development fund	21f	-	-	69	-	69
		-	194	1,461	-	1,655
UNRESTRICTED FUNDS						
DESIGNATED						
Prepaid fees	21g	-	1,375	89	(1,464)	-
General fund		45,556	73	(3,090)	(26,410)	16,129
		45,556	1,448	(3,001)	(27,874)	16,129
CHARITY total funds		45,556	1,642	(1,151)	(27,874)	18,173
Non-charity trading funds	22	-	-	-	-	-
GROUP		45,556	1,642	(1,151)	(27,874)	18,173

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

21 FUNDS· EXPLANATORY NOTES

a) The Endowment fund represent amounts given with a restriction on the disbursement of the capital amount. The income is used for general purposes. The Trust's endowment fund derives from a small group of gifts in about 1997.

b) The Endowed Bursaries fund provides fee support from income arising from donations whose capital expenditure has been restricted by the donors. Otherwise funds are administered as for other bursaries.

c) The Knatchbull Memorial fund provides funding for travel and exploration activities of former pupils ('Old Dragons'). It has specific trustees who review the application of resources.

d) The Prize funds are an aggregation of small gifts given to the school to provide prizes for pupils. Costs incurred by the general fund in the provision of prizes and awards are met by a transfer of up to a maximum of net income on the fund.

e) The Bursaries funds are for the provision of fee support for pupils. The funds include donations for named bursaries, the costs of bursary support are deducted from these sums as appropriate. The funds are administered by the Bursaries Committee who review the application of resources.

Additional fee concessions and support are provided from the general fund.

f) The Development fund represents sums raised for the buildings of the school. Some of these donations are restricted to specific projects, though most are not. In some cases general donations are received without even apparent restrictions with respect to the school's development programme, but the Trust infers a restriction in these cases on the principle that such donations probably originated from literature soliciting funds for such purpose. Amounts spent on these building projects are transferred from the Development fund to the general fund each year. The balance carried forward on the fund represents donations restricted to items or projects that have not yet been started.

g) The Prepaid Fees fund represents income and expenditure with respect to amounts paid in advance for fees. Investments in government stocks are held against the future liabilities.

h) The Freehold fund represented amounts designated with a view to achieving the purchase of the freehold of the Dragon School's main site. As this has been achieved (see note 23), the fund is no longer required and accordingly the fund has been subsumed in the general charity funds.

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2007

22 TRADING SUBSIDIARY

The Trust holds 100 ordinary shares of £1 each, representing 100% of the issued share capital of Dragon School Trading Limited, a company incorporated in England and Wales. The value of the investment as determined by the equity method is £100. These shares are included on the parent company balance sheet as investments held as fixed assets.

	2007	2006
	£	£
Shares in subsidiary company at cost	<u>100</u>	<u>100</u>

The Trust advances working capital as necessary to the trading company to finance its operations. Interest is charged on the amount outstanding from time to time at the same rate as charged by the Trust's bankers.

The Trading company's results for the year, as extracted from the audited accounts, are summarised below.

	note	2007	2006
		£'000	£'000
Turnover		34	47
Cost of sales		<u>(14)</u>	<u>(16)</u>
Gross profit		20	31
Administration expenses		(8)	(9)
Interest payable		<u>-</u>	<u>-</u>
Profit for the financial year		12	22
Paid to Dragon School Trust Ltd		<u>(12)</u>	<u>(22)</u>
Surplus above		12	22
Management charges from Trust		12	12
Interest charged by Trust		<u>-</u>	<u>-</u>
Total generated for charitable use	19	<u>24</u>	<u>34</u>

23 EXCEPTIONAL ITEM PURCHASE OF FREEHOLD

The Trust completed purchase of the freehold of its main site at Bardwell Road from the landlord at a total gross cost of £29,733k on 31 January 2007. Payment of part of this total, £9,000k, is deferred until January 2014. The accounts discount this creditor to net present value using the Trust's bank borrowing rate; the net cost of the freehold as included in the accounts is accordingly shown as £26,873k. Notional interest on this deferred payment is charged to income and expenditure account; the charge to 31 August 2007 was £199k.

Buildings on this site previously shown as leasehold have been reclassified as freehold.

The balance of the purchase has been financed by bank borrowings from Coutts & Co.

The £500k property creditor due in less than one year is with respect to an unconnected property purchase where the sale may be completed with 60 days' notice in circumstances beyond the Trust's control.