



DRAGON SCHOOL TRUST LIMITED

GROUP ACCOUNTS FOR THE YEAR ENDED

31 AUGUST 2008

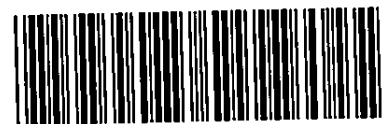
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Company number: 524331

Registered charity number: 309676

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COMPANIES HOUSE

DRAGON SCHOOL TRUST LIMITED **ANNUAL REPORT AND ACCOUNTS 2008** **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	
* s P	J D E Byam Shaw	(appointed 17 November 2007)
*	G P Candy	
† P	Mrs L J Holmes	
* ‡ b s o	C I M Jones	(Chairman from 14 June 2008)
* ‡ o	N J A Kane	(retired 17 November 2007)
* ‡ o	Sir David Lewis	(Chairman to 14 June 2008)
‡ a o	G Marsh	
a	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	
s 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	
s	member of the Social Responsibility 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 Academic Committee meets termly to review the school's academic policies and performance. The Social Responsibility Committee meets termly to guide the development and implementation of the School's charitable, social, economic and environmental policies. Other steering committees are also appointed as necessary, most recently to oversee the development of the School's property strategy. The Headmaster is J R Baugh. The Company Secretary and Bursar is I M Caws.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2008
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 Design Ltd Sevenoaks Kent
Auditors:	haysmacintyre London
Bankers:	Barclays Bank plc Oxford <i>and</i> Coutts & Co London
Insurance brokers:	HSBC 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> McBains 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 2008

The Governors present their annual report and audited accounts for the year ended 31 August 2008 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 2007.

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 March 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 2008 - 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 support in the form of staff time to these charities, but as the school does not control these charities, 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, supporting them in a number of ways, 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 promote actively the use of its facilities (eg playing fields, astros, Lynam Hall, music school and IT) by schools and other charities and 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.

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.

Despite the School's very strong reputation, Governors are conscious that past performance in maintaining pupil numbers cannot be depended upon in the current extraordinary economic climate. Particular attention is being paid to marketing and pupil recruitment as a result.

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 school management structure and open lines of staff reporting
 - clear lines of communication with parents
 - formal written policies covering all important activities
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DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2008 – continued

- comprehensive planning over appropriate time-scales both long and short
- comprehensive management accounting, reporting and budgetary control
- strong emphasis placed on recruiting and retaining the best staff
- strict vetting procedures with respect to employment of all 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 for boys and girls from 8 to 13 years old and its pre-prep department the Dragon at Lynams on a separate site. Lynams takes boys and girls from the age of 4. Additionally the School 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

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. In addition, the School aims to play a full and effective part in its local community.

Objectives for the year

The Dragon School's primary objective 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. In addition, the School has sought to widen access and increase its social impact.

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.

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 be very high, in large part due to the recognised high standards achieved by the School. During the year the school had (on average) 846 pupils made up of 257 boarders and 377 day children at the main school and a further 212 pupils at Lynams. Of the total pupils, 575 were boys and 271 were girls.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2008 - continued

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 continues to carry out specific fund-raising to enable bursaries to be awarded, in appropriate circumstances covering nearly all of the fees. During the year 22 '125th Anniversary Dragon Bursaries' were granted, with a total of 25 renewed and awarded for 2008/9. Bursaries, scholarships and grants aggregated £588k in 2007/8.

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 846 pupils, 56 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 – Academic and Pastoral

At school Dragons 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. 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. At the other end of the School an unannounced Ofsted review of the Reception year at Lynams judged the provision of education and the quality of teaching and learning in all respects to be outstanding. Equally important is the inclusivity of achievements across the School, with almost all pupils representing the School in matches, or achieving commendations or awards of some kind.

Following the purchase of the freehold, the School also continues to take small but important steps to improve its infrastructure. The addition of 13 new music practice rooms in September 2008 will provide much needed space for the growing number of individual music lessons offered, now over 600 per week. Refurbishment of School House continued the School's programme of modernisation of pastoral and boarding facilities across the School.

In addition, the School has continued the development of its sustainable development strategy. We are participating with 23 other maintained and independent schools under the umbrella of the Oxfordshire Independent and State Schools Partnership in the second phase of the Schools Energy Exchange Project and have begun the introduction of building management systems recommended in the initial review. In addition the School is now committed to achieving Green Flag status under the Eco-Schools award programme.

One particular highlight of the year was the sight of a Dragon, supported by 30 pupils, leading the Lord Mayor's Show in London at the invitation of the Chairman of Governors and Lord Mayor of the City of London at the time Alderman David Lewis.

Key Performance Indicators (KPIs).

- Pupil numbers – every year group was full.
 - 99% of leaving children gained places at their first choice School.
 - 50 academic, music, art, sporting and all round awards were made by schools to Dragon pupils.
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DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2008 – continued

- 60% of Common Entrance papers were graded A or B.
- The quality and standards of the Reception year education were judged to be outstanding following an Ofsted Inspection in July 2008.

Operational performance of the Dragon School – Widening Access and Social Impact

Bursaries. These are at the heart of the Dragon's special public benefit provisions. Following wide advertisement, the initial target of 25 bursary awards across the School set 6 years ago was reached at the start of the 2008/9 academic year. Bursary awards (day and boarding) were on average over 90% of the fees at a cost to the School this year of £304k (2007: £236k).

Educational. Over the summer holidays the School again ran a very successful 'summer school' at nominal charge to help underachieving pupils in Year 5 from local state schools. A fourth primary school joined the programme, which continues to expand. Both the collaborative project with the Pegasus School, involving drama and fieldwork ventures, and the Latin in the Community initiative, whereby Dragon teachers and pupils assist teachers and children from other non-fee-paying schools without this expertise, continue to flourish. Surplus equipment is also donated to other schools or charities.

Music, Sport and Arts. A range of local schools, charities and local groups and clubs continue to use the School's facilities when available. The provision of facilities for these purposes is valued at an estimated £33k (at the normal discounted rates for charitable use).

Community. During the year the staff and its pupils raised just over £17k for other charities through cake sales, Red Nose Day, play collections, and similar events, many pupil led. In addition the Dragon Christmas Charity Sale raised a further £104k 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.

Overall, the Governors are grateful for the tremendous parental support for the School in achieving all that it does. 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 achieved success, raising £210k for bursaries, as well as another £109k for other purposes. The School is also the grateful recipient of grants from the Lynam Educational Fund totalling £30k 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. However, as well as continuing to raise funds for bursaries, the School needs to raise considerable funds in the coming years to ensure that it can attract and retain the best quality staff in central Oxford.

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.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2008 - continued

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The Trust's accounts reflect its general success as a school, but careful management is required of the school's finances and this is particularly so in the current economic environment. The operating surplus of £1,356k (2007: £857k) reflects a £768k gain on the sale of property.

Any surplus arising is invested in the major capital projects needed to keep the school in the forefront of preparatory education, and in the provision of subsidised education for children otherwise unable to attend such a school. 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. During the year £13,160k was generated from fees, 89% of its total incoming resources.

Significant additional incoming resources came from the disposal of two small freehold properties in October 2007, which realised £1,096k (net surplus after historical and selling costs, £768k); recurring sources of additional income are from investments £228k, mainly those held for the prepaid fees fund, and from donations £351k.

The greatest part of the Trust's expenditure is on staff costs which at £7,800k represent 59% of resources expended; and of these, most (£5,538k – 71%) are spent on direct teaching, with an additional £1,056k (14%) on welfare and pastoral functions.

Finance costs are significant at £1,016k (8% of total resources) payable as interest in cash as the accounts reflect the first full year of the bank loan to purchase the main freehold site.

Other non-staff costs include direct expenditure on teaching (£1,199k, 9% of total resources), premises (£1,525k, 11%) and welfare £998k (8%). Virtually all these costs, staff, finance and other, represent semi-fixed overheads necessary for the running of the schools.

Although day-to-day operations are secured, the new £21,000k loan and the deferred payment of £9,000k require careful ongoing management; thus the surplus for the year has been largely applied, as shown in the cash flow statement, in financing the loan (£1,026k capital repaid). Notwithstanding this, however, the School spent £562k on property and building improvements and a further £259k on other equipment. The main property projects included, enhancement of music facilities at the school; extension of the senior girls' boarding house and landscaping and safety work on Richards' Lane, the approach road to the pre-preparatory site. The much needed provision of further music practice facilities, using state of the art soundproofed pods, represented very good value, and was able to be housed adjacent to the existing music school. This does not, however, represent a long term solution for the music school. Other equipment purchases, as in previous years, were primarily of IT equipment but also included the provision of a seven-seater people-carrier to provide greater flexibility.

The Trust's balance sheet is dominated by the cost of its freeholds £44,760k, in particular the main site purchased last year for £29,733k; this was substantially funded by bank loan and deferred payment.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2008 - continued

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 unrestricted reserves are represented by fixed assets, especially the school land and buildings, as shown on the balance sheet, as financed by the long-term loans. The 'free reserves', excluding these elements, 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.

FUTURE PLANS

The School reviews its strategic framework annually. The framework consists of three documents: 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, Facilities and Social Impact) 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.
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**DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2008 - continued**

FUTURE PLANS - continued

- 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.
- 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:

- Provide first class staff accommodation to meet the School's requirements.
 - Provide a new girls boarding house.
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DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2008 - 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 judgments 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.

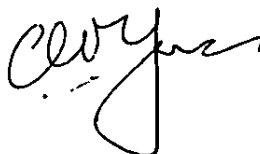
The Governors are responsible for ensuring that the Trust keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility 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,



C I M Jones
Chairman
14 March 2009

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 2008 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, 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 auditors' 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 2008 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.



haymacintyre
Registered Auditors

19 March 2009

Fairfax House
15 Fulwood Place
London
WC1V 6AY

DRAGON SCHOOL TRUST LIMITED

GROUP STATEMENT OF FINANCIAL ACTIVITIES (SoFA) FOR THE YEAR ENDED 31 AUGUST 2008

	Note	Unrestricted funds		Restricted funds	Endowed funds	Total funds 2008	Total funds 2007
		Schools	Trading				
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Income from charitable activity							
School fees	2.	13,160	-	-	-	13,160	12,417
Other educational	3.	49	-	-	-	49	49
Other ancillary trading	3.	63	-	-	-	63	121
Income from generated funds							
Dragon Trading turnover	22.	-	40	-	-	40	34
Investment income	4.	113	-	94	21	228	271
Donations		31	-	320	-	351	515
Other incoming resources							
Gain on disposal of fixed assets	23.	768	-	-	-	768	-
Total incoming resources		14,184	40	414	21	14,659	13,407
RESOURCES EXPENDED							
Costs of generating funds							
Fundraising for voluntary resources		299	-	-	-	299	273
Dragon Trading costs		-	10	-	-	10	8
Other costs		100	-	-	-	100	87
Total costs of generating funds		399	10	-	-	409	368
Charitable expenditure							
Schools and grantmaking		11,533	2	285	21	11,841	11,378
Schools - financing costs	5.	1,016	-	-	-	1,016	776
Total charitable expenditure		12,549	2	285	21	12,857	12,154
Governance costs							
		35	2	-	-	37	28
Total resources expended	6.	12,983	14	285	21	13,303	12,550
NET INCOMING RESOURCES BEFORE NOTIONAL PROPERTY LOAN INTEREST							
Notional property loan interest	1j,5.		1,227	129	-	1,356	857
			(356)	-	-	(356)	(199)
NET INCOMING RESOURCES							
Investment gains/(losses)			(18)	(34)	-	(52)	(41)
Transfers between funds	19.		174	(174)	-	-	-
NET MOVEMENT IN FUNDS			1,027	(79)	-	948	617
Fund balances at 1 September 2007			16,129	1,655	389	18,173	17,556
FUND BALANCES AT 31 AUGUST 2008			17,156	1,576	389	19,121	18,173

All activities are continuing.

The above results include unrealised losses on investments £52k (2007 losses £32k). The net movement in funds excluding this amount is £1,000k (2007 £649k).

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

The notes on pages 16 to 27 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 2008

	Note	Group 2008 £'000	2007 £'000	Charity 2008 £'000	2007 £'000
Fixed assets					
Tangible assets for operational use	10.	45,339	45,556	45,339	45,556
Investments	22.			-	-
		<u>45,339</u>	<u>45,556</u>	<u>45,339</u>	<u>45,556</u>
Current assets					
Stocks	12.	24	20	18	15
Debtors	13.	377	442	369	439
Investments	14.	1,471	1,642	1,471	1,642
Cash at bank and in hand	15.	3,787	2,834	3,787	2,833
		<u>5,659</u>	<u>4,938</u>	<u>5,645</u>	<u>4,929</u>
Creditors: due within one year	16.	(4,836)	(4,447)	(4,822)	(4,438)
Net current assets		<u>823</u>	<u>491</u>	<u>823</u>	<u>491</u>
Total assets less current liabilities		<u>46,162</u>	<u>46,047</u>	<u>46,162</u>	<u>46,047</u>
Creditors: amounts due in more than one year	17.	(27,041)	(27,874)	(27,041)	(27,874)
Total net assets	20.	<u>19,121</u>	<u>18,173</u>	<u>19,121</u>	<u>18,173</u>
Endowment funds		389	389	389	389
Restricted funds		1,576	1,655	1,576	1,655
Unrestricted funds: general		17,156	16,129	17,156	16,129
Fund balances	19.	<u>19,121</u>	<u>18,173</u>	<u>19,121</u>	<u>18,173</u>

The notes on pages 16 to 27 form part of these accounts.

The financial statements were approved and authorised for issue by the Board of Governors on 14 March 2009 and were signed below on its behalf by

C I M Jones  Chairman of Governors

DRAGON SCHOOL TRUST LIMITED

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2008

	Note	2008	2007
		£'000	£'000
Net cash inflow from operations	18a.	2,364	1,905
Returns on investments and servicing of finance			
Interest paid	(986)		(614)
Investment income receipts	227		277
		(759)	(337)
Capital expenditure and financial investment			
Payments for tangible fixed assets	(821)		(21,158)
Proceeds from sale of fixed assets	1,111		3
		290	(21,155)
Management of liquid resources			
Proceeds from redemption of investments	119		556
Acquisition of investments	-		(11)
		119	545
Cash inflow/(outflow) before movements on prepaid fees and financing		2,014	(19,042)
Prepaid fees scheme:			
Received	654		543
Utilised	(689)		(483)
		(35)	60
Property loan advanced	-		21,000
Property loan repaid	(1,026)		(1,409)
		(1,026)	19,591
Increase in cash	18b.	953	609

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 16 to 27 form part of these accounts.

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2008

Page 16

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 2008

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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

	2008	2007
	£'000	£'000
School fees and extras	13,444	12,717
<i>less</i> scholarships, bursaries and grants	(588)	(536)
	12,856	12,181
Bursaries paid from restricted funds	304	236
	13,160	12,417
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:	-	6

3. OTHER INCOME

Other educational charitable activities

Courses, holiday courses, conferences

Registration fees

7	7
42	42
49	49

Other ancillary trading income

Commission and similar income

Concert and event tickets

Other

13	19
30	83
20	19
63	121

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2008

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4. INVESTMENT INCOME

	2008	2007
	£'000	£'000
Investment income arises from:		
Listed investments	106	141
Bank deposits	86	104
Other sources	36	26
	<u>228</u>	<u>271</u>

5. FINANCING COSTS

Interest payable is due to:		
Bank loans and overdrafts	931	694
Discount allowed on prepaid fees schemes	82	79
Other	3	3
	<u>1,016</u>	<u>776</u>
Notional interest on property loan	356	199
	<u>1,372</u>	<u>975</u>

Financing costs as detailed here are included in charitable expenditure as part of the operation of the School. The notional interest represents the unwind of the discount on the final £9 million instalment payment for the purchase of the School's freehold site (see note 17b).

6. ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £'000	Depreciation £'000	Other £'000	Total £'000
Cost of generating funds				
Fundraising for voluntary resources	222	-	77	299
Dragon Trading costs	2	-	8	10
Other costs	3	-	97	100
Total cost of generating funds	<u>227</u>	<u>-</u>	<u>182</u>	<u>409</u>
Charitable expenditure				
Schools and grantmaking				
Teaching	5,538	236	963	6,737
Welfare	1,056	50	948	2,054
Premises	239	407	1,118	1,764
Support costs of schooling	740	1	239	980
Grants, awards and prizes	-	-	306	306
	<u>7,573</u>	<u>694</u>	<u>3,574</u>	<u>11,841</u>
Schools - financing costs*	-	-	1,016	1,016
Total charitable expenditure	<u>7,573</u>	<u>694</u>	<u>4,590</u>	<u>12,857</u>
Governance costs	<u>-</u>	<u>-</u>	<u>37</u>	<u>37</u>
Total resources expended	<u>7,800</u>	<u>694</u>	<u>4,809</u>	<u>13,303</u>
*add Notional property loan interest	-	-	356	356
Total outgoing resources	<u>7,800</u>	<u>694</u>	<u>5,165</u>	<u>13,659</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 2008

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6. ANALYSIS OF TOTAL RESOURCES EXPENDED (cont)

	2008 £'000	2007 £'000
Included in 'other costs' are:		
Auditors' remuneration (incl. VAT where non-recoverable):		
- for audit	13	12
- for other services	11	8
Operating leases - land and buildings	21	7
Included in 'depreciation' is:		
(Surplus)/deficit on disposal of fixed assets	(8)	2
Additional surplus on disposal of freehold property is included in 'other incoming resources' – see also note 23.		

7a). EMPLOYEES

	2008 £'000	2007 £'000
Staff costs:		
Wages and salaries	6,588	6,113
National Insurance	519	501
Pension costs	693	644
Total as in note 6	7,800	7,258
The numbers of employees whose remuneration was over £50k fell into the following bands:	No.	No.
£50 - £60k	6	8
£60 - £70k	4	2
£70 - £80k	2	-
£90 - £100k	1	2
£120-£130k	1	-
Of these higher paid staff all had defined contribution pension schemes, total cost:	£'000 105	£'000 100
Total pension costs were made up of:	£'000	£'000
TPA pension contributions	554	513
Defined contribution schemes	139	131
	693	644

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 £367 (2007: £322).

	2008	2007
The average number of employees was:		
	No.	No.
Teaching	159	157
Pensioners	16	16
Support staff	93	89
Development	7	6
(These figures exclude Governors.)	275	268

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2008

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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 ex gratia payments to certain former staff members or their spouses whose pension provision prior to the School adopting the Teachers' Pension Scheme was inadequate during their employment. The total amount paid was £75k (2007: £80k). The Trust is under no legal obligation to continue with these payments and therefore the accounts do not include any estimate, actuarial or otherwise, of a possible total future commitment.

8. RELATED PARTIES

Six 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 £10k (incl VAT; 2007: £9k); as at the year-end a balance of £1k (2007: £1k) 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 £13k (incl VAT; 2007 £9k); no amount was due as at the year-end (2007£3k).

One Governor is a partner in a firm of estate agents and surveyors appointed by the School to value certain of its freehold properties in the previous year. There were no transactions with this firm during the year (2007: £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 2008

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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. Irrecoverable VAT paid to Customs and Excise totalled approximately £669k (2007: £613k) 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 1.9.2007	47,141	16	163	2,402	49,722
additions	562	-	18	241	821
disposals	(392)	-	(28)	(270)	(690)
at 31.8.2008	47,311	16	153	2,373	49,853
Depreciation					
at 1.9.2007	2,244	15	123	1,784	4,166
charge	371	1	19	311	702
released	(64)	-	(21)	(269)	(354)
at 31.8.2008	2,551	16	121	1,826	4,514
Net book value					
at 1.9.2007	44,897	1	40	618	45,556
at 31.8.2008	44,760	-	32	547	45,339

The rebuild cost of properties included in freehold and leasehold was approximately £31,000k at the most recent insurance review (September 2008). 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 2008

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11. COMMITMENTS, CAPITAL AND OPERATING LEASES

The Trust had capital commitments of £7k (2007: £35k) 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 nil (2007: £11k).

12. STOCKS

	Group		Parent company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Goods for resale	6	5	-	-
Consumables	18	15	18	15
	<u>24</u>	<u>20</u>	<u>18</u>	<u>15</u>

13. DEBTORS

	Group		Parent company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade debtors	242	303	217	283
Amount owed by subsidiary	-	-	20	18
Loans	3	9	3	9
Prepayments	67	108	67	108
Accrued income	65	22	62	21
	<u>377</u>	<u>442</u>	<u>369</u>	<u>439</u>

14. INVESTMENTS HELD AS CURRENT ASSETS

	Group and parent company	
	2008	2007
	£'000	£'000
Investments are shown at value:		
U.K. Government stocks	1,253	1,375
Other U.K. listed investments	218	267
	<u>1,471</u>	<u>1,642</u>
Historical cost:	<u>1,525</u>	<u>1,648</u>
Value of investments:		
brought forward	1,642	2,228
disposals at value brought forward	(119)	(565)
acquired	-	11
change in unrealised values	(52)	(32)
carried forward	<u>1,471</u>	<u>1,642</u>

Included in the above are M&G Charifund units at £167k, and seven 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 2008

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15. CASH AT BANK AND IN HAND

	Group		Parent company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Cash on deposit	1,530	741	1,530	741
Current bank accounts and petty cash	2,257	2,093	2,257	2,092
	<u>3,787</u>	<u>2,834</u>	<u>3,787</u>	<u>2,833</u>

16. CREDITORS: FALLING DUE WITHIN ONE YEAR

	£'000	£'000	£'000	£'000
Bank loans (note 17)	1,169	978	1,169	978
Taxation and social security	242	213	238	210
Trade creditors	659	493	658	493
Accruals	266	317	257	311
Deferred income				
- fees received in advance	1,239	1,209	1,239	1,209
- deposits held	113	85	113	85
- prepaid fees scheme (note 17)	673	652	673	652
Other creditors – residential property purchase	475	500	475	500
	<u>4,836</u>	<u>4,447</u>	<u>4,822</u>	<u>4,438</u>

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

	Group and parent company	
	2008	2007
	£'000	£'000
Bank loans	18,478	19,695
Other creditors: freehold site property purchase	6,695	6,339
Deferred income: prepaid fees	1,490	1,464
Deposits held	378	376
	<u>27,041</u>	<u>27,874</u>

b) ANALYSIS OF LONG TERM CREDITORS

Bank loans:		
due within one year	1,169	978
due between two and five years	4,808	4,504
due in more than five years	13,670	15,191
	<u>19,647</u>	<u>20,673</u>
Deferred income - prepaid fees		
due within one year	673	652
due between two and five years	1,377	1,250
due in more than five years	113	214
	<u>2,163</u>	<u>2,116</u>
Other creditor: freehold site property purchase		
due in more than five years	6,695	6,339

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2008

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17b) ANALYSIS OF LONG TERM CREDITORS (cont)

£21,000k was borrowed from Coutts & Co to fund the first payment for the freehold of the school's site on 31 January 2007. This loan is repayable by fixed instalments totalling £2,121k per annum, of which £1,026k represents capital this year. A hedging facility was simultaneously arranged so that in effect interest is fixed at 5.615% on the initial instalment. 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 (£19,647k) represents less than half of the value of properties used for security.

The "Other creditor for freehold site property purchase" represents the net present value of the balance of £9,000k due in January 2014 on the Trust's purchase of its freehold. This is interest free and is secured by a specific charge over two freehold properties and a second charge over the freehold site purchased.

18. NOTES TO THE CASH FLOW STATEMENT:

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

	2008 £'000	2007 £'000
Net incoming resources	1,000	658
Interest payable	1,372	975
Interest receivable	(228)	(271)
Depreciation charges	702	733
(Increase) in stocks	(4)	-
Decrease/ (increase) in debtors	66	(74)
Increase/ (decrease) in creditors	231	(119)
Loss/(surplus) on disposal of fixed assets	(775)	3
Net cash inflow from operations	<u>2,364</u>	<u>1,905</u>

b) Analysis of cash flows and net debt

	1.9.2007 £'000	Cash flow £'000	other movements £'000	31.8.2008 £'000
Cash at bank and in hand	2,834	953	-	3,787
Debt: bank loans	(20,673)	1,026	-	(19,647)
Debt: property purchase – balance	(6,339)	-	(356)	(6,695)
Current asset investments	1,642	(119)	(52)	1,471
Total	<u>(22,536)</u>	<u>1,860</u>	<u>(408)</u>	<u>(21,084)</u>

DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2008

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19. FUNDS: DETAILED MOVEMENTS

	Note	Balance at 1 Sept 2007 £'000	Income £'000	Outgoing resources £'000	Investment gains/ (losses) £'000	Transfers £'000	Balance at 31 Aug 2008 £'000
ENDOWMENT FUND	21a	3	-	-	-	-	3
ENDOWED BURSARIES FUND	21b	386	21	(21)	-	-	386
		389	21	(21)	-	-	389
RESTRICTED FUNDS							
Knatchbull Memorial fund	21c	56	2	(2)	(4)	-	52
Prize funds	21d	15	-	-	(3)	(4)	8
Bursaries funds	21e	1,515	303	(283)	(27)	-	1,508
Development fund	21f	69	109	-	-	(170)	8
		1,655	414	(285)	(34)	(174)	1,576
UNRESTRICTED FUNDS							
DESIGNATED							
Prepaid fees	21g	-	125	(82)	(2)	(41)	-
General fund		16,129	14,059	(13,257)	(16)	241	17,156
		16,129	14,184	(13,339)	(18)	200	17,156
CHARITY total funds		18,173	14,619	(13,645)	(52)	26	19,121
Non-charity trading funds	22	-	40	(14)	-	(26)	-
GROUP		18,173	14,659	(13,659)	(52)	-	19,121

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	-	51	1	-	52
Prize funds	21d	-	11	(3)	-	8
Bursaries funds	21e	-	98	1,410	-	1,508
Development fund	21f	-	-	8	-	8
		-	160	1,416	-	1,576
UNRESTRICTED FUNDS						
DESIGNATED						
Prepaid fees	21g	-	1,253	237	(1,490)	-
General fund		45,339	58	(2,690)	(25,551)	17,156
		45,339	1,311	(2,453)	(27,041)	17,156
CHARITY total funds		45,339	1,471	(648)	(27,041)	19,121
Non-charity trading funds	22	-	-	-	-	-
GROUP		45,339	1,471	(648)	(27,041)	19,121

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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 includes sums raised for the buildings of the school and for other specific purposes through the 'annual giving programme'. 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 annual giving programme funds are used for their restricted purposes, or if these are not specified, in support of other elements of the programme as seems best, as determined by a small group of teaching and administrative staff with additional parent-body representation.

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.

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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:

	2008	2007
	£	£
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	2008	2007
		£'000	£'000
Turnover		40	34
Cost of sales		<u>(16)</u>	<u>(14)</u>
Gross profit		24	20
Administration expenses		(10)	(8)
Interest payable		<u>-</u>	<u>-</u>
Profit for the financial year		14	12
Paid to Dragon School Trust Ltd		<u>(14)</u>	<u>(12)</u>
Surplus above:		14	12
Management charges from Trust		12	12
Interest charged by Trust		<u>-</u>	<u>-</u>
Total generated for charitable use	19	<u>26</u>	<u>24</u>

23. GAIN ON DISPOSAL OF FIXED ASSETS

During the year the School sold two properties to raise funds for the freehold site property purchase. They originally cost £331k in 1996, had been amortised by £3k and realised £1,096k after selling costs, representing a gain of £768k.