



## DRAGON SCHOOL TRUST LIMITED

### GROUP ACCOUNTS FOR THE YEAR ENDED

31 AUGUST 2009

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Company number 524331

Registered charity number 309676

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# **DRAGON SCHOOL TRUST LIMITED** **ANNUAL REPORT AND ACCOUNTS 2009** **GOVERNORS, OFFICERS AND ADVISERS**

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Dragon School Trust Limited ("Dragon School" or "Trust") is a company registered under the Companies Act 2006 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

Chairman	Prof R W Ainsworth	A B R
	J R Beale	resigned 14 March 2009
	J D E Byam Shaw	B S *
	G P Candy	G P
	Mrs L J Holmes	D G M *
	C I M Jones	B G M P R S +
	Sir David Lewis	+
	G Marsh	resigned 3 June 2009
	Dr J A F Spence	A
	Lady J A K Stringer	D G
	W G Touche	G P + *
	W A Webb	G D T *
	T D Wheare	A R +
	Ms J Whitbread	S *
	Mrs G H Wilson	G P R T
	Prof D J Womersley	A

## **Committee memberships and other groups**

A	Academic Committee
B	Bursaries Committee
D	Development Committee
G	General Purposes Committee
M	Marketing Steering Group
P	Property Committee
R	Nomination and Remuneration Committee
S	Social Responsibility Committee
T	Dragon School Trading Ltd
+	Old Dragon
*	Current parent

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.

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 propose policy to the Governing Body and 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.

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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, <i>and</i> Stone King Sewell, London
Surveyors	Sidleys <i>and</i> McBains Cooper Oxford

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Registered office and address for correspondence

The Dragon School  
Bardwell Road  
Oxford  
OX2 6SS

Web-site                      [www.dragonschool.org](http://www.dragonschool.org)

e-mail contact              [bursar@dragonschool.org](mailto:bursar@dragonschool.org)

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**DRAGON SCHOOL TRUST LIMITED**  
**ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS**  
**FOR THE YEAR ENDED 31 AUGUST 2009**

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The Governors present their annual report and audited accounts for the year ended 31 August 2009 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 2008.

**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, together with contact details, are given on pages 1 to 2.

**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 November 2008.

**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 is 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.

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**DRAGON SCHOOL TRUST LIMITED**  
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**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, 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
  - comprehensive planning over appropriate time-scales both long and short
  - comprehensive management accounting, reporting and budgetary control
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**DRAGON SCHOOL TRUST LIMITED**  
**ANNUAL REPORT OF THE DRAGON SCHOOL GOVERNORS**  
**FOR THE YEAR ENDED 31 AUGUST 2009 – continued**

- 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 and by ancillary or incidental educational activities and other associated activities for the benefit of the community. 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.

In setting the School's objectives and planning its activities the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging, and its emerging findings from the public benefit assessment work 2008/9.

The School's commitment to providing financial support to pupils whose parents could not otherwise afford to consider a Dragon education predates the 2006 Charities Act and subsequent guidance from the Charities Commission. The pursuit of wider access to the School is held to be of benefit to all Dragon pupils.

### **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 continues 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. In 2008-9 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.

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**FOR THE YEAR ENDED 31 AUGUST 2009 – continued**

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 high, in large part due to the recognised high standards achieved by the School. During the year the school had (on average) 830 pupils made up of 254 boarders and 363 day children at the main school and a further 213 day pupils at Lynam's. Of the total pupils, 561 were boys and 269 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 continues to carry out specific fund-raising to enable bursaries to be awarded, in appropriate circumstances covering nearly all of the fees. Currently the School provides 25 bursary places at up to 100% grant under its '125<sup>th</sup> anniversary' scheme.

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. 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**

This has been another typical Dragon year in every respect. Pupils' academic success culminated in 39 awards to senior schools and over 71% of Common Entrance papers were assessed at A or B. Across the School the development of thinking skills in conjunction with the Learning Partnership has been integrated into the curriculum. Music and drama continue to flourish with notable achievements including the Concert Band's success in winning through to the final of the National Youth Music competition in July and over 200 children taking Associated Board and Trinity-Guildhall examinations. On the sports field, and despite the ravages of the weather in the Easter term, over 700 matches were played by Dragons in the major sports alone this year and the girls' hockey 1<sup>st</sup> XI were unbeaten.

Following the purchase of the freehold, the School continues to take small but important steps to improve its infrastructure. Refurbishment of School House continued the School's programme of modernisation of pastoral and boarding facilities across the School, while one of the School's residential properties began to be converted to a new girls' boarding house at the end of the financial year. This additional house will allow the provision for girls' boarding to mirror that for the boys, with three separate stages, as well as providing additional spaces.

In addition, the School has continued the development of its sustainable development strategy and has now been awarded the Eco Schools Silver Award. Pupil-led Eco teams have instigated a number of initiatives across the School and sustainability issues are being integrated into the curriculum at all levels.

The commitment of all the children to the wide ranging programme has been most encouraging and the School is hopeful of achieving the Green Flag status in 2009/10.

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**Key Performance Indicators (KPIs).**

- 100% of leaving children gained places at their first choice school
- 39 academic, music, art, sporting and all round awards were made by schools to Dragon pupils
- 71% of Common Entrance papers were graded A or B

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

**Bursaries and other grants** Bursaries are at the heart of the Dragon's public benefit provision. 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 £359k (2008 £304k), hardship and other grants totalling a further £336k were awarded between 37 other pupils.

**Social Impact.** The School believes that as an institution it should give strong support to the wider community. Of equal importance is the conviction that gaining a proper understanding of their social and environmental responsibilities must be a cornerstone of the education of each of our pupils. We are committed to involving all of our pupils in such projects.

**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.** Dragon musicians have played and sung in public at a variety of venues for charities and a local care home. In addition, 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 £29k (at the normal discounted rates for charitable use).

**Community.** During the year the staff and its pupils raised just over £22k 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 £96k 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 £256k for bursaries, as well as another £331k 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



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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.

### **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 was £766k (2008 £1,356k included 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 £13,580k was generated from fees, 94% of its total incoming resources.

Recurring sources of additional income are from investments £161k, mainly those held for the prepaid fees fund, and from donations £623k. The former, including bank interest, reflects the reduction in bank rates from 5% to 0.5% through the year, the latter benefited in particular from generous donations towards the new girls' boarding house.

The greatest part of the Trust's expenditure is on staff costs which at £8,084k represent 59% of resources expended, and of these, most (£5,916k – 73%) are spent on direct teaching, with an additional £1,067k (13%) on welfare and pastoral functions.

Finance costs are significant at £1,200k (9% of total resources) payable as interest on the School's bank loan. Other non-staff costs include direct expenditure on teaching (£1,071k, 8% of total resources), premises (£1,420k, 10%) and welfare £1,118k (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 £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 (£1,285k capital repaid). Notwithstanding this, however, the School spent £219k on property and building improvements and a further £239k on other equipment. The main property project was the new girls' boarding house, with a further £236k contractually committed as at the year-end on this.

Other additions include several new multifunction printing/copying devices around the School (which are financed by lease arrangements), a range of ICT improvements including improved storage and backup facilities, a new computer-controlled laser-cutter for the design and technology department, and ten new sculls for the boatclub (funded by specific donation).

The Trust's balance sheet is dominated by the cost of its freeholds £44,602k, in particular the main site purchased two years ago for £29,733k, this was substantially funded by bank loan and deferred payment.

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### **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 for the next decade are to:

#### Academic Development

- Maintain a leading position and reputation for innovative and exciting teaching and learning
- Maximise all children's learning potential by improving thinking skills and 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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**FUTURE PLANS –**

**Pastoral Development 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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**STATEMENT OF GOVERNORS' RESPONSIBILITIES**

The Governors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Governors to prepare financial statements for each financial year. Under that law the Governors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Trust and its subsidiary ("the group"), and of the result of the group for that year.

In preparing these financial statements, the Governors are required to.

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the Trust and subsidiary's transactions and disclose with reasonable accuracy at any time the financial position of the Trust and subsidiary and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 group'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  
6 March 2010

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

### INDEPENDENT AUDITOR'S 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 2009 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Cash Flow Statement and the related notes. The 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 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### *Respective responsibilities of Governors and auditors*

The Governors, who are also the directors of the company for the purposes of company law, are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view, as set out in the Statement of Governors' Responsibilities.

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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Governors' Report is consistent with those financial statements. In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Governors' remuneration specified by law are not made.

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 of the state of the group's and charitable company's affairs as at 31 August 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the Governors' Report is consistent with the financial statements.

David Sewell (Senior Statutory Auditor)  
for and on behalf of Haysmacintyre, Statutory Auditor

Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY

10 March 2010

# **DRAGON SCHOOL TRUST LIMITED**

## **GROUP STATEMENT OF FINANCIAL ACTIVITIES (SoFA) FOR THE YEAR ENDED 31 AUGUST 2009**

	Note	Unrestricted funds		Restricted funds	Endowed funds	Total funds 2009	Total funds 2008
		Schools	Trading				
		£'000	£'000	£'000	£'000	£'000	£'000
<b>INCOMING RESOURCES</b>							
<b>Income from charitable activity</b>							
School fees	2	13,580	-	-	-	13,580	13,160
Other educational	3	38	-	-	-	38	49
Other ancillary trading	3	31	-	-	-	31	63
<b>Income from generated funds</b>							
Dragon Trading turnover	22	-	27	-	-	27	40
Investment income	4	123	-	31	7	161	228
Donations		31	-	592	-	623	351
<b>Other incoming resources</b>							
Gain on disposal of fixed assets	23	-	-	-	-	-	768
<b>Total incoming resources</b>		13,803	27	623	7	14,460	14,659
<b>RESOURCES EXPENDED</b>							
<b>Costs of generating funds</b>							
Fundraising for voluntary resources		214	-	-	-	214	299
Dragon Trading costs		-	13	-	-	13	10
Other costs		115	-	-	-	115	100
<b>Total costs of generating funds</b>		329	13	-	-	342	409
<b>Charitable expenditure</b>							
Schools and grantmaking		11,753	-	355	7	12,115	11,841
Schools - financing costs	5	1,200	-	-	-	1,200	1,016
<b>Total charitable expenditure</b>		12,953	-	355	7	13,315	12,857
<b>Governance costs</b>							
		35	2	-	-	37	37
<b>Total resources expended</b>	6	13,317	15	355	7	13,694	13,303
<b>NET INCOMING RESOURCES BEFORE NOTIONAL PROPERTY LOAN INTEREST</b>							
			498	268	-	766	1,356
Notional property loan interest	1j,5		(376)	-	-	(376)	(356)
<b>NET INCOMING RESOURCES</b>			122	268	-	390	1,000
Investment gains/(losses)			17	(24)	-	(7)	(52)
Transfers between funds	19		183	(183)	-	-	-
<b>NET MOVEMENT IN FUNDS</b>			322	61	-	383	948
Fund balances at 1 September 2008			17,156	1,576	389	19,121	18,173
<b>FUND BALANCES AT 31 AUGUST 2009</b>			17,478	1,637	389	19,504	19,121

All activities are continuing

The above results include unrealised gains on investments £7k (2008 losses £52k) The net movement in funds excluding this amount is £390k (2008 £1,000k)

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 2009**

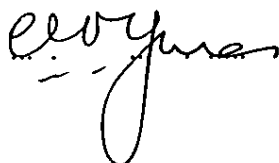
Registered company number: 524331
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	Note	Group 2009 £'000	2008 £'000	Charity 2009 £'000	2008 £'000
<b>Fixed assets</b>					
Tangible assets for operational use	10	45,092	45,339	45,092	45,339
Investments	22			-	-
		<u>45,092</u>	<u>45,339</u>	<u>45,092</u>	<u>45,339</u>
<b>Current assets</b>					
Stocks	12	28	24	20	18
Debtors	13	338	377	337	369
Investments	14	1,234	1,471	1,234	1,471
Cash at bank and in hand	15	3,840	3,787	3,840	3,787
		<u>5,440</u>	<u>5,659</u>	<u>5,431</u>	<u>5,645</u>
Creditors due within one year	16	(4,583)	(4,836)	(4,574)	(4,822)
Net current assets		<u>857</u>	<u>823</u>	<u>857</u>	<u>823</u>
Total assets less current liabilities		<u>45,949</u>	<u>46,162</u>	<u>45,949</u>	<u>46,162</u>
Creditors amounts due in more than one year	17	(26,445)	(27,041)	(26,445)	(27,041)
Total net assets	20	<u>19,504</u>	<u>19,121</u>	<u>19,504</u>	<u>19,121</u>
Endowment funds		389	389	389	389
Restricted funds		1,637	1,576	1,637	1,576
Unrestricted funds general		17,478	17,156	17,478	17,156
Fund balances	19	<u>19,504</u>	<u>19,121</u>	<u>19,504</u>	<u>19,121</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 6 March 2010 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 2009**

	Note	2009	2008
		£'000	£'000
Net cash inflow from operations	18a	2,249	2,364
Returns on investments and servicing of finance			
Interest paid	(956)		(986)
Investment income receipts	175		227
		(781)	(759)
Capital expenditure and financial investment			
Payments for tangible fixed assets	(458)		(821)
Proceeds from sale of fixed assets	-		1,111
		(458)	290
Management of liquid resources			
Proceeds from redemption of investments	230		119
Acquisition of investments	-		-
		230	119
Cash inflow/(outflow) before movements on prepaid fees and financing		1,240	2,014
Prepaid fees scheme			
Received	829		654
Utilised	(731)		(689)
		98	(35)
Property loan advanced	-		-
Property loan repaid	(1,285)		(1,026)
		(1,285)	(1,026)
Increase in cash	18b	53	953

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 2009**

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**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 2006, 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 s408 of the Companies Act 2006, 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.

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**DRAGON SCHOOL TRUST LIMITED**  
**NOTES TO THE GROUP ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2009**

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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**

	2009	2008
	£'000	£'000
School fees and extras	13,916	13,444
<i>less</i> scholarships, bursaries and grants	(695)	(588)
	<u>13,221</u>	<u>12,856</u>
Bursaries paid from restricted funds	359	304
	<u>13,580</u>	<u>13,160</u>

All income is generated in the UK.

**3 OTHER INCOME**

Other educational charitable activities

Courses, holiday courses, conferences

Registration fees

1	7
37	42
<u>38</u>	<u>49</u>

Other ancillary trading income

Commission and similar income

Concert and event tickets

Other

13	13
-	30
18	20
<u>31</u>	<u>63</u>

**DRAGON SCHOOL TRUST LIMITED**  
**NOTES TO THE GROUP ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2009**

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4 INVESTMENT INCOME	2009	2008
	£'000	£'000
Investment income arises from		
Listed investments	89	106
Bank deposits	39	86
Other sources	33	36
	<u>161</u>	<u>228</u>
 5 FINANCING COSTS		
Interest payable is due to		
Bank loans and overdrafts	1,108	931
Discount allowed on prepaid fees schemes	90	82
Other	2	3
	<u>1,200</u>	<u>1,016</u>
Notional interest on property loan	376	356
	<u>1,576</u>	<u>1,372</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
<b>Cost of generating funds</b>				
Fundraising for voluntary resources	152	-	62	214
Dragon Trading costs	-	-	13	13
Other costs	4	-	111	115
<b>Total cost of generating funds</b>	<u>156</u>	<u>-</u>	<u>186</u>	<u>342</u>
 <b>Charitable expenditure</b>				
Schools and grantmaking				
Teaching	5,916	230	841	6,987
Welfare	1,067	43	1,075	2,185
Premises	255	405	1,015	1,675
Support costs of schooling	690	27	190	907
Grants, awards and prizes	-	-	361	361
	<u>7,928</u>	<u>705</u>	<u>3,482</u>	<u>12,115</u>
Schools - financing costs*	-	-	1,200	1,200
<b>Total charitable expenditure</b>	<u>7,928</u>	<u>705</u>	<u>4,682</u>	<u>13,315</u>
 <b>Governance costs</b>	<u>-</u>	<u>-</u>	<u>37</u>	<u>37</u>
 <b>Total resources expended</b>	<u>8,084</u>	<u>705</u>	<u>4,905</u>	<u>13,694</u>
*add Notional property loan interest	-	-	376	376
<b>Total outgoing resources</b>	<u>8,084</u>	<u>705</u>	<u>5,281</u>	<u>14,070</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 2009**

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**6 ANALYSIS OF TOTAL RESOURCES EXPENDED (cont)**

	2009 £'000	2008 £'000
Included in 'other costs' are		
Auditors' remuneration (incl VAT where non-recoverable)		
- for audit	13	13
- for other services	4	11
Operating leases - land and buildings	16	21
Included in 'depreciation' is		
(Surplus)/deficit on disposal of fixed assets	-	(8)
Additional surplus on disposal of freehold property is included in 'other incoming resources' for 2008 – see also note 23		

**7a) EMPLOYEES**

	2009 £'000	2008 £'000
Staff costs		
Wages and salaries	6,799	6,588
National Insurance	550	519
Pension costs	735	693
Total as in note 6	8,084	7,800
The numbers of employees whose remuneration was over £50k fell into the following bands	No	No
£50 - £60k	8	6
£60 - £70k	2	4
£70 - £80k	2	2
£90 - £100k	-	1
£100- £110k	1	-
£110- £120k	1	-
£120- £130k	-	1
Of these higher paid staff all had defined contribution pension schemes, total cost	£'000 116	£'000 105
Total pension costs were made up of	£'000	£'000
TPA pension contributions	593	554
Defined contribution schemes	142	139
	735	693

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 £402 (2008 £367).

	2009	2008
The average number of employees was		
Teaching	No 155	No 159
Pensioners	15	16
Support staff	93	93
Development	7	7
(These figures exclude Governors)	270	275

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 multi-employer defined benefits pension scheme and it is not possible or appropriate to identify the assets and liabilities of the Scheme which are attributable to the School

The latest actuarial valuation of the Scheme by the Government Actuary issued in October 2006 relating to the period 1<sup>st</sup> April 2001 to 31<sup>st</sup> March 2004 revealed that the total liabilities of the Scheme (pensions currently in payment and estimated costs of future benefits) exceeded the value of the Scheme's assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) by 2.0%

From 1<sup>st</sup> January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution rate has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance the Scheme's assets and liabilities within 15 years as required by the regulations), a total contribution rate of 20.5%. This translates into an employer contribution rate of 14.1% and an employee contribution rate of 6.4%. The cost-sharing agreement has also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable. The valuation of the Scheme by the Government Actuary as at 31<sup>st</sup> March 2008 is expected to be issued early in 2010.

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 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 £69k (2008 £75k). 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 £28k (incl VAT, 2008 £10k), as at the year-end a balance of £1k (2008 £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 £10k (incl VAT, 2008 £13k), no amount was due as at the year-end (2008 £nil).

One Governor is a partner in a firm of accountants appointed by the School to provide assistance with financial modelling in the latter part of the year. An amount of £5k is accrued with respect to work done but not yet invoiced in this respect.

**DRAGON SCHOOL TRUST LIMITED**  
**NOTES TO THE GROUP ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2009**

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**8 RELATED PARTIES (continued)**

One Governor retired during the year and, with permission from the Charity Commission, immediately took up post as a consultant

During the year Smaug Abroad Ltd, a company formerly 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. (The company was sold to an unconnected person during the year.)

**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 £585k (2008 £669k) 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
<b>Cost</b>					
at 1 Sept 2008	47,311	16	153	2,373	49,853
additions	219	-	-	239	458
disposals	-	(16)	-	(1)	(17)
at 31 Aug 2009	47,530	-	153	2,611	50,294
<b>Depreciation</b>					
at 1 Sept 2008	2,551	16	121	1,826	4,514
charge	377	-	16	312	705
released	-	(16)	-	(1)	(17)
at 31 Aug 2009	2,928	-	137	2,137	5,202
<b>Net book value</b>					
at 1 Sept 2008	44,760	-	32	547	45,339
at 31 Aug 2009	44,602	-	16	474	45,092

The rebuild cost of properties included in freehold and leasehold was approximately £32,440k at the most recent insurance review (September 2009). 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. The School does not own any heritage assets.

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 2009**

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**11 COMMITMENTS, CAPITAL AND OPERATING LEASES**

The Trust had capital commitments of £236k (2008 £7k) 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 £30k (2008 £nil)

**12 STOCKS**

	Group		Parent company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Goods for resale	8	6	-	-
Consumables	20	18	20	18
	<u>28</u>	<u>24</u>	<u>20</u>	<u>18</u>

**13 DEBTORS**

	Group		Parent company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade debtors	235	242	235	217
Amount owed by subsidiary	-	-	-	20
Loans	8	3	8	3
Prepayments	90	67	90	67
Accrued income	5	65	4	62
	<u>338</u>	<u>377</u>	<u>337</u>	<u>369</u>

**14 INVESTMENTS HELD AS CURRENT ASSETS**

	Group and parent company	
	2009	2008
	£'000	£'000
Investments are shown at value		
U K Government stocks	1,050	1,253
Other U K listed investments	184	218
	<u>1,234</u>	<u>1,471</u>
Historical cost	<u>1,257</u>	<u>1,525</u>
Value of investments		
brought forward	1,471	1,642
disposals at value brought forward	(230)	(119)
acquired	-	-
change in unrealised values	(7)	(52)
carried forward	<u>1,234</u>	<u>1,471</u>

Included in the above are M&G Charifund units at £138k, and six different holdings of various government stocks, each representing more than 5% of the total investments held.

**15 CASH AT BANK AND IN HAND**

	Group		Parent company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Cash on deposit	564	1,530	564	1,530
Current bank accounts and petty cash	3,276	2,257	3,276	2,257
	<u>3,840</u>	<u>3,787</u>	<u>3,840</u>	<u>3,787</u>

**DRAGON SCHOOL TRUST LIMITED**  
**NOTES TO THE GROUP ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2009**

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**16 CREDITORS FALLING DUE  
WITHIN ONE YEAR**

	Group		Parent company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Bank loans (note 17)	1,058	1,169	1,057	1,169
Taxation and social security	243	242	243	238
Trade creditors	626	659	626	658
Accruals	450	266	442	257
Deferred income				
- fees received in advance	877	1,239	877	1,239
- deposits held	135	113	135	113
- prepaid fees scheme (note 17)	729	673	729	673
Due under finance leases	15	-	15	-
Other creditors – residential property purchase	450	475	450	475
	<u>4,583</u>	<u>4,836</u>	<u>4,574</u>	<u>4,822</u>

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

**Group and parent company**

	2009	2008
	£'000	£'000
Bank loans	17,306	18,478
Other creditors freehold site property purchase	7,071	6,695
Deferred income prepaid fees	1,622	1,490
Deposits held	431	378
Due under finance leases	15	-
	<u>26,445</u>	<u>27,041</u>

**b) ANALYSIS OF LONG TERM CREDITORS**

Long term creditors are due in less than five years  
except as follows

**Bank loans**

due within one year	1,056	1,169
due between two and five years	5,100	4,808
due in more than five years	12,206	13,670
	<u>18,362</u>	<u>19,647</u>

**Deferred income - prepaid fees**

due within one year	729	673
due between two and five years	1,490	1,377
due in more than five years	132	113
	<u>2,351</u>	<u>2,163</u>

**Other creditor freehold site property purchase**

due between two and five years	7,071	-
due in more than five years	-	6,695



**DRAGON SCHOOL TRUST LIMITED**  
**NOTES TO THE GROUP ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2009**

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**17b) ANALYSIS OF LONG TERM CREDITORS (continued)**

£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 (£18,362k) represents less than half of the value of properties used for security.

The "Other creditor for freehold site property purchase" £7,071k 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**

	2009 £'000	2008 £'000
Net incoming resources	390	1,000
Interest payable	1,576	1,372
Interest receivable	(161)	(228)
Depreciation charges	705	702
(Increase) in stocks	(4)	(4)
Decrease/ (increase) in debtors	25	66
Increase/ (decrease) in creditors	(282)	231
Loss/(surplus) on disposal of fixed assets	-	(775)
Net cash inflow from operations	<u>2,249</u>	<u>2,364</u>

**b) Analysis of cash flows and net debt**

	1 Sept 2008 £'000	Cash flow £'000	other movements £'000	31 Aug 2009 £'000
Cash at bank and in hand	3,787	53	-	3,840
Debt bank loans	(19,647)	1,285	-	(18,362)
Debt property purchase – balance	(6,695)	-	(376)	(7,071)
Current asset investments	1,471	(230)	(7)	1,234
Total	<u>(21,084)</u>	<u>1,108</u>	<u>(383)</u>	<u>(20,359)</u>

**DRAGON SCHOOL TRUST LIMITED**  
**NOTES TO THE GROUP ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2009**

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**19. FUNDS DETAILED MOVEMENTS**

	Note	Balance at 1 Sept 2008 £'000	Income £'000	Outgoing resources £'000	Investment gains/ (losses) £'000	Transfers £'000	Balance at 31 Aug 2009 £'000
<b>ENDOWMENT FUND</b>	21a	3	-	-	-	-	3
<b>ENDOWED BURSARIES FUND</b>	21b	386	7	(7)	-	-	386
		389	7	(7)	-	-	389
<b>RESTRICTED FUNDS</b>							
Knatchbull Memorial fund	21c	52	6	(3)	(5)	-	50
Prize funds	21d	8	1	-	(2)	(3)	4
Bursaries funds	21e	1,508	285	(352)	(17)	-	1,424
Development fund	21f	8	331	-	-	(180)	159
		1,576	623	(355)	(24)	(183)	1,637
<b>UNRESTRICTED FUNDS</b>							
<b>DESIGNATED</b>							
Prepaid fees	21g	-	95	(90)	28	(33)	-
<b>General fund</b>		17,156	13,708	(13,603)	(11)	228	17,478
		17,156	13,803	(13,693)	17	195	17,478
<b>CHARITY total funds</b>		19,121	14,433	(14,055)	(7)	12	19,504
<b>Non-charity trading funds</b>	22	-	27	(15)	-	(12)	-
<b>GROUP</b>		19,121	14,460	(14,070)	(7)	-	19,504

**20 FUNDS NET ASSETS**

	Note	Fixed Assets £'000	Invest- ments £'000	Other net current assets £'000	Long term liabilities £'000	Total net assets £'000
<b>ENDOWMENT FUND</b>	21a	-	-	3	-	3
<b>ENDOWED BURSARIES FUND</b>	21b	-	-	386	-	386
		-	-	389	-	389
<b>RESTRICTED FUNDS</b>						
Knatchbull Memorial fund	21c	-	46	4	-	50
Prize funds	21d	-	9	(5)	-	4
Bursaries funds	21e	-	81	1,343	-	1,424
Development fund	21f	-	-	159	-	159
		-	136	1,501	-	1,637
<b>UNRESTRICTED FUNDS</b>						
<b>DESIGNATED</b>						
Prepaid fees	21g	-	1,050	572	(1,622)	-
<b>General fund</b>		45,092	48	(2,839)	(24,823)	17,478
		45,092	1,098	(2,267)	(26,445)	17,478
<b>CHARITY total funds</b>		45,092	1,234	(377)	(26,445)	19,504
<b>Non-charity trading funds</b>	22	-	-	-	-	-
<b>GROUP</b>		45,092	1,234	(377)	(26,445)	19,504

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 and cash deposits are held against the future liabilities.

**DRAGON SCHOOL TRUST LIMITED**  
**NOTES TO THE GROUP ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2009**

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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.

	2009	2008
	£	£
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	2009	2008
		£'000	£'000
Turnover		27	40
Cost of sales		<u>(18)</u>	<u>(16)</u>
Gross profit		9	24
Administration expenses		<u>(9)</u>	<u>(10)</u>
Interest payable		-	-
Profit for the financial year		<u>-</u>	<u>14</u>
Paid to Dragon School Trust Ltd		<u>-</u>	<u>(14)</u>
Surplus above		-	14
Management charges from Trust		12	12
Interest charged by Trust		<u>-</u>	<u>-</u>
Total generated for charitable use	19	<u>12</u>	<u>26</u>

**23 GAIN ON DISPOSAL OF FIXED ASSETS**

In the previous 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.