
DRAGON SCHOOL TRUST LIMITED
GROUP ACCOUNTS FOR THE YEAR ENDED
31ST AUGUST 2002

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Company number: 524331

Registered charity number: 309676



DRAGON SCHOOL TRUST LIMITED

GOVERNORS AND CONSTITUTION

Dragon School Trust Limited is a company registered under the Companies Act 1985 and a registered charity. It is a company limited by guarantee. Dragon School Trading Limited, also a registered company, is a wholly-owned trading subsidiary of the Trust.

The Governors of the Dragon School Trust Limited are also trustees of the charity, directors and members of the company. During the year those serving were:

	M J Beloff	
	J D Bolsover	
P	Dr C L Bradley	
* †	Mrs M Eastwood	
P	A Hall	
*	N J A Kane	(chairman)
*	D T R Lewis	
	G Marsh	
†	S Parker Bowles	
*	R J C Shuttleworth	
	T D Wheare	
†	A Williams	(appointed 14 June 2002)
*	Mrs G H Wilson	
* †	G Windsor-Lewis	
* P	Dr D J Womersley	
*	members of the General Purposes Committee	
†	members of the Development Committee	
P	current parent	

The General Purposes Committee (GPC) is a sub-committee with 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.

New Governors are appointed by the members of the company (who are congruent with the board of Governors). Governors hold office for six years, whereupon they may be reappointed. Governors retire at the age of 70 unless a Special Resolution is passed to allow continuation in office. There may be no more than 20 and no fewer than seven Governors. The liability of the members is limited to £1 each.

The Headmaster was R.S. Trafford to 31 August 2002; J.R.Baugh was appointed Headmaster from 1 September 2002. The company secretary and Bursar is C N C Williams. Both Headmaster and Bursar attend Governors' meetings.



DRAGON SCHOOL TRUST LIMITED

PROFESSIONAL ADVISORS AND CONTACTS

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

Architects:	MEB Partnership Sevenoaks Kent
Auditors:	Critchleys Oxford
Bankers:	Barclays Bank plc Oxford
Insurance brokers:	H S B C Insurance Haywards Heath West Sussex
Investment advisors:	Brewin Dolphin Securities Limited Lymington Hampshire
Pension advisors:	Mathews Comfort & Co Limited Oxford
Solicitors:	Morgan Cole Oxford
Surveyors:	James Styles and Whitlock 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

REPORT OF THE GOVERNORS

The Governors present their annual report and the accounts for the year ended 31st August 2002 in compliance with current statutory requirements 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 2001.

OBJECTS

Dragon School Trust's primary object is to run the Dragon School, Oxford, though the company's objects allow it to run any other school. In accordance with these objects, the 'Dragon School' is a preparatory school for boys and girls from 8 to 13 years old; it also runs a preparatory school 'Lynams', which is based at a separate site a short distance from the main school. 'Lynams' takes children from the age of 4. As well as providing education to a high academic standard the school excels at sporting activities and non-academic subjects.

ORGANISATION

The Governors determine the general policy of the Trust. Sub-committees of the governing body are formed to deal with specialist matters as necessary. The day-to-day management of the school is delegated to the Headmaster and the Bursar.

REVIEW

2001/2002 was an excellent year for the Dragon, not least academically. Thirty-nine awards were won to senior schools, including eight music and six art, and Common Entrance results were extremely good too, with the 39 children in the 'lowest' three forms gaining no fewer than 131 A grades between them. Academic standards remain encouragingly high across all levels.

Games teams were successful, not least in the number of teams fielded with 16 or 17 on the same day being not unusual. This gives an opportunity for many pupils to play for the school, with an increasingly diverse spectrum of sports including golf, sailing, riding and sculling.

At Lynams the new classroom block opened on time in April 2002 and proved much more than just a single teaching block as the opportunity has been taken to link together the various buildings with corridors and staircases, making the whole site feel more coherent and friendly. At the same time investment in an ICT suite will mean that the basic computer skills will be taught at an earlier age for Dragons allowing these skills, like reading and writing, to be used for other subjects as the pupils move up the school.

The school's drama flourishes with a production of *The Pirates of Penzance* in the Easter term, as well as numerous other plays put on by various year-groups. Music studies, as mentioned above, achieved several music awards, and performances both group and individual in concerts have shown the fruit of patient ground-work from early years.

Internationally the school continued to foster its links with France and Japan through its exchange programmes and visits, and sent a rugby team to South Africa in the summer holidays.

At the end of the academic year the Headmaster, Roger Trafford, retired after nine years in which he and his wife Cheryl led the school forward to new strengths and achievements. The Governors appointed John Baugh from Edge Grove School to succeed him after an extensive search and due consideration of



DRAGON SCHOOL TRUST LIMITED

REPORT OF THE GOVERNORS - CONTINUED

a wide selection of candidates. The Governors have confidence that the school will continue to flourish in the future as it has in the past.

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

PUPIL NUMBERS

Demand for school places continues to exceed capacity. During the year the school had (on average) 836 pupils made up of 275 boarders and 357 day children at the main school and a further 204 pupils at Lynams. Although a few places open up due to unexpected changes in parental circumstances, waiting lists are lengthy at all levels of the school.

FINANCIAL RESULTS

The Trust's accounts reflect its general success as a school and the operating surplus of £1,570k (2001: £1,492k) is invested in the major capital projects needed to keep the school in the forefront of preparatory education. Inevitably, the demand for capital investment continues to exceed available resources, even after the generosity of donors, 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.

FIXED ASSETS

In the opinion of the Governors the market value of the Trust's freehold and long leasehold properties is considerably in excess of book value based on the current use of the properties. No independent professional valuation has been carried out. The school has a continuing programme of upgrade and improvement to facilities; during the year it spent £1,011k on property and £284k on other assets. Main elements of these include the completion of the redevelopment of the Lynams site, which opened at Easter 2002, and the upgrade of boarding facilities.

TRADING COMPANY

The Trust's wholly owned trading company, Dragon School Trading Limited, is used to generate income for the School through the hire of facilities and marketing of educational products and 'Dragonalia'. Profits are covenanted to the Trust.

RESERVES

The Governors review the restricted and designated reserves regularly. The named restricted funds have specific trustees appointed; these trustees are drawn from the Governors, staff and other associates of the school. 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. Most of the general reserve is represented by fixed assets, especially the school buildings, as shown on the balance sheet. It is thus not excessive. Free reserves are monitored termly by reference to cash flows projected to the end of the academic year and then for a further ten years, with the objective of scheduling major expenditure for the school as early as possible within the funds available. Sufficient current assets are held to meet the liabilities of other funds.



DRAGON SCHOOL TRUST LIMITED

REPORT OF THE GOVERNORS – CONTINUED

GRANTS AND DONATIONS; BURSARIES AND SCHOLARSHIPS

Grants are made from the Bursaries and Scholarships fund in recognition of academic potential or to provide financial help with the fees. Of the 836 pupils, 47 have had some financial assistance with their fees through discounts or grants from the Trust's funds.

Where significant financial help may be required, a subcommittee of the trustees consider 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.

Specific funds also make grants and donations on a similar basis.

In addition to its existing programme of scholarships and fees-help, the school has started positively to solicit donations from parents and associates to help fund a new bursaries scheme to enable more children whose parents would not otherwise be able to afford the fees to attend.

INVESTMENT POWERS, POLICIES AND PERFORMANCE

The Trust's investment powers are governed by the Memorandum of Association of the company. These permit funds to be invested in or upon such investments, securities or property as may be thought fit. The Trust has two main groups of investments, with respect to prepaid fees and to the freehold fund. 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.

The freehold fund is held for short term purposes in quoted investments (for convenience and reduction of risk, through unit trust units) with a view to capital growth, and, as opportunities avail, in local freehold property; any property held thus may be made available for the Trust's current purposes rather than used to generate income from third parties.

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

The performance of prepaid fees investments is predetermined upon purchase by the gross yield to redemption. The freehold fund investments lost value to the year-end, but less than many other stock-market investments. An opportunity to invest in appropriate freehold has been identified and, since the year-end, taken. Investments held from sundry donations suffered considerable loss in capital value over last year and will be held pending an expected improvement in the stock market.

RISK ASSESSMENT

The Trustees have examined the principal areas of the Trust's operation and considered the major risks faced in each of these areas. In the opinion of the Governors, the Trust has established systems which, under normal conditions, should allow these risks to be mitigated to an acceptable level in its day to day operations.

ASSOCIATED CHARITY

The Trust has an associated charity, 'The Lynam Educational Fund', whose objects include assistance with school fees in cases of need but which has general charitable objects in addition. Further information may be obtained from the Bursar.



DRAGON SCHOOL TRUST LIMITED
REPORT OF THE GOVERNORS - CONTINUED

FUNDRAISING

The Trust's fundraising is handled by its Development Office which in addition to fundraising, maintains contacts with alumni, and co-ordinates social events. Following appointment of a new director of this office operational effectiveness has been improved.

FUNDRAISING FOR OTHERS AND OTHER COMMUNITY INVOLVEMENT

The School actively promotes the use of its facilities by other groups in the community particularly those involved in educational or child-related activities, letting others use its facilities at a discounted rate or gratis. It has a programme whereby teachers of specialist subjects such as Classics and PSHE teach teachers and children from other non-fee-paying schools without this expertise. Surplus equipment is donated to other schools or charities.

During the year the school and its pupils raised just under £9k for other charities through cake sales, Red Nose Day, play collections, and similar events. In addition the Dragon Christmas Sale, run by the parents and held at the end of the Christmas term on the school's premises, raised a further £48k for various charities.

ON BEHALF OF THE GOVERNORS,



N.J.A.Kane
Chairman

8 March 2003



DRAGON SCHOOL TRUST LIMITED

STATEMENT OF GOVERNORS' RESPONSIBILITIES

Company law requires the Governors to ensure that accounts are prepared for each accounting year which give a true and fair view of the state of affairs of the Trust and of the results for that year.

In the preparation of those accounts, the Governors are required to ensure that appropriate accounting policies are selected and then applied consistently; making judgements and estimates that are reasonable and prudent; and ensuring that the accounts are prepared on a going concern basis unless it is inappropriate to presume that the Trust will continue in business.

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

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.



Independent auditors report

to the members of Dragon School Trust Limited

We have audited the accounts of Dragon School Trust Limited for the year ended 31 August 2002 which comprise the Group Statement of Financial Activities, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Governors' Responsibilities the Trust's Governors, who are also the directors of Dragon School Trust Limited for the purposes of company law, are responsible for the preparation of accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Governors' Report is not consistent with the accounts, if the 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 directors' remuneration and transactions with the company 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 opinion

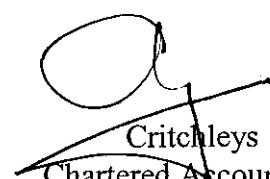
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material mis-statement, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the group and charitable company's state of affairs as at 31 August 2002 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Oxford
8 March 2003


Critchleys
Chartered Accountants
Registered Auditors



DRAGON SCHOOL TRUST LIMITED

GROUP STATEMENT OF FINANCIAL ACTIVITIES (SoFA) FOR THE YEAR ENDED 31ST AUGUST 2002

	Note	Unrestricted funds		Restricted funds	Endowed funds	Total funds	
		Schools	Other			2002	2001
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Charitable activities							
School fees	2.	8,835	-	-	-	8,835	7,968
Other income	3.	77	-	-	-	77	86
Other activities to generate funds							
Charitable trading	3.	43	-	-	-	43	30
Non-charitable trading	21.	-	66	-	-	66	59
Investment income	4.	165	-	4	-	169	157
Donations		-	-	175	-	175	296
Other incoming resources		-	-	-	-	-	-
Total incoming		9,120	66	179	-	9,365	8,596
RESOURCES EXPENDED							
Costs of generating funds							
Non-charitable trading		-	42	-	-	42	54
Financing costs	5.	223	-	-	-	223	298
Fund raising		101	-	-	-	101	155
Total costs of generating funds		324	42	-	-	366	507
Charitable expenditure							
Teaching		4,082	-	2	-	4,084	3,729
Welfare		1,377	-	-	-	1,377	1,199
Premises		1,200	-	-	-	1,200	986
Support costs		630	-	-	-	630	619
Grants, awards and prizes		-	-	4	-	4	2
Management and administration		15	8	-	-	23	21
Total charitable expenditure		7,304	8	6	-	7,318	6,556
Total expended	6.	7,628	50	6	-	7,684	7,063
NET INCOMING RESOURCES							
Investment gains/(losses)			1,508	173	-	1,681	1,533
Transfers between funds	19.		(99)	(12)	-	(111)	(41)
NET MOVEMENT IN FUNDS			1,607	(37)	-	1,570	1,492
Fund balances at 1 September 2001			8,730	191	3	8,924	7,432
FUND BALANCES AT 31 AUGUST 2002			10,337	154	3	10,494	8,924

All activities are continuing.

The above results include unrealised losses on investments £101k (2001 £42k). The net movement in funds excluding these amounts is £1,671k (2001 £1,534k).

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

The notes on pages 7 to 17 form part of these accounts. In particular, notes 19 and 20 provide additional detail about specific funds.



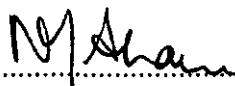
DRAGON SCHOOL TRUST LIMITED

GROUP BALANCE SHEET SHOWING ANALYSIS OF ASSETS BY FUND TYPE AS AT 31ST AUGUST 2002

	Note	Unrestricted funds		Restricted funds	Endowed funds	Total funds	2001
		Schools	Other (Trading subsid')			2002	
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets							
Tangible assets for operational use	10.	12,784	-	-	-	12,784	11,869
		12,784	-	-	-	12,784	11,869
Current assets							
Stocks	12.	18	7			25	26
Debtors	13.	151	9	-	-	160	137
Investments	14.	1,378	-	50	-	1,428	893
Cash at bank and in hand	15.	1,825	(2)	-	-	1,823	1,763
Cash - analysis of central account		(99)	(8)	104	3	-	-
		3,273	6	154	3	3,436	2,819
Creditors: due within one year	16.	(2,716)	(6)	-	-	(2,722)	(2,345)
Net current assets/(liabilities)		557	-	154	3	714	474
Total assets less current liabilities		13,341	-	154	3	13,498	12,343
Creditors: amounts due in more than one year	17.	(3,004)	-	-	-	(3,004)	(3,419)
Total net assets		10,337	-	154	3	10,494	8,924
Funds under management	19.	10,337	-	154	3	10,494	8,924

The notes on pages 7 to 17 form part of these accounts.

Approved by the Governors on 8 March 2003 and signed on their behalf by

N. J. A. Kane  Chairman of Governors



DRAGON SCHOOL TRUST LIMITED

PARENT COMPANY BALANCE SHEET AS AT 31ST AUGUST 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets for operational use	10.	12,784	11,869
Investment assets	9.	-	-
		<u>12,784</u>	<u>11,869</u>
Current assets			
Stocks	12.	18	13
Debtors	13.	160	145
Investments	14.	1,428	893
Cash at bank and in hand	15.	1,824	1,761
		<u>3,430</u>	<u>2,812</u>
Creditors: due within one year	16.	<u>(2,716)</u>	<u>(2,338)</u>
Net current assets/(liabilities)		714	474
Total assets less current liabilities		<u>13,498</u>	<u>12,343</u>
Creditors: amounts due in more than one year	17.	(3,004)	(3,419)
Total net assets		<u>10,494</u>	<u>8,924</u>
Funds under management	19.		
Endowment		3	3
Restricted		154	191
Unrestricted: designated		563	198
Unrestricted: general		9,774	8,532
		<u>10,494</u>	<u>8,924</u>

The notes on pages 7 to 17 form part of these accounts.



DRAGON SCHOOL TRUST LIMITED

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2002

	Note	2002	2001
		£'000	£'000
Net cash inflow from operations	18a.	2,402	2,311
Returns on investments and servicing of finance			
Interest paid	(210)		(283)
Investment income receipts	169		151
		(41)	(132)
Capital expenditure and financial investment			
Payments for tangible fixed assets	(1,295)		(920)
Proceeds from sale of fixed assets	1		7
		(1,294)	(913)
Management of liquid resources			
Proceeds from redemption of investments	95		17
Acquisition of investments	(741)		(332)
		(646)	(315)
Cash inflow/ (outflow) before movements on prepaid fees and financing		421	951
Prepaid fees scheme:			
Received	351		143
Repaid	-		-
Utilised	(154)		(107)
		197	36
Property loan advances/ (repayments)		(558)	70
Increase/ (decrease) in cash	18b.	60	1,057

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 7 to 17 form part of these accounts.



DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 2002

1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts are prepared under the historical cost convention as modified by the revaluation of listed investments and in compliance with SORP 2000 and all applicable accounting standards. The accounts also comply with Companies Act requirements. The following accounting policies have been used consistently in dealing with items which are considered material in relation to the group's accounts.

b) Incoming resources

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.

c) Classification of resources expended

The classification of resources expended follows the 'guidance on the charities SORP for independent schools' produced by a joint ISBA/IAPS working group. In general, this distinguishes between the costs associated with generating funds and those of running the school ('charitable expenditure'). Included in the latter, 'management and administration' costs are costs of Governors' meetings, legal and professional advice with respect to the organisation as a charity. 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.

c) 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. Fifty years from 1 September 1999 is used as the expected lifetime of those buildings then in existence. 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.

The estimated lifetimes of various types of assets in use are:

Freehold buildings	Over 50 years
Leasehold property	Over period of lease
Motor vehicles	5 years
Other	3-10 years



DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 2002

1. ACCOUNTING POLICIES (CONTINUED)

e) 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.

f) Operating leases

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

g) 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.

h) 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.

i) 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 has covenanted 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.

2. SCHOOL FEES

	2002	2001
	£'000	£'000
School fees and extras	9,029	8,176
less scholarships, bursaries and grants	(194)	(208)
	<u>8,835</u>	<u>7,968</u>
All income is generated in the UK.		

3. OTHER INCOME

Charitable activities

Fees in lieu of notice and forfeited deposits

Registration fees

Commission and sundry

19	23
23	33
35	30
<u>77</u>	<u>86</u>

Other activities - charitable trading

Charges for other educational courses

43	30
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DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 2002

4. INVESTMENT INCOME

	2002	2001
	£'000	£'000
Investment income arises from:		
Listed investments	75	59
Bank deposits	86	91
Other sources	8	7
	<u>169</u>	<u>157</u>

5. FINANCING COSTS

Interest payable is due to:		
Bank loans and overdrafts	181	261
Other loans	12	12
Discount allowed on prepaid fees	28	23
Other	2	2
	<u>223</u>	<u>298</u>

6. ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £'000	Depreciation £'000	Other £'000	Total £'000
Cost of generating funds				
Non-charitable trading	-	-	42	42
Financing costs	-	-	223	223
Fund raising	73	1	27	101
	<u>73</u>	<u>1</u>	<u>292</u>	<u>366</u>
Charitable expenditure				
Teaching	3,436	119	529	4,084
Welfare	674	42	661	1,377
Property	182	187	831	1,200
Administration	430	30	170	630
Grants and donations (& also note 2)	-	-	4	4
Management and administration	7	-	16	23
	<u>4,729</u>	<u>378</u>	<u>2,211</u>	<u>7,318</u>
Total	<u>4,802</u>	<u>379</u>	<u>2,503</u>	<u>7,684</u>

Specific costs include:

	2002 £'000	2001 £'000
Auditors' remuneration (incl. VAT where non-recoverable):		
- for audit	7	7
- for other services	2	2
Operating leases - land and buildings	3	3
(Surplus)/ deficit on disposal of fixed assets	<u>-</u>	<u>(4)</u>



DRAGON SCHOOL TRUST LIMITED
NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 2002

7. EMPLOYEES

	2002	2001
	£'000	£'000
Costs:		
Wages and salaries	4,223	3,913
National Insurance	306	286
Pension costs	273	254
	<u>4,802</u>	<u>4,453</u>
The numbers of employees whose remuneration was over £50k, all of whom are in defined contribution pension fell into the following bands:	No.	No.
£50 - £60k	1	1
£70 - £80k	1	1
£100-£110k	-	1
£110-£120k	1	-
	<u>£'000</u>	<u>£'000</u>
Pension costs were made up of:		
TPA pension contributions	193	166
Defined contribution schemes	80	88
	<u>273</u>	<u>254</u>

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 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 is 60 for both sexes 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 stand at 6% and from the employer 7.2% (from April 2002: 8.35%) of salary.

The latest actuarial valuation was for the period to 31 March 2001. As the TSS scheme is a notional scheme further disclosure of the results of the investigation is not 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.

The Governors did not receive any remuneration. The Governors received £54 (one Governor: for travel; 2001 £nil). The Trust paid indemnity insurance for its directors (Governors), officers and employees; the proportional amount relating to Governors was £60 (2001: £58).



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7. EMPLOYEES (continued)

Three of the Governors have children at the school 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 all building projects. The total paid, under standard RIBA terms and rates, on these contracts during the year under review was £42k (incl VAT; 2001: £56k). 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 £8k (incl VAT; 2001 £8k).

Included within salary costs are amounts paid to former employees whose pension provisions were inadequate during their employment. The total amount paid was £107k (2001: £106k). The Trust is committed to continue with these payments. No estimate, actuarial or otherwise, has been made of the total future commitment.

The average number of employees was:

	2002	2001
	No.	No.
Teaching	132	128
Pensioners	22	22
Support staff	83	84
Development (fundraising and alumni)	3	3
	<u>240</u>	<u>237</u>

8. 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 covenanted to the parent company as a charge.

The Trust suffers irrecoverable VAT on all purchases other than those made by its subsidiary trading company. VAT paid to Customs and Excise totalled approximately £454k (2001: £381k) during the year.

9. INVESTMENTS HELD AS FIXED ASSETS

	2002	2001
(As parent company only)	£	£
Shares in subsidiary company at cost	<u>100</u>	<u>100</u>

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.

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. Results for the year are as set out in note 21.



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

	Freehold property £'000	Long leasehold £'000	Short leasehold £'000	Motor Vehicles £'000	Other £'000	TOTAL £'000
Cost						
at 1.9.2001	6,393	5,766	4	75	1,231	13,469
additions	816	195	-	-	284	1,295
disposals	-	-	-	-	(23)	(23)
at 31.8.2002	7,209	5,961	4	75	1,492	14,741
Depreciation						
at 1.9.2001	63	801	4	58	674	1,600
charge	54	107	-	8	210	379
released	-	-	-	-	(22)	(22)
at 31.8.2002	117	908	4	66	862	1,957
Net book value						
at 1.9.2001	6,330	4,965	-	17	557	11,869
at 31.8.2002	7,092	5,053	-	9	630	12,784

The rebuild cost of properties included in freehold and leasehold was approximately £30,095k at the most recent insurance review (September 2002). This does not include the value of the sites for which no estimate of value has been made. With respect to other assets (fixtures, fittings and equipment), these are insured for £2,034k (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.

11. COMMITMENTS, CAPITAL AND OPERATING LEASES

The Trust had capital commitments of £95k (2001: £848k) 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 £3k (2001: £3k); these commitments expire in more than five years.

12. STOCKS

	Group		Parent company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Goods for resale	7	13	-	-
Consumables	18	13	18	13
	25	26	18	13



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13. DEBTORS

	Group		Parent company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Trade debtors	121	91	113	83
Amount owed by subsidiary	-	-	8	16
Loans	-	1	-	1
Tax repayable	-	-	-	-
Prepayments	20	29	20	29
Accrued income	19	16	19	16
	<u>160</u>	<u>137</u>	<u>160</u>	<u>145</u>

14. INVESTMENTS HELD AS CURRENT ASSETS

	Group and parent company	
	2002	2001
	£'000	£'000
Investments are shown at value:		
U.K. Government stocks	678	532
Other U.K. listed investments	750	361
	<u>1,428</u>	<u>893</u>
Historical cost:	<u>1,531</u>	<u>894</u>
Value of investments:		
brought forward	893	619
cost of disposals	(105)	(16)
acquired	741	332
unrealised change in values	(101)	(42)
carried forward	<u>1,428</u>	<u>893</u>

Included in the above are M&G Charifund units at £649k, Treasury 13.5% 2004/8 £177k, Treasury 8.5% 2005 £118k, Treasury 10% 2003 £98k and Treasury 5% 2004 £82k; each represent more than 5% of the total investments held.

15. CASH AT BANK AND IN HAND

	Group		Parent company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Cash on deposit	1,820	1,533	1,819	1,533
Current bank accounts and petty cash	3	230	5	228
	<u>1,823</u>	<u>1,763</u>	<u>1,824</u>	<u>1,761</u>

Current bank account balances represent uncleared effects.

16. CREDITORS: FALLING DUE WITHIN ONE YEAR

	£'000	£'000	£'000	£'000
Bank loans (note 17)	583	555	583	555
Taxation and social security	125	114	124	112
Trade creditors	239	127	238	127
Accruals	157	131	153	126
Deferred income				
- fees received in advance	1,417	1,271	1,417	1,271
- prepaid fees scheme (note 17)	201	147	201	147
	<u>2,722</u>	<u>2,345</u>	<u>2,716</u>	<u>2,338</u>



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

	2002	Group and parent	2001
	£'000		£'000
Bank loans	2,439		3,025
Deferred income: prepaid fees	565		394
	<u>3,004</u>		<u>3,419</u>

b) ANALYSIS OF LONG TERM CREDITORS

Bank loans:

due within one year	583	555
due between two and five years	2,247	2,485
due in more than five years	192	540
	<u>3,022</u>	<u>3,580</u>

Deferred income - prepaid fees:

due within one year	201	147
due between two and five years	489	369
due in more than five years	76	25
	<u>766</u>	<u>541</u>

One bank loan, originally for £371k, is repayable by 31st August 2006 by means of fixed instalments. Interest is charged at 2.0625% above LIBOR and the loan is secured by a first legal charge on part of the Trust's freehold property.

The second bank loan, originally for £1,900k, is repayable by instalments over fifteen years commencing October 1996. Interest is charged at 1.9375% over LIBOR and the loan is secured by a first legal charge on part of the Trust's freehold property.

The third loan of £1,750k was arranged in June 2000; it is repayable by instalments over no more than seven years from June 1999. Interest is charged at 1.8125% over LIBOR and the loan is secured by a first legal charge on part of the Trust's freehold property.

A fourth loan of £300,000 was arranged with the Lynam Educational Fund, an associated charity, in 2001. It is secured on part of the Trust's freehold property, interest is charged at bank base rate and it is repayable not later than 2nd December 2005.

The loans represent 52% (2001: 75%) of the cost of properties used for security. As noted elsewhere, the present value of the properties involved may not be readily determined.



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18. NOTES TO THE CASH FLOW STATEMENT:

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

	2002 £'000	2001 £'000
Operating surplus	1,681	1,533
Interest payable	223	298
Interest receivable	(169)	(157)
Depreciation charges	379	336
Decrease/ (increase) in stocks	1	(5)
(Increase)/ decrease in debtors	(23)	(25)
Increase/ (decrease) in creditors	310	335
(Surplus)/ deficit on disposal of fixed assets	-	(4)
Net cash inflow from operations	<u>2,402</u>	<u>2,311</u>

b) Analysis of cash flows and net debt

	1.9.2001 £'000	Cash flow £'000	other movements £'000	31.8.2002 £'000
Cash at bank and in hand	1,763	60	-	1,823
Debt: bank loans	(3,580)	558	-	(3,022)
Current asset investments	893	646	(111)	1,428
Total	<u>(924)</u>	<u>1,264</u>	<u>(111)</u>	<u>229</u>

c) Reconciliation of net cash flow to movement in net debt

	2002 £'000	2001 £'000
Increase/ (decrease) in cash	60	1,057
Cash flow from change in loans	558	(72)
Cash flow from change in liquid resources	646	315
Change in net debt arising from cash flows	<u>1,264</u>	<u>1,300</u>
Change in value of current asset investments		
- realised	(10)	1
- unrealised	<u>(101)</u>	<u>(42)</u>
	<u>(111)</u>	<u>(41)</u>
Movement in net debt	<u>1,153</u>	<u>1,259</u>
Net debt brought forward		<u>(2,183)</u>
Net debt carried forward	<u>229</u>	<u>(924)</u>



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19. FUNDS: DETAILED MOVEMENTS

	Note	Balance at 1 Sept 2001 £'000	Income £'000	Expend- ture £'000	Investment gains/ (losses) £'000	Transfers £'000	Balance at 31 Aug 2002 £'000
ENDOWMENT FUND	20a	3	-	-	-	-	3
RESTRICTED FUNDS							
Skipper Memorial fund	20b	10	-	(2)	(1)	-	7
Knatchbull Memorial fund	20c	46	-	(2)	(10)	-	34
Prize funds	20d	12	-	(2)	(1)	-	9
Bursaries fund	20e	-	30	-	-	-	30
Development fund	20f	123	149	-	-	(198)	74
		191	179	(6)	(12)	(198)	154
UNRESTRICTED FUNDS							
DESIGNATED							
Scholarship fund	20e	198	9	(54)	(7)	(53)	93
Prepaid fees	20g	-	63	(28)	(29)	(6)	-
Freehold fund	20h	-	-	-	(26)	496	470
General fund		8,532	9,048	(7,546)	(37)	(223)	9,774
		8,730	9,120	(7,628)	(99)	214	10,337
CHARITY total funds		8,924	9,299	(7,634)	(111)	16	10,494
Non-charity trading funds	22	-	66	(50)	-	(16)	-
GROUP		8,924	9,365	(7,684)	(111)	-	10,494

20. 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 Skipper Memorial fund** exists to provide fee support for children and relatives of Old Dragons. It has specific trustees who review the application of resources. The capital balance is being reduced with a view to eventually closing the fund.

c) **The Knatchbull Memorial fund** provides funding for travel and exploration activities of 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.

e) **The Bursaries and Scholarship funds** are for the provision of fee support for pupils. The restricted element represents amounts given by donors specifically for this purpose; the designated element is provided by the Trust, which allocates any surplus on the prepaid fees scheme, and 1% of gross fees, for this purpose; the whole is administered by specific trustees who review the application of resources. All fee concessions (unless from the Skipper fund) are provided from this fund.

f) **The Development fund** represents sums raised for the buildings of the school. Some of these donations are restricted to specific projects, though most are not. In some cases general donations are received without



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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; in 2002 the project benefitting from these donations was the Lynam's Stable Block redevelopment. The balance carried forward on the fund represents donations restricted to projects that have not yet been started, plus accumulated interest earned on these donations.

g) The Prepaid Fees fund represents income and expenditure with respect to amounts paid in advance for fees. Any surplus on this fund is designated for the use of the Bursaries and Scholarship fund.

h) The Freehold fund represents amounts designated with a view to providing a sum equivalent to the freehold value of the area of the main lease by the time that expires in 2058, thus enabling the Trust to provide property for its continued operation at that time as a school of its current size.

21. Income from Trading subsidiary

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

	note	2002 £'000	2001 £'000
Turnover		66	59
Cost of sales		(48)	(41)
Gross profit		18	18
Administration expenses		(13)	(15)
Interest payable		-	-
Profit for the financial year		5	3
Paid to Dragon School Trust Limited		(5)	(3)
Covenanted surplus above:		5	3
Management charges from Trust		11	11
Interest charged by Trust		-	-
Total generated for charitable use	19	16	14

22. Change in format

The format of the accounts has been changed so as to comply with the Charities SORP 2000. This includes a revision of the arrangement of income and expenditure headings on the SOFA. In addition to this new arrangement, the opportunity has been taken to simplify the SOFA and analysis of assets by fund so as to show only the main classifications on the primary statements, additional detail being provided where appropriate in supporting notes. Further in accordance with this simplification, no separate income and expenditure account is presented, all information required for this being provided by the SOFA, and the analysis of assets by fund is incorporated in the balance sheet itself. These changes have not resulted in any change to the value of figures previously reported.

