

Wells Cathedral School (Limited by guarantee)

**Governors' report and financial
statements**

Registered company number 564883

Registered charity number 310212

Year ended 31 July 2005



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Governors' report

The governors present their annual report and the audited financial statements for the year ended 31 July 2005. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities.

Status

Wells Cathedral School has been in existence, probably, since 909AD. It is a Registered Charity (Number 310212) and was incorporated in 1956 as a registered company, Limited by guarantee (Number 564883). It is governed by Memorandum and Articles of Association.

Mission Statement

Wells Cathedral School is a co-educational learning community, supported in its evolution by its Christian tradition and its history. It exists to enable students to discover and be themselves through high academic standards, musical excellence, an extensive range of opportunities and an expectation of commitment to the wider world.

Charitable objects

Wells Cathedral School provides education for just under seven hundred boys and girls from the age of 3 to 18 years, of whom about a third are boarders. The school is also one of five designated by the Department of Education and Skills to provide specialist education for seventy gifted young musicians each year under the government's Music and Dance Scheme and is unique in providing this within a traditional school as opposed to one which all the pupils are musicians.

The school's charitable objects are:

- "To promote the cause of education in accordance with the doctrine of the Church of England".
- "In furtherance of that object ... by the carrying on and development of the school".
- "To provide in particular for the education of choristers of the Cathedral Church of St Andrew in Wells, and the other pupils of the school through instruction in every branch of learning, in citizenship, in outdoor pursuits and in arts and crafts of all kinds, and on the basis of Christian principles and in accordance with the doctrine of the Church of England to provide such pupils with spiritual, moral, mental and physical training."

During the year, the School supported 104 pupils by the award of scholarships worth £227,637 and 95 pupils by the award of bursaries worth £327,780. The School has also continued with Wells Cathedral to jointly support the Appeal trust charged with raising money for the support of Girl Choristers in the future.

Review of the year

We have successfully experienced an Independent Schools Inspectorate inspection, with very good reports received on both the senior and junior schools. There was good endorsement not only of teaching and learning in the school, but also of the way in which we look after our pupils, the opportunities available to them and the strength of relationships across the community. KS2 results and KS3 results were very good, and results have again been good at both A level, AS level and GCSE. The overall pass rate at A level was 99.6% and at GCSE 96% were grade Cs and above. The A grade passes at A level were 43% of these grades, and A-B were 66%. At GCSE, 28% were A*s and 52% were As or A*. Two students came in the top 10 in the country for GCSE music, and one of those two in the top 5 for English.

A whole school creativity review has led to new initiatives as we considered all the many ways in which we seek to be creative both in what we do and the way we do it. In the junior school, a successful German exchange with Prum focused on drama and music, and a production of 'Cindy' attracted large audiences and excellent website reviews at the Edinburgh Fringe Festival. Meanwhile, excellence in girls' sport especially was to the fore; the U11 netball team reached national netball finals, and few girls' matches in any sport were lost throughout the year.

Governors' report *(continued)*

Review of the year (continued)

In the senior school, academic partnerships flourished; notably those established through the online interactive Javanese Gamelan, created and delivered from Wells Cathedral School as part of our Music initiative, and now available free online thanks to funding from the National Grid for Learning, SW Arts, the Mercers' Company and the DfES; it has been downloaded in more than 2000 schools across the world, and won the national Learning On Screen Award. A DfES sponsored partnership with Chew Valley School allowed both schools to gain much – Wells from Dance and Italian, and Chew Valley from Music Technology. Italian, Critical Thinking and A2 level Psychology all became established in the senior school, and our work at extending all pupils academically at both ends of the ability spectrum has been continued and consolidated with more work by our visiting Maths extension professor, Prof. John Berry, and by the Head of Maths in the senior school through her work with junior school pupils.

Pupil numbers

Net recruitment to the senior school (new pupils, less those joining from the junior school, and those leaving at other than normal leaving points) was consistent with that over recent years. However, the existing shape of the year groups led to the numbers in both the senior and junior schools during 2005 reducing slightly to 477 and 199 (including the nursery) respectively. Changes to the way in which the school markets itself have resulted in a significant increase in senior school net recruitment during 2005 and increased numbers for the start of 2005/06 academic year.

The future

The school will seek to continue to develop its main site, to plan for a music and performing arts building, to build two new classrooms in the senior school, to develop library facilities in the junior school, to develop and possibly extend our boarding provision and, with the help of fundraising from parents, to cover our open air swimming pool and extend its use throughout the year. We will continue to invest in marketing, with a view to increasing overall numbers in the junior and senior sections of the school.

Education Committee

The Governors have instituted an Education Committee, which will hold its first meeting in November 2005. Its objective will be to bring even more focus at governor level and to challenge and monitor the school's educational aims and help it develop new and appropriate ones.

Music committee

Musically, the numbers of students coming for pre-audition continued to rise, and the musical quality of candidates was very good; many of the music college entrants were awarded scholarships. Partnership and Outreach activities also developed from the previous year with particular emphasis on staff development for junior school teachers. The success of Wells contribution to this aspect of the MDS Scheme resulted in another successful bid for £74,500 to continue working with partners for the benefit of both non-Wells and Wells students and staff. During the year we delivered approximately 1,400 music lessons a week!

Wells has been at the forefront of the South West Initiative with Bournemouth Symphony Orchestra, Dartington Plus, Wiltshire Music Service and Arts Council South West. There is a strong bond between all the partners already, however a recognition that any scheme that we set up in the South West will be very different from those run at the Sage Centre, Gateshead and in Leeds. Performance opportunities for students included participation in the Cheltenham Festival, which also included a premiere performance of Vladislav Shoot's Symphonia da Camera No.6.

Governors' report *(continued)*

Development Committee

The main development during the year was the purchase of the Cedars Estate, which has long formed the core of the school, consisting of Cedars House itself, its grounds and playing fields together with the Stable Yard area which houses the bursary, sixth form centre, library, classrooms, clothing shop, sports hall and swimming pool. The school had rented the estate from the Chapter. The purchase is part of a strategy to increase the asset base of the school to provide more financial security and the prospect of developing improved facilities on land owned by the school. This will also remove any concern that such development may have given rise to the lessor having to demand significantly higher rentals on the renewal of the lease. Since there was a conflict of interest within the governing body, the purchase of the estate was handled by the Lay governors alone representing the school, with no Chapter governor acting for the school during the negotiations.

Haversham House continues to provide accommodation to some members of staff as well as acting as an annexe for some sixth form boy boarders, but now provides facilities for Junior School art on the ground floor and in the former common room to the rear of the building. Edwards House has been partially refurbished; the remaining work on the ground floor and basement will be completed during the summer of 2006.

The demolition of the old Mathematics block was scheduled for July but was postponed until August, so falling into the following financial year. The cleared site will be landscaped and grassed to form a quiet area for sitting and study. To partially replace the demolished classrooms, the redundant Fewtrells block will be converted into two classrooms, to be ready for the start of the new academic year in September 2006. During the year, the former residence of the Deputy Head, was sold at a profit being surplus to requirement; the school having purchased 4 New Street, a more conveniently located property as his new residence in the previous year. The school, with the help or fundraising from parents, is also planning to begin to provide a cover over its outdoor swimming pool during the summer of 2006.

Personnel and Remuneration Committee

During the year, the school conducted a comprehensive staff review against its current and future needs that resulted in a rationalisation of some posts, and resolved some longstanding contractual issues in some parts of the school.

Finance and Audit Committee

The purchase of the Cedar's estate has already been referred to under the Development Committee. After discussion with the school governors, the asset base of the school has also been enhanced following the decision by the trustees of the school's connected charity, Wells Cathedral School Development Trust ("the Trust") to cease its activities and transfer all its assets and liabilities to the school. This decision was made following careful consideration of the advice provided by legal counsel on the merit, or otherwise, of continuing with the Trust. The trustees unanimously accepted the advice that the Trust no longer served its original purpose and that the school's position would be considerably strengthened as a result of the decisions that had been taken. This transfer duly took place on 29 July 2005 before the end of the school's financial year and these assets, primarily properties in New Street, Wells, appear in the school's accounts for the first time. The school assumed the remaining residual liabilities for the original loans taken out by the Trust to finance the acquisition of the properties. After deducting the amount of such loans, the net assets received by the school have been valued at £1,716,000 and are summarised in the table set out in the paragraph headed 'Review of Activities' which analyses the results for the year.

Governors' report (continued)

Review of activities

The results for the year are set out in the statement of financial activities (SoFA) on page 9. Under accounting rules for charities this statement combines transactions of a capital and revenue nature. The activities for the year 2004/05 also include one-off donations of a sort that are not expected to recur on a regular basis, including the receipt of the net assets received on the closure of the connected charity, Wells Cathedral School Development Trust, described above. In order to allow the reader to better understand our results for this year, the school's activities are summarised below:

	2005 £000	2004 £000
Operating income from school	9,241	8,995
Operating costs of school		
Scholarships, bursaries and discounts	(941)	(811)
Premises – non-recurring projects	(95)	(42)
Other operating costs	(8,065)	(7,608)
Operating result	140	464
Profit realised on sale of a property	111	-
Major donations received	161	70
	272	70
Assets received on closure of Development Trust		
Properties at valuation	1,564	-
Mortgages taken over	(242)	-
Cash at bank in respect of endowed funds	321	-
Other cash at bank	71	-
Other assets	2	-
	1,716	-
Net incoming resources in SoFA	2,128	534

OFT enquiry

Wells Cathedral School has received a Statement of Objections from the Office of Fair Trading (OFT) in connection with the OFT's enquiry into an alleged breach of competition law by 50 independent schools. The OFT's statement includes an allegation that information exchanged by these schools resulted in parents being charged higher fees than would otherwise have been the case. There is a clear and well-defined method by which the Governors set the fees that takes into account the current and future needs of the school. The school refutes the OFT's allegation and will be responding accordingly. As a result no provision has been made in the financial statements.

Governors' report *(continued)*

Reserves

The governors have designated an asset fund so that a framework exists for them to assess appropriate levels of free reserves, as recommended in the Charity Commission guidance paper, "Charities Reserves". Free reserves as defined in the guidance paper exclude not only funds that are for restricted purposes but also those designated by the governors for a particular purpose and any funds only realisable by disposing of fixed assets held for charity use. One thrust of the guidelines is to highlight those charities, which are carrying excessive free reserves.

The free reserves, as defined by the guidelines, are £535,000 (2004: £301,000) at the end of the financial year. The governors believe that, over time, a prudent level of free reserves, consistent with the business risks of the school, should be accumulated. The proposed policy for the level of such a reserve has yet to be determined. It is influenced, inter alia, by the size of the asset base of the school which has been significantly enhanced during the year. However, at less than one month's recurring revenue costs, the current level is considered to be too low. This is likely to continue for some time because of the previous and ongoing policy of the governors to improve the facilities of the school through the investment of surpluses in school assets.

Restricted Funds

The school received £97,000 (£204,000 in 2004), including £36,000 from the government for the Chew Valley Project and the school's Outreach Scheme and £27,000 from the Arts Council.

Endowed Funds

The school received £321,000 from the Development Trust and £80,000 from the estate of Miss Chandler.

Statement of governors' responsibilities

Law applicable to incorporated charities in England and Wales requires the governors (who are also directors of the company) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity at the end of the year and of its financial activities during the year then ended. In preparing those financial statements the governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 school will continue to operate.

The governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at the time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Governors' report *(continued)*

Internal Controls

The Finance and Audit Committee has continued to identify the risks facing the company and has presented its recommendations for the control and mitigation of these risks to the governing body. A register of key risks has been created and is reviewed at least annually.

Re-appointment of auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming AGM.

Governors, Officers and Advisers

The governors who served during the year were:

The Very Reverend J M Clarke, Dean of Wells Cathedral (*Chair*) (*from 5 January 2005*)

The Reverend Canon M Matthews*, Acting Dean & Chancellor of Wells Cathedral (*until 6 February 2005*)

The Reverend Canon P H F Woodhouse, Precentor of Wells Cathedral

Prebendary Helen Ball OBE*

Prebendary Elsa van der Zee (*from 21 March 2005*)*

Dr D C Tudway Quilter* (*Vice Chairman*)(*until 3 December 2004*)

Mrs Stella Clarke CBE

Mrs Rosie Inge (*Chair, Marketing Committee*)(*until 3 December 2004*)

Mr M F W Willey

Mr P McIlwraith* (*Chair, Finance & Audit Committee*)

Mr R Drew

Mr R Summers

* *Members of the Finance & Audit Committee of the governors*

The governing body comprises five of the of eight members of the Chapter of Wells Cathedral together with up to six lay governors, the latter of which are also appointed by the Chapter. Since 1997 the school's Articles of Association have been amended to allow the Chapter to nominate up to two alternate governors from their number. The Reverend Canon Andrew Featherstone is due to be installed as Chancellor in September 2005 and will take up the Chapter place left vacant by the retirement of the Reverend Canon Melvyn Matthews. Dr David Tudway Quilter ceased to be a governor on 3 December 2004 when he became Life President.

For Companies Act purposes, the governors are also directors of the company. The lay governors are appointed for three years and retire by rotation. At the Annual General Meeting, Mrs Stella Clarke and Mr Peter McIlwraith will retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

During the year the officers, directly responsible to the governing body, were:

The Head	Mrs Elizabeth Cairncross
Head of Junior School	Mr Nicholas Wilson
Bursar and Clerk to the governors	Cdr Steven Webber RN

Governors' report *(continued)*

Governors, Officers and Advisers

The advisors were:

Bankers: National Westminster Bank PLC
7 High Street
Wells
Somerset BA5 2AD

Solicitors: Harris and Harris
Diocesan Registry
14 Market Place
Wells
Somerset BA5 2RE

Auditors: KPMG
100 Temple Street
Bristol BS1 6AG

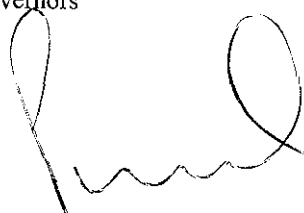
Surveyors and Property Consultants Messrs Cluttons
9 Edgar Buildings
George Street
Bath BA1 2EE

Insurance Brokers HSBC Holmwoods
Rockwood House
9-17 Perrymount Road
Haywards Heath
West Sussex RH16 3DU

Connected Charity Wells Cathedral School Development Trust (*now dormant*)
The Bursar's Office
Wells
Somerset BA5 2SX

By order of the board of governors

P McIlwraith
Governor



Wells Cathedral School
Wells
Somerset
BA5 2SX

Very Reverent JM Clarke
Governor



2 December 2005



100 Temple Street
Bristol
BS1 6AG
United Kingdom

Report of the independent auditors to the members of Wells Cathedral School (Limited by guarantee)

We have audited the financial statements on pages 9 to 30.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 company and the 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 are responsible for preparing the governors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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


Basis of audit opinion

We conducted our audit in accordance with 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 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 charitable company's affairs as at 31 July 2005 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP
Chartered Accountants
Registered Auditor

2 December 2005

Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 July 2005

	Note	Unrestricted funds Revenue	Design- ated	Restricted funds	Endowed funds	Total 2005	Total 2004
		£000	£000	£000	£000	£000	£000
Incoming resources:							
Bank and other interest receivable	8	47	-	2	-	49	26
Sundry income	4	385	-	-	-	385	189
Donations from Wells Cathedral School Development Trust	4	1,377	-	18	321	1,716	70
Other donations	4	26	-	79	80	185	162
Activities in furtherance of the charity objects							
Fees receivable	3	8,894	-	-	-	8,894	8,548
		10,729	-	99	401	11,229	8,995
Costs of activities in furtherance of the charity's objectives:							
Teaching		4,270	-	39	-	4,309	4,210
Welfare		1,133	-	-	-	1,133	1,098
Premises - general		1,330	-	-	-	1,330	1,269
- non recurring projects		95	-	-	-	95	42
Administration		1,141	-	40	-	1,181	904
Scholarships, bursaries and discounts		941	-	-	-	941	811
Finance and other costs	9	39	-	-	-	39	25
Donation to Wells Cathedral School Development Trust		25	-	-	-	25	25
Management and Administration of the charity		48	-	-	-	48	77
Total resources expended	5	9,022	-	79	-	9,101	8,461
Net income for the year and net incoming resources before transfers							
Transfers between funds	17,18	1,707 (1,473)	- 1,516	20 (43)	401 -	2,128 -	534 -
Net movement in funds	27	234	1,516	(23)	401	2,128	534
Balance brought forward at 1 August 2004	17,18,19	301	1,901	1,638	14	3,854	3,320
Balance carried forward at 31 July 2005	17,18,19	535	3,417	1,615	415	5,982	3,854

There were no recognised gains or losses in either year other than those shown in the Statement of Financial Activities above.

The incoming resources and net movement in funds arose from continuing operations.

Balance sheet

at 31 July 2005

	Note	2005 £000	2004 £000
Fixed assets			
Tangible assets	10	6,470	4,091
Current assets			
Land and buildings	11	-	176
Stocks	12	48	49
Debtors	13	339	364
Cash on deposit and in hand		1,744	881
		<u>2,131</u>	<u>1,470</u>
Creditors: amounts falling due within one year	14	<u>(924)</u>	<u>(1,475)</u>
Net current assets/ (liabilities)		<u>1,207</u>	<u>(5)</u>
Total assets less current liabilities		<u>7,677</u>	<u>4,086</u>
Creditors: amounts falling due after more than one year	15	<u>(1,498)</u>	<u>(35)</u>
Provision for liabilities and charges	16	<u>(197)</u>	<u>(197)</u>
Net assets		<u>5,982</u>	<u>3,854</u>
Funds and reserves			
Unrestricted funds:			
Revenue fund (page 7)		535	301
Designated funds	17	3,417	1,901
Restricted	18	1,615	1,638
Endowed funds	19	415	14
Total funds		<u>5,982</u>	<u>3,854</u>

These financial statements were approved by the board of governors on 2 December 2005 and were signed on its behalf by:

P McIlwraith
Governor



Very Revd J Clarke
Governor



Cash flow statement
for the year ended 31 July 2005

	Note	2005 £000	2004 £000
Net cash inflow from operating activities	23	602	924
Returns on investments and servicing of finance			
Interest received		49	23
Interest paid		(39)	(21)
Net cash inflow from returns on investments and servicing of finance		10	2
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,073)	(619)
Sale of tangible fixed assets		287	25
Net cash outflow from capital expenditure and financial investment		(786)	(594)
Net cash (outflow)/inflow from investing activities before financing		(174)	332
Financing			
Receipt of new bank loan		1,000	-
Repayment of bank loans		(320)	(21)
Capital element of hire purchase payments	24	(27)	(27)
Repayment of other loans		(7)	(7)
Net cash inflow/(outflow) from financing		646	(55)
Increase in cash	25	472	277

Notes

(forming part of the financial statements)

1 Company status

The company is limited by guarantee, not having any share capital. The eleven members undertake to contribute to the assets of the company in the event of it being wound up, either whilst members or within one year of their membership ceasing. The maximum contribution required from each member is £1.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements also comply with Companies Act, Charities Act and the Statement of Recommended Practice "Accounting and Reporting by Charities" published in October 2000.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years straight line
Long leasehold properties	-	50 years straight line
Fixtures, fittings, musical instruments and machinery	-	20-25% pa reducing balance
ICT equipment, including computer and data communications equipment	-	20-25% pa straight line
Motor vehicles	-	25% pa reducing balance

No depreciation is provided on freehold land.

Grants

Grants received in respect of specific projects are accounted for on a cash received basis.

Donations

Donations of cash are accounted for on a receipts basis while donations of assets are brought into account at valuation, at the date of acquisition.

Scholarships and bursaries

Scholarships and bursaries, which have been authorised by the governing body but not yet paid, are not recognised in the statement of financial activities until they are paid, on the basis that the charity is not committed to paying them.

Notes (continued)

2 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income and expenditure account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the income and expenditure account on a straight line basis over the life of the lease.

Pension costs

The teaching staff are members of the DfES Pension Scheme, which is a defined benefit scheme. Some other employees are members of a money purchase pension scheme operated by an insurance company on behalf of the school. The amounts charged against income represent the contributions payable to the schemes in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the invoice value charged by suppliers.

Repairs provision

Amounts are set aside to meet the costs of restoration work which needs to be carried out under the terms of the lease on certain properties occupied by the school which are of historical significance.

Capital fund (restricted)

The capital fund represents the cost of buildings funded by the Wells Cathedral School Development Trust and transferred to the school and contributions by the Trust towards capital projects undertaken by the school together with amounts received towards specific fixed assets from other organisations less attributable depreciation.

Endowed fund (restricted)

Endowed funds represent capital received which cannot be reduced, the income from which, is credited to restricted funds to provide bursaries.

Asset fund (designated)

The asset fund represents the net book value of the tangible fixed assets not funded by the capital fund, less outstanding loans secured on specific assets.

Revenue fund

The revenue fund represents the working capital of the school.

Transfers between reserves

Transfers between revenue and designated funds are made at the trustees' discretion to set aside funds as required.

Transfers between revenue and restricted funds represents the net movement of the depreciation charge on the capital fund, new tangible fixed assets not funded by the capital fund, less the outstanding loans secured on these properties.

Notes (continued)

2 Accounting policies (continued)

Fees receivable

Fee income represents the amounts derived from the provision of education services during the year.

Expenditure

Expenditure is allocated to expense headings either on a direct cost basis, or apportioned according to time spent. The irrecoverable element of VAT is included with the item of expense to which it relates.

3 Fees receivable

Fees receivable consist of:

	2005 £000	2004 £000
Tuition and boarding fees	8,241	7,895
Music tuition fees	954	976
Text book charges	54	52
	<hr/>	<hr/>
	9,249	8,923
Less: DfES Cap	(355)	(375)
	<hr/>	<hr/>
Total fees invoiced	8,894	8,548
	<hr/>	<hr/>

The DfES cap is the contribution by the school to cover the shortfall which arises because the fees allowed by the DfES for the Aided Pupils Scheme are below full fees.

4 Sundry income and donations

	2005 £000	2004 £000
Unrestricted:		
Sundry income:		
Concert income	13	12
Lettings income	84	77
Registration and audition fees	12	11
Other income	165	85
Profit on disposal of fixed asset	111	4
	<hr/>	<hr/>
	385	189
	<hr/>	<hr/>
Unrestricted:		
Donations:		
Wells Cathedral School Development Trust	1,377	-
	<hr/>	<hr/>
Parent Association for Wells Cathedral School	4	4
Bequest from Thomas Gordon Hope deceased	10	10
Specialist Schools Trust	-	3
Friends of Music at Wells Cathedral School	3	3
Other donations	9	8
	<hr/>	<hr/>
	26	28
	<hr/>	<hr/>

Notes (continued)

4 Sundry income and donations (continued)

	2005 £000	2004 £000
Endowed:		
Donations:		
Wells Cathedral School Development Trust	321	-
Bequest for Music Bursaries from the late Mrs Chandler	80	-
Restricted:		
Donations:		
Wells Cathedral School Development Trust	18	70
Arts Council	27	-
DfES for specific projects	36	76
South West Grid For Learning	-	50
Friends of Music at Wells Cathedral School	1	-
Mr and Mrs Ebenezer	-	2
Old Wellensian Association of Wells Cathedral School	-	3
Mercers Company	-	3
Piano from anonymous donor	15	-
	79	134
Total	2,286	421

On 29 July 2005 Wells Cathedral School Development Trust, a connected charity, transferred its assets and liabilities to Wells Cathedral School and ceased its activities. The transfer has been reflected in the financial statements as a donation of £1,716,000 which has been split between the different reserve funds as follows: £1,377,000 to unrestricted revenue funds, £321,000 to endowed funds and £18,000 to restricted funds. Details of the donations are provided in notes 18 and 19.

The donation of £836,000 represents carrying value of fixed assets, current assets and all liabilities of the Development Trust and £880,000 which represents the increase in value of the fixed assets from carrying value to market value at the date of donation.

Notes (continued)

5 Analysis of total resources expended

	Staff costs £000	Other £000	Depreciation £000	2005 Total £000	2004 Total £000
<i>Costs of activities in furtherance of the charity's objectives:</i>					
Teaching costs	3,727	517	65	4,309	4,210
Welfare	631	494	8	1,133	1,098
Premises - general	340	804	186	1,330	1,269
- non recurring projects	-	95	-	95	42
Administration	511	670	-	1,181	904
Finance and other costs	-	39	-	39	25
Scholarships, bursaries and discounts	-	941	-	941	811
Donation to Wells Cathedral School Development Trust	-	25	-	25	25
	5,209	3,585	259	9,053	8,384
<i>Other expenditure:</i>					
Management and administration of the charity	12	36	-	48	77
Total resources expended	5,221	3,621	259	9,101	8,461

Management and administration of the charity comprises:

	2005 £000	2004 £000
External audit	17	16
Legal and professional fees	14	43
Accountancy assistance	5	7
Apportionment of management costs	12	11
	48	77

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Teaching staff (full-time equivalents)	92	92
Non-teaching staff (full-time equivalents)	122	124
	<hr/> 214	<hr/> 216

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£000	£000
Wages and salaries	4,470	4,394
Social security costs	348	344
Other pension costs (see note 22)	403	405
	<hr/> 5,221	<hr/> 5,143

The number of employees earning in excess of £50,000 per annum excluding pension contributions was:

	Number of employees	
	2005	2004
£50,001 - £60,000	5	4
£70,001 - £80,000	1	1

The employees were members of the teachers superannuation pension scheme which is a defined benefit scheme.

The governors did not receive any emoluments nor any benefits during the year.

7 Net incoming resources

	2005	2004
	£000	£000
<i>Net incoming resources are stated after charging/(crediting);</i>		
Auditors' remuneration	18	16
Hire of plant and machinery - rentals payable under operating leases	55	53
Rents payable	144	163
Depreciation - owned assets	199	198
- leased assets	60	60
Profit on disposal of fixed assets	(111)	(4)
Redundancies	98	7

During the year as part of a restructuring programme the school incurred redundancy costs of £98,000 which were included within costs of activities in furtherance of the charity's objectives.

Notes (continued)

8 Bank and other interest receivable

	2005 £000	2004 £000
Interest from short-term deposits	45	18
Interest from deposits of restricted funds	2	2
Interest from overdue fees	2	6
	<hr/>	<hr/>
	49	26
	<hr/>	<hr/>

9 Finance and other costs

	2005 £000	2004 £000
Interest on bank loans and overdraft	29	15
Hire purchase interest	7	4
	<hr/>	<hr/>
Interest payable	36	19
Bank charges	3	6
	<hr/>	<hr/>
	39	25
	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	ICT including computer equipment	Fixtures, fittings, musical instruments and machinery	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	2,046	2,734	726	1,345	87	6,938
Additions	1,030	-	13	30	-	1,073
Assets donated from Wells Cathedral School Development Trust	1,565	-	-	-	-	1,565
Transfers	988	(988)	-	-	-	-
At end of year	5,629	1,746	739	1,375	87	9,576
Depreciation						
At beginning of year	349	791	559	1,094	54	2,847
Charge for year	45	55	93	58	8	259
Transfers	343	(343)	-	-	-	-
At end of year	737	503	652	1,152	62	3,106
Net book value						
At 31 July 2005	4,892	1,243	87	223	25	6,470
At 31 July 2004	1,696	1,944	167	251	33	4,091

All fixed assets are used primarily for direct charitable purposes.

On 29 July 2005, the freehold land and buildings of Wells Cathedral School Development Trust, a connected charity, were donated to Wells Cathedral School. The donated assets were brought into the accounts at valuation at date of transfer. The basis of valuation was current market value assuming vacant possession. The valuation was carried out by an external firm of chartered surveyors, Cluttons LLP, in accordance with RICS Statement of Asset Valuations Practice and Guidance Notes.

	£000
Freehold:	
Net book value of freehold land and buildings donated	685
Increase in valuation to market value	880
Market value of donated assets	1,565

Following the purchase of Cedars estate on 7 June 2005, which was previously leased, the buildings and improvements on the Cedars properties were transferred to freehold.

Notes (continued)

10 Tangible fixed assets (continued)

Included in the total net book value of ICT equipment is £78,784 (2004: £139,000) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £60,350 (2004: £60,350).

11 Fixed assets held for resale

	2005 £000	2004 £000
Land and buildings (note 10)	-	176

Completion of the sale of 3 North Grove took place on 27 October 2004. The proceeds were reinvested in 4 New Street, Wells.

12 Stocks

	2005 £000	2004 £000
Clothing shop	43	42
Catering	5	7
	<u>48</u>	<u>49</u>

13 Debtors

	2005 £000	2004 £000
Amounts due from parents	133	138
Other debtors	134	137
Prepayments	72	89
	<u>339</u>	<u>364</u>

All debtors are due within one year.

Notes (continued)

14 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank loans and overdrafts	87	668
Other loans (note 15)	7	7
Obligations under finance leases and hire purchase contracts (note 15)	27	27
Fees received in advance including deposits	218	217
Trade creditors	11	6
Taxation and social security	134	128
Other creditors	78	178
Accruals and deferred income	362	244
	924	1,475

There are eight bank loans secured on school properties, including three secured on properties donated by Wells Cathedral School Development Trust. The ninth loan is unsecured.

The capital for the loans is repayable as follows:

Loan	Monthly instalment £	Interest rate above base rate	Repayment by
One	210	1% subject to minimum combined rate of 6% p.a.	December 2009
Two	464	1% subject to minimum combined rate of 6% p.a.	February 2007
Three	333	1.375%	October 2017
Four	853	0.9%	May 2035
Five	2,777	0.9%	February 2035
Six	1,088	1.375%	June 2016
Seven	1,083	1%	December 2008
Eight	430	1.5%	January 2014
Nine	587	Interest free	September 2006

The bank loans are repayable as follows:

	2005 £000	2004 £000
Within:		
1 year	87	447
1 – 2 years	85	22
2 – 5 years	219	43
After 5 years	1,193	156
	1,584	668

The bank loans were renegotiated in the year, and as a result the loans are repayable in accordance with the agreed repayment terms and dates summarised above. However, during the year ended 31 July 2004, the bank indicated that whilst the above terms have been agreed it retained the right to seek repayment of the loans on demand. Hence all the bank loans for the 2004 year were shown as current liabilities, which is no longer appropriate in 2005.

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Bank loans	1,497	-
Obligations under hire purchase contracts	-	27
Obligations under other loans from third parties	1	8
	<hr/>	<hr/>
	1,498	35
	<hr/>	<hr/>

The other loans and obligations under finance leases and hire purchase contracts are repayable as follows:

	2005 £000	2004 £000
Within:		
1 year	34	34
1 – 2 years	1	34
2 – 5 years	-	1
	<hr/>	<hr/>
	35	69
	<hr/>	<hr/>

16 Provision for liabilities and charges

	Repairs provision £000
At beginning of year	197
Utilised in the year	-
	<hr/>
At end of year	197
	<hr/>

Under the terms of the 80 year lease from the Chapter, the school is required to put the properties in good and substantial repair and condition within a specified period.

The repairs provision represents amounts set aside to meet the cost of this work.

Notes (continued)

17 Designated funds

<i>Asset fund</i>	2005 £000	2004 £000
At beginning of year	1,901	2,116
Transfer from/(to) Revenue Fund	1,516	(215)
At end of year	3,417	1,901

The asset fund represents the net book value of the tangible fixed assets not funded by the capital fund, less the outstanding loans secured on specific properties.

The fund is unrestricted.

The transfer to revenue fund is the net amount of £1,516,000 and represents fixed assets donated by Wells Cathedral School Development Trust net of loans on these assets and net of the annual depreciation charge on these assets.

18 Restricted funds

	'CD' Music Fund £000	Projects Fund £000	Bursary Fund £000	Capital Fund £000	2005 Total £000	2004 Total £000
Donation from Wells Cathedral School Development Trust	-	-	18	-	18	-
Donations and other receipts	27	52	-	-	79	204
Bank and other interest received	-	1	1	-	2	2
Less: expenditure	(40)	(39)	-	-	(79)	(34)
Surplus/(deficit) for year	(13)	14	19	-	20	172
Transfers between funds	-	-	-	(43)	(43)	(43)
At beginning of year	69	38	11	1,520	1,638	1,509
At end of year	56	52	30	1,477	1,615	1,638

The transfer to revenue reserve of £43,000 is in respect of the annual depreciation charge on the assets comprising the capital fund.

Notes (continued)

18 Restricted funds (continued)

The Capital Fund represents the cost of buildings funded by Wells Cathedral School Development Trust and transferred to the school and contributions by the Trust towards capital projects undertaken by the school together with amounts received towards specific fixed assets from other organisations less attributable depreciation. The assets funded by the Capital Fund are included in leasehold properties and other fixed assets in the balance sheet of the school (note 10).

The Bursary Fund is to be used to fund bursaries.

CD Music is a project to produce interactive learning media. The first product is used in the music curriculum in the state system at Key Stage 3.

DfES projects are funded by the DfES for use in specific education based projects with state sector schools. The current projects are with Somervale, Chew Valley School and outreach work.

19 Endowed funds

	Chandler Fund £000	Alan Quilter Fund £000	Dulverton Fund £000	Carnegie Fund £000	Vandervell Fund £000	Ashley Jones Fund £000	Total £000
At beginning of year	-	-	-	-	-	14	14
Donations received in year	80	6	40	25	250	-	401
At end of year	<u>80</u>	<u>6</u>	<u>40</u>	<u>25</u>	<u>250</u>	<u>14</u>	<u>415</u>

The Ashley Jones Fund represents an endowment, the income from which is to be used to fund bursaries.

The Chandler Fund of £80,000 represents an endowment the income from which is to be used for music bursaries.

Wells Cathedral School Development Trust donated endowed funds of £321,000 on the 29 July 2005. These endowed funds are made up of:

The Dulverton Trust donation is to fund bursaries for ex boy choristers at the Cathedral.

The Carnegie UK Trust is to fund a folk singing scholarship.

The Alan Quilter Memorial Fund provides scholarships and bursaries.

The Vandervell Trust Donation is to fund scholarships and bursaries.

Notes (continued)

20 Commitments

Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
In less than one year	32	13	56	11
In the second to fifth years inclusive	63	21	95	13
	<u>95</u>	<u>34</u>	<u>151</u>	<u>24</u>

The majority of leases of land and buildings are subject to rent reviews which occur over 1 to 7 years. The rent review for the properties leased from The Chapter of Wells was due on 1 July 2000. The revised rent for two of the properties in Vicars Close remains subject to negotiation. £118,758 (2004: £137,932) has been charged in this year's accounts.

Capital commitments

The School has made a commitment to build two new classrooms by the end of 2006 but preliminary specification work is at an early stage and no contract has been signed.

21 Taxation

The school, which is a registered charity, is not liable to taxation on the net revenue from its primary activity or investment income and gains.

The school is registered for Value Added Tax and is subject to the partial exemption rules.

22 Pension scheme

The school operates two pension schemes.

(a) Teachers

The Teachers' Superannuation Scheme is an unfunded defined benefit scheme administered by the Department for Education and Skills through the Teachers' Pension Agency. The scheme automatically covers teachers in full time employment who have not elected to opt out of the scheme in order to make alternative pension provision. Teachers in part time employment may elect to join the scheme. The scheme provides pension benefits based on final pensionable salary.

Under definitions set out in Financial Reporting Standard 17 ("FRS 17"), the teachers pension scheme is a multi employer pension scheme. It is therefore not possible for the school to identify the underlying (notional) assets and liabilities of the scheme. Accordingly, the school has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if they were to a defined contribution scheme. The school sets out below the information available on the scheme and the implications in terms of the anticipated contribution rates.

Notes (continued)

22 Pension scheme (continued)

Currently teachers contribute 6% into the scheme. On 1 April 2003 the employers' contribution into the scheme increased from 8.35% to 13.5% of salary. The contributions to the scheme are deemed to be invested in a notional fund. The notional fund is credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the fund is invested in notional investments that produce that real rate of return.

Not less than every five years, the Government Actuary (GA), using normal actuarial principles, conducts an actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The actuarial review as at 31 March 2001 made the following assumptions. The balance in the fund as at 31 March 2001 should be such that, in the current review, the value of the scheme assets equals the value of the scheme liabilities. The scheme assets consist of the notional investments and the future contributions in respect of existing members. Thus, the balance in the fund as at 31 March 2001 was determined as the difference between the value of the scheme liabilities and the value of future contributions.

Contributions are assessed in two parts. First, a normal contribution is determined. This is the contribution, expressed as a percentage of the salary of a teacher newly entering service, which would defray the cost of benefits payable in respect of that service. Currently, teachers pay 6% of salary whilst their employers pay the balance of the normal contribution. Secondly, a supplementary contribution is payable by employers if, as a result of the actuarial investigation, it is found that the accumulated liabilities of the fund for benefits to past and present teachers are not fully covered by normal contributions to be paid in future and by the fund built up from past contributions. Because the liabilities were put into balance for the 2001 valuation there is no supplementary contribution.

The last valuation of the TPS was for the period 1 April 1996 to 31 March 2001. The GA's report of March 2003 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £142,880 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £142,880 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 7%.

Notes (continued)

22 Pension scheme (continued)

(b) Non teaching staff

Most of the non teaching staff are members of a defined contribution scheme.

The pension cost charge for the year represents contributions payable by the school to the funds and amounted to £403,299 (2004: £405,315) analysed as follows:

	2005 £000	2004 £000
Non teaching staff	63	64
Teachers	340	341
	<u>403</u>	<u>405</u>

Contributions outstanding at 31 July 2005 were as follows:

	2005 £000	2004 £000
Non-teaching schemes	10	9
Teaching schemes	46	44
	<u>56</u>	<u>53</u>

23 Reconciliation of net movement in funds to net cash inflow from operating activities

	2005 £000	2004 £000
Net movement in funds	2,128	533
Depreciation charge	259	258
Profit on sale of tangible fixed assets	(111)	(4)
Decrease in stocks	1	-
Decrease/(increase) in debtors	27	(7)
Increase/(decrease) in creditors	24	149
Interest receivable	(49)	(23)
Interest payable	39	21
Donation from Wells Cathedral School Development Trust	(1,716)	-
Net increase in provisions	-	(3)
	<u>602</u>	<u>924</u>

Notes (continued)

24 Analysis of changes in net funds/(debt)

	At 31 July 2004 £000	Cash flows £000	Other non cash changes £000	Donated cash net of loans £000	At 31 July 2005 £000
Cash in hand and at bank	881	472	-	391	1,744
Bank overdraft	(425)	-	425	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	456	472	425	391	1,744
Debt due within one year	(251)	(679)	1,072	(236)	(94)
Debt due after one year	(8)	7	(1,497)	-	(1,498)
Hire purchase contracts	(54)	27	-	-	(27)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	143	(173)	-	155	125
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Wells Cathedral School Development Trust donated all of its assets and liabilities to the school on 29 July 2005.

25 Reconciliation of net cash flow to movement in net funds

	2005 £000	2004 £000
Increase in cash in the year	472	277
Cash outflow from repayment of loans and hire purchase agreements	355	55
Cash inflow from new loans	(1,000)	-
	<hr/>	<hr/>
Change in net debt resulting from cashflow	(173)	332
Cash and loans donated by Wells Cathedral School Development Trust	155	-
Net funds/(debt) at start of year	143	(189)
	<hr/>	<hr/>
Net funds at end of year	125	143
	<hr/>	<hr/>

26 Allocation of net assets

The net assets are held for the various funds as follows:

	Fixed assets £000	Net current assets/ (liabilities) £000	Long term liabilities £000	Provision £000	Total £000
Designated funds	4,306	-	(889)	-	3,417
Restricted funds	1,477	138	-	-	1,615
Endowed funds	-	415	-	-	415
Revenue fund	687	654	(609)	(197)	535
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,470	1,207	(1,498)	(197)	5,982
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

27 Changes in resources available for charity use

	Unrestricted funds £000	Restricted Funds £000	Endowed funds £000	Total £000
Net movement in funds for year (page 7)	211	1,516	401	2,128
Net increase in tangible fixed assets for direct charitable purposes	1,055	18	-	1,073
Net increase in funds available for future activities	1,266	1,534	401	3,201

28 Connected parties

(a) Connected charity

Wells Cathedral School Development Trust (Limited by guarantee) ("the Trust") is a connected charity within the terms of the Statement of Recommended Practice 'Accounting and Reporting by Charities' in that it has common, parallel or related objects and activities and unity of administration. During the year the school made donation of £25,000 (2004: £25,000) to the trust and paid rent of £23,500 (2004: £23,500) in respect of properties owned by the Trust and occupied by the school.

On 29 July 2005 the school received a donation from the Trust of £1,716,000. This represents the net assets of the Trust of £836,000 comprising the fixed assets and current assets less all the liabilities. The remaining balance of £880,000 represents the surplus on revaluation (note 10).

(b) Connected persons

The Chapter of Wells ("the Chapter") is a connected person within the terms of the Statement of Recommended Practice 'Accounting and Reporting by Charities'.

During the year:

- Rent was due to the Chapter of £84,030 (2004: £97,095) under a repairing lease expiring in 2063 in respect of certain school buildings.
- The Chapter contributed of £102,667 (2004: £97,562) towards the fees of the Cathedral Choristers.
- The school paid £24,043 (2004: £22,871) to the Chapter in respect of use of Cathedral facilities.
- The Cedars Estate was purchased from the Chapter for £1 million. The terms were negotiated on behalf of the School by the Lay Governors alone; no Chapter Governor represented the School during the negotiations.

(c) Transactions with Governors

During the year none of the governors received reimbursement of expenses.

Three governors are parents of pupils at the school and pay fees on the same terms as any other parent.

Notes (continued)

29 Indemnity insurance

Indemnity insurance is in place to cover governors and employees, in respect of professional liability and Governors' liability arising from any negligent act, error or omission committed in good faith.

The cost of insurance is included in the cost of public liability cover which amounted to £7,977 (2004: £6,202) in the year.

30 OFT enquiry

Wells Cathedral School has received a Statement of Objections from the Office of Fair Trading (OFT) in connection with the OFT's enquiry into an alleged breach of competition law by 50 independent schools. The OFT's statement includes an allegation that information exchanged by these schools resulted in parents being charged higher fees than would otherwise have been the case. The school refutes the allegation and has several months to make representations on the Statement of Objections, which the OFT will take into account before making its final decision. Since the final outcome of the OFT's investigation is uncertain, no provision has been made in the financial statements for any penalty which may be imposed.