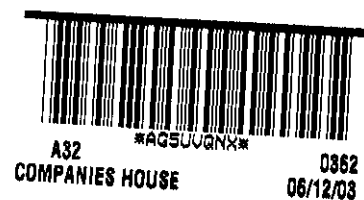


HAZELWOOD SCHOOL LIMITED
(A Charitable Educational Trust Limited by Guarantee)

Company No. 925581
Registered Charity No. 312081

GOVERNORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST JULY 2003



Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Legal and Administrative Details

Governors

*A.J. Baulf, FCA (Chairman)
J.L.F. Brayne, MA
Dr. F. Glover, MB, BS, DCH, DRCOG
J.M. Hammond, MA
C.L. Hedges, BA

*R.J. Jones, BA, MRTPI, FRICS
Mrs. M. Levisur, MA, BDS
*J.D. Marnham, BSc., FCA
Mrs. C.L. Ricks, MA
*C.C. Shirtcliffe, FCA
P. A. White, BA, MBA, ACIB, DipM

*Executive Committee members

Headmaster

A.M. Synge, MA, PGCE

Bursar and Company Secretary

N.F. Russell, MCMI, MCIPD

Registered Office

Hazelwood School
Wolfs Hill
Limpsfield
Oxted
RH8 0QU

Bankers

Barclays Bank plc
9 Station Road West
Oxted
Surrey RH8 9EF

Solicitors

Wallis & Co.
179 High Street
Bromley
Kent BR1 1NP

Auditors

Kingston Smith
Devonshire House
60 Goswell Road
London EC1M 7AD

Hazelwood School Limited

(A Charitable Educational Trust Limited by Guarantee)

Governors' Report

The Governors have pleasure in presenting their report of the affairs of the School for the year ended 31st July 2003 together with the audited financial statements for that period. These have been prepared in accordance with the revised Statement of Recommended Practice on Accounting and Reporting by Charities, current statutory requirements and the charity's Memorandum and Articles of Association.

Review of the School's Activities

The Trust's principal activity is to operate the boys' and girls' preparatory and pre-preparatory school known as Hazelwood School. Total pupil numbers in the school during the year were 417 (2002: 390).

The School achieved significant success this academic year with 7 scholarships to senior school at age 13. All departing pupils were accepted by their chosen senior school. Cultural and sporting activities continue to thrive.

Organisation and Management

The Governing Body is responsible for deciding the school's future direction and strategy and for monitoring operational management. In addition there is an Executive Committee which considers detailed proposals prior to their recommendation to the Governing Body. The headmaster is responsible for the day to day management of the school. New governors, members of the Executive Committee and the headmaster are elected by the Governing Body.

The Governors review the major risks to which the School is exposed and take steps to put in place safeguards to mitigate those risks.

Mr D.A.H. Wells, the School's former bursar, left on 31st December 2002. The Board of Governors were delighted to welcome back Mr N.F. Russell as Bursar with effect from 1st January 2003.

Results, Financial Position and Reserve Policy

The surplus (net incoming resources) for the year amounted to £407,902 (2002: £188,724). The accumulated funds of the company are fully employed in the operational fixed assets of the School. The Governors' policy is to apply any surplus towards enhancing the quality of education, the School's facilities, and in maintaining the operational capability of the School in the event of fluctuations in its net income.

Fixed Assets and Capital Investment

Just prior to the year end, work started on the new Sports Hall with changing facilities, with an estimated capital cost of £1,500,000. Movements in fixed assets are shown in the notes to the financial statements.

The Governors consider the market value of land and buildings to be in excess of the amount at which they are stated in the financial statements. However, no recent professional valuation of the property has taken place and in the absence of such valuation the Governors are unable to quantify the excess.

The Governors have unrestricted powers of investment under the Company's Memorandum of Association.

In connection with the building of the new Sports Hall and changing rooms, the School has taken out, with Barclays Bank plc, a flexible commercial mortgage, under which the School can borrow a maximum amount of £1,500,000. The maximum loan amount reduces in annual tranches over a ten year period and all borrowings must be repaid in full by 31st October 2014. The loan is secured on the School's freehold property. No amounts have been borrowed on this loan as at 31st July 2003.

Governors and their Interests

The present members of the Board of Governors, who are trustees of the company's charitable activities and members and directors of the company for the purposes of the Companies Act 1985, are shown on page 1. All of the governors served throughout the period under review, with the exception of Mrs C L Ricks who was appointed on 1st November 2002.

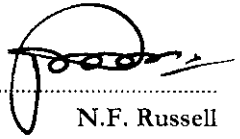
The company is limited by guarantee and does not have a share capital. The governors have no interest in the surplus or assets of the company and receive no remuneration from the company.

Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Governors' Report (Continued)

Auditors

Kingston Smith have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted to the annual general meeting.

By order of the Governors


.....
N.F. Russell
Secretary

Wolfs Hill
Limpsfield
Oxted, Surrey
RH8 0QU

Date: 20th November 2003

Hazelwood School Limited

Governors' Responsibilities and Report of the Auditors

Statement of Governors' Responsibilities

The governors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and its incoming resources and application of resources, including the net income or expenditure for the year.

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; and prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charity will continue in operation.

The governors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Hazelwood School Limited

We have audited the financial statements of Hazelwood School Limited for the year ended 31st July 2003 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity'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' responsibilities for preparing the Governors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Governors' Responsibilities.

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

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 charity 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 Governors' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Governors' Report and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

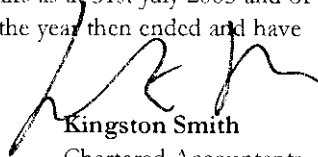
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 charity's affairs as at 31st July 2003 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.

Devonshire House
60 Goswell Road
London EC1M 7AD
Date: 28/11/03



Kingston Smith
Chartered Accountants
and Registered Auditors

Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Statement of Financial Activities
For the year ended 31st July 2003

	Note	2003 Unrestricted Funds £	2003 Restricted Funds £	2003 Total Funds £	2002 Total Funds £
Income and Expenditure					
Incoming Resources - continuing activities					
Donations		-	101,722	101,722	32,575
Fees including disbursements charged		2,808,629	-	2,808,629	2,476,288
Rental and letting income		17,951	-	17,951	15,896
Other income		5,868	-	5,868	10,795
Total Incoming Resources		<u>2,832,448</u>	<u>101,722</u>	<u>2,934,170</u>	<u>2,535,554</u>
Resources Expended					
Cost of generating funds:					
Advertising		16,726	-	16,726	12,490
Charitable expenditure:					
Teaching and running costs	2	2,402,781	6,667	2,409,448	2,219,915
Management and administration costs	3	100,094	-	100,094	114,425
Total Resources Expended		<u>2,519,601</u>	<u>6,667</u>	<u>2,526,268</u>	<u>2,346,830</u>
Net Incoming Resources for the Year		312,847	95,055	407,902	188,724
Accumulated Funds:					
At 1st August 2002		<u>1,349,826</u>	<u>442,751</u>	<u>1,792,577</u>	<u>1,603,853</u>
At 31st July 2003	12	<u>1,662,673</u>	<u>537,806</u>	<u>2,200,479</u>	<u>1,792,577</u>

The information presented within the Statement of Financial Activities for the two years ended 31st July 2003 is equivalent to that which would have to be disclosed in an Income and Expenditure Account and accordingly a separate Income and Expenditure Account has not been presented.

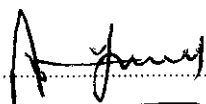
A reclassification has been made to the 2002 comparative figures as referred to in the accounting policy concerning Fees and Disbursements charged (note 1).

There are no recognised gains or losses in the year other than the net incoming resources for the year.

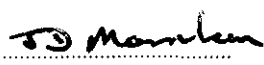
Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Balance Sheet at 31st July 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed Assets					
Tangible assets	5		1,897,671		1,906,004
Current Assets					
Stock	6	2,800		1,957	
Debtors	7	72,840		35,786	
Cash at bank and in hand		<u>608,657</u>		<u>206,374</u>	
		684,297		244,117	
Creditors: Amounts falling due within one year	8	<u>(101,902)</u>		<u>(52,373)</u>	
Net Current Assets			<u>582,395</u>		<u>191,744</u>
Total Assets less Current Liabilities			2,480,066		2,097,748
Creditors: Amounts falling due after more than one year	9	(273,037)		(300,121)	
Provision for Liabilities and Charges	11	<u>(6,550)</u>	<u>(279,587)</u>	<u>(5,050)</u>	<u>(305,171)</u>
Net Assets			<u><u>2,200,479</u></u>		<u><u>1,792,577</u></u>
Accumulated Funds	12				
Restricted Funds			537,806		442,751
Unrestricted Funds			<u>1,662,673</u>		<u>1,349,826</u>
			<u><u>2,200,479</u></u>		<u><u>1,792,577</u></u>

The financial statements were approved by the Governors
on 19th Nov 03 and signed on their behalf by:

A.J. Baulf 

Governor

J.D. Marnham 

Governor

Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Cash Flow Statement
For the year ended 31st July 2003

	2003	2002
	£	£
Net Cash Inflow from Operating Activities (note 1)	484,857	390,623
Returns on Investments and Servicing of Finance		
Interest received	6,418	623
Interest paid	(134)	-
Net Cash Inflow from Returns on Investments and Servicing of Finance	6,284	623
Capital Expenditure		
Payments to acquire tangible fixed assets	(88,858)	(70,043)
Financing		
(Repayment of) hire purchase finance	-	(6,001)
Increase in Cash (note 2)	<u>402,283</u>	<u>315,202</u>

Notes to the Cash Flow Statement
For the year ended 31st July 2003

1 Reconciliation of Net Incoming Resources to Net Cash Inflow from Operating Activities	2003	2002
	£	£
Net incoming resources for the year	407,902	188,724
Depreciation	97,191	98,222
Interest received	(6,418)	(623)
Interest paid	134	-
(Increase)/decrease in stock	(843)	337
(Increase) in debtors	(37,054)	(5,529)
Increase in creditors and provisions	23,945	109,492
Net Cash Inflow from Operating Activities	<u>484,857</u>	<u>390,623</u>
2 Reconciliation of Net Cash Flow to Movement in Net Funds	2003	2002
	£	£
Increase in cash in the year	402,283	315,202
Cash repayment of hire purchase loan	-	6,001
Change in net funds	402,283	321,203
Net funds/(debt) at 1st August - cash	206,374	(114,829)
Net funds at 31st July - cash	<u>608,657</u>	<u>206,374</u>

Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Notes to the Financial Statements
For the year ended 31st July 2003

1 Accounting Policies

Accounting Basis and Standards

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements comply with the requirements of the revised Statement of Recommended Practice on Accounting and Reporting by Charities.

Depreciation

Fixed Assets costing in excess of £500 are capitalised and depreciated at rates calculated to write off the cost, less estimated residual value, evenly over their expected useful lives, as follows:

Fixtures, fittings and equipment:

Computer and other equipment	20% per annum
Other fixtures and fittings	10% per annum

Other assets:

Motor vehicles	20% per annum
Buildings	2% per annum
Temporary buildings	10% per annum
Swimming pool	5% per annum

Depreciation on assets funded by the restricted appeal funds is charged against the relevant fund. No depreciation is provided on freehold land.

Stock

Stock is valued at the lower of cost and net realisable value.

Fees including disbursements charged

These represent the invoiced value of all educational and recreational activities provided during the year, net of bursaries and scholarships provided by the school. In previous years disbursements were recorded net of their related costs, and the comparative figures have been adjusted accordingly (note 2). The school, which provides educational services, is not registered for VAT. All fees are derived from within the UK.

Pension Scheme Contributions

These are charged to the Statement of Financial Activities as they arise.

Composition Fees

Discounting on composition fees is calculated termly at rates set annually by the Governors by reference to rates of return available to the school and is charged to the Statement of Financial Activities on an accruals basis.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their expected useful lives.

The interest element of the rental obligations is charged to the Statement of Financial Activities over the period of the lease on a straight line basis.

Rentals paid under operating leases are charged on a straight line basis over the lease term.

Allocation of Expenditure

Most of the school's overhead costs are incurred in the running of the school itself, and are therefore treated as charitable expenditure. Office costs and non-tutorial staff time have been allocated proportionately to reflect the estimated time spent in administering the charity. The proportions have been reviewed during the year and the comparative figures adjusted accordingly.

Donations and Appeal Funds

The appeal funds were set up to raise money for the construction of additional school buildings, and are accordingly treated as Restricted Funds.

Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Notes to the Financial Statements
For the year ended 31st July 2003 (Continued)

2 Teaching and Running Costs	2003 Unrestricted Funds £	2003 Restricted Funds £	2003 Total Funds £	2002 Total Funds £
Staff costs - teaching	1,315,357	-	1,315,357	1,172,466
- non-teaching	386,295	-	386,295	354,073
Education and recreation	248,396	-	248,396	269,300
Board and domestic	103,537	-	103,537	90,811
Establishment and swimming pool costs	106,377	-	106,377	89,493
Depreciation	90,524	6,667	97,191	98,222
Composition fee discounts	8,216	-	8,216	5,601
Office costs	75,298	-	75,298	64,634
Maintenance of buildings and equipment	63,998	-	63,998	56,822
School Publications	4,783	-	4,783	18,491
	<u>2,402,781</u>	<u>6,667</u>	<u>2,409,448</u>	<u>2,219,913</u>

An amount of £171,814 has been added to the 2002 comparative figures for Fees, including disbursements and education and recreational costs to reflect the disclosure adopted in 2003 for disbursement-related costs (note 1).

3 Management and Administration Costs	2003 Unrestricted Funds £	2003 Restricted Funds £	2003 Total Funds £	2002 Total Funds £
Staff costs	60,766	-	60,766	57,872
Administrative costs	27,040	-	27,040	34,991
Auditors' remuneration - current year	7,000	-	7,000	6,786
Auditors' remuneration - non-audit services	983	-	983	-
Other professional fees	4,305	-	4,305	14,776
	<u>100,094</u>	<u>-</u>	<u>100,094</u>	<u>114,425</u>

4 Staff Costs	2003	2002
The average monthly number of employees during the period was:		
Teaching	44	42
Non-teaching	31	31
	<u>75</u>	<u>73</u>
Their total remuneration was:	2003	2002
	£	£
Wages and salaries	1,530,803	1,399,586
Social security costs	122,472	101,601
Other pension costs (see note 14)	109,143	83,226
	<u>1,762,418</u>	<u>1,584,413</u>

One employee earned remuneration in the range of £50,000-£60,000.

No remuneration was paid to the Governors in either period. Indemnity insurance is in place which covers the School and Governors personally against losses up to £1,000,000 incurred as a result of neglect or default by the Governors or employees, as part of a combined Public Liability and Professional Indemnity policy at a total premium of £2,496.

During the year travelling expenses to the value of £nil were reimbursed to governors (2002-£84 to one governor).

Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Notes to the Financial Statements
For the year ended 31st July 2003 (Continued)

5 Fixed Assets	Freehold Land and Buildings	Swimming Pool	Equipment, Furniture and Fittings	Motor Vehicles	Total
Cost	£	£	£	£	£
At 1st August 2002	2,181,253	113,040	591,283	109,836	2,995,412
Additions	<u>49,948</u>	<u>1,939</u>	<u>36,207</u>	<u>764</u>	<u>88,858</u>
At 31st July 2003	<u>2,231,201</u>	<u>114,979</u>	<u>627,490</u>	<u>110,600</u>	<u>3,084,270</u>
Depreciation					
At 1st August 2002	476,314	108,740	445,706	58,648	1,089,408
Charge for the year	<u>44,302</u>	<u>1,463</u>	<u>34,684</u>	<u>16,742</u>	<u>97,191</u>
At 31st July 2003	<u>520,616</u>	<u>110,203</u>	<u>480,390</u>	<u>75,390</u>	<u>1,186,599</u>
Net Book Amount					
At 31st July 2003	<u>1,710,585</u>	<u>4,776</u>	<u>147,100</u>	<u>35,210</u>	<u>1,897,671</u>
At 31st July 2002	<u>1,704,939</u>	<u>4,300</u>	<u>145,577</u>	<u>51,188</u>	<u>1,906,004</u>

At 31st July 2003 work had commenced on the construction of a new Sports Hall at an estimated contract cost of £1,500,000, including VAT and fees. The formal contract was signed after the balance sheet date.

6 Stock	2003	2002
	£	£
Sundry consumables	<u>2,800</u>	<u>1,957</u>
7 Debtors	2003	2002
	£	£
School fees receivable	39,275	24,416
Other debtors	20,772	4,665
Prepayments and accrued income	<u>12,793</u>	<u>6,705</u>
	<u>72,840</u>	<u>35,786</u>
8 Creditors: Amounts falling due within one year	2003	2002
	£	£
Fees in advance (note 10)	73,681	27,947
Trade creditors	16,621	10,426
Accruals and deferred income	<u>11,600</u>	<u>14,000</u>
	<u>101,902</u>	<u>52,373</u>

Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Notes to the Financial Statements
For the year ended 31st July 2003 (Continued)

9 Creditors: Amounts falling due after more than one year	2003	2002
	£	£
Fees in advance (note 10)	<u>273,037</u>	<u>300,121</u>
	<u>273,037</u>	<u>300,121</u>

10 Fees in Advance	Composition	Disbursement	Total	Total
	Fees	Deposits	2003	2002
Net amounts repayable:	£	£	£	£
in less than one year	56,231	17,450	73,681	27,947
in one to two years	14,070	6,200	20,270	33,895
in two to five years	71,145	32,120	103,265	124,040
in after five years	<u>74,195</u>	<u>75,307</u>	<u>149,502</u>	<u>142,186</u>
	<u>215,641</u>	<u>131,077</u>	<u>346,718</u>	<u>328,068</u>

The repayment periods are based on the normal expected leaving date of pupils. If a pupil left prematurely the balance would be repayable on demand. Disbursement deposits are repayable by deduction from the final term's fees. Discounts on composition fees are credited to the composition fee account on a termly basis in accordance with the Accounting Policy described in note 1, and are calculated on the amounts remaining in the fund following the withdrawal of each term's fees.

11 Provision for Liabilities and Charges	2003	2002
	£	£
Balance at 1st August	5,050	4,267
Amounts provided in year	<u>1,500</u>	<u>783</u>
Balance at 31st July	<u>6,550</u>	<u>5,050</u>

The amount of £6,550 (2002 - £5,050) represents a provision towards the estimated cost of future discretionary benefits for certain members of staff. This is calculated on the basis of 3/80 of each member's final salary for each year of service. This amount is likely to become payable after five years from the balance sheet date.

12 Analysis of Net Assets between Funds	Unrestricted	Restricted	Total
	Income and	Appeal	
	Expenditure	Funds	
	Account		
	£	£	£
Tangible fixed assets	1,407,382	490,289	1,897,671
Current assets	636,780	47,517	684,297
Creditors and provisions	<u>(381,489)</u>	<u>-</u>	<u>(381,489)</u>
Net assets	<u>1,662,673</u>	<u>537,806</u>	<u>2,200,479</u>

All of the above balances represent realised amounts.

Hazelwood School Limited
(A Charitable Educational Trust Limited by Guarantee)
Notes to the Financial Statements
For the year ended 31st July 2003 (Continued)

13 Operating Lease Commitments

	2003 Other Assets	2002 Other Assets
	£	£
Rentals paid under operating leases	<u>8,777</u>	<u>7,387</u>

At 31st July 2003 the company had annual commitments under operating leases as follows:

	2003 Other Assets	2002 Other Assets
	£	£
Lease expiring in the second to fifth year	<u>8,777</u>	<u>8,777</u>
	<u>8,777</u>	<u>8,777</u>

14 Pension Scheme Arrangements

The majority of teaching staff are members of the 'Teachers' Pension Scheme ("TPS") which is a multi-employer defined benefits scheme administered on behalf of the Department of Education and Skills. Contributions to the scheme are set by the Department on the recommendations of the Government Actuary (GA), but it is not possible to determine the extent to which the surplus or deficit in the scheme relates to individual employers. The School's contributions to the scheme are therefore charged to the Statement of Financial Activities at the current rate set by the Department which has been 13.5% (2002 - 8.35%) of the salaries on which they are payable from April 2003.

The last valuation of the TPS was for the period 1 April 1996 - 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%.

In addition, the School contributes to defined contribution personal pension arrangements of certain other non-teaching staff. There were no accrued or prepaid contributions at the year end.

15 Members' Liability

The number of members at 31st July 2003 was 11 (2002 - 10) and their liability in the event of the winding-up of the company is limited to £1 per member.