

The Vernon Educational Trust Limited

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The Vernon Educational Trust Limited

Charity information

Council members	G.S. Smith*	(Chairman)
	R.L. Stewart*	(Vice-Chairman)
	R.C. Giles	
	G.H. Toms*	
	Mrs. R.A. Wood	
	C.H. Tongue	
	Mrs. A. Smallwood	
	Rt. Hon. Dame A.C.R. Rumbold*	
	B. Johnstone	
	A.H. Beadles	
	R.G. Mansfield*	
	M.A. Wolstenholme	
	Dr. H.F. Patel	(appointed 22 January 2004)
	A.H. Monro	(appointed 22 January 2004)

* indicates member of the Finance & General Purposes Committee

Officers	Headmaster	R. Parfitt
	Secretary and Bursar	W.F. House

Registered address	Danes Hill School Leatherhead Road Oxshott Surrey KT22 0JG
	Telephone: 01372 843716 Facsimile: 01372 844452 Website: www.daneshillschool.co.uk

Registered company no. 1194206

Charity no. 269433

The Vernon Educational Trust Limited

Charity information (continued)

Auditors	Mazars LLP Times House Throwley Way Sutton Surrey SM1 4JQ
Bankers	Lloyds TSB Bank plc 1 Hay's Lane London SE1 2HA
Solicitors	Bircham Dyson Bell 50 Broadway Westminster London, SW1H 0BL
Insurance Brokers	HSBC Insurance Brokers Ltd Schools Division Rockwood House 9-17 Perrymount Road Haywards Heath West Sussex, RH16 3DU

The Vernon Educational Trust Limited

Report of the Council of Management

The Council of Management ('Council') presents its report and the consolidated financial statements of The Vernon Educational Trust Limited ('Trust') for the year ended 31 August 2004.

Reference and Administrative

The Council administers the Trust which is a registered charity. The legal status of the charity is a company limited by guarantee, without share capital. The Council members are also the Directors of the company. The liability of each of the members of the company is limited to an amount not exceeding £5. The names of the Members of the Council who have held office from 1 September 2003 to the date of this report unless otherwise stated are shown on page 1.

The governing documents of The Trust are its Memorandum and Articles of Association. The Council meets regularly in the manner prescribed in the Articles of Association. One third of its members retire every year and are eligible for re-election. The Council is authorised to appoint new members to its number provided it does not exceed the maximum (15) prescribed by the Articles of Association.

On 22 January 2004 the following retired by rotation and were reappointed:

G H Toms
Mrs R A Wood
B Johnstone
A H Beadles

Next year's AGM is due to be held on 12 January 2005 and the following members are due to retire by rotation:

C H Tongue
Mrs A Smallwood
Rt. Hon. Dame A C R Rumbold
R G Mansfield

The Trust is a self-financing charity with the objective of providing high quality education to the students of Danes Hill Preparatory School (The School) which is a co-educational day school for pupils from 3 to 13 years. A Finance & General Purposes Committee consisting of certain members of the Council and the Officers, oversees the management of The School.

Objectives and Activities

It is the policy of the School to discover and exploit to the full the academic and extra-curricular potential of each pupil. The School seeks further to promote the physical health and moral welfare of every boy and girl in its care. There is an annual undertaking to award a limited number of scholarships and bursaries to deserving pupils. Many of these are recruited from the state sector. The criteria for these awards are determined by the Headmaster in conjunction with the Finance & General Purposes committee. The value of these benefits amounted to £434,241 (2003 - £349,984), which is equal to 5.92% (2003 - 5.37%) of tuition fees. The School runs a support centre (which is a member of CRESTED) for children with mild learning disabilities staffed by specialist teachers. The centre is widely acknowledged to be of great help to children who would otherwise struggle to keep up with their peer group. The same unit manages a specialist programme for gifted and talented children which includes Latin and Greek, Design Technology and Thinking Skills.

The Vernon Educational Trust Limited

Report of the Council of Management (continued)

Objectives and Activities (continued)

The Governing Body is embarking upon a strategic review to consider all aspects of the current curriculum. The school is making significant investment in ICT-orientated education with a view to radically improving its methods of teaching and learning. In addition, the facility below the age of 11 to learn two modern languages gives the school's children a unique educational opportunity.

Danes Hill seeks (in accordance with the Charity's Memorandums and Articles) to produce high quality education for boys and girls between the ages of 2½ and 13. The school has a mixed-ability pupil population and numbers have grown from 480 to 860 in the past ten years. Pupils consistently win places at top senior schools, which usually represent the first choice school for the families concerned. Over the past five years nearly 50% of leavers have won awards to their senior schools of choice.

Particular strengths of the school include modern foreign languages, drama, music, sport, art and DT and as indicated above, substantial investment has been placed in ICT and much curriculum delivery uses high levels of technology within the classroom. Bright children have the opportunity to sit either GCSE Latin, German or Spanish at the age of 13. Pupils have gained considerable success in these examinations.

The school has recently won national acclaim in a number of ways. Its recent independent inspection report indicated that "the school has many impressive strengths and no weaknesses." Particular emphasis was placed on high quality, accessible management and high standards of teaching and learning. The school has been recognised by the "Good Schools Guide", regularly appears in the Sunday Times coverage of top independent preparatory schools and is acknowledged as one of the largest and best independent day preparatory schools in England.

Financial review

The financial statements are prepared under the historical cost convention on the going concern basis, in accordance with the Memorandum and Articles of Association and in accordance with applicable UK accounting standards. In preparing the financial statements the Trust follows best practice as set out in the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued in October 2000, and complies with the Companies Act 1985.

The Trust's principal accounting policies are set out in note 1 to the accounts.

The group financial statements consolidate the financial statements of the Trust and its wholly owned subsidiary undertakings on a line by line basis.

The results for the year for The Trust, and its two subsidiary undertakings which manage certain properties, are summarised as follows:

	2004 £	2003 £
Surplus for the year before depreciation	782,241	486,561
Depreciation charge	(341,373)	(294,362)
Excess of incoming resources over resources expended	<u>440,868</u>	<u>192,199</u>

The results were on target in the light of increased numbers of teachers and associated costs.

The Vernon Educational Trust Limited

Report of the Council of Management (continued)

Reserves policy

At the Balance sheet date, the Trust held unrestricted funds totalling £1,992,962 which are fully invested in the school's property and other tangible assets that are not funded by long term borrowing. It is the Council's aim that future surpluses will enable the Trust to substantially repay its current borrowing requirement.

Risk management policy

The Council has reviewed the principal areas of the Trust's operations and considered the major risks faced in each of these areas. In the opinion of the Council, the Trust has established resources and a review system which, under normal conditions, should allow these risks to be mitigated to an acceptable level in its day to day operation.

Investments policy

The trusts only investments are two subsidiary companies. Details of these and their financial performance for the year are given in note 14 to the accounts.

Responsibilities of The Council

Company law requires The Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of The Trust and of the surplus or deficit of The Trust for that period. In preparing those financial statements The Council is required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards, 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 presume that The Trust will continue in business.

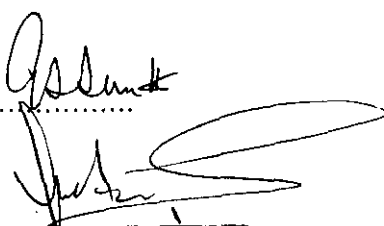
The Council is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable it to ensure that the financial statements comply with the Companies Act 1985. It is also responsible for safeguarding the assets of The Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Mazars LLP succeeded to Mazars as the independent auditor to the Trust during the year. Mazars LLP have signified their willingness to continue in office.

Approved by The Council on
and signed on its behalf by:

.....
Trustee



Independent auditors' report to the members of

The Vernon Educational Trust Limited

We have audited the financial statements for the year ended 31 August 2004 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out on therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of 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 the Council and auditors

As described in the Report of the Council of Management the Council is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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. We also report to you if, in our opinion, the report of The Council is not consistent with the financial statements, 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 emoluments of Council Members and transactions with the company is not disclosed.

We read the Report of the Council of Management and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to The Trust'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 the information in the financial statements.

Independent auditors' report to the members of

The Vernon Educational Trust Limited

Audit opinion

In our opinion the financial statements give a true and fair view of the charitable company's and group's state of affairs as at 31 August 2004 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.



MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors

Times House
Throwley Way
Sutton
Surrey SM1 4JQ

20 June 2005

The Vernon Educational Trust Limited

Consolidated statement of financial activities For the year ended 31 August 2004

		2004			2003
		Restricted funds	Unrestricted funds	Total funds	Total funds (restated)
	Notes	£	£	£	£
Incoming resources	3				
Charitable activities:					
Tuition and registration fees		-	6,917,781	6,917,781	6,188,622
Fees for extra curricular activities		-	498,254	498,254	362,119
Other activities for generating funds:					
Lettings		-	689	689	-
Investment income	4	-	11,996	11,996	8,056
Donations		18,164	-	18,164	10,175
Other incoming resources		-	53,850	53,850	70,440
Total incoming resources		18,164	7,482,570	7,500,734	6,639,412
Costs of generating funds for Educational purposes	5	-	(106,343)	(106,343)	(83,769)
Net incoming resources available for charitable application		18,164	7,376,227	7,394,391	6,555,643
Charitable expenditure					
Costs of activities in furtherance of charitable objectives:					
Teaching and running costs of school	6	-	5,107,088	5,107,088	4,575,109
Support costs	7	-	1,438,601	1,438,601	1,353,787
Management and administration	8	-	407,834	407,834	434,548
Total charitable expenditure		-	6,953,523	6,953,523	6,363,444
Total resources expended	9	-	7,059,866	7,059,866	6,447,213
Net incoming resources before transfers		18,164	422,704	440,868	192,199
Transfers in respect of fixed asset additions					
Restricted funds expended on fixed assets	10	(18,164)	18,164	-	-
Net movement in funds for the year		-	440,868	440,868	192,199
Fund balances at 1 September 2003		-	1,551,043	1,551,043	1,358,844
Fund balances at 31 August 2004		-	1,991,911	1,991,911	1,551,043

The group's income and expenditure all relate to continuing operations.

There were no other gains or losses recognised in the year.

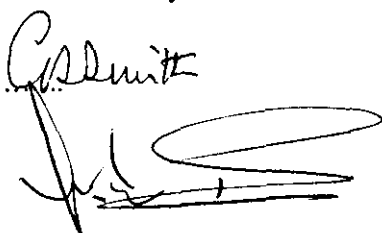
The Vernon Educational Trust Limited

Consolidated balance sheet at 31 August 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	15		4,599,099		4,541,456
Current assets					
Debtors	17	130,777		173,630	
Cash at bank and in hand		2,844		5,689	
		133,621		179,319	
Creditors – Amounts falling due within one year	18	(1,436,828)		(1,691,120)	
Net current (liabilities)			(1,303,207)		(1,511,801)
Total assets less current liabilities			3,295,892		3,029,655
Creditors – Amounts falling due after more than one year	19		(1,303,981)		(1,478,612)
Net assets			1,991,911		1,551,043
Represented by:					
Unrestricted funds	21		1,991,911		1,551,043

Approved by the Council on 21 June 2005
and signed on its behalf by:

Trustee



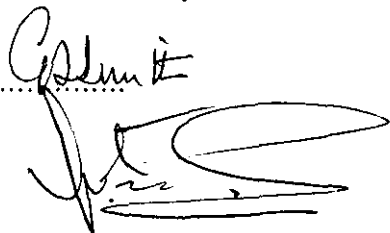
The Vernon Educational Trust Limited

Balance sheet at 31 August 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	15		4,160,780		4,073,249
Investments	16		90,960		139,533
			<u>4,251,740</u>		<u>4,212,782</u>
Current assets					
Debtors	17	151,999		209,342	
Cash at bank and in hand		1,187		1,511	
		<u>153,186</u>		<u>210,853</u>	
Creditors – Amounts falling due within one year	18	(1,459,979)		(1,723,271)	
Net current (liabilities)			<u>(1,306,793)</u>		<u>(1,512,418)</u>
Total assets less current liabilities			2,94,94		2,700,364
Creditors – Amounts falling due after more than one year	19		<u>(1,303,981)</u>		<u>(1,478,612)</u>
Net assets			<u>1,640,966</u>		<u>1,221,752</u>
Represented by:					
Unrestricted funds	21		<u>1,640,966</u>		<u>1,221,752</u>

Approved by The Council on
and signed on its behalf by:

Trustee

21 JUNE 2005


The Vernon Educational Trust Limited

Consolidated cash flow statement For the year ended 31 August 2004

	Notes	£	2004 £	£	2003 £
Cash flow from operating activities	20		670,353		708,953
Returns of investment and servicing of finance					
Interest received		11,996		8,056	
Interest paid		(74,878)		(66,606)	
Rent received		-		-	
Interest element of finance lease rental payments		(18,364)		(10,946)	
Net cash outflow for returns on investments and servicing of finance			(81,246)		(69,496)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(399,014)		(505,624)	
Sale of tangible fixed assets		-		16,962	
Net cash outflow for capital expenditure and financial investment			(399,014)		(488,662)
Net cash inflow before financing			190,093		150,795
Financing					
Repayment of secured loans		(154,696)		(150,464)	
Finance lease capital advanced		113,158		230,818	
Repayment of finance lease		(112,227)		(82,915)	
Net cash outflow from financing			(153,765)		(2,561)
Increase in cash in the year			36,328		148,234

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

1 Charitable status and taxation

The company (herein referred to as "the Trust") is a registered charity, limited by guarantee and does not have a share capital. The Trust is not subject to taxation, although it bears the cost of value added tax on purchases. This is because all the income of the Trust is exempt from VAT.

2 Principal accounting policies

2.1 Accounting convention

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with applicable UK accounting standards. In preparing the financial statements the Trust follows best practice as set out in the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued in October 2000, and complies with the Companies Act 1985.

2.2 Basis of preparation of group financial statements

The group financial statements consolidate the financial statements of the Trust and its wholly owned subsidiary undertakings on a line by line basis.

The profits and losses of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal.

2.3 Incoming resources

Income is recognised in the period in which the charitable group is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it.

Tuition and registration fees are accounted for when receivable.

Fees for extra curricular activities represent fees charged to parents for activities not forming part of the tuition fees and are accounted for on a receivable basis. Donations are accounted for as and when received.

2.4 Resources expended and basis of allocation of costs

Expenditure is included when incurred, inclusive of VAT.

The majority of costs are directly attributable to direct charitable expenditure, being the provision of education. Costs relating to support costs and management and administration are shown separately. Certain costs are apportioned between direct charitable expenditure, support costs and management & administration on the proportion of floor area occupied by each activity.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

2 Principal accounting policies (continued)

2.5 School buildings and equipment

Capitalisation and replacement

The freehold and leasehold land and buildings were professionally revalued by FPD Savills, Chartered Surveyors, in 1997 at £1,775,000. This valuation was adopted as the historical cost under the transitional provisions of the Financial Reporting Standard 15 in 2000. The Trust is responsible for keeping the buildings in good condition, and these costs are written off as incurred.

Building improvements and extensions subsequent to the valuation costing more than £5,000, together with furniture and fittings costing more than £500, are capitalised and carried in the balance sheet at historical cost.

2.6 Depreciation

Depreciation is calculated to write off the cost of depreciable fixed assets in equal instalments over their estimated useful lives. The estimated useful lives are as follows:-

Freehold property	50 years
Short leasehold property and improvements	The unexpired term of the lease
Motor vehicles	4 years
Computers	3 years
Furniture, fixtures and fittings	10 years or the unexpired term of the lease

2.7 Finance leases

Assets held under finance leases, hire purchase contracts and the related obligations are included at the fair value of the leased assets at the inception of the lease.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable. The total finance cost is charged in equal amounts over the period of the lease.

2.8 Operating leases

As lessee:

Rental payable under operating leases are charged in equal instalments over the term of the lease.

As lessor:

Assets held for use in operating leases are included in fixed assets and depreciated over their useful life.

Rental income from operating leases is recognised in equal instalments over the term of the lease.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

2 Principal accounting policies (continued)

2.9 Restricted funds

Restricted funds given for specific purposes are set aside for specific projects at the request of the donor. These funds are not available for general expenditure.

2.10 Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

2.11 Pension costs

Contributions payable to the Teachers Pension Agency and personal pension schemes for staff are charged to the Statement of Financial Activities account in the period to which they relate.

3 Income

Incoming resources, the result for the year and net assets are attributable to the principal activity of providing quality education. The Trust operates in the UK and the whole of its incoming resources arose in the UK.

4 Investment income

	2004 £	2003 £
Bank interest receivable	11,996	8,056

5 Costs of generating funds

	2004 Unrestricted funds £	2003 Unrestricted funds £
Public relations	78,136	73,540
Advertising and publicity	28,207	10,229
	106,343	83,769

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

6 Teaching and running costs of school

	2004 Unrestricted funds £	2003 Unrestricted funds (restated) £
Teaching costs	3,748,241	3,487,561
Premises costs	543,670	439,236
Depreciation	213,025	201,382
Other educational costs	602,152	446,930
	<u>5,107,088</u>	<u>4,575,109</u>

7 Support Costs

	2004 Unrestricted funds £	2003 Unrestricted funds (restated) £
Salaries	814,559	769,932
Catering	199,978	182,924
Other Costs	295,715	307,952
Depreciation	128,348	92,979
	<u>1,438,601</u>	<u>1,353,787</u>

8 Management and administration

	2004 Unrestricted funds £	2003 Unrestricted funds (restated) £
Salaries and related costs	208,706	204,274
Legal and professional fees	66,061	104,684
Interest payable	93,242	77,553
Other administration costs	39,825	48,037
	<u>407,834</u>	<u>434,548</u>

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

9 Total resources expended

	Staff costs £	Depreciation £	Other costs £	Total 2004 £	Total 2003 £
Direct charitable expenditure	4,562,801	341,373	1,641,515	6,545,689	5,920,164
Fundraising and publicity	-	-	106,343	106,343	83,769
Management and administration	208,705	-	199,129	407,834	443,280
	<u>4,771,506</u>	<u>341,373</u>	<u>1,946,987</u>	<u>7,059,866</u>	<u>6,447,213</u>

The depreciation charge is made up as follows:

Depreciation of owned tangible fixed assets	277,141	230,078
Depreciation of assets held under finance leases and hire purchase contracts	103,006	64,283
	<u>380,147</u>	<u>294,361</u>

Other costs include the following expenses:

Hire of plant and machinery - operating leases	39,406	58,342
Rent payable	202,505	105,018
Auditors' remuneration inclusive of VAT		
- Audit	18,800	19,212
- Other (taxation)	1,035	3,461
Loss/(profit) on disposal of fixed assets	-	1,754
	<u></u>	<u></u>

10 Transfers in respect of restricted funds

From time to time the Trust receives restricted funds for building and property projects at the School. When these restricted funds are expended on the relevant project a transfer is made from restricted to unrestricted funds.

11 Interest payable and similar charges

	2004 £	2003 £
On bank loans and overdrafts	74,878	66,606
On hire purchase contracts	18,364	10,927
	<u>93,242</u>	<u>77,533</u>

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

12 Emoluments of Council members

	2004	2003
	£	£
Pensions paid to present and past Council Members	10,293	10,003
Total emoluments	10,293	10,003

Trustees' emoluments are authorised under the company's Memorandum and Articles of Association.

No Council Member has any other financial interest in the Trust or its transactions during the year other than as detailed in notes 26 and 27.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

13 Staff costs

	2004 Number	2003 Number
The average number of persons employed (including Principals) during the year was as follows:		
Teaching staff	119	113
Senior management	4	4
Ancillary staff	42	43
	<u>165</u>	<u>160</u>
Employment costs included in ordinary activities:		
	£	£
Wages and salaries	4,019,409	3,823,143
Social security costs	323,322	288,391
Other pension costs	428,775	332,433
Total employment costs	<u>4,771,506</u>	<u>4,443,967</u>
The number of employees who received emoluments in the following ranges were:		
	2004 Number	2003 Number
£70,001 - £80,000	<u>1</u>	<u>1</u>

Pension contributions paid in respect of this employee totalled £11,025 (2003 - £8,163)

14 Net incoming resources of the Trust

As permitted by section 230 of the Companies Act 1985 the income and expenditure account of the Trust is not presented as part of these financial statements. The Trust's net incoming resources for the financial year were £ 419,214 before gift aid and pensions (2003: £192,310).

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

15 Tangible fixed assets

Group	Freehold property £	Short leasehold and improvements £	Motor vehicles £	Computers and other equipment £	Furniture, fixtures and fittings £	Total £
At cost						
1 September 2003	833,126	3,755,883	118,761	375,768	840,632	5,924,170
Additions	18,938	128,322	36,736	114,590	100,430	399,016
31 August 2004	852,064	3,884,205	155,497	490,358	941,062	6,323,186
Accumulated depreciation						
1 September 2003	57,763	483,137	94,187	272,712	474,915	1,382,714
Charge for the year	18,356	118,661	22,662	105,686	76,008	341,373
31 August 2004	76,119	601,798	116,849	378,398	550,923	1,724,087
Net book values						
31 August 2004	775,945	3,282,407	38,648	111,960	390,139	4,599,099
31 August 2003	775,363	3,272,746	24,574	103,056	365,717	4,541,456

The net book value of Motor vehicles, Computers and other equipment, and Furniture, fixtures and fittings includes an amount of £142,699 (2003: £126,372) in respect of assets held under finance leases and hire purchase contracts.

The net book value of freehold property and short leasehold improvements of £4,058,352 (2003: £4,048,109) includes an amount of £94,070 (2003: £96,545) in respect of assets held under finance leases and hire purchase contracts.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

15 Tangible fixed assets (continued)

Company	Freehold property £	Short leasehold and improvements £	Motor vehicles £	Computers and other equipment £	Furniture, fixtures and fittings £	Total £
At cost						
1 September 2003	833,126	3,291,922	118,761	375,768	743,271	5,362,848
Additions	18,938	128,322	36,736	114,590	100,430	399,016
31 August 2004	852,064	3,420,244	155,497	490,358	843,701	5,761,864
Accumulated depreciation						
1 September 2003	57,763	463,244	94,187	272,712	401,693	1,289,599
Charge for the year	18,356	101,888	22,662	105,686	62,893	311,485
31 August 2004	76,119	565,132	116,849	378,398	464,586	1,601,084
Net book values						
31 August 2004	775,945	2,855,112	38,648	111,960	379,115	4,160,780
31 August 2003	775,363	2,828,678	24,574	103,056	341,578	4,073,249

The net book value of Motor vehicles, Computers and other equipment, and Furniture, fixtures and fittings includes an amount of £142,699 (2003: £126,372) in respect of assets held under finance leases and hire purchase contracts.

The net book value of freehold property and short leasehold improvements of £ 3,631,057 (2003: £3,604,041) includes an amount of £94,070 (2003: £96,545) in respect of assets held under finance leases and hire purchase contracts.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

16 Investments

Company	Subsidiary Companies		
	Shares in £	Loans to £	Total £
Cost			
Balance at 1 September 2003	670,708	793,891	1,464,599
Repaid	-	(7,501)	(7,501)
31 August 2004	670,708	786,390	1,457,098
Provision for diminution			
Balance at 1 September 2003	647,363	677,703	1,325,066
Arising in the year	5,995	35,077	41,072
At 31 August 2004	653,358	712,780	1,366,138
Net book values			
At 31 August 2004	17,350	73,610	90,960
At 31 August 2003	23,345	116,188	139,533

The above investments are unlisted.

The loans to the subsidiary are interest free and due for repayment in 2006.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

14 Investments (continued)

Additional information on subsidiary undertakings

Name	Country of incorporation	Class of shares held	Percentage of shares held by:		Nature of business
			Parent		
Danes Hill Trading Limited	UK	Ordinary	100%		Property management
Brinlay Limited	UK	Ordinary	100%		Property management

A summary of the trading results of the above two companies for the year ended 31 August 2004 is shown below. Audited accounts are filed with the Registrar of Companies.

	Danes Hill Trading Limited £	Brinlay Limited £
Incoming resources	88,028	26,637
Resources expended:		
Direct charitable expenditure	(35,394)	(9,014)
Management and administration	(58,629)	(52,700)
Net outgoing resources for the year	<u>(5,995)</u>	<u>(35,077)</u>
Combined Share Capital and Reserves/(Deficit)	<u>17,350</u>	<u>(712,780)</u>

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

17 Debtors

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	86,094	89,886	86,094	89,886
Amounts owed by group companies	-	-	21,222	38,998
Other debtors	17,390	43,661	17,390	40,375
Prepayments and accrued income	27,293	40,083	27,293	40,083
	<u>130,777</u>	<u>173,630</u>	<u>151,999</u>	<u>209,342</u>

18 Creditors – Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	472,870	512,042	469,955	495,344
Payments received on account	448,056	469,226	448,056	469,226
Obligations under hire purchase contracts	113,670	79,535	113,670	79,535
Trade creditors	83,751	97,607	83,751	97,607
Amount due to group undertaking	-	-	31,323	53,531
Social security costs	100,349	94,854	100,349	94,854
Other creditors	150,117	188,290	149,561	183,608
Accruals and deferred income	68,015	249,566	63,314	249,566
	<u>1,436,828</u>	<u>1,691,120</u>	<u>1,459,979</u>	<u>1,723,271</u>

Other creditors includes an amount of £ 297 (2003: £57,842) in respect of contributions due to pension schemes.

Total bank borrowing of £1,191,266 (2003: £1,385,134) is secured by fixed and floating charges over the freehold and leasehold assets of the Group together with an assignment of the proceeds of a Keyman Insurance policy.

Obligations under hire purchase liabilities are secured on the assets to which they relate.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

19 Creditors – Amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loan	718,396	873,091	718,396	873,091
Obligations under hire purchase contract	113,673	146,877	113,673	146,877
Other creditors	471,912	458,644	471,912	458,644
	<u>1,303,981</u>	<u>1,478,612</u>	<u>1,303,981</u>	<u>1,478,612</u>

The bank loans are secured on the freehold and leasehold properties, and bear an interest rate of $1\frac{3}{4}\%$ above Lloyds Bank Plc's base rate.

Obligations under hire purchase contracts are secured on the assets to which they relate.

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Obligations under hire purchase contracts:				
Amounts payable:				
Within two to five years	<u>113,673</u>	<u>146,877</u>	<u>113,673</u>	<u>146,877</u>

20 Analysis of debt maturity

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loan repayable by instalments:				
In one year or less	160,000	160,000	160,000	160,000
Between one and two years	160,000	160,000	160,000	160,000
Between two and five years	480,000	480,000	480,000	480,000
After five years	78,396	233,091	78,396	233,091
	<u>878,396</u>	<u>1,033,091</u>	<u>878,396</u>	<u>1,033,091</u>

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

21 Unrestricted funds

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Balance brought forward				
1 September	1,551,043	1,358,844	1,221,752	1,029,442
Surplus for the year	440,868	192,199	419,214	192,310
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance carried forward				
31 August	1,991,911	1,551,043	1,640,966	1,221,752
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included within the Group funds of £1,991,911 (2003: £1,551,043) is an amount £61,692 (2003: £61,692) arising on the revaluation of the freehold property.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

22 Notes to the cashflow statement

	2004 £	2003 £	
(a) Reconciliation of operating surplus to operating cash flows			
Operating surplus	440,868	192,199	
Net cost of finance	81,246	69,496	
Depreciation charges	341,373	294,362	
Loss/(profit) on disposal of fixed assets	-	1,753	
(Increase)/decrease in debtors	42,853	(46,085)	
(Increase)/decrease in creditors	(235,987)	197,228	
Net cash inflow from operating activities	670,353	708,953	
(b) Reconciliation of net cashflow to movement in net debt			
	£	£	
(Increase)/decrease in cash in the year	36,328	148,234	
New finance leases	(113,158)	(230,818)	
Cash outflow from repayment of loans and finance leases	266,923	233,379	
Movement in net debt in the year	190,093	150,795	
Net debt at 1 September 2003	(1,605,857)	(1,756,652)	
Net debt at 31 August 2004	(1,415,764)	(1,605,857)	
(c) Analysis of net debt			
	At 1 September 2003 £	Cashflow £	At 31 August 2004 £
Cash at bank and in hand	5,689	(2,845)	2,844
Overdrafts	(352,043)	39,173	(312,870)
	(346,354)	36,328	(310,026)
Debt due after one year	(873,091)	154,695	(718,396)
Debt due within one year	(160,000)	-	(160,000)
Finance leases	(226,412)	(930)	(227,342)
Net debt	(1,605,857)	190,093	(1,415,764)

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

23 Pension arrangements

The charity makes pension contributions to the Teachers Pension Agency for teaching staff and to the Independent Schools' Bursars Scheme or a Group Personal Pension for other staff members. The assets of each of these types of arrangement are held separately from those of the Trust in independently administered funds. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the schemes, the profit and loss account charge for the period under SSAP24 and FRS17 represents the employer contributions payable. The pension cost charge amounted to £428,775 (2003: £332,433).

Teachers Pension Scheme

Latest actuarial valuation	March 2001
Actuarial method	Prospective benefits
Investment returns pa	7.00%
Salary increases pa	5.00%
Pension increases pa	3.5%
Market value of assets	£142,880 million

Independent Schools' Pension Scheme

Latest actuarial valuation	September 2002
Actuarial method	Projected unit
Investment returns pa	6.90%
Salary increases pa	4.50%
Pension increases pa	2.5%
Market value of assets	£27.9 million

Other arrangements

Davies Educational Services Limited, which changed its name to Vernon Educational Trust Limited in October 1990, initiated a defined benefit arrangement for employees of its sixth-form college which closed in 1990. The trustees of Vernon Educational Trust Limited have now satisfied themselves that Inland Revenue approval for this arrangement had been withdrawn at inception and consequently no defined benefit scheme ever existed. No pension can be paid from the fund. No liability falls upon Vernon Educational Trust Limited. The Inland Revenue have given their approval that, to conclude matters, the assets be distributed to the would-be contributors.

The Vernon Educational Trust Limited

Notes to the consolidated financial statements For the year ended 31 August 2004

24 Other financial commitments

At 31 August 2004 the group had the following commitments under non-cancellable operating leases in the year to 31 August 2005:

	Land and buildings		Other assets	
	2004	2003	2004	2003
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	-	25,308	-
Between 2 and 5 years	-	-	15,801	34,629
After 5 years	131,000	50,000	-	-
	<u>131,000</u>	<u>50,000</u>	<u>41,109</u>	<u>34,629</u>

The rent payable on Land and Buildings has been under periodic review for the last two years. During the year the rent has been agreed at £131,000 per annum backdated to 1 September 2002.

25 Capital commitments

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Capital expenditure contracted for but not provided for in the financial statements	<u>252,083</u>	<u>-</u>	<u>252,083</u>	<u>-</u>

26 Related party transactions

During the year transactions in the sum of £33,171 were made with Bircham Dyson Bell for legal advice on various matters. At the year end, £5,546 was outstanding for payment and included within creditors. Mr G S Smith, a Council Member, is a partner of Bircham Dyson Bell.

27 Indemnity insurance

The Trust purchased insurance for the Council Members during the year to indemnify them against any liabilities arising as a result of negligence on the company's behalf. (Note 12)

28 Restatement of comparatives

For the year ended 31 August 2004 Charitable expenditure shown in the Statement of Financial Activities has been analysed into three categories in accordance with the recommendations of the SORP and current best practice. The categories are Teaching and running costs of the School, Support costs, and Management and administration. The comparative figures for Charitable expenditure have been restated on a comparable basis. (see Notes 6, 7 and 8).

The Vernon Educational Trust Limited

Income and expenditure account For the year ended 31 August 2004

	2004 £	2003 £
Turnover	7,469,885	6,621,181
Cost of sales	(6,669,146)	(6,022,596)
Gross surplus	800,739	598,585
Administrative expenses	(311,707)	(361,504)
Operating surplus	489,032	237,081
Donations received	18,164	10,175
Other interest receivable and similar income	28,858	26,326
Gift Aid payments from subsidiary companies - 2002	-	24,553
Gift Aid payments from subsidiary companies - 2003	-	4,750
Gift Aid payments from subsidiary companies - 2004	17,474	-
Surplus on ordinary activities before interest	553,528	302,885
Interest payable and similar charges	(93,242)	(77,533)
	460,286	225,352
Provision for diminution in value of investment in subsidiary company	(41,072)	(33,042)
Retained surplus for the year	419,214	192,310