

# Reports and Financial Statements

For the year ended 31 August 2003

**The Vernon Educational  
Trust Limited**



# **The Vernon Educational Trust Limited**

## **Contents**

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	Page
Charity information	1 - 2
Report of the Council of Management	3 - 5
Independent auditors' report	6 - 7
Consolidated statement of financial activities	8
Consolidated balance sheet	9
Balance sheet	10
Consolidated cash flow statement	11
Notes to the financial statements	12 - 28

# **The Vernon Educational Trust Limited**

## **Charity information**

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<b>Council members</b>	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	(appointed 14 May 2003)

\* indicates member of the Finance & General Purposes Committee

<b>Officers</b>	Headmaster	R. Parfitt
	Secretary and Bursar	W.F. House

<b>Registered address</b>	Danes Hill School Leatherhead Road Oxshott Surrey KT22 0JG  Telephone: 01372 842509 Facsimile: 01372 844452 Website: <a href="http://www.daneshillschool.com">www.daneshillschool.com</a>
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**Registered company no.** 1194206

**Charity no.** 269433

# **The Vernon Educational Trust Limited**

## **Charity information (continued)**

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### **Auditors**

Mazars  
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**

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The Council of Management ('The Council') presents its report and the consolidated financial statements of The Vernon Educational Trust Limited ('The Trust') for the year ended 31 August 2003.

### **Status, governing document and constitution and objects**

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 2002 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 (13) prescribed by the Articles of Association.

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.

### **Policy**

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. The criteria for these awards are determined by the Headmaster in conjunction with the Finance & General Purposes Committee.

The Governing Body is embarking upon a strategic medium-term 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 to learn two modern languages below the age of 11 gives the school's children a unique educational opportunity.

# **The Vernon Educational Trust Limited**

## **Report of the Council of Management (continued)**

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### **Review of activities**

Danes Hill seeks (in accordance with the Charity's Memorandums and Articles) to produce a 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 high-quality senior independent 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.

Particular strengths of the school include modern foreign languages, drama, music, sport, art and DT. 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 highly influential "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 results for the year for The Trust, and its two subsidiary undertakings which manage certain properties, are summarised as follows:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Surplus for the year before depreciation	486,561	397,836
Depreciation charge	(294,362)	(253,693)
Excess of incoming resources over resources expended	<u>192,199</u>	<u>144,143</u>

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

### **Reserves policy**

At the Balance sheet date, the Trust held unrestricted funds totalling £1,551,043 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 replace its borrowing requirement.

### **Risk management**

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.

# The Vernon Educational Trust Limited

## Report of the Council of Management (continued)

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### 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

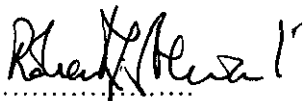
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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

The auditors, Mazars have signified their willingness to continue in office and a resolution to reappoint them as auditors will be put to the forthcoming annual general meeting.

Approved by The Council on 22 January 2004  
and signed on its behalf by:



~~G.S. Smith~~, Chairman  
*R.L. Stewart*

# **Independent auditors' report to the members of**

## **The Vernon Educational Trust Limited**

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We have audited the financial statements for the year ended 31 August 2003 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**

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### **Qualified opinion arising from the omission of Retirement Benefit Information**

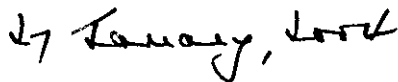
As explained in Note 21 the financial statements do not disclose certain information as required by Financial Reporting Standard 17 'Retirement Benefits'.

Except for the omission of certain information about retirement benefits, 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 2003 and of its 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  
CHARTERED ACCOUNTANTS  
and Registered Auditors

Times House  
Throwley Way  
Sutton  
Surrey SM1 4JQ



# The Vernon Educational Trust Limited

## Consolidated statement of financial activities For the year ended 31 August 2003

		2003			2002
	Notes	Restricted funds £	Unrestricted funds £	Total funds £	Unrestricted funds £
<b>Incoming resources</b>	<b>3</b>				
Charitable activities:					
Tuition and registration fees		-	6,188,622	6,188,622	5,470,963
Fees for extra curricular activities		-	362,119	362,119	344,820
Other activities for generating funds:					
Lettings		-	-	-	1,557
Investment income	4	-	8,056	8,056	2,342
Donations		10,000	175	10,175	86,837
Other incoming resources		-	70,440	70,440	55,932
<b>Total incoming resources</b>		<b>10,000</b>	<b>6,629,412</b>	<b>6,639,412</b>	<b>5,962,451</b>
Costs of generating funds	5	-	(83,769)	(83,769)	(59,176)
<b>Net incoming resources available for charitable application</b>		<b>10,000</b>	<b>6,545,643</b>	<b>6,555,643</b>	<b>5,903,275</b>
<b>Charitable expenditure</b>					
Costs of activities in furtherance of charitable objectives:					
Teaching and running costs of school	6	-	5,920,164	5,920,164	5,309,928
Management and administration	7	-	443,280	443,280	449,204
<b>Total charitable expenditure</b>		<b>-</b>	<b>6,363,444</b>	<b>6,363,444</b>	<b>5,759,132</b>
<b>Total resources expended</b>	<b>8</b>	<b>-</b>	<b>6,447,213</b>	<b>6,447,213</b>	<b>5,818,308</b>
<b>Net incoming resources before transfers</b>		<b>10,000</b>	<b>182,199</b>	<b>192,199</b>	<b>144,143</b>
Transfers in respect of fixed asset additions		(10,000)	10,000	-	-
<b>Net movement in funds for the year</b>		<b>-</b>	<b>192,199</b>	<b>192,199</b>	<b>144,143</b>
Fund balances at 1 September 2002		-	1,358,844	1,358,844	1,214,701
Fund balances at 31 August 2003		-	1,551,043	1,551,043	1,358,844

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

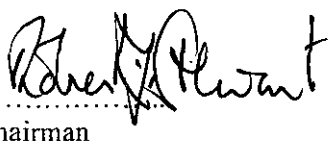
There were no other gains or losses recognised in the year.

# The Vernon Educational Trust Limited

## Consolidated balance sheet at 31 August 2003

	Notes	£	2003 £	£	2002 £
<b>Fixed assets</b>					
Tangible assets	13		4,541,456		4,348,910
<b>Current assets</b>					
Debtors	15	173,630		127,545	
Cash at bank and in hand		5,689		4,416	
		<u>179,319</u>		<u>131,961</u>	
<b>Creditors – Amounts falling due within one year</b>	16	(1,691,120)		(1,565,115)	
<b>Net current (liabilities)</b>			(1,511,801)		(1,433,154)
<b>Total assets less current liabilities</b>			<u>3,029,655</u>		<u>2,915,756</u>
<b>Creditors – Amounts falling due after more than one year</b>	17		(1,478,612)		(1,556,912)
<b>Net assets</b>			<u>1,551,043</u>		<u>1,358,844</u>
<b>Unrestricted funds</b>	19		<u>1,551,043</u>		<u>1,358,844</u>

Approved by The Council on 22 January 2004  
and signed on its behalf by:


  
Chairman

# The Vernon Educational Trust Limited

## Balance sheet at 31 August 2003

	Notes	£	2003 £	£	2002 £
<b>Fixed assets</b>					
Tangible assets	13		4,073,249		3,871,777
Investments	14		139,533		172,557
			<u>4,212,782</u>		<u>4,044,334</u>
<b>Current assets</b>					
Debtors	15	209,342		130,994	
Cash at bank and in hand		1,513		1,018	
		<u>210,855</u>		<u>132,012</u>	
<b>Creditors – Amounts falling due within one year</b>	16	(1,723,271)		(1,589,992)	
<b>Net current (liabilities)</b>			<u>(1,512,416)</u>		<u>(1,457,980)</u>
<b>Total assets less current liabilities</b>			<u>2,700,366</u>		<u>2,586,354</u>
<b>Creditors – Amounts falling due after more than one year</b>	17		<u>(1,478,614)</u>		<u>(1,556,912)</u>
<b>Net assets</b>			<u><u>1,221,752</u></u>		<u><u>1,029,442</u></u>
Represented by:					
<b>Unrestricted funds</b>	19		<u><u>1,221,752</u></u>		<u><u>1,029,442</u></u>

Approved by The Council on 22 January 2004  
and signed on its behalf by:

  
G.S. Smith, Chairman

# The Vernon Educational Trust Limited

## Consolidated cash flow statement For the year ended 31 August 2003

	Notes	£	2003 £	£	2002 £
<b>Cash flow from operating activities</b>	<b>20</b>		<b>708,953</b>		<b>304,436</b>
<b>Returns of investment and servicing of finance</b>					
Interest received		8,056		2,342	
Interest paid		(66,606)		(79,898)	
Rent received		-		1,557	
Interest element of finance lease rental payments		(10,946)		(5,434)	
<b>Net cash (outflow) for returns on investments and servicing of finance</b>			<b>(69,496)</b>		<b>(81,433)</b>
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(505,624)		(616,720)	
Sale of tangible fixed assets		16,962		17,359	
<b>Net cash (outflow) for capital expenditure and financial investment</b>			<b>(488,662)</b>		<b>(599,361)</b>
<b>Net cash inflow/(outflow) before financing</b>			<b>150,795</b>		<b>(376,358)</b>
<b>Financing</b>					
Advance of new secured loan		-		300,000	
Repayment of secured loans		(150,464)		(138,945)	
Finance lease capital advanced		230,818		95,926	
Repayment of finance lease		(82,915)		(34,817)	
<b>Net cash (outflow)/ inflow from financing</b>			<b>(2,561)</b>		<b>222,164</b>
<b>Increase /(decrease) in cash in the year</b>			<b>148,234</b>		<b>(154,194)</b>

# **The Vernon Educational Trust Limited**

## **Notes to the consolidated financial statements For the year ended 31 August 2003**

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### **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 because of its exempt status.

### **2 Principal accounting policies**

#### **2.1 Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable 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 management and administration are shown separately. Certain costs are apportioned between direct charitable expenditure 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 2003**

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### **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 2003

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### 2 Principal accounting policies (continued)

#### 2.9 Investments

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

#### 2.10 Pension costs

Contributions payable to The Trust's pension schemes are charged to the income and expenditure 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

	2003 £	2002 £
Bank interest receivable	8,056	2,342

### 5 Costs of generating funds

	2003 Unrestricted funds £	2002 Unrestricted funds £
Public relations	73,540	51,432
Advertising and publicity	10,229	7,744
	83,769	59,176



# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

### 6 Teaching and running costs of school

	2003 Unrestricted funds £	2002 Unrestricted funds £
Teaching costs	4,512,292	4,068,638
Premises costs	439,236	356,423
Depreciation	294,361	253,693
Catering	360,051	337,396
Other educational costs	300,914	271,305
Legal and professional fees	13,310	22,473
	<u>5,920,164</u>	<u>5,309,928</u>

### 7 Management and administration

	2003 Unrestricted funds £	2002 Unrestricted funds £
Salaries and related costs	204,274	209,425
Legal and professional fees	104,684	93,560
Interest payable	77,553	85,332
Other administration costs	56,769	60,887
	<u>443,280</u>	<u>449,204</u>

# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

### 8 Total resources expended

	Staff costs £	Depreciation £	Other costs £	Total 2003 £	Total 2002 £
Direct charitable expenditure	4,245,742	294,361	1,380,061	5,920,164	5,309,928
Fundraising and publicity	-	-	83,769	83,769	59,176
Management and administration	198,225	-	245,055	443,280	449,204
	<u>4,443,967</u>	<u>294,361</u>	<u>1,708,885</u>	<u>6,447,213</u>	<u>5,818,308</u>

The depreciation charge is made up as follows:

Depreciation of owned tangible fixed assets	230,078	217,088
Depreciation of assets held under finance leases and hire purchase contracts	64,283	36,605
	<u>294,361</u>	<u>253,693</u>

Other costs include the following expenses:

Hire of plant and machinery - operating leases	58,342	34,542
Rent payable	105,018	92,065
Auditors' remuneration inclusive of VAT		
- Audit	19,212	18,370
- Other (taxation)	3,461	3,549
Loss/(profit) on disposal of fixed assets	1,754	(217)
	<u>126,575</u>	<u>118,476</u>

### 9 Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts	66,606	79,898
On hire purchase contracts	10,927	5,434
	<u>77,533</u>	<u>85,332</u>

# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

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### 10 Emoluments of Council members

	2003 £	2002 £
Pensions paid to present and past Council Members	10,003	9,665
<b>Total emoluments</b>	<u>10,003</u>	<u>9,665</u>

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

No expenses were reimbursed to Council Members.

No Council Member has any other financial interest in the Trust.

# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

### 11 Staff costs

	2003 Number	2002 Number
The average number of persons employed (including Principals) during the year was as follows:		
Teaching staff	113	108
Senior management	4	4
Ancillary staff	43	43
	<u>160</u>	<u>155</u>
Employment costs included in ordinary activities:	£	£
Wages and salaries	3,823,143	3,509,254
Social security costs	288,391	255,531
Other pension costs	332,433	240,945
Total employment costs	<u>4,443,967</u>	<u>4,005,730</u>
The number of employees who received emoluments in the following ranges were:		
	2003 Number	2002 Number
£70,001 - £80,000	<u>1</u>	<u>1</u>

### 12 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 £197,008 (2002: £76,817).

# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

### 13 Tangible fixed assets

Group	Freehold property £	Short leasehold and improvements £	Motor vehicles £	Computers and other equipment £	Furniture, fixtures and fittings £	Total £
<b>At cost</b>						
1 September 2002	748,451	3,576,137	157,744	272,513	717,509	5,472,354
Additions	84,675	179,746	14,825	103,255	123,123	505,624
Disposals	-	-	(53,808)	-	-	(53,808)
31 August 2003	833,126	3,755,883	118,761	375,768	840,632	5,924,170
<b>Accumulated depreciation</b>						
1 September 2002	41,100	369,456	111,852	197,160	403,876	1,123,444
Charge for the year	16,663	113,681	17,427	75,552	71,039	294,362
Eliminated on disposal	-	-	(35,092)	-	-	(35,092)
31 August 2003	57,763	483,137	94,187	272,712	474,915	1,382,714
<b>Net book values</b>						
31 August 2003	775,363	3,272,746	24,574	103,056	365,717	4,541,456
31 August 2002	707,351	3,206,681	45,892	75,353	313,633	4,348,910

The net book value of Motor vehicles, Computers and other equipment, and Furniture, fixtures and fittings includes an amount of £126,372 (2002: £78,509) in respect of assets held under finance leases and hire purchase contracts.

The net book value of freehold property and short leasehold improvements of £4,048,109 (2002: £3,914,032) includes an amount of £96,545 (2002: £nil) 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 2003

### 13 Tangible fixed assets (continued)

Company	Freehold property £	Short leasehold and improvements £	Motor vehicles £	Computers and other equipment £	Furniture, fixtures and fittings £	Total £
<b>At cost</b>						
1 September 2002	748,451	3,112,176	157,744	272,513	643,859	4,934,743
Additions	84,675	179,746	14,825	103,255	99,412	481,913
Disposals	-	-	(53,808)	-	-	(53,808)
31 August 2003	833,126	3,291,922	118,761	375,768	743,271	5,362,848
<b>Accumulated depreciation</b>						
1 September 2002	41,100	365,777	111,852	197,160	347,077	1,062,966
Charge for the year	16,663	97,467	17,427	75,552	54,616	261,725
Eliminated on disposal	-	-	(35,092)	-	-	(35,092)
31 August 2003	57,763	463,244	94,187	272,712	401,693	1,289,599
<b>Net book values</b>						
31 August 2003	775,363	2,828,678	24,574	103,056	341,578	4,073,249
31 August 2002	707,351	2,746,399	45,892	75,353	296,782	3,871,777

The net book value of Motor vehicles, Computers and other equipment, and Furniture, fixtures and fittings includes an amount of £126,372 (2002: £78,509) in respect of assets held under finance leases and hire purchase contracts.

The net book value of freehold property and short leasehold improvements of £4,048,109 (2002: £3,914,032) includes an amount of £96,545 (2002: £nil) 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 2003

### 14 Investments

Company	Subsidiary Companies		
	Shares in £	Loans to £	Total £
<b>Cost</b>			
Balance at 1 September 2002 and 31 August 2003	670,708	793,891	1,464,599
<b>Provision for diminution</b>			
Balance at 1 September 2002	641,193	650,849	1,292,042
Arising in the year	6,170	26,854	33,024
At 31 August 2003	647,363	677,703	1,325,066
<b>Net book values</b>			
At 31 August 2003	23,345	116,188	139,533
At 31 August 2002	29,515	143,042	172,557

The above investments are unlisted.

# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

### 14 Investments (continued)

Additional information on subsidiary undertakings

Name	Country of incorporation	Class of shares held	Percentage of shares held by:		Nature of business
			Group	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 2003 is shown below. Audited accounts are filed with the Registrar of Companies.

	Danes Hill Trading Limited £	Brinlay Limited £
Incoming resources	84,121	26,500
Resources expended:		
Direct charitable expenditure	53,223	48,187
Management and administration	37,068	5,166
Net (outgoing) resources for the year	<u>(6,170)</u>	<u>(26,853)</u>
Combined Share Capital and Reserves/(Deficit)	<u>23,345</u>	<u>(677,702)</u>



# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

### 15 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	89,886	81,271	89,886	81,271
Amounts owed from group companies	-	-	38,998	-
Other debtors	43,661	24,613	40,375	24,605
Prepayments and accrued income	40,083	21,661	40,083	25,118
	<u>173,630</u>	<u>127,545</u>	<u>209,342</u>	<u>130,994</u>

### 16 Creditors – Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	512,042	659,005	495,344	659,005
Payments received on account	469,226	412,724	469,226	412,724
Obligations under hire purchase contracts	79,535	32,027	79,535	32,027
Trade creditors	97,607	71,157	97,607	71,157
Amount due to group undertaking	-	-	53,531	40,055
Social security costs	94,854	85,542	94,854	85,542
Other creditors	188,290	118,164	183,608	116,952
Accruals and deferred income	249,566	186,496	249,566	172,530
	<u>1,691,120</u>	<u>1,565,115</u>	<u>1,723,271</u>	<u>1,589,992</u>

Other creditors includes an amount of £57,842 (2002: £12) in respect of contributions due to pension schemes.

Total bank borrowing of £1,385,134 (2002: £1,682,560) 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 2003

### 17 Creditors – Amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loan	873,091	1,023,555	873,091	1,023,555
Obligations under hire purchase contract	146,877	46,482	146,877	46,482
Other creditors	458,644	486,875	458,644	486,875
	<u>1,478,612</u>	<u>1,556,912</u>	<u>1,478,612</u>	<u>1,556,912</u>

The bank loans are secured on the freehold and leasehold properties, and bear an interest rate of 1<sup>3</sup>/<sub>4</sub>% above Lloyds Bank Plc's base rate.

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

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Obligations under hire purchase contracts:				
Amounts payable:				
Within two to five years	<u>146,877</u>	<u>46,482</u>	<u>146,877</u>	<u>46,482</u>

### 18 Analysis of debt maturity

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
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	233,091	383,555	233,091	383,555
	<u>1,033,091</u>	<u>1,183,555</u>	<u>1,033,091</u>	<u>1,183,555</u>

# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

### 19 Unrestricted funds

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Balance brought forward				
1 September	1,358,844	1,214,701	1,029,442	952,625
Surplus for the year	192,199	144,143	192,310	76,817
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance carried forward				
31 August	1,551,043	1,358,844	1,221,752	1,029,442
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Included within the Group funds of £1,551,043 (2002: £1,358,844) is an amount £61,692 (2002: £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 2003

### 20 Notes to the cashflow statement

	2003 £	2002 £	
(a) Reconciliation of operating surplus to operating cash flows			
Operating surplus	192,199	144,143	
Net cost of finance	69,496	81,433	
Depreciation charges	294,362	253,693	
Loss/(profit) on disposal of fixed assets	1,753	(217)	
(Increase)/decrease in debtors	(46,085)	(18,735)	
(Increase)/decrease in creditors	197,228	(155,881)	
Net cash inflow from operating activities	708,953	304,436	
(b) Reconciliation of net cashflow to movement in net debt			
	£	£	
(Increase)/decrease in cash in the year	148,234	(154,194)	
New finance leases	(230,818)	(95,926)	
Loan (advanced)/repaid	-	(300,000)	
Cash outflow from repayment of loans and finance leases	233,379	173,762	
Movement in net debt in the year	150,795	(376,358)	
Net debt at 1 September 2002	(1,756,652)	(1,380,294)	
Net debt at 31 August 2003	(1,605,857)	(1,756,652)	
(c) Analysis of net debt			
	At 1 September 2002 £	Cashflow £	At 31 August 2003 £
Cash at bank and in hand	4,416	1,273	5,689
Overdrafts	(499,004)	146,961	(352,043)
	(494,588)	148,234	(346,354)
Debt due after one year	(1,023,555)	150,464	(873,091)
Debt due within one year	(160,000)	-	(160,000)
Finance leases	(78,509)	(147,903)	(226,412)
Net debt	(1,756,652)	150,795	(1,605,857)

# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

### 21 Pension arrangements

The charity makes pension contributions to the Teachers Pension Agency for teaching staff and to personal pension schemes for other staff members. The assets of both schemes are held separately from those of The Trust in independently administered funds. The pension cost charge represents contributions payable by The Trust and amounted to £332,433 (2002: £240,945).

A defined benefit scheme which was previously operated for employees of a sixth-form college, and closed in 1990, is still in the process of 'wind-up'. Should the scheme still exist at 31 August 2005 then the Group will be required to comply fully with FRS 17 in its financial statements of that year.

The transitional arrangements allowed under FRS 17 require the following disclosures to be made in these financial statements:

- the date of the most recent full actuarial valuation and subsequent update,
- the main financial assumptions used by the actuary
- the fair value of the scheme's assets at the balance sheet date and the expected rate of return for the period and the subsequent period
- present value of the scheme's liabilities and any resulting surplus or deficit

It has not been possible to obtain the required information or to make the necessary disclosures.

### 22 Other financial commitments

At 31 August 2003 the group had the following commitments under non-cancellable operating leases in the year to 31 August 2004:

	Land and buildings		Other assets	
	2003	2002	2003	2002
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	-	-	23,221
Between 2 and 5 years	-	-	34,629	35,121
After 5 years	50,000	50,000	-	-
	<u>50,000</u>	<u>50,000</u>	<u>34,629</u>	<u>58,342</u>

The rent payable on Land and Buildings is currently subject to review.

# The Vernon Educational Trust Limited

## Notes to the consolidated financial statements For the year ended 31 August 2003

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### 23 Capital commitments

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Capital expenditure contracted for but not provided for in the financial statements	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 24 Related party transactions

During the year payments of £61,108 were made to Bircham Dyson Bell for legal advice on various matters. Mr G S Smith, a Council Member, is a salaried partner of that firm.

### 25 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.

# The Vernon Educational Trust Limited

## Income and expenditure account For the year ended 31 August 2003

	2003 £	2002 £
Turnover	6,621,181	5,871,716
Cost of sales	(6,022,596)	(5,395,647)
Gross surplus	598,585	476,069
Administrative expenses	(361,504)	(356,442)
Operating surplus	237,081	119,627
Donations received	10,175	86,837
Other interest receivable and similar income	26,326	19,342
Gift Aid payments from subsidiary companies - 2002	24,553	-
Gift Aid payments from subsidiary companies - 2003	4,750	-
Surplus on ordinary activities before interest	302,885	225,806
Interest payable and similar charges	(77,533)	(85,332)
	225,352	140,474
Provision for diminution in value of investment in subsidiary company	(33,042)	(63,657)
Retained surplus for the year	192,310	76,817