

**Queen Margaret's School, York Limited**  
**(A Company Limited by Guarantee)**  
**Annual report**  
**for the year ended 31 August 2006**

**Charity number - 517523**  
**Registered Number - 2010493**



**Queen Margaret's School, York Limited**  
**(A Company Limited by Guarantee)**

**Annual report**  
**for the year ended 31 August 2006**

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# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **Directors and advisers for the year ended 31 August 2006**

The Queen Margaret's School Governors are the Charity Trustees and directors of Queen Margaret's School, York Limited and have all served throughout the year and to the date of this report except where indicated. They are

### **Directors**

Mrs Eleanor King (Chairman)  
The Reverend Rachel Benson  
Major General M A Charlton-Weedy CBE  
Sir James Crosby  
C D Forbes Adam DL  
J B Horsley Esq  
R L Hudson Esq  
D A Kerfoot Esq (resigned 15 November 2005)  
A Lewin Esq  
Mrs Victoria Mather  
C P Moorhouse Esq  
Mrs Ann Shelton  
Mrs Gwynedd Shepherd  
D T P Sheppard Esq  
I M Small Esq  
D Ward Esq (appointed 13 March 2006)

### **Clerk to the Governors and company secretary**

M D Oakley Esq

### **Officers of the school**

Headmaster	Dr G A H Chapman MA (Oxon) D Litt et Phil (SA) FRSA
Deputy Head and Head of Boarding	Mrs J King BA Hons (Liverpool) PGCE
Bursar	Mr S P Bentley LLB Hons (Hull) ACA

### **Registered Office**

Escrick Park  
York  
YO19 6EU

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **Advisers**

### **Auditors**

PricewaterhouseCoopers LLP  
Queen Victoria House  
Guildhall Road  
Hull  
HU1 1HH

### **Bankers**

Yorkshire Bank plc  
46 Coney Street  
York  
YO1 1NQ

### **Solicitors**

Addleshaw Booth & Co  
Sovereign House  
South Parade  
Leeds  
LS1 1EQ

Crombie Wilkinson  
4 Old Maltongate  
Malton  
North Yorkshire  
YO17 0EQ

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **Report of the Governors for the year ended 31 August 2006**

The Governors, who are also directors of the company for the purpose of the Companies Act 1985, present their annual report and the audited financial statements for the year ended 31 August 2006

The information with respect to Governors, directors, officers and advisers set out on pages 1 and 2 forms part of this report. The financial statements comply with the Memorandum and Articles of Association, applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005, the Charities Act 1993 and the Companies Act 1985

### **REFERENCE AND ADMINISTRATIVE INFORMATION**

#### **Status and administration**

Queen Margaret's School ("the School") is a charitable company limited by guarantee (company registered number 2010493) and a charity registered with the Charity Commission (charity registered number 517523). The governors, executive officers and principal address of the School are as listed on page 1. Details of the School's professional advisers are given on page 2.

The Board is a self-appointing body. A normal term of office is expected to be for three years. At each Annual General Meeting ('AGM') one-third of the Governing Body retire by rotation, with those Governors with the longest period since their last appointment retiring first. Retiring Governors can stand for re-election for a further term in office, with no limit placed on the number of times that a Governor can be re-elected. In addition, any Governor appointed at a meeting other than an AGM has to stand for re-election at the next AGM. Membership of the Executive committee is by rotation of the Governors, with the period of service expected to be between two and three years.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### **Governing document**

The School's governing documents are its Memorandum and Articles of Association dated 15 April 1986 and last reviewed and updated on 12 May 2005.

#### **Governing bodies**

The main School Board meets three times a year. The Executive Committee reports directly to the main Board and operates under specific terms of reference which delegate certain functions from the governing Board. Membership of the Executive Committee consists of around one-third of the main Board of Governors and it meets on at least seven occasions during the year. Decisions of the Executive Committee are ratified by the main Board.

#### **Recruitment and training of Governors**

The School's Governors are elected at any one of three full Board meetings during the year on the basis of recommendations received from a panel of existing Governors. All Governors are encouraged to make proposals as to potential new Board members. The Board seeks to achieve a balanced membership and appointments are made from a wide range of professions. A significant number of Governors are current and past parents of the School.

New Governors are provided with a range of information in relation to the workings of the school and the responsibilities of becoming a charity trustee. The agreed list of information that is provided is a combination of official Charity Commission and School documents. The opportunity to attend training by industry competent bodies is offered frequently and Governors are encouraged to attend

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **Organisational management**

The main School Governors, as trustees of the School, are legally responsible for the overall management and control of the School. The work of implementing most of the strategies and policies as set by the main School Board is undertaken by the Executive Committee. The Executive Committee is chaired by the Chairman of the main School Board. The day to day running of the school is delegated to the Headmaster, who is supported by his senior management team. Of that team, the Deputy Head and the Bursar along with the Headmaster report to and attend both the main School Board and Executive meetings.

Financial accounts are prepared on a termly basis by the Bursar and are reviewed and approved by the Executive Committee and then the main School Board. Similarly the annual budget is reviewed by the Executive Committee before being presented to the main School Board.

## **Group structure and relationships**

The School has one wholly owned charitable subsidiary, Queen Margaret's School (York) Charitable Fund, and one wholly owned dormant company, Queen Margaret's School (York) 1997 Limited. The activities of the School's subsidiaries are discussed in note 9 to the financial statements.

The School seeks to promote the highest standards of achievement through education in the Independent Schools sector. To further this aim, the School has membership of a number of relevant bodies, such as the Independent Schools Council, the Girls' School Association and the Boarding Schools Association. We also co-operate with many local charities and community groups to widen public access to the schooling and facilities that we can provide. The School also has healthy relationships with both the Parents and Friends Association and the Old Margaretians' Association.

## **Risk management**

To assist the Governors with the management of the risks faced by the School, there is a Risk Management Group ("RMG"), comprising three Governors and one senior staff member. The RMG has previously conducted its own review of the major strategic, business and operational risks to which the School and the group are exposed. Systems have been established to mitigate those risks and procedures are in place to minimise any potential impact on the School and the group should any of those risks materialise. As part of an ongoing monitoring process, the Executive Committee regularly discuss aspects of risk management at its regular meetings held throughout the year.

## **OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES**

### **Charitable objects**

The objects of the charity as contained in the Memorandum of Association are the advancement of education generally and in particular the education and training of pupils at Queen Margaret's School, York.

### **Aims and intended impact**

The School's primary aim as an educational charity for children is to benefit the public by providing an excellent education independent of the maintained sector. The School seeks to provide an environment which encourages the creative arts and physical exercise to flourish in tandem with the pursuit of academic excellence. The intention is to encourage each child to develop and fulfil their potential in a manner that will build self-confidence along with an underlying desire to contribute to the wider community in which we live.

# **Queen Margaret's School, York Limited**

## **(A Company Limited by Guarantee)**

### **Objectives for the year**

This year the School's key objectives have been to achieve excellent academic performance whilst at the same time developing well balanced and rounded individuals, further widen access to the education that we provide and to promote greater use of the facilities by community and other groups when not otherwise needed by the School

### **Strategies to achieve these objectives**

Strategies in place include an ongoing review of the academic syllabus, the use of internal and external benchmarks coupled with independent value added programmes to help identify areas that require improvement, the strong emphasis on the development of sporting, artistic and social skills; a commitment to increase opportunities for children from disadvantaged backgrounds, facilitation of wider community access to our facilities

### **Principal activities**

The School's principal activity is the provision of education to girls aged between 11 and 18 at its site at Escrick This year the School averaged 365 (2005 366) pupils of whom 337 (2005 338) were boarders Waiting lists are full and we are confident that these numbers will continue at similar levels for the foreseeable future

The value of scholarships, grants and other awards made out of unrestricted funds to pupils at the School amounted to £444,356, which benefited 118 girls The School's policies regarding grants and bursaries enable the Governors to grant fee remissions based upon any one of the following reasons, educational potential, all round ability, artistic aptitude, academic excellence, financial hardship, presence of a sibling

## **REVIEW OF ACHIEVEMENTS AND PERFORMANCE**

### **Operational performance**

There was an excellent performance in public examinations with 79% of exam results being either an A or a B at A2-Level and 62% achieving A\* or A at GCSE When compared to our internal benchmarks, the A2-Level results were almost exactly as predicted whilst the GCSE results were significantly higher than had been anticipated

Grants in the form of fee remissions continue to rise and the School is committed to offering a further free place under the Joint Educational Trust scheme for children who have a disadvantaged family background The School has also secured £40,000 in recent times as restricted funds to be used for the benefit of families who encounter financial difficulties during their daughter's time at the School A detailed policy in relation to utilisation of these funds is in the process of being formulated

The School's facilities continue to be utilised by an ever widening cross section of the community with many fee rates lower than commercial levels and in some cases, activities being staged in return for nominal sums The summer English language schools continue to thrive, with the numbers of overseas children visiting the School having risen again from the previous year

There are many factors relevant to the performance of the School Of those that are within our control, the issue that has the most bearing on our success or otherwise is undoubtedly the high quality of our staff Of those factors that are outside our control, we are fortunate to be able to count upon the continued dedication of our pupils, their parents and the School's alumni in striving to help achieve our objectives

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **FINANCIAL REVIEW AND RESULTS FOR THE YEAR**

The School's own revenue surplus of £164,583 is well in excess of our budgeted figure for the period. When the results of the Charitable Fund subsidiary company are included, the consolidated surplus and movement on reserves for the year amounts to £204,961. The lower limit of the internal benchmark used by the Governors in relation to cash generation has been comfortably exceeded. The School has operated well within the terms of its borrowing facility and has generated more than sufficient funds to be able to service the debt and meet its capital repayment obligations.

Total income for the year is up by 6%, which is reflective of a school fee increase offset slightly by the excess of pupils to budget being not as high as in the prior year. The Charitable Fund company continues to receive regular donations, most under the Gift Aid scheme, as a result of the Centenary Appeal. Less frequently, it also receives miscellaneous donations and bequests. This year, the Charitable Fund company has contributed £40,378 to the group's net incoming resources.

### **Investment powers**

Investment powers are governed by the company's Memorandum and Articles of Association, which permit the investment of the company's monies not immediately required for its purposes in such investments, securities or property as the Governors think fit.

### **Reserves policy**

Reserves are held to ensure that the School can continue to support the resources needed to provide excellent educational services to its pupils. As a result, the majority of the School's reserves are invested in tangible fixed assets. The Governors' policy is to maintain the reserves at a minimum of the current levels, with a view to reducing indebtedness in a controlled and measured manner. In order to achieve this, the Governors are aware that future surpluses will need to be generated such that the School can meet the financing of the bank borrowings, make repayments of capital in accordance with the terms of the bank facility and fund appropriate capital expenditure to maintain and improve the School's operational environment. The Governors will continue to monitor and review their policy on reserves in conjunction with the company's indebtedness.

The School has one designated fund which forms part of the Charity's unrestricted funds. This fund is used to provide fee remissions for

The School's policy on restricted funds is to separately record donations, grants and other sources of fundraising where restrictions are imposed that are narrower than the School's overall objectives.

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **FUTURE PLANS**

The Board's has a 5-year Strategic Plan which is reviewed and approved annually. Key aspects of the current plan are

- To maintain and where possible improve upon, the School's high level of academic performance,
- To balance academic achievement with the desire to promote positive cultural, physical, artistic and social development amongst our girls,
- To promote the benefit of single-sex education for girls within a boarding school environment,
- To maintain an optimum staff-pupil ratio of 1:8 with the aim of ensuring a maximum class size of 20,
- To continue to review the academic syllabus to ensure that its content and structure continue to be appropriate,
- To maintain the School roll at its normal level of at least 360 girls,
- To continue to develop and upgrade the boarding facilities,
- To develop the School's bursary and fee remission schemes to encourage greater admittance to the School from children with disadvantaged or financially restrictive backgrounds,
- To continue to develop links with the local community and schools to enable greater access to the School's facilities

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **STATEMENT OF GOVERNORS' RESPONSIBILITIES**

The Governors are required by The Charities Act 1993 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the School and group and of the surplus or deficit of the group for the financial year

The Governors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 August 2006. The Governors also confirm that applicable accounting standards and the Charities SORP have been followed and that the financial statements have been prepared on the going concern basis

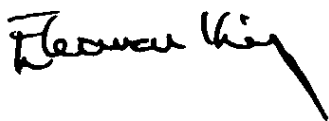
The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the School and the group and enable them to ensure that the financial statements comply with the Companies Act 1985 and charity law. They are also responsible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

So far as each Governor is aware there is no relevant audit information of which the charity's auditors are unaware, and each Governor has taken all the steps that he/she ought to have taken as a Governor in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditors are aware of that information

### **Auditors**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the School will be proposed at the annual general meeting

Approved by the Board of Governors on 11 June 2007  
and signed on its behalf by



**Mrs Eleanor King**

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **Independent auditors' report to the members of Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

We have audited the financial statements of Queen Margaret's School York Limited for the year ended 31 August 2006 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement and the related notes, which have been prepared in accordance with the accounting policies set out in the statement of accounting policies

### **Respective responsibilities of Governors and auditors**

The governors are also directors of Queen Margaret's School, York Limited for the purposes of Company Law. As described in the Statement of Governors' Responsibilities the governors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Governors' Report is consistent with the financial statements. We also report to you, if in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **Opinion**

### **In our opinion**

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company and the group at 31 August 2006 and of the net incoming resources, including its income and expenditure, and cash flows of the group for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Governors' Report is consistent with the financial statements

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Hull  
11 June 2007

**Queen Margaret's School, York Limited**  
**(A Company Limited by Guarantee)**

**Consolidated statement of financial activities for the year**  
**ended 31 August 2006**

				2006	2005 As restated
	Note	Unrestricted funds £	Restricted funds £	Total £	Total £
<b>Incoming resources</b>					
<i>From charitable activities</i>					
School fees	1	6,423,779	-	6,423,779	6,067,944
Other income	3	124,998	-	124,998	99,735
<i>From generated funds</i>					
Commission and lettings income	3	19,695	-	19,695	17,074
Trading income		495	-	495	796
<i>Interest receivable</i>		3,220	1,101	4,321	4,052
<i>Donations</i>		39,962	-	39,962	56,093
<i>Gain on disposal of fixed assets</i>		4,479	-	4,479	-
<b>Total incoming resources</b>		<b>6,616,628</b>	<b>1,101</b>	<b>6,617,729</b>	<b>6,245,694</b>
<b>Resources expended</b>					
<i>Costs of generating funds</i>					
Trading expenses		269	-	269	362
Financing costs – interest		103,559	-	103,559	165,219
Agency fees		14,285	-	14,285	7,303
Fund-raising costs		315	-	315	1,790
		<b>118,428</b>	<b>-</b>	<b>118,428</b>	<b>174,674</b>
<i>Charitable expenditure</i>					
Tuition and associated costs	6	6,271,011	-	6,271,011	5,873,040
Governance costs	7	23,329	-	23,329	23,609
<b>Total charitable expenditure</b>		<b>6,294,340</b>	<b>-</b>	<b>6,294,340</b>	<b>5,896,649</b>
<b>Total resources expended</b>	6	<b>6,412,768</b>	<b>-</b>	<b>6,412,768</b>	<b>6,071,323</b>
<b>Net incoming resources</b>	4	<b>203,860</b>	<b>1,101</b>	<b>204,961</b>	<b>174,371</b>
Fund balances at 31 August 2005		6,986,072	40,503	7,026,575	6,852,204
<b>Fund balances at 31 August 2006</b>	18	<b>7,189,932</b>	<b>41,604</b>	<b>7,231,536</b>	<b>7,026,575</b>

**Queen Margaret's School, York Limited**  
**(A Company Limited by Guarantee)**

**Consolidated summary income and expenditure account for  
the year ended 31 August 2006**

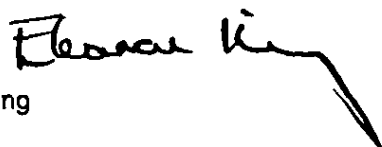
	2006	2005
		As restated
	£	£
Gross charitable income	6,588,739	6,223,772
Gain on disposal of fixed assets	4,479	-
Non-charitable trading income	20,190	17,870
	6,613,408	6,241,642
Charitable expenditure	(6,308,940)	(5,905,742)
Non-charitable trading expenditure	(269)	(362)
<b>Net surplus before interest</b>	<b>304,199</b>	<b>335,538</b>
Interest payable	(103,559)	(165,219)
Interest receivable	4,321	4,052
<b>Net surplus of income over expenditure for the year</b>	<b>204,961</b>	<b>174,371</b>

**Queen Margaret's School, York Limited**  
**(A Company Limited by Guarantee)**

**Consolidated and Company balance sheets as at 31 August 2006**

	Note	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
<b>Fixed assets</b>					
Tangible assets	8	11,238,833	11,404,213	11,238,833	11,404,213
Investments	9	-	-	1	1
		<b>11,238,833</b>	<b>11,404,213</b>	<b>11,238,834</b>	<b>11,404,214</b>
<b>Current assets</b>					
Stocks - goods for resale		86,054	64,771	84,691	64,080
Debtors	10	260,641	304,410	251,635	301,516
Cash at bank and in hand		6,406	26,342	1,023	1,026
		<b>353,101</b>	<b>395,523</b>	<b>337,349</b>	<b>366,622</b>
<b>Creditors - amounts falling due within one year</b>	11	<b>(1,312,143)</b>	<b>(1,396,805)</b>	<b>(1,311,116)</b>	<b>(1,395,778)</b>
<b>Net current liabilities</b>		<b>(959,042)</b>	<b>(1,001,282)</b>	<b>(973,767)</b>	<b>(1,029,156)</b>
<b>Total assets less current liabilities</b>		<b>10,279,791</b>	<b>10,402,931</b>	<b>10,265,067</b>	<b>10,375,058</b>
<b>Creditors - amounts falling due after more than one year</b>	12	<b>(3,048,255)</b>	<b>(3,376,356)</b>	<b>(3,048,255)</b>	<b>(3,376,356)</b>
<b>Net assets</b>		<b>7,231,536</b>	<b>7,026,575</b>	<b>7,216,812</b>	<b>6,998,702</b>
<b>Restricted funds</b>					
Restricted funds	18	41,604	40,503	41,604	20,503
<b>Unrestricted funds - includes revaluation reserve of £844,560 (2005 - £866,216)</b>	18	<b>7,189,932</b>	<b>6,986,072</b>	<b>7,175,208</b>	<b>6,978,199</b>
<b>Total Funds</b>	18	<b>7,231,536</b>	<b>7,026,575</b>	<b>7,216,812</b>	<b>6,998,702</b>

The financial statements on pages 11 to 32 were approved by the board of Governors on 11 June 2007 and were signed on its behalf by



Mrs Eleanor King  
Director

**Queen Margaret's School, York Limited**  
**(A Company Limited by Guarantee)**

**Consolidated cash flow statement for the year ended 31 August 2006**

	Note	2006 £	2006 £	2005 £	2005 £
<b>Net cash inflow from operations</b>	A		884,103		998,005
<b>Returns on investments and servicing of finance</b>					
Interest received		3,220		3,549	
Interest paid		(128,863)		(138,311)	
			(125,643)		(134,762)
<b>Capital expenditure and financial investment</b>					
Payment for tangible fixed assets			(423,250)		(616,179)
Received on disposal of fixed assets			5,320		-
<b>Net cash inflow</b>			340,530		247,064
<b>Financing: advance fees scheme and bank loans</b>					
Receipts from new contracts		19,496		577,361	
Amounts utilised and repaid		(267,165)		(353,737)	
Short term bank loan		-		(118,354)	
Bank facility utilised		82,203		(162,648)	
<b>Cash outflow from financing</b>			(165,466)		(57,378)
<b>Net cash inflow for the year</b>			175,064		189,686
<b>Cash (inflow)/outflow from decrease/(increase) in debt</b>			(82,203)		281,002
<b>Movement in net debt in the year</b>			92,861		470,688
<b>Net debt at 31 August 2005</b>			(2,850,304)		(3,320,992)
<b>Net debt at 31 August 2006</b>	B		(2,757,443)		(2,850,304)

**Queen Margaret's School, York Limited**  
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**Notes to the consolidated cash flow statement for the year ended 31 August 2006**

**A Reconciliation of group net incoming resources to net cash inflow from operations**

	2006 £	2005 £
Net incoming resources	204,961	174,371
Interest receivable	(4,321)	(4,052)
Financing costs	103,559	165,219
Depreciation charges	446,206	425,240
Gain on disposal of fixed assets	(4,479)	-
Increase in stocks	(21,283)	(4,205)
Decrease in debtors	43,769	46,800
Increase in creditors	115,691	194,632
Net cash inflow from operations	884,103	998,005

**B Analysis of changes in net debt**

	At 31 August 2005 £	Cash flows £	Other movement £	At 31 August 2006 £
Cash at bank and in hand	26,342	(19,936)	-	6,406
Overdraft	(195,000)	195,000	(210,000)	(210,000)
		175,064		
Debt due after one year	(2,681,646)	(82,203)	210,000	(2,553,849)
	(2,850,304)	92,861	-	(2,757,443)

# **Queen Margaret's School, York Limited (A Company Limited by Guarantee)**

## **Principal accounting policies**

The financial statements have been prepared in accordance with the Companies Act 1985, the historical cost convention, applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in March 2005 and the Charities Act 1993. A summary of the principal accounting policies, which have been applied consistently, is set out below.

### **Changes in accounting policies**

Queen Margaret's School, York Limited has adopted the Statement of Recommended Practice (SORP 2005) in these financial statements for the first time. The adoption of SORP 2005 represents a change in accounting policy and the comparative figures have been restated accordingly.

The adoption of SORP 2005 has involved the re-analysis of certain items of expenditure, primarily support costs. This re-analysis has had no impact on the net incoming resources for the year ended 31 August 2005 or the total funds at 31 August 2005.

### **Group accounts**

These financial statements consolidate the results of the charity and its wholly-owned subsidiary Queen Margaret's School (York) Charitable Fund on a line by line basis, from the date of acquisition. As permitted by section 230 of the Companies Act 1985, and by paragraph 397 of the Statement of Recommended Practice 2005, the Company's Statement of Financial Activities has not been included within these financial statements.

### **Fees and similar income**

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are stated after deducting allowances, scholarships and other remissions granted by the School from its unrestricted funds.

### **Donations and fund accounting**

Donations are credited to revenue on a receivable basis. Donations received for the general purposes of the Charity are included as unrestricted funds. Donations for activities restricted by the wishes of the donor are taken to "restricted funds" where these wishes are legally binding on the Governors.

### **Pension schemes**

The company operates a defined contribution scheme for non academic staff. Contributions are charged to the statement of financial activities in the period in which they are payable.

Members of the academic staff belong to the Teachers' Pension Scheme ("TPS"), which is a multi-employer defined benefit scheme. Contributions are charged to the statement of group financial activities as if the TPS were a defined contribution scheme.

### **School buildings and equipment**

Land is not depreciated. Depreciation of other assets is provided at rates calculated to write off the excess of cost over estimated residual amount evenly over the estimated useful economic lives of each class of asset, subject to annual review. Individual fixed assets costing £100 or more are capitalised at cost.

# **Queen Margaret's School, York Limited**

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These rates are currently as follows

Freehold buildings	2% and 5%
Plant and equipment	15%
Fixtures and fittings	15%
Motor vehicles	25%

### **Stock**

Stock is carried at the lower of cost and net realisable value

### **Advance fees scheme**

The School offers parents the opportunity to pay a lump sum in advance which is then allocated to offset against future tuition fees. A discount is received and allocated against each future term's allocated payment in accordance with a written contract. Amounts received by the School as part of this scheme are upheld as creditor balances until the fee bill for the appropriate term is due for payment. At that point the fees due are billed to the parent and taken to income, with the relevant amount purchased under the scheme offset against the liability due.

### **Grants and bursaries**

Grants and bursaries are included as expenditure in the period for which the award is given. Bursaries and allowances from unrestricted funds towards School fees at the School are treated as a reduction in those fees.

### **Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources.

### **Irrecoverable VAT**

Any irrecoverable VAT is charged to the Statement of Financial Activities, or capitalised as part of the cost of the related asset, as is appropriate.

### **Governance costs**

Governance costs include expenditure on administration of the Charity and compliance with constitutional and statutory requirements, including audit and legal fees.

### **Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

### **Fund accounting**

Unrestricted funds are those available for use at the discretion of the Governors in furtherance of the general objectives of the charity and which have not been designated for other purposes. Designated funds comprise unrestricted funds that have been set aside by the Governors for particular purposes. Restricted funds are funds which are to be used in accordance with specific restrictions. Investment income and gains are allocated to the appropriate fund.

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**Notes to the financial statements for the year ended 31 August 2006**

**1 School fees**

The School's fee income comprised

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Gross fees	<b>6,868,135</b>	6,481,930
Less total bursaries, grants and allowances	<b>(444,356)</b>	(413,986)
	<b>6,423,779</b>	6,067,944

**2 Income from subsidiary's trading activities**

The Charity's subsidiary, Queen Margaret's School (York) Charitable Fund, a registered charity, sells promotional goods relating to the School and organises appeals on behalf of the School. Its results for the year, as extracted from the audited financial statements, are summarised below

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Gross charitable income	<b>39,962</b>	36,093
Non-charitable trading income	<b>495</b>	796
	<b>40,457</b>	36,889
Grant payable to parent undertaking	<b>(53,527)</b>	(31,830)
Charitable expenditure	<b>(1,343)</b>	(2,847)
Non-charitable trading expenditure	<b>(269)</b>	(362)
<b>Net (deficit)/surplus before interest</b>	<b>(14,682)</b>	1,850
Interest receivable	<b>1,533</b>	2,158
<b>Net (deficit)/surplus of income over expenditure for the year</b>	<b>(13,149)</b>	4,008

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**3 Other income**

	2006	2005
		As restated
	£	£
<b>From charitable activities</b>		
Summer language school	109,302	79,160
Registration fees & other miscellaneous activities	15,696	20,575
	<b>124,998</b>	<b>99,735</b>
<b>From generated funds</b>		
Lettings and other income	19,695	17,074

**4 Net incoming resources**

Net incoming resources are stated after charging

	2006	2005
	£	£
Depreciation	446,206	425,240
<b>Auditors' remuneration:</b>		
for audit services	10,869	10,516
for other services	588	-

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**5 Employee information**

<b>Group and company</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Total staff costs comprised:</b>		
Wages and salaries	<b>3,569,651</b>	3,399,445
Social security costs	<b>286,918</b>	266,706
Pension contributions	<b>350,002</b>	327,886
	<b>4,206,571</b>	3,994,037
	<b>Number</b>	<b>Number</b>
The average number of full time equivalent employees at the school is,		
Education	<b>72</b>	71
Services	<b>13</b>	12
Support	<b>10</b>	11
Welfare	<b>37</b>	36
	<b>132</b>	130

The number of higher paid employees earning over £60,000 was

<b>Group and company</b>	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
£90,001 - £100,000	<b>1</b>	<b>1</b>

Contributions were made to the Teachers' Pension Scheme, which is a defined benefit scheme, in respect of the employee noted above

No Governors received any remuneration from the group during the year (2005 £Nil) Three (2005 two) Governors have received reimbursements totalling £527 (2005 £697) for travel expenses

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**6 Analysis of total resources expended**

	<b>2006</b>			<b>2005</b>
				As restated
	<b>Staff</b>	<b>Other</b>	<b>Depreciation</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Charitable activities</b>				
Teaching	2,939,389	183,526	193,976	3,163,192
Welfare	757,151	827,118	-	1,445,430
Premises	265,969	388,739	244,554	812,501
Support costs	244,062	218,851	7,676	451,917
Governance costs		23,329	-	23,609
	4,206,571	1,641,563	446,206	5,896,649
<b>Costs of generating funds</b>				
Financing costs - interest payable	-	103,559	-	165,219
Agency fees	-	14,285	-	7,303
Fund-raising	-	315	-	1,790
Total for charity	4,206,571	1,759,722	446,206	6,070,961
Trading costs of the subsidiary	-	269	-	362
<b>Total for group</b>	<b>4,206,571</b>	<b>1,759,991</b>	<b>446,206</b>	<b>6,071,323</b>

**7 Governance costs**

	<b>2006</b>	<b>2005</b>
		As restated
	<b>£</b>	<b>£</b>
Auditors' remuneration- audit services	10,869	10,516
- other services	588	-
Legal and professional fees	8,897	8,755
Other costs	2,975	4,338
	23,329	23,609

**Queen Margaret's School, York Limited**  
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**8 Tangible fixed assets**

Group and company	Freehold buildings £	Motor vehicles £	Fixtures and fittings £	Plant and equipment £	Group total £
<b>Cost or valuation</b>					
1 September 2005	11,845,042	114,131	2,371,839	50,739	14,381,751
Additions	36,361	-	240,947	4,359	281,667
Disposals	-	-	(6,047)	-	(6,047)
<b>31 August 2006</b>	<b>11,881,403</b>	<b>114,131</b>	<b>2,606,739</b>	<b>55,098</b>	<b>14,657,371</b>
<b>Depreciation</b>					
1 September 2005	1,278,928	93,436	1,583,354	21,820	2,977,538
Charge for the year	238,950	7,676	193,976	5,604	446,206
Disposals	-	-	(5,206)	-	(5,206)
<b>31 August 2006</b>	<b>1,517,878</b>	<b>101,112</b>	<b>1,772,124</b>	<b>27,424</b>	<b>3,418,538</b>
<b>Net book values</b>					
<b>31 August 2006</b>	<b>10,363,525</b>	<b>13,019</b>	<b>834,615</b>	<b>27,674</b>	<b>11,238,833</b>
31 August 2005	10,566,114	20,695	788,485	28,919	11,404,213
<b>Cost or valuation comprises</b>					
Cost	8,121,403	114,131	2,606,739	55,098	10,897,371
Valuation 1996	3,760,000	-	-	-	3,760,000
	<b>11,881,403</b>	<b>114,131</b>	<b>2,606,739</b>	<b>55,098</b>	<b>14,657,371</b>

	2006 £	2005 £
<b>Historic cost and depreciation</b>		
Historic cost of freehold land and buildings	10,837,376	10,801,015
Historic accumulated depreciation of freehold land and buildings	1,324,282	1,106,988
<b>Future capital commitments</b>		
Contracted for but not provided	-	-

The company has previously adopted the transitional provisions of Financial Reporting Standard No 15 - Tangible Fixed Assets. As a result no future revaluations will be carried out and previous surpluses have been retained.

# Queen Margaret's School, York Limited (A Company Limited by Guarantee)

## 9 Investments

	Subsidiary undertakings £
31 August 2005 and 31 August 2006 at cost	1

	Country of incorporation	Proportion of shares held	Nature of business
<b>Subsidiary undertakings</b>			
Queen Margaret's School (York) Charitable Fund	England	-	Fundraising
Queen Margaret's School (York) 1997 Limited	England	100%	Dormant

Queen Margaret's School (York) Charitable Fund is a company limited by guarantee and is classified as a subsidiary undertaking under the definition laid down by the Statement of Recommended Practice "Accounting and Reporting by Charities" issued by the Charity Commissioners. The only activity within the company has been the receipt of funds for use by the School to further its charitable objectives.

	2006 £	2005 £
The assets and liabilities of Queen Margaret's School (York) Charitable Fund were		
Current assets	15,752	28,901
Creditors amounts falling due within one year	(1,028)	(1,028)
	14,724	27,873
Representing		
Accumulated funds - unrestricted	14,724	7,873
Bursary fund - restricted	-	20,000
	14,724	27,873

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**10 Debtors**

	<b>Group 2006</b>	<b>Group 2005</b>	<b>Company 2006</b>	<b>Company 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
School fees	<b>129,881</b>	123,441	<b>129,881</b>	123,441
Other debtors	<b>47,153</b>	110,635	<b>38,147</b>	107,741
Prepayments	<b>83,607</b>	70,334	<b>83,607</b>	70,334
	<b>260,641</b>	304,410	<b>251,635</b>	301,516

**11 Creditors: amounts falling due within one year**

	<b>Group 2006</b>	<b>Group 2005</b>	<b>Company 2006</b>	<b>Company 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank overdraft (note 12)	<b>210,000</b>	195,000	<b>210,000</b>	195,000
Fees received in advance	<b>372,284</b>	245,632	<b>372,284</b>	245,632
Trade creditors	<b>131,932</b>	195,486	<b>131,933</b>	194,459
Taxation and social security	<b>81,620</b>	80,323	<b>81,620</b>	80,323
Final term deposits	<b>18,900</b>	20,900	<b>18,900</b>	20,900
Accruals	<b>128,593</b>	254,564	<b>127,565</b>	254,564
Other creditors	<b>118,895</b>	122,462	<b>118,895</b>	122,462
Advance fees scheme (note 13)	<b>249,919</b>	282,438	<b>249,919</b>	282,438
	<b>1,312,143</b>	1,396,805	<b>1,311,116</b>	1,395,778

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**12 Creditors: amounts falling due after more than one year**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group and company</b>		
Bank facility	<b>2,553,849</b>	2,681,646
Advance fees scheme (note 13)	<b>338,841</b>	553,991
Final term deposits	<b>155,565</b>	140,719
	<b>3,048,255</b>	3,376,356

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Under 1 year</b>		
Bank overdraft	<b>210,000</b>	195,000
	<b>210,000</b>	195,000
<b>Due after 1 year</b>		
Long term bank facility		
1 - 2 years	<b>225,000</b>	210,000
2 - 5 years	<b>765,000</b>	720,000
Over 5 years	<b>1,563,849</b>	1,751,646
	<b>2,763,849</b>	2,876,646

The long term bank facility is a flexible facility that has a maximum indebtedness limit that reduces annually. This maximum limit is scheduled to reduce to £1,000,000 by 31 August 2016. At 31 August 2006, the maximum limit was £3,805,000. Interest is charged at Yorkshire Bank base rate plus margin and early repayment can be made without penalty.

The bank facility is secured on the freehold land and buildings of the School and represents 9.7% of the value of these assets.

# Queen Margaret's School, York Limited (A Company Limited by Guarantee)

## 13 Advance fees scheme

Parents may enter into a contract to pay to the School up to the equivalent of seven years' tuition fees in advance. The money may be returned subject to specific conditions on the receipt of one term's notice. Assuming pupils will remain in the School, advance fees will be applied as follows:

	2006 £	2005 £
Within 1 year	249,919	282,438
Within 1 to 2 years	146,427	214,704
Within 2 to 5 years	173,426	283,238
Over 5 years	18,988	56,049
	<b>588,760</b>	<b>836,429</b>

The balance represents the accrued liability under the contracts. The movements during the year were:

	£
Balance at 1 September 2005	836,429
New contracts	19,496
	859,925
Amounts utilised in payment of fees	
To the School	(267,165)
<b>Balance at 31 August 2006</b>	<b>588,760</b>

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**14 Accumulated fund – unrestricted (excluding revaluation reserve)**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
31 August 2005	<b>5,583,622</b>	5,442,997
Net incoming resources after investment disposals	<b>203,860</b>	153,868
Transfer to Bursary fund	<b>(157,100)</b>	(147,501)
Transfer from Bursary fund	<b>120,074</b>	112,602
Transfer from revaluation reserve	<b>21,656</b>	21,656
<b>31 August 2006</b>	<b>5,772,112</b>	5,583,622
<b>Company</b>		
31 August 2005	<b>5,575,749</b>	5,439,132
Net incoming resources after investment disposals	<b>163,482</b>	118,030
Donation from Queen Margaret's School (York) Charitable	<b>33,527</b>	31,830
Transfer to Bursary fund	<b>(157,100)</b>	(147,501)
Transfer from Bursary fund	<b>120,074</b>	112,602
Transfer from revaluation reserve	<b>21,656</b>	21,656
<b>31 August 2006</b>	<b>5,757,388</b>	5,575,749

**15 Revaluation reserve - unrestricted**

<b>Group and company</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
31 August 2005	<b>866,216</b>	887,872
Transfer to accumulated fund	<b>(21,656)</b>	(21,656)
<b>31 August 2006</b>	<b>844,560</b>	866,216

The revaluation reserve is part of the accumulated unrestricted funds, representing the surplus on revaluation of the School's premises. Annually a sum equivalent to the depreciation charge on the surplus is transferred to the accumulated funds.

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**16 Bursary fund – unrestricted (designated)**

<b>Group and company</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
31 August 2005	<b>536,234</b>	501,335
Awards made from Bursary Fund	<b>(120,074)</b>	(112,602)
Transfer from accumulated fund	<b>157,100</b>	147,501
<b>31 August 2006</b>	<b>573,260</b>	536,234

The Bursary Fund was set up in 1995 to help fund the School's fee remission scheme. Awards are made from and amounts are transferred to the fund annually in relation to the scheme.

**17 Bursary funds - restricted**

<b>Group</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
31 August 2005	<b>40,503</b>	20,000
Donation received	-	20,000
Interest earned	<b>1,101</b>	503
<b>31 August 2006</b>	<b>41,604</b>	40,503
<b>Company</b>		
31 August 2005	<b>20,503</b>	-
Donation received	<b>20,000</b>	20,000
Interest earned	<b>1,101</b>	503
<b>31 August 2006</b>	<b>41,604</b>	20,503

The restricted bursary funds represent amounts received to provide bursaries to pupils of the School in certain instances of financial hardship.

During the year the balance of £20,000 on the restricted fund previously held by Queen Margaret's School Charitable Fund (a subsidiary company) has been granted to the parent undertaking. These funds will be subject to the same restrictions as to their use as was the case when they were held by the subsidiary company.

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**18 Reconciliation of funds**

	Unrestricted funds			Restricted fund
	Accumulated funds - including revaluation reserve	Bursary fund - designated	Total	Bursary funds - restricted
	£	£	£	£
<b>Group</b>				
31 August 2005	6,449,838	536,234	6,986,072	40,503
Incoming resources	6,602,343	-	6,602,343	1,101
Expenditure, gains, losses and transfers	(6,435,509)	37,026	(6,398,483)	-
<b>31 August 2006</b>	<b>6,616,672</b>	<b>573,260</b>	<b>7,189,932</b>	<b>41,604</b>
Unrestricted funds				<b>7,189,932</b>
Restricted funds				<b>41,604</b>
<b>Total funds</b>				<b>7,231,536</b>

	Unrestricted funds			Restricted fund
	Accumulated funds - including revaluation reserve	Bursary fund - designated	Total	Bursary funds - restricted
	£	£	£	£
<b>Company</b>				
31 August 2005	6,441,965	536,234	6,978,199	20,503
Incoming resources	6,593,880	-	6,593,880	1,101
Expenditure, gains, losses and transfers	(6,433,897)	37,026	(6,396,871)	20,000
<b>31 August 2006</b>	<b>6,601,948</b>	<b>573,260</b>	<b>7,175,208</b>	<b>41,604</b>
Unrestricted funds				<b>7,175,208</b>
Restricted funds				<b>41,604</b>
<b>Total funds</b>				<b>7,216,812</b>

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**19 Analysis of the net assets between funds**

The net assets are held for the various funds as follows

Group	Fixed assets	Net current assets/(liabilities)	Long term liabilities	Total
	£	£	£	£
Restricted funds	-	41,604	-	41,604
Unrestricted funds	11,238,833	(1,000,646)	(3,048,255)	7,189,932
	<b>11,238,833</b>	<b>(959,042)</b>	<b>(3,048,255)</b>	<b>7,231,536</b>

Company	Fixed assets	Net current assets/(liabilities)	Long term liabilities	Total
	£	£	£	£
Restricted funds	-	41,604	-	41,604
Unrestricted funds	11,238,834	(1,015,371)	(3,048,255)	7,175,208
	<b>11,238,834</b>	<b>(973,767)</b>	<b>(3,048,255)</b>	<b>7,216,812</b>

**20 Contingent liabilities and financial commitments**

The company has given an undertaking to Woodard Schools (Northern Division) Limited ("Woodard") that in the event of the property acquired from Woodard on 29 May 1986 or any part thereof being sold or the company granting a lease of that property or any part thereof (except a lease at full market value) within twenty one years of 29 May 1986, then the company will be liable to pay to Woodard one third of any excess of the net proceeds of sale or premium received by the company over the consideration paid by the company to Woodard

# **Queen Margaret's School, York Limited**

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### **21 Pensions**

There are two pension schemes in operation for employees of the School. These are a defined contribution scheme and the Teachers' Pension Scheme, ("TPS"), a defined benefit pension scheme.

The assets of the defined contribution scheme are held separately from those of the company in independently administered funds. The charge to the profit and loss account represents contributions payable by the company to the funds.

The TPS is an unfunded scheme. Contributions on a 'pay-as-you-go' basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

Under definitions set out in Financial Reporting Standard No. 17 - Retirement Benefits ("FRS 17"), the TPS is a multi-employer pension scheme. The School is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the School has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The School has set out below information available on the scheme and the implications for the School in terms of the anticipated contribution rates.

The pension cost is assessed every five years in accordance with the advice of the government actuary.

The last report by the government actuary covered the period 1 April 1996 to 31 March 2001. The valuation statement as at 31 March 2001 made in March 2003 revealed that the total liabilities of the Scheme (the estimated cost of past and future service benefits of existing members) amounted to £142,880 million.

In accordance with the Teachers' Pension (Amendment) Regulations 2002, the actuarial review assumed that the value of the scheme assets equalled the value of the scheme liabilities at 31 March 2001. The scheme assets at 31 March 2001 consisted of future contributions in respect of existing members valued at £40,870 million and a balance of £102,010 million in the Teachers' Pension Account being a notional investment.

The actuarial review assumed that the real rate of return on the notional investment is 3.5% in excess of price increases and 2% in excess of general earnings increases, therefore assuming a rate of real earnings growth of 1.5%. The assumed long-term gross rate of return is 7%.

Following this report the standard contribution rate was raised from 14.35% to 19.5% from 1 April 2003. 6% is to be paid by the teachers and the remaining 13.5% borne by the School.

The total pension cost to the company for the year was £350,002 (2005 £327,886) and amounts paid to the TPS have been in accordance with the rates recommended by the actuary.

# **Queen Margaret's School, York Limited**

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### **22 Capital**

The School is a company limited by guarantee. Each member has undertaken to contribute £1 to the assets of the company to meet its liabilities if called on to do so.

### **23 Related parties**

Five directors (2005 five) of the School have children enrolled at the School. The fees charged in respect of their daughters' education are at the normal, arm's length rates.

Mrs Eleanor King (Chairman) has two daughters (2005 three) enrolled at the School and received bursaries in respect of them totalling £14,006 (2005 £18,368).

In addition to the Chairman, one director (2005 one) has a daughter who is in receipt of an academic scholarship which was worth £6,224 (2005 £5,830) in the year, one director (2005 none) has a daughter who is in receipt of a bursary which was worth £2,801 in the year and one director (2005 one) has three daughters (2005 two) who are in receipt of sibling discounts that totalled £2,801 (2005 £875) in the year.

Mr C D Forbes Adam (Director) has rental income of £54,177 (2005 £51,951) from the School in relation to property and land in which he or his immediate family has an interest. An accrual of £3,201 (2005 £4,698 prepayment) existed at the balance sheet date.

The directors consider that no other disclosures are required under Financial Reporting Standard No 8 - Related Party Disclosures.