

Charity Registration No. 1080641

Company Registration No. 3834841 (England and Wales)

THE KING'S SCHOOL, GLOUCESTER
GOVERNORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2008



THE KING'S SCHOOL, GLOUCESTER

LEGAL AND ADMINISTRATIVE INFORMATION

Visitor		The Lord Bishop of Gloucester
Governors	Ex-Officio Governors:	The Dean of Gloucester The Very Reverend Nicholas Bury, M.A. The Canons Residentiary of Gloucester Cathedral: Canon N.C. Heavisides, M.A. Canon Dr D M Hoyle, M.A., PhD Canon C. Thomson, M.A.
	Lay Governors:	Miss C. Holme, J.P., LL.B. University Administrator (retired) Mrs A.L.K. Cadbury, O.B.E., J.P., DL Deputy Lieutenant of Gloucestershire **Mr T.F.H. Heal, F.R.I.C.S. Partner, Alder King, Chartered Surveyors, Gloucester Mr J.H. Smith, B.Sc Dip.Ed. Retired Headmaster, Central Technology College Canon M.J. Irving, B.Ed. Clergyman Mr J.H. Holroyd, C.B., C.V.O., M.A. Former Crown Appointments Secretary Mr C. Collier, F.C.I.B. Former Banker Mr C. Major, LL.B. Solicitor **Mrs S. White, M.A. Former Arts Administrator Mrs J. Gazard, M.A., Cert. Ed. Retired Teacher **Mr P. Markey, A.C.A. Managing Director, Markey Builders Mr P. Lapping Retired Headmaster **Mr M Wharton, BEd (Hons) NDA MRAC FRAg.S FRSA Principal & Assistant Vice Chancellor, Hartpury College

**** Governors who are also parents of children currently at the school.**

THE KING'S SCHOOL, GLOUCESTER

LEGAL AND ADMINISTRATIVE INFORMATION

Officers

The Headmaster	Mr A K J Macnaughton, M.A.
The Deputy Heads	Mr D.J. Evans, M.A., P.G.C.E., (Academic) Miss V. Scholes, B.Ed., M.B.A. (Pastoral)
The Head of Junior School	Mr C. W. Dickie, B.Ed.
The Bursar	Mrs N.A. Mosley, B.A. (Hons), A.C.A.
Estates Manager	Mrs C. Savage, M.A., M.R.I.C.S., M.B.I.F.M.

Charity number 1080641

Company number 3834841

Principal address Pitt Street
Gloucester
GL1 2BG

Registered office Pitt Street
Gloucester
GL1 2BG

Auditors Horwath Clark Whitehill LLP
Carrick House
Lypiatt Road
Cheltenham
GL50 2QJ

Bankers Lloyds TSB Bank Plc
Eastgate Street
Gloucester
GL1 1NU

Solicitors Rickerbys LLP
Ellenborough House
Wellington Street
Cheltenham
GL50 1YD

THE KING'S SCHOOL, GLOUCESTER

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THE KING'S SCHOOL, GLOUCESTER

GOVERNORS' REPORT FOR THE YEAR ENDED 31 JULY 2008

The Board of Governors present their consolidated annual report for the year ended 31 July 2008 under the Companies Act 1985 and the Charities Act 1993, together with the audited accounts for the year, and confirm that the latter comply with the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities" the Charities SORP 2005.

Status and Administration

The King's School, Gloucester was established by Henry VIII by statute in 1541 following the dissolution of the monasteries. The School had originally been constituted as a charity (no. 311745) under a scheme framed by the Board of Education under the Endowed School Acts, 1869, 1873 and 1874. The scheme was approved by His Majesty King George V by way of Order of Council dated 30 July 1928.

The School is a charity (no. 1080641) and was incorporated as a limited company by guarantee (no. 3834841) on 26 August 1999. The assets and liabilities of the old charity were transferred to the new charity on 1 September 2000. The Endowed Funds were transferred to a separate charity, King's School Prize and Scholarship Fund (charity no. 3961979), and are consolidated within these accounts.

The Governors, who are also directors for the purposes of company law, who served during the year were:

The Very Reverend N Bury, M.A. *
Canon N C Heavisides, M.A.
Canon Dr D M Hoyle, M.A., PhD (appointed 27th September 2007)
Canon C Thomson, M.A.
Mrs A L K Cadbury, O.B.E., J.P., DL.
C Collier, F.C.I.B. *
Mrs J Gazard, M.A. ♦
T F H Heal, F.R.I.C.S. * #
Miss C Holme, J.P. LL.B.
J H Holroyd, C.B., C.V.O., M.A. * #
Canon M Irving, B.Ed. ♦
Mr P A Lachecki (Retired 14th November 2007)
P Lapping (appointed 4th March 2008)
C Major, LL.B. * #
P Markey, A.C.A. * #
J H Smith, B.Sc. Dip. Ed. ♦
M Wharton, BEd (Hons) NDA MRAC FRAG.S FRSA (appointed 4th March 2008)
Mrs S White, M.A.

* Member of Finance Committee

Member of the Fabric & Development Committee

♦ Retired by rotation and re-appointed at Annual General Meeting

Structure, Governance and Management

Governing Document

The School is governed by its Memorandum and Articles of Association, last amended on 20 November 2002.

Governing Body

The Governors, who are also required under the Articles to serve as members of the School, are elected at a full Governors meeting on the basis of nominations received.

THE KING'S SCHOOL, GLOUCESTER

GOVERNORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

The Governing Body shall not be less than 16 and not more than 21 and is comprised of not more than 6 ex-officio Governors, who shall be the Dean of the Gloucester Cathedral and not more than 5 Residentiary Canons of the Cathedral. Such ex-officio Governors shall hold office by virtue of their respective offices.

The balance of the Governing Body comprises of Governors, one-third of which retire at the School's Annual General Meeting. A retiring Governor is eligible to stand for re-election.

Organisational Management

The Governors meet as a Board at least four times a year to determine the general policy of the School and to review its overall management and control, for which they are responsible. There are two key sub-committees to the Governing Body, the Finance Committee and the Fabric and Development Committee. Each of these committees meets at least four times a year, preceding the Board of Governors meetings, to report to the Governing Body. The day to day running of the School is delegated to the Headmaster supported by the Senior Management Team.

Recruitment and Training of Governors

Governors are appointed at a meeting of Members on the basis of nominations received from Governors and the Head of The King's School, Gloucester following agreed specifications concerning eligibility, personal competence, specialist skills and local availability.

New Governors are inducted in the workings of the School, and the Company as a registered charity, including Board Policy and Procedures, at an induction day specially organised for them by the Head and Bursar, who also organise regular strategic and trustee-training workshops for all Governors.

Group Structure and Relationships

Serlo Enterprises Limited is a wholly owned non-charitable trading subsidiary of The King's School, Gloucester, whose activities are the organising and marketing of events at The King's School, Gloucester.

King's School Gloucester Prize and Scholarship Fund is a charitable subsidiary of The King's School, Gloucester, whose objects are to further the education of pupils attending the school particularly (but not exclusively) by the provision of prizes and scholarships.

The King's School, Gloucester is an HMC school and HMC exists to serve and support its members, to represent their views and to exemplify excellence in education. It is also a member of the Choir Schools Association which is a group of schools attached to cathedrals, churches and college chapels around the country enabling pupils to have unlimited access to a first-class schooling and musical training, giving them an excellent start in life.

Risk Management

The Governors have carried out a an assessment of the risks and uncertainties facing the School and those identified relate to long term demand for places in the school and membership of the Government Teachers' Pension Scheme. Within the locality there are four state grammar schools, however through prudent structuring of the curriculum and extra-curricular activities offered by the School, Governors aim to ensure that pupils are not lost to the grammar schools. In addition the physical location of the School provides constraints on the expansion and development of the School within its current boundaries, however, this is mitigated by the environment and history associated with the School's location. Membership of the Teachers' Pension Scheme is seen to be important in terms of recruitment of good quality teaching staff, however, as a final salary scheme, there is a risk that it may become too cost prohibitive to sustain membership. It is felt that this risk will affect all similar schools and is largely beyond the immediate control of the Governors.

THE KING'S SCHOOL, GLOUCESTER

GOVERNORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

Objectives, Aims and Activities

The object of the school is to provide the training and instruction of pupils in any school acquired or established, and on the basis of the Church of England principles, to provide such pupils with spiritual, moral, mental and physical training.

Strategic Aim and Intended Effect

The main policy adopted by the Governors to further the objects of the School is to ensure that proper resources, both human, spiritual, physical and financial, of the highest possible standard are made available and that there is a sound financial base for making this provision. The Governors are also actively developing the School's role in the wider community.

Objectives for the Year

The main objective continued to be the education of all the School's pupils, to encourage the fulfilment of their potential. In addition to enable staff to deliver a high quality education and develop individual portfolios, the professional development of staff is encouraged.

Strategies to achieve the year's objectives

The School aims to achieve its objective by maintaining a high teacher-pupil ratio and by treating each pupil as an individual. The development of the curriculum and the extra-curricular activities offered continues to support the achievement of pupils at the School, alongside this the professional development of staff is comprehensively recorded and reported to match the personal development of staff and support the continuing development of the curriculum and extra-curricular activities.

Principal Activity

The School was originally established as a boarding and day school for boys. Prior to September 1985, the school admitted junior girls up to the age of 11. With effect from September 1985, the Governors voted to admit girls throughout the entire range of 3 to 18 years on sound educational, social and financial grounds. Boarding has now been phased out; as such the School is now a co-educational day school for pupils aged 3 to 18.

Grant-making

Through our bursary scheme we are able to support 46 pupils. This support, which is available on a means tested basis, reduced the annual fee income by £148,625.

Review of Activities and Achievements

Pupil numbers during the year average 513 (2007: 534). Numbers increased during the year following a focused recruitment at the Foundation Stage and in the Junior School.

Academic results at A-level continued to improve with an overall pass rate just short of 100% with A to C grades of 82% (2007: 72%). The equivalent A to C figure for AS level was 70% (2007: 72%). At GCSE level 99% (2007: 92%) of results were grade A* to C, with 50% for A*/A (2007: 40%). The success of our pupils in public examinations bears testament to the School's objective of encouraging pupils to develop their potential. This achievement is greatly helped by the high quality of teaching staff we have been able to retain and recruit.

The School continues to offer pupils a busy sports, extra-curricular activities and performing arts programme. The School productions during the year were A Midsummer Night's Dream and Kiss Me Kate in the Senior School and The Dragon's Revenge and Everything's Growing in the Junior School. Many of the pupils in the Senior School also had the opportunity to be extras at Hogwarts School in the Warner Brothers filming of "Harry Potter and the half Blood Prince" at Gloucester Cathedral.

Many pupils in the School continued to be involved in activities within the community and recognition has been received for their work in supporting bilingual pupils from ethnic minorities in local primary school.

THE KING'S SCHOOL, GLOUCESTER

GOVERNORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

The School participates in a "Gifted and Talented" programme with a local maintained school which enabled pupils from both schools to take part in scientific and artist projects.

Financial Review and Results for the Year

Net incoming resources for the year were £368,065 (2007: £522,221), this decrease is a result of an increased expenditure base which was not fully offset by a corresponding increase in income.

The surplus at the operating level exceeded the budget agreed by the Trustees and the outcome is considered to be satisfactory.

The financial strength of the school continues to increase which will enable it to continue with capital development to enhance the facilities for the future.

Investment Policy and Objectives

The School has absolute power to invest any monies of the School not immediately required for its purpose in or upon such investments, securities or property of whatsoever nature as may be thought fit and to vary the investment thereof in such manner as may from time to time be determined.

Investments are currently held in COIF Charities Investment Fund and 3.5% War Loan Stock, to support the Prize and Scholarship Fund with a view to achieving an above-average annual dividend, relative to UK equities, to enable the provision of prizes and scholarships.

Investment Performance

The investment performance for the year yielded a total return of -11.69%. Investments are made to maximise the total return and generate investment for the granting of prizes and scholarships. The investment performance for the year has generated an annual dividend yield of 16.04%.

Reserves Policy

The School's policy is to invest in its facilities to support the educational and business needs of the school. This investment is subject to the availability of funds to adequately support the day to day operational needs and to maintain adequate resources to meet any contingencies. Any major investment in buildings will be financed by borrowings or fundraising. The level of borrowings will not exceed a level which the Trustees are confident can be serviced by the prudent projection of future income and expenditure and associated cash flows.

Free reserves, as defined by the Charities SORP, excluding fixed assets were £827,088 at the year end (2007: £530,660). These free reserves are within the parameters set by the Trustees, thereby ensuring there are adequate resources in place to continue current operations.

Risk Factors

The Governors have previously assessed the major risks to which the school is exposed, and are satisfied that systems are in place to manage exposure to the major risks.

THE KING'S SCHOOL, GLOUCESTER

GOVERNORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

Future Plans

The whole School development plan is considered by the Board of Governors on an annual basis, with review at regular intervals. The objectives within the current plan are:

1. Enable the educational provision to develop to meet the needs of the 21st century.
2. Maintain high standards of academic achievement in the Senior School through small class sizes and the recruitment and retention of inspirational teachers.
3. Master the radically new Sixth Form curriculum based on modular assessment and being aware of the opportunities and threats posed by educational reform at a national level.
4. Use Value Added data and benchmarking to track pupils' academic progress and to measure attainment relative to potential throughout the school.
5. Ensure that pupils of all abilities continue to receive the stimulus they need as individuals.
6. Development of a unified, broad curriculum structure allied to a significant increase in numbers in the Junior School.
7. Ensure the parallel development of extra curricular opportunities in sport, the performing arts and outdoor pursuits.

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The governors are responsible for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Companies Act 1985 and the Charities Act 1993 require the governors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of its financial position for that period. In preparing these accounts, the governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

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

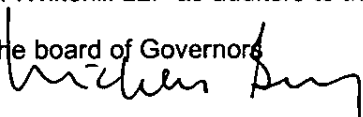
In determining how accounts are presented within items in the Statement of Financial Activities and Balance Sheet, the governors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

So far as the governors are aware, there is no relevant audit information of which the charity's auditors are unaware. The governors have each taken all the steps that we ought to have taken as governors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Horwath Clark Whitehill LLP as auditors to the school will be put to the annual general meeting.

On behalf of the board of Governors



Governor

Dated: 19 November 2008

THE KING'S SCHOOL, GLOUCESTER

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE KING'S SCHOOL, GLOUCESTER

We have audited the group and parent company accounts of The King's School, Gloucester for the year ended 31 July 2008 (the "accounts") which comprise the Group Statement of Financial Activities, the Group Income and Expenditure Account, the Balance Sheets, the Group Cash Flow Statement and the related notes set out on pages 11 to 29. These accounts have been prepared under the accounting policies set on pages 15 to 16.

This report is made solely to the company's Members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's Members those matters we are required to state to them in an auditors' 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 opinion we have formed.

Respective responsibilities of the governors and auditors

The responsibilities of the governors, who are also the charity trustees for the purposes of charity law, for preparing the Governors' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Governors' Responsibilities on page 8.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the Governors' Report is consistent with the accounts. 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 trustees' remuneration and other transactions is not disclosed.

We read the other information contained in the Governors' Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information beyond that referred to in this paragraph.

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 judgments made by the Governors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts 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 accounts.

THE KING'S SCHOOL, GLOUCESTER

INDEPENDENT AUDITORS' REPORT (Continued) TO THE MEMBERS OF THE KING'S SCHOOL, GLOUCESTER

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company and the group as at 31 July 2008 and of group's incoming resources and application of resources, including the group's income and expenditure, for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Governors' Report is consistent with the accounts.



Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors
Date: 8th December 2008

Carrick House
Lypiatt Road
Cheltenham
Gloucestershire
GL50 2QJ

THE KING'S SCHOOL, GLOUCESTER

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 JULY 2008

	Note	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
INCOMING RESOURCES					
Incoming resources from charitable activities					
School fees	3	5,115,229	-	5,115,229	5,078,026
Other ancillary trading income	6	44,031	-	44,031	47,200
Incoming resources from generated funds					
Trading turnover – Serlo Enterprises	4	101,496	-	101,496	102,572
Investment income	5	59,541	1,716	61,257	50,839
Voluntary income	2	-	53,421	53,421	43,649
Other Incoming resources	6	<u>27,326</u>	<u>-</u>	<u>27,326</u>	<u>19,987</u>
Total Incoming resources		<u>5,347,623</u>	<u>55,137</u>	<u>5,402,760</u>	<u>5,342,273</u>
RESOURCES EXPENDED					
Costs of generating funds					
Serlo Enterprises trading costs	4	81,466	-	81,466	88,874
Fundraising costs – other		13,410	-	13,410	39,780
Finance costs		11,742	-	11,742	23,638
Charitable activities					
Education and grant making costs		4,903,065	1,716	4,904,781	4,620,378
Governance costs		<u>23,296</u>	<u>-</u>	<u>23,296</u>	<u>47,382</u>
Total resources expended	7	<u>5,032,979</u>	<u>1,716</u>	<u>5,034,695</u>	<u>4,820,052</u>
Net incoming resources		314,644	53,421	368,065	522,221
Unrealised Investment (losses) / gains	11	<u>-</u>	<u>(8,806)</u>	<u>(8,806)</u>	<u>4,222</u>
Net movement in funds		<u>314,644</u>	<u>44,615</u>	<u>359,259</u>	<u>526,443</u>
Fund balances as at 1 August 2007		<u>1,906,816</u>	<u>176,079</u>	<u>2,082,895</u>	<u>1,556,452</u>
Fund balances as at 31 July 2008	16	<u>2,221,460</u>	<u>220,694</u>	<u>2,442,154</u>	<u>2,082,895</u>

All amounts relate to continuing operations.

The notes on pages 15 to 29 form part of these accounts.

THE KING'S SCHOOL, GLOUCESTER

CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2008

	2008 £	2007 £
Total income	5,402,760	5,342,273
Total expenditure from income funds	5,034,695	4,820,052
	<hr/>	<hr/>
Net income for the year	<u>368,065</u>	<u>522,221</u>

The summary income and expenditure account is derived from the statement of financial activities on page 11 which, together with the notes on pages 15 to 29, provides full information on the movements during the year on all funds of the school.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	2008 £	2007 £
Net income for the year	368,065	522,221
Unrealised (losses)/gains on investment assets held by income funds	<u>(8,806)</u>	<u>4,222</u>
Total recognised gains and losses relating to the year	<u>359,259</u>	<u>526,443</u>


The notes on pages 15 to 29 form part of these accounts.

THE KING'S SCHOOL, GLOUCESTER

BALANCE SHEETS AS AT 31 JULY 2008

	Note	Group		School	
		2008 £	2007 £	2008 £	2007 £
Fixed assets					
Tangible assets	10	1,394,372	1,376,156	1,394,372	1,376,156
Investments	11	49,118	57,924	4,229	4,755
		<u>1,443,490</u>	<u>1,434,080</u>	<u>1,398,601</u>	<u>1,380,911</u>
Current assets					
Stocks		15,080	22,986	13,542	22,236
Debtors	12	240,564	251,084	265,078	264,531
Cash at bank and in hand		<u>1,598,124</u>	<u>1,136,636</u>	<u>1,562,189</u>	<u>1,109,167</u>
		1,853,768	1,410,706	1,840,809	1,395,934
Creditors: amounts falling due within one year	13	<u>(641,049)</u>	<u>(561,512)</u>	<u>(628,872)</u>	<u>(547,522)</u>
Net current assets		<u>1,212,719</u>	<u>849,194</u>	<u>1,211,937</u>	<u>848,412</u>
Total assets less current liabilities		<u>2,656,209</u>	<u>2,283,274</u>	<u>2,610,538</u>	<u>2,229,323</u>
Creditors: amounts falling due after more than one year	14	<u>(214,055)</u>	<u>(200,379)</u>	<u>(214,055)</u>	<u>(200,379)</u>
Net assets		<u>2,442,154</u>	<u>2,082,895</u>	<u>2,396,483</u>	<u>2,028,944</u>
Income funds					
Restricted funds	17a	220,694	176,079	175,802	122,907
Designated and General funds	17b	<u>2,221,460</u>	<u>1,906,816</u>	<u>2,220,681</u>	<u>1,906,037</u>
	16	<u>2,442,154</u>	<u>2,082,895</u>	<u>2,396,483</u>	<u>2,028,944</u>

The accounts were approved and authorised for issue by the Board on 19 November 2008.


Governor

The notes on pages 15 to 29 form part of these accounts.

THE KING'S SCHOOL, GLOUCESTER

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2008

	Note	2008 £	2007 £
Net cash inflow from operating activities	18	606,378	637,763
Returns on investments and servicing of finance			
Finance costs paid		(11,742)	(23,638)
Capital expenditure and financial investment			
Payment for tangible fixed assets		(165,254)	(117,548)
Net cash inflow before financing		429,382	496,577
Financing: Advance fee schemes			
Receipts from new advance fee contracts		182,705	282,181
Amounts accrued to advance fee contracts		19,299	13,688
Amounts utilised		(169,898)	(130,205)
Increase in cash	19	461,488	662,241

The notes on pages 15 to 29 form part of these accounts.

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2008

1. Accounting policies

1.1 Basis of preparation

The accounts are prepared under the Companies Act 1985 on the historical cost convention modified to include the revaluation of certain fixed assets.

The accounts have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting and Reporting by Charities: The Charities SORP 2005.

These accounts consolidate the accounts of the School and its wholly owned non-charitable subsidiary trading company, Serlo Enterprises Limited, and the charitable trust King's School Prize and Scholarship Fund. For Serlo Enterprises Limited the period included in the consolidation is the year to 31 August 2008. The year end for Serlo Enterprises Limited is different to the that of the School in order to account for the full summer activities operated by the company, this difference in accounting reference date does not significantly affect the numbers.

As permitted by Section 230 of the Companies Act 1985 and in accordance with the Charities SORP 2005, no separate SoFA has been presented for the School alone.

1.2 Incoming resources

Donations, legacies and other forms of voluntary income are recognised as incoming resources when receivable, except insofar as they are incapable of financial measurement.

Fees receivable and charges for services are accounted for in the year in which the service is provided.

Fees receivable are stated after deducting allowances, scholarships and other remissions granted by the school, but include contributions received from Restricted Funds for Scholarships, Bursaries and other grants.

1.3 Resources expended

Expenditure is accounted for on an accruals basis and is summarised under functional headings on a direct cost basis or, for overheads, apportioned according to management estimates. The irrecoverable element of VAT is included with the item of expenditure.

Governance costs comprise costs of running the charity, any legal advice and all costs of complying with constitutional and statutory requirements.

Fundraising costs include costs associated with the planning and organisation of fundraising events.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its useful economic life, as follows:

Freehold land is not depreciated	
Freehold and Long Leasehold buildings	2% straight line & 7.12% straight line on the Palace Wall.
Fixtures, fittings and equipment	10% - 20% straight line
Motor vehicles	20% straight line

Leasehold improvements to buildings held on short term leases are depreciated over the remaining term of the short term lease when incurred, which is currently 9% straight line.

Items costing less than £5,000 are written off as an expense when acquired.

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

Accounting policies (continued)

1.5 Operating lease commitments

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

1.6 Investments

Fixed asset investments are stated at market value at the balance sheet date. Changes in the valuation of investments during the year are shown as unrecognised gains or losses.

1.7 Stock

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

1.8 Taxation

The School is a registered charity and as such is entitled to tax exemptions on all its income and gains properly applied for its charitable purposes.

1.9 Pensions

The School participates in the Teachers' Pension Defined Benefits Scheme, for its teaching staff, at rates set by the Scheme Actuary and advised to the School by the Scheme Administrator. The Scheme is a multi-employer pension scheme and it is not possible to identify the assets and liabilities of the Scheme that are attributable to the School. Accordingly, under FRS 17 the Scheme is accounted for as if it were a defined contributions scheme and the contributions are accounted for when advised as due by the Scheme Administrator.

The School also contributes to a defined contribution pension scheme for non-teaching staff at a rate of 6% of annual basic pay and these contributions are accrued accordingly.

1.10 Unrestricted funds

The General Funds comprise the accumulated surplus. As such the Governors consider these funds to be Unrestricted Funds within the definitions contained in the Charities Acts in that they are funds over which they have complete discretion as to their use.

1.11 Designated funds

Designated funds comprise unrestricted funds that have been set aside by the Governors for particular purposes. The aim and use of each designated fund is set out in the notes to the accounts.

1.12 Restricted funds

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

1.13 Recognition of liabilities

Liabilities are recognised once there is a legal or constructive obligation that commits the charity to the obligation.

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

2. Voluntary Income

	2008 £	2007 £
Grants Received	-	37,812
Donations	53,421	5,837
	<u>53,421</u>	<u>43,649</u>

3. School Fees

	2008 £	2007 £
Fees receivable consist of:		
Gross fees	5,805,654	5,793,247
Less: Total bursaries, grants and allowances	<u>(692,141)</u>	<u>(718,166)</u>
	5,113,513	5,075,081
Add back: Scholarships and grants paid for by restricted funds	<u>1,716</u>	<u>2,945</u>
	<u>5,115,229</u>	<u>5,078,026</u>

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

4. Trading Income

	2008 £	2007 £
Turnover	101,496	102,572
Interest receivable	675	444
Operating expenses	<u>(81,466)</u>	<u>(88,874)</u>
Net income from trading	<u>20,705</u>	<u>14,142</u>

5. Investment Income

	2008 £	2007 £
Interest receivable	<u>61,257</u>	<u>50,839</u>

6. Other Income

	2008 £	2007 £
Other ancillary activities		
Insurance commissions	5,960	15,625
After School holiday clubs	31,115	27,547
Late payment surcharges	6,956	4,028
	<u>44,031</u>	<u>47,200</u>
Other incoming resources		
Other	<u>27,326</u>	<u>19,987</u>
	<u>27,326</u>	<u>19,987</u>

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

7. Resources Expended

	Staff Costs £	Deprec- iation £	Other Costs £	Total 2008 £	Total 2007 £
Charitable expenditure:					
School operating costs:					
Teaching costs	2,582,640	-	378,415	2,961,055	2,834,171
Welfare costs	29,554	-	-	29,554	13,476
Support costs	364,960	-	239,263	604,223	553,182
Catering	-	-	311,329	311,329	294,915
Premises	321,115	147,038	528,751	996,904	921,689
Grants, awards and prizes	-	-	1,716	1,716	2,945
	<u>3,298,269</u>	<u>147,038</u>	<u>1,459,474</u>	<u>4,904,781</u>	<u>4,620,378</u>
Governance costs	-	-	23,296	23,296	47,382
Costs of generating funds:					
Fundraising costs	-	-	13,410	13,410	39,780
School financing costs	-	-	11,742	11,742	23,638
School	<u>3,298,269</u>	<u>147,038</u>	<u>1,507,922</u>	<u>4,953,229</u>	<u>4,731,178</u>
Trading costs	<u>7,241</u>	-	<u>74,225</u>	<u>81,466</u>	<u>88,874</u>
Group	<u>3,305,510</u>	<u>147,038</u>	<u>1,582,147</u>	<u>5,034,695</u>	<u>4,820,052</u>

Governance costs include payments to the auditors of £9,100 for audit services and £1,751 for non-audit services (2007: £10,194 for audit services and £5,745 non-audit services).

Premises costs includes operating lease payments of £6,316 in respect of equipment (2007: £21,365) and £74,718 in respect of land and buildings (2007: £72,820).

8. Staff Costs

	2008 £	2007 £
Wages and salaries	2,798,667	2,641,622
Social security costs	208,574	204,420
Pension contributions	298,269	279,246
	<u>3,305,510</u>	<u>3,125,288</u>

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

8. Staff Costs (continued)

The average monthly number of full time equivalent employees during the year was:

	2008	2007
Teaching Staff	76	69
Support Staff	<u>37</u>	<u>35</u>
	113	104
	<u> </u>	<u> </u>

The number of employees whose annual emoluments were £60,000 or more were:

	2008	2007
£70,001 - £80,000	<u>1</u>	<u>-</u>
£80,001 - £90,000	<u>-</u>	<u>1</u>

The employee whose emoluments exceed £60,000, has retirement benefits accruing under defined benefit pension schemes.

9. Governors

The Governors received no remuneration or other benefits for the year, and £210 (2007: £591) of expenses were reimbursed to 1 Governor during the year.

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

10. Tangible fixed assets

	Group and School			
	Land and buildings £	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
At 1 August 2007	2,360,209	156,629	17,335	2,534,173
Additions	79,167	71,506	14,581	165,254
At 31 July 2008	2,439,376	228,135	31,916	2,699,427
Depreciation				
At 1 August 2007	1,050,844	103,706	3,467	1,158,017
Charge for the year	87,182	53,473	6,383	147,038
At 31 July 2008	1,138,026	157,179	9,850	1,305,055
Net book value:				
At 31 July 2008	1,301,350	70,956	22,066	1,394,372
At 31 July 2007	1,309,365	52,923	13,868	1,376,156

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

10a. Freehold and leasehold property

	Group and School	
	Accumulated Costs 2008 £	Net Book Value 2008 £
Freehold		
Old Bishop's Palace	506,654	261,972
Archdeacon Meadow	264,579	147,839
Sports Hall	116,341	116,341
	<u>887,574</u>	<u>526,152</u>
Long leasehold improvements to land and buildings leased from the Chapter of Gloucester Cathedral: Junior School Buildings on Paddock Land	<u>985,416</u>	<u>519,664</u>
Short leasehold improvements to land and buildings leased from the Chapter of Gloucester Cathedral:		
King's School House	4,742	1,191
Little Cloister House	11,615	3,046
Wardle House	32,162	8,894
Paddock House – 5 Pitt Street	469,561	222,571
Dulverton House and Coach house	48,306	19,832
	<u>566,386</u>	<u>255,534</u>
	<u>2,439,376</u>	<u>1,301,350</u>

- (i) The leasehold property is leased from the Chapter of Gloucester Cathedral under renewable 20 year leases expiring on 24 December 2013. The terms provide for full repairing liability and at rents independently reviewed at 5 yearly intervals. The current rents amount to £65,000 pa and the next review is due in December 2008.
- (ii) The school occupies the Paddock Land which is owned by the Chapter of Gloucester Cathedral. The school has erected buildings thereon with the latter's consent. The Chapter has granted a 99 year lease, expiring on 27 October 2095, in favour of the school at a peppercorn rent of £10 per annum.

The school occupied premises under license from the Chapter of Gloucester Cathedral at a rent of £6,500 per annum, until this lease is incorporated into the main school leases.

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

11. Fixed asset investments

Group	2008 £	2007 £
Quoted Investments at market value 1 August 2007	57,924	53,702
Unrealised (losses) / gains	(8,806)	4,222
Quoted Investments at market value 31 July 2008	<u>49,118</u>	<u>57,924</u>
Cost	<u>11,593</u>	<u>11,593</u>
School		
Quoted Investments at market value 1 August 2007	4,752	4,621
Unrealised (losses) / gains	(526)	131
Quoted Investments at market value 31 July 2008	<u>4,226</u>	<u>4,752</u>
Shares in subsidiary trading company, at cost	<u>3</u>	<u>3</u>
	<u>4,229</u>	<u>4,755</u>
Cost	<u>1,596</u>	<u>1,596</u>

The School owns 100% of the ordinary shares in Serlo Enterprises Limited which is a trading company selling services and goods relating to the school. It covenants its taxable profits to the school. Its trading results, extracted from its audited accounts were:

	2008 £	2007 £
Turnover	101,496	102,572
Cost of sales	<u>(69,962)</u>	<u>(73,463)</u>
Gross Profit	31,534	29,109
Administration	<u>(11,504)</u>	<u>(15,411)</u>
Operating profit	20,030	13,698
Interest receivable	<u>675</u>	<u>444</u>
Profit on ordinary activities before taxation	20,705	14,142
Taxation	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation	20,705	14,142
Gross covenant to The King's School	<u>(20,705)</u>	<u>(14,142)</u>
Retained profit for the year	-	-
Retained reserves brought forward	<u>782</u>	<u>782</u>
Retained reserves carried forward	<u>782</u>	<u>782</u>

Material investments

	Group Market value £	% of total	School Market value £	% of total
COIF Charity Investment Fund	47,620	97.0	2,728	64.6
3.5% War Loan Stock	<u>1,498</u>	<u>3.0</u>	<u>1,498</u>	<u>35.4</u>
	<u>49,118</u>	<u>100.0</u>	<u>4,226</u>	<u>100.0</u>

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

12. Debtors

	Group		School	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	102,947	80,397	102,947	80,397
Other debtors	33,370	119,368	19,288	89,320
Prepayments and accrued income	104,247	51,319	104,247	51,319
Amounts owed by group companies	-	-	38,596	43,495
	<u>240,564</u>	<u>251,084</u>	<u>265,078</u>	<u>264,531</u>

13. Creditors: amounts falling due within one year

	Group		School	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	162,191	99,480	162,191	99,480
Taxes and social security costs	70,464	67,594	70,464	67,594
Pension costs	34,738	35,203	34,738	35,203
Refundable fee deposits	136,265	141,098	136,265	141,098
Advance fee payments	132,800	114,370	132,800	114,370
Other creditors	47,876	38,456	35,699	25,216
Accruals and deferred income	56,715	65,311	56,715	64,561
	<u>641,049</u>	<u>561,512</u>	<u>628,872</u>	<u>547,522</u>

14. Creditors: amounts falling due after more than one year

	Group and School	
	2008	2007
	£	£
Advance fee payments	<u>214,055</u>	<u>200,379</u>

15. Advance fee payments

Parents may enter into a contract to pay the equivalent of at least two 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:

	2008	2007
	£	£
Greater than 5 years	-	14,685
Within 2 to 5 years	99,114	106,165
Within 1 to 2 years	<u>114,941</u>	<u>79,529</u>
	<u>214,055</u>	<u>200,379</u>
Within in 1 year	<u>132,800</u>	<u>114,370</u>
	<u>346,855</u>	<u>314,749</u>

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

15. Advance fee payments (continued)

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

	£
Balance as at 1 August 2007	314,749
New contracts	182,705
Amounts accrued to contracts as debt-financing costs	19,299
	<u>516,753</u>
Amounts utilised in payment of fees	(169,898)
Balance at 31 July 2008	<u>346,855</u>

16. Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Total £
Group			
Fund balances at 31 July 2008 are represented by:			
Tangible fixed assets	1,394,372	-	1,394,372
Investments	-	49,118	49,118
Current assets	1,682,192	171,576	1,853,768
Creditors: amounts falling due within one year	(641,049)	-	(641,049)
Creditors: amounts falling due after more than one year	(214,055)	-	(214,055)
	<u>2,221,460</u>	<u>220,694</u>	<u>2,442,154</u>

	Unrestricted funds £	Restricted funds £	Total £
School			
Fund balances at 31 July 2008 are represented by:			
Tangible fixed assets	1,394,372	-	1,394,372
Investments	3	4,226	4,229
Current assets	1,669,233	171,576	1,840,809
Creditors: amounts falling due within one year	(628,872)	-	(628,872)
Creditors: amounts falling due after more than one year	(214,055)	-	(214,055)
	<u>2,220,681</u>	<u>175,802</u>	<u>2,396,483</u>

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

17a. Restricted funds: Movements in the Year

Group Funds	Kings School Prize & Scholar- ship Fund £	Other Prize & Scholar-ship Funds £	Sports Hall Fund £	Foundation Fund £	Total £
Balance as at 1 August 2007	53,172	75,825	20,235	26,847	176,079
Income	-	1,716	-	-	1,716
Donations\Grants	-	-	-	53,421	53,421
Amounts expended	-	(1,716)	-	-	(1,716)
Investment losses	(8,280)	(526)	-	-	(8,806)
Balance as at 31 July 2008	<u>44,892</u>	<u>75,299</u>	<u>20,235</u>	<u>80,268</u>	<u>220,694</u>

The Prize and Scholarship funds represent funds held to generate income for the granting of prizes and scholarships to pupils who attend the School.

The Sports Hall fund relates to monies received for the construction of a sports hall.

The Foundation is being launched to raise funds for various projects within the school. All funds raised will be treated as restricted.

School Funds	Prize & Scholar- ship Funds £	Sports Hall Fund £	Foundation Fund £	Total £
Balance as at 1 August 2007	75,825	20,235	26,847	122,907
Income	1,716	-	-	1,716
Donations\Grants	-	-	53,421	53,421
Amounts expended	(1,716)	-	-	(1,716)
Investment losses	(526)	-	-	(526)
Balance as at 31 July 2008	<u>75,299</u>	<u>20,235</u>	<u>80,268</u>	<u>175,802</u>

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

17b. Unrestricted funds: Movements in the Year

	Balance as at 1 August 2007 £	Income £	Expended £	Transfers £	Balance as at 31 July 2008 £
Designated funds:					
Major Repair funds	51,700	-	(18,000)	65,000	98,700
General funds	1,854,337	5,245,452	(4,933,513)	(44,295)	2,121,981
School funds	1,906,037	5,245,452	(4,951,513)	20,705	2,220,681
Non charitable trading funds	779	102,171	(81,466)	(20,705)	779
Group funds	1,906,816	5,347,623	(5,032,979)	-	2,221,460

The Major Repair funds represent funds held towards the repair costs expected to be incurred for the main School buildings within the next two years. During the year a further £65,000 was designated for roof repairs to the Old Bishops Palace and £18,000 was expended on the roof at Finchs' Yard. The trading subsidiary made a surplus of £20,705 during the year which was gift aided to the charity.

18. Net cash inflow from operating activities

	2008 £	2007 £
Reconciliation to changes in resources:		
Changes in resources before revaluations	368,065	522,221
Depreciation of tangible fixed assets	147,038	129,946
Decrease/(Increase) in stocks	7,906	(3,318)
Decrease/(Increase) in debtors	10,520	(43,589)
Increase in creditors	61,107	8,865
Financing costs	11,742	23,638
	606,378	637,763

19. Reconciliation of net cash flow to movement in net debt

	2008 £	2007 £
Net cash at 1 August 2007	1,136,636	474,395
Increase in cash	461,488	662,241
Net cash at 31 July 2008	1,598,124	1,136,636

Refer to the cash flow statement on page 14 of the accounts.

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

20. Analysis of net cash balances

	At 1 August 2007 £	Cash Flow £	At 31 July 2008 £
Cash	1,136,636	461,488	1,598,124
Advance fees due within 1 year	(114,370)	(18,430)	(132,800)
Advance fees due after more than 1 year	(200,379)	(13,676)	(214,055)
	<u>821,887</u>	<u>429,382</u>	<u>1,251,269</u>

21. Pension scheme

The School participates in the Teachers' Pension Scheme (England and Wales) ("the Scheme"), for its teaching staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to identify the assets and liabilities of the Scheme which are attributable to the School.

The latest actuarial valuation of the Scheme by the Government Actuary issued in October 2006 relating to the period 1 April 2001 to 31 March 2004 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) exceeded the value of the Scheme's assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) by 2.0%.

From 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution rate has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance the Scheme's assets and liabilities within 15 years as required by the regulations); a total contribution rate of 20.5%. This translates into an employer contribution rate of 14.1% and an employee contribution rate of 6.4%. The cost-sharing agreement has also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

The pension charge represents contributions payable to the fund and amounted to £262,513 (2007: £242,588, including outstanding contributions payable to the fund of £29,808 (2007: £29,945)). This amount is included in creditors and was paid by its due date in August 2008.

The school also runs a scheme for its non-teaching staff, which is a defined £35,756 (2007: £36,658). There were contributions of £4,930 (2007: £4,665) outstanding at the year end; this amount is included in creditors and was paid by its August due date.

THE KING'S SCHOOL, GLOUCESTER

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2008

22. Operating lease commitment

At 31 July 2008, the School had annual commitments under non-cancellable operating leases as follows:

	2008	2007
	£	£
Other		
Expiring in less than one year	1,842	8,909
Expiring between two and five years	<u>28,859</u>	<u>30,701</u>

23. Capital commitment

At 31 July 2008, the School had capital commitments, which had been contracted for, of £160,496 and related to two projects. The first project being phase 1 of roof repairs to Old Bishop's Palace; the commitment for this project is £107,448. The second project being an enhancement of the Design Technology facility to provide additional dedicated teaching space with a separate storage and workshop facility; the commitment for this project is £53,048.