

Registered Company Number: 4002575
Registered Charity Number: 1081228

Sherborne School

Annual Report and Financial Statements

for the year ended 30 June 2005



Sherborne School

ANNUAL REPORT AND ACCOUNTS DIRECTORS, OFFICERS AND ADVISERS

Reports and financial statements for the year ended 30 June 2005

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Sherborne School

ANNUAL REPORT AND ACCOUNTS DIRECTORS, OFFICERS AND ADVISERS

Registered office Sherborne School
Abbey Road
Sherborne
Dorset
DT9 3AP

DIRECTORS:

Chairman: *Sir John WESTON KCMG

Vice Chairman: Professor R HODDER-WILLIAMS MA FRSA

Ex Officio: Captain M FULFORD-DOBSON CVO JP RN
The Right Reverend T THORNTON MA
The Reverend Canon E J WOODS MA FRSA

Co-opted Governors: *M R BEAUMONT
*D R BURGESS ACA
Major General P A J CORDINGLEY DSO
*C R J EGLINGTON
R S FIDGEN (appointed 1 September 2005)
*M L FRENCH FCA (appointed 1 September 2004)
Mrs H GREENSTOCK
Sir C R LUCAS MA DPhil FRHistS
S H J MACDONALD BA (Hons)
Ms F H MADDOCKS MA
*R M MORGAN MA
*J VINTCENT
J A WATNEY
Lady WILLIAMS MBBS MRCP DObst RCOG DCH

Teachers Representative:

*S R R EDLMANN

The Directors indicated by * above comprise the Finance and General Purposes Committee, the Chairman of which is J Vintcent.

C R J Eglinton is Chairman of the Investment Sub-Committee, of which M L French and J Vintcent are also members.

Professor Hodder-Williams is Chairman of the International College Sub-Committee, of which M R Beaumont, D R Burgess, Major General Cordingley and M L French are members along with four members who are not Trustees of the School.

Sherborne School

ANNUAL REPORT AND ACCOUNTS DIRECTORS, OFFICERS AND ADVISERS - CONTINUED

ADVISERS:

Bankers:

Lloyds TSB Bank plc
Suite A1
Brunel House
Mead Avenue
Houndstone Business Park
Yeovil
Somerset
BA22 8RT

Solicitors:

Veale Wasbrough
Orchard Court
Orchard Lane
Bristol
BS1 5WS

Auditors:

Horwath Clark Whitehill LLP
Chartered Accountants & Registered Auditors
Carrick House
Lypiatt Road
Cheltenham
Glos
GL50 2QJ

Investment advisers:

Sarasin Chiswell
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

OFFICERS:

Headmaster:

S F Eliot MA

Clerk to the Governors: Mrs M C McKenna MA MBA FCMA

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2005

The Directors (who are also the Governors of the School and the charity trustees) present their report under the Charities Act 1993 and the Companies Act 1985 and, under the latter Act, the financial statements for the period ended 30 June 2005.

LEGAL AND ADMINISTRATIVE DETAILS

Sherborne School is registered with the Charity Commissioners for England and Wales (registration number 1081228) and administers an associated charitable trust (see below) that is regulated by the Commissioners' Scheme sealed on 26 June 2000. It is incorporated and registered in England and Wales under the Companies Act 1985 as a company limited by guarantee and not having a share capital (company number 4002575), its current Memorandum and Articles of Association being dated 26 May 2000.

ORGANISATION

The directors are responsible for the general management and administration of the Schools, including general policy and strategic planning. The detailed work of the directors is delegated to sub-committees, all of which report to the full Governing Body on a regular basis. The day to day running of the School is delegated to the Senior Management Team, which for Sherborne School is made up of the Headmaster, Second Master, Senior Master, Director of Studies and the Bursar. The day to day running of the International College is delegated to the Headmaster, the College Principal and the Bursar.

The Directors who served during the year are as stated on page 1, Directors, Officers and Advisors. None of the Directors held any interest in the School, as it is a company limited by guarantee.

New Directors are appointed by the Governing Body on the recommendation of the Appointments Sub-Committee. As and when vacancies on the Board become available, the main criterion in the search for suitable candidates is the need to maintain the best possible balance of relevant skills, expertise, and experience on the School's Governing body.

ORIGIN, OBJECT AND AIM OF THE SCHOOL

The School was granted a Royal Charter by Edward VI on 13 May 1550 and its origins date back beyond this to the eighth century when it was linked with the Benedictine Abbey of Sherborne.

The overall aim of the School is to be the boys' boarding school of choice in the 13-18 age group, for those who seek an all-round high quality education, based on Christian principles, in a non-urban environment.

REVIEW OF ACTIVITIES, DEVELOPMENTS AND ACHIEVEMENTS

It has been good to see numbers rise yet again from 540 pupils in 2003/4 to more than 570 in September 2004 at Sherborne School. This is about the optimal number. Meanwhile, the International College has continued to be full.

The overall A Level and GCSE results in 2005 equalled our best ever year in 2004 with 75% of the A Levels at A or B grade and two thirds of the GCSE grades at A* or A. Many of our competitors, however, improved their scores and it is important that progress is maintained.

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2005 – CONTINUED

REVIEW OF ACTIVITIES, DEVELOPMENTS AND ACHIEVEMENTS (Continued)

During the course of 2005/6 a number of academic initiatives are being introduced - these include setting individual targets, tightening up the tutorial system in the Sixth form, monitoring the working environment in the boarding houses and adapting the School's approach to the timing and extent of re-takes of the AS Level modules. For the longer term, there are several changes of personnel among the Heads of Department and a wholesale reorganisation of the timetable and the shape of the day is planned for September 2006.

On the pastoral side, emphasis has been given to the incoming Third Form. A considerable amount of work in conjunction with preparatory school heads went into smoothing the transition from prep to senior school in terms of information given, structures of tutoring, monitoring of the house and year groups, and organisation of free time and of work.

Cooperation with local schools continues to be an important priority. The especially close link with Sherborne School for Girls is most attractive to potential parents with children of both genders and the benefits of the relationship are to be seen in the academic, musical, dramatic and artistic lives of the two schools. St Antony's Leweston also combines successfully with Sherborne School. This unique situation is a bonus for all.

Some key new members of staff arrived during the year including the Director of Studies, School Chaplain and Director of Music and their combined influence is already being felt in many areas. There is much emphasis on each pupil being expected to make the most of the opportunities afforded to him while at School and on fulfilling his potential.

The most memorable stage show was a stirring production of the musical 'Scrooge', in conjunction with both local girls' schools, while concerts of all shapes and sizes continued to delight audiences throughout the year. The Musical Society's performance of the Verdi Requiem in the Abbey included about 100 boys and girls in a massive choir of over 200.

Sport has continued in its upward curve with many teams achieving victories against strong opposition. The most successful was probably the 1st XI cricket which recorded a record 13 wins against schools including Millfield, Marlborough and King's Taunton. Many of the sports involving smaller numbers of participants did especially well, including squash, swimming, sailing, cross-country and fives.

The School continued its active programme of building and development. The construction of a new wing to provide further study bedrooms in Wallace House was finished, and with internal remodelling in the House the refurbishment was completed. A new classroom block was constructed at the International College to replace some temporary buildings at a cost of £1M. This three-storey building, which includes a new Art room and Humanities classrooms, has improved the College's facilities significantly. A number of smaller projects updated facilities in both teaching and boarding areas.

We continue to value and encourage ways in which the School provides public benefit. By educating nearly 600 children in the independent sector we save the public purse an estimated £2½M per annum and we seek to widen access wherever possible. In 2004/5 the School provided a total of £986,000 in fee remissions and provided means tested bursaries to 30 pupils. A combined scholarship/bursary is available on entry for up to 100% of fees and additional open bursaries will be offered for entry in September 2006. Links with the maintained sector are growing stronger each year, especially with the Gryphon School in Sherborne, while we are happy to share our facilities with the town community. During the past year we have welcomed visitors into the School on several occasions, especially during our own contribution to the Abbey's festival commemorating the founding of the See of Sherborne in 705. In many different ways the School sees itself as an integral part of the Sherborne town community.

ANNUAL REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2005 - CONTINUED

REVIEW OF ACTIVITIES, DEVELOPMENTS AND ACHIEVEMENTS (Continued)

The School has two trading subsidiaries. Sherborne School (Trading) Ltd operates the School uniform and sports shop, the stationery shop and commercial lettings of the School premises. Trading performance in the year was satisfactory. The objective of the two shops to make a modest surplus after covering all operating costs was achieved and the use of School facilities and catering for weddings and other social events generated a profit of some £45,000.

Sherborne School (Leisure) Ltd operates the commercial activities of the Sports Centre, including the fitness suite and the All-Weather Pitch. The net profit of £18,000 was in line with budget.

FINANCIAL POSITION

The results including the International College show net incoming resources of £1.43M. After adjusting for depreciation and other non-cash items, net cash received in the year came to £2.2M. This was used, in accordance with the School's Development Plan, to reduce bank borrowing by about £250,000 and to invest about £2M in building development, including £1M for the new classroom block at the International College.

EMPLOYEES

The School believes in effective communication with all employees. Regular meetings are held to ensure that information is passed effectively to all staff and that consultation takes place.

The School operates an equal opportunities policy, covering race, gender and disability and is committed, wherever practical, to achieving and maintaining a workforce which broadly reflects the local community in which the School operates.

RESERVES

The School policy is that unrestricted reserves should not be accumulated from year to year other than in anticipation of an identified capital project, and that any surpluses generated from the running of the School will be invested in developing the buildings, equipment and resources of the School. The School therefore holds no free reserves as such.

INVESTMENT POLICY

The investment policies for the various funds are as follows:

Permanent Endowment

To maximise the income earned from deposits made each year in repayment to Permanent Endowment of monies received from the sale of permanently endowed property. Deposit income received in the year of about £12,000 was in line with expectations.

Advance Fee Fund

To invest at minimal risk those deposits made to purchase future fees, whilst optimising the return to the depositor and minimising the potential disparity between discounts offered and returns earned by the School. At the year end some £1.1M was invested in Treasury Stock dated from 2005 to 2015 with maturity dates times to coincide with the release of fees purchased in advance. Investment returns from these investments were slightly ahead of budget.

Sherborne School

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2005 - CONTINUED

INVESTMENT POLICY (Continued)

Scholarship and Prize Endowment Fund

To hold a balanced portfolio to generate a mix of both annual earnings to fund scholarships and prizes, and capital appreciation to preserve the real value of the fund. Just over 80% of the Fund was invested in a balanced portfolio managed by Sarasin Chiswell. Investment returns were in accordance with the targets set by the Investment Sub-Committee.

RISK MITIGATION

The major risks to which the charity is exposed, as identified by the Directors, have been reviewed and systems have been established to mitigate these risks.

GRANT MAKING POLICY

The Governors' current policy is to award scholarship grants on the basis of educational ability, with grants from bursary funds allocated following an assessment of financial need. This policy remains under continuous review.

The School is associated with the following charity, which was created for the purpose of raising funds for the School.

Sherborne School Foundation

The Objects of the Foundation, which is a separately administered charitable company, are to promote the charitable purposes of Sherborne School in Dorset and otherwise to promote any other charitable purposes connected with or otherwise associated with the School.

Auditors

Horwath Clark Whitehill LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

Approved by the Board of Directors of Sherborne School on 25 November 2005 and signed on its behalf by:

Chairman



**ANNUAL REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2005 - CONTINUED**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and the group, as at the end of the financial year, and of the income and expenditure of the group for that period.

The Directors confirm that the most suitable accounting policies have been used and applied consistently, and that wherever needed reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 June 2005. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis and together with this Report fully comply with the Charities SORP 2000.

The Directors 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Sherborne School

REPORT OF THE INDEPENDENT AUDITORS TO THE DIRECTORS OF SHERBORNE SCHOOL

We have audited the financial statements of Sherborne School for the year ended 30 June 2005, which comprise the Consolidated Statement of Financial Activities, the Charity and Consolidated Balance Sheets, the Cash Flow Statement and the related notes set out on pages 12 to 30. These financial statements have been prepared under the historical cost convention as modified to include the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the company's directors, 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 directors 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 directors as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

The responsibilities of the directors, who are also the charity trustees for the purposes of charity law, for preparing the Directors' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 7.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Annual Report is not consistent with the financial statements, if the Charitable Company has not kept proper accounting records, or 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 with the charitable company is not disclosed.

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

Basis of opinion

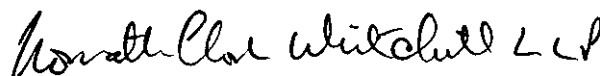
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the charitable company's and the group'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 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 financial statements.

Unqualified opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group as at 30 June 2005 and of its incoming resources and application of resources, including the group's income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors



9 December 2005

Sherborne School

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (Incorporating a Consolidated Income and Expenditure Account) FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds £'000	Restated 2004 £'000
INCOMING RESOURCES						
Charitable activities						
School fees	2(a)	15,481	-	-	15,481	14,237
Other income	4	298	-	-	298	334
Other activities to generate funds						
Sherborne School (Trading) Limited	3(a)	283	-	-	283	279
Sherborne School (Leisure) Limited	3(b)	143	-	-	143	126
Investment income	4	34	146	-	180	125
Donations		<u>10</u>	<u>282</u>	<u>-</u>	<u>292</u>	<u>321</u>
Total Incoming		<u>16,249</u>	<u>428</u>	<u>-</u>	<u>16,677</u>	<u>15,422</u>
RESOURCES EXPENDED						
Costs of generating funds						
Sherborne School (Trading) Limited		217	-	-	217	250
Sherborne School (Leisure) Limited		125	-	-	125	110
Financing costs		110	-	-	110	104
Other expenditure		294	56	-	350	318
Investment management		<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>	<u>11</u>
Costs deductible		<u>746</u>	<u>71</u>	<u>-</u>	<u>817</u>	<u>793</u>
Net incoming resources available for charitable application		<u>15,503</u>	<u>357</u>	<u>-</u>	<u>15,860</u>	<u>14,629</u>
Charitable expenditure						
Teaching		7,183	-	-	7,183	6,733
Welfare		3,384	-	-	3,384	3,023
Premises		2,452	-	-	2,452	2,172
Support costs		1,251	-	-	1,251	1,173
Grants, awards and prizes		26	72	-	98	77
Management and administration		<u>64</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>91</u>
Total charitable expenditure	7	<u>14,360</u>	<u>72</u>	<u>-</u>	<u>14,432</u>	<u>13,269</u>
Total resources expended	7	<u>15,106</u>	<u>143</u>	<u>-</u>	<u>15,249</u>	<u>14,062</u>
Net incoming resources before transfers		1,143	285	-	1,428	1,360
Transfers between funds		<u>280</u>	<u>(303)</u>	<u>23</u>	<u>-</u>	<u>-</u>
NET INCOMING/(OUTGOING) RESOURCES		1,423	(18)	23	1,428	1,360
Realised gains/(losses) on investments		<u>-</u>	<u>(2)</u>	<u>6</u>	<u>4</u>	<u>(11)</u>
Surplus/(deficit) for the year		1,423	(20)	29	1,432	1,349
Unrealised gains/(losses) on investments		<u>-</u>	<u>13</u>	<u>252</u>	<u>265</u>	<u>181</u>
NET MOVEMENT IN FUNDS		1,423	(7)	281	1,697	1,530
Fund balances at 1 July 2004		<u>22,145</u>	<u>50</u>	<u>3,263</u>	<u>25,458</u>	<u>23,928</u>
FUND BALANCES at 30 June 2005	14	<u>23,568</u>	<u>43</u>	<u>3,544</u>	<u>27,155</u>	<u>25,458</u>

All amounts relate to continuing operations.

The notes on pages 12 to 30 form part of these financial statements.

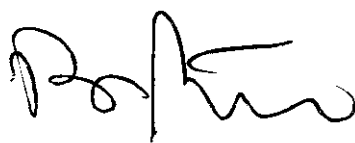
Sherborne School

SCHOOL AND CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005

		Group		School	
	Notes	2005 £'000	Restated 2004 £'000	2005 £'000	Restated 2004 £'000
FIXED ASSETS					
Tangible assets	8	27,489	25,849	27,113	25,425
Investment assets	9	<u>3,213</u>	<u>2,441</u>	<u>3,214</u>	<u>2,442</u>
		30,702	28,290	30,327	27,867
CURRENT ASSETS					
Stocks		214	186	71	63
Debtors	10	457	611	436	626
Cash		<u>1,370</u>	<u>1,554</u>	<u>1,370</u>	<u>1,553</u>
		2,041	2,351	1,877	2,242
CREDITORS: due within one year	11	<u>(3,423)</u>	<u>(2,999)</u>	<u>(3,127)</u>	<u>(2,765)</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(1,382)</u>	<u>(648)</u>	<u>(1,250)</u>	<u>(523)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		29,320	27,642	29,077	27,344
CREDITORS: due after more than one year	13	<u>(2,165)</u>	<u>(2,184)</u>	<u>(1,892)</u>	<u>(1,867)</u>
TOTAL NET ASSETS		27,155	25,458	27,185	25,477
ENDOWED FUNDS (including a revaluation reserve of £506,000)	14a	3,544	3,263	3,544	3,263
RESTRICTED FUNDS (including a revaluation reserve of £17,000)	14b	43	50	43	50
UNRESTRICTED FUNDS (including a revaluation reserve of £12,021,000)	14c	23,568	22,145	23,598	22,164
TOTAL FUNDS	14	27,155	25,458	27,185	25,477

Approved by the Board of Directors of Sherborne School on 25 November 2005 and signed on its behalf by:

(Chairman)



The notes on pages 12 to 30 form part of these financial statements.

**CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005**

	Notes	2005 £'000	2004 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	2,362	2,111
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Investment income receipts		180	125
Interest paid and finance costs		(125)	(115)
Amounts accrued to advance fee contracts		<u>(57)</u>	<u>(49)</u>
		<u>(2)</u>	<u>(39)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payment for tangible fixed assets		(2,487)	(2,080)
Proceeds from sale of tangible fixed assets		115	168
Payment for investments		(720)	(951)
Proceeds from sale of investments		<u>224</u>	<u>996</u>
		<u>(2,868)</u>	<u>(1,867)</u>
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING	19	(508)	205
FINANCING			
Repayment of bank loan		(254)	(254)
Receipts from new advance fee contracts		738	438
Amounts accrued to advance fee contracts		57	49
Advance fees utilised and repaid		<u>(637)</u>	<u>(518)</u>
		<u>(96)</u>	<u>(285)</u>
(DECREASE) / INCREASE IN CASH		<u>(604)</u>	<u>(80)</u>

The notes on pages 12 to 30 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the Companies Act 1985 in accordance with applicable accounting and financial reporting standards in the United Kingdom, and the Statement of Recommended Practice (SORP): Accounting and Reporting by Charities issued in 2000.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Fees and Similiar 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 in respect of the provision of education to pupils in the main School and within the International College and are stated after deducting allowances, scholarships and other remissions granted.

(c) Donations

Donations received for the general purposes of the Charity are credited to the accumulation fund. Donations for purposes restricted by the wishes of the donor are taken to "restricted funds" where these wishes are legally binding on the Trustees. Donations required to be retained as capital in accordance with the donor's wishes are accounted for as "endowments" – permanent or expendable according to the nature of the restriction.

(d) Tangible fixed assets and depreciation

The carry forward values of tangible fixed assets are shown in note 8 to these financial statements. The basis for determining these carry forward values is historic cost except for the School's properties (with the exception of inalienable or historic buildings), which were revalued in the period to 30th June 2000.

Items costing less than £5,000 are written off to the income and expenditure account as an expense as acquired.

Depreciation is calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their currently estimated useful lives.

Land and buildings

The School owns a number of buildings within the town of Sherborne. Some of these properties are inalienable or historic and as such are described in the Financial Statements Notes. Properties that have no ascertainable historical cost and cannot be valued without undue expense are excluded from the financial statements as allowed by FRS15.

Buildings are depreciated over their estimated remaining useful lives that are initially calculated to be within 30-50 years.

Land is not depreciated.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

1. ACCOUNTING POLICIES (Continued)

Furnishings and equipment

Furnishings and equipment includes School equipment, boarding house fixtures and fittings, computer equipment, vehicles and kitchen and sports equipment. They are depreciated at the following initial rates:

• Computer equipment	25%
• Vehicles and playing fields equipment	20%
• Kitchen and sports equipment	15%
• All other items	10%

Assets held under finance leases are depreciated over the term of the lease.

(e) Stocks

The School holds stocks for maintenance purposes, catering and other consumables. All stocks are valued at the lower of cost and net realisable value.

(f) 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.

The School is not registered for VAT.

(g) Investments

Listed investments are valued at their market value on the last day of the accounting period.

Changes in the valuation of investments during the year are shown as unrealised gains or losses. Gains and losses arising from the disposal of assets are disclosed as realised, being the difference between the sale proceeds and the market value at the beginning of the year.

(h) Permanent Endowment Fund

As detailed in note 14A the School holds assets donated under permanent endowment. Where such an asset is sold, the proceeds of the sale are treated as capital receipts and are taken directly to the Permanent Endowment Fund.

Income arising on general purpose Permanent Endowment Fund investments is treated as general income of the School.

(i) Advance Fee Fund

The School operates an Advance Fee scheme for parents.

Monies received under the School's Advance Fee scheme are invested in separately defined assets. Income arising is treated as general income of the School, out of which provision for future fee liabilities under the scheme is made in full.

(j) Scholarship and Prize Funds

Legacies and donations are recognised as receivable under this heading unless the amount or its ultimate receipt is considered too uncertain and are invested to provide scholarships and prizes for the benefit of pupils at the School.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

1. ACCOUNTING POLICIES (Continued)

(k) Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against results in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

(l) Pension contributions

Pension Schemes

The School contributes to the Teachers' Pension Defined Benefits Scheme at rates set by the Scheme Actuary and advised to the Board 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, which are attributable to the School. In accordance with FRS17 therefore, the scheme is accounted for as a defined contribution scheme. For further information see note 20.

Non-Teaching Staff

The School operates two pension schemes for its non-teaching staff, a final salary scheme, which is now closed to new entrants, and a defined contribution scheme.

Contributions payable to the School's scheme are charged to the Income and Expenditure account so as to spread the cost of pensions over the service lives of employees in the schemes. The pension charge for the defined benefit scheme is calculated based on actuarial advice.

(m) Resources expended

Resources expended are accounted for on an accruals basis.

Expenditure is allocated to expense headings on a direct cost basis, with staff costs being allocated according to the estimated time spent by staff working in relevant departments.

Costs of generating funds – includes all financing support costs.

Support costs – includes salary costs and office costs relating to the running of the School.

Management and administration costs – include audit and other costs of external scrutiny.

(n) Basis of Consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings, Sherborne School (Trading) Limited and Sherborne School (Leisure) Limited made up to 30 June 2005, all inter group sales and profits are eliminated fully on consolidation. As permitted by section 230 of the Companies Act 1985, the parent company's income and expenditure account has not been included in these financial statements.

(o) Reclassification of Comparatives

Comparatives have been restated to ensure they are consistent with the current year disclosure for the Scholarship and Prize Fund which has been reclassified as endowed. Deposits received have been reallocated to creditors so Fee debtors are not netted off and the cashflow updated to included advanced fee movements under financing.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

2. FEE INCOME ANALYSIS

(a)	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
School - Boarders	11,366	10,400
Day boys	<u>761</u>	<u>716</u>
Total School fees	<u>12,127</u>	<u>11,116</u>
ICSS - Fees	4,058	3,749
Other - Registration fees	<u>63</u>	<u>71</u>
Fees per Income and Expenditure Account	16,248	14,936
Less: Total Scholarships, Bursaries, grants and discounts	<u>(1,074)</u>	<u>(957)</u>
	15,174	13,979
Add back: Scholarships and discounts paid for by Restricted funds	<u>129</u>	<u>97</u>
	15,303	14,076
Music fees received	<u>178</u>	<u>161</u>
Fees per Consolidated Statement of Financial Activities	<u>15,481</u>	<u>14,237</u>

(b) Awards, prizes, and discounts paid for by Restrictred Funds comprised:

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Scholarships	36	51
Advance fees discount	<u>57</u>	<u>46</u>
	<u>93</u>	<u>97</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

3. INCOME FROM SUBSIDIARIES' TRADING ACTIVITIES

The School owns the whole of the share capital of its two subsidiaries which are Sherborne School (Trading) Limited and Sherborne School (Leisure) Limited.

- (a) Sherborne School (Trading) Limited's principal activity continues to be that of the operation of the School's sports and uniform shop and the provision of letting and educational services. Its trading results for the year, as extracted from the audited financial statements, are summarised below:

	2005 £'000	2004 £'000
Turnover	283	279
Cost of sales	(202)	(229)
Gross profit	81	50
Administration	(12)	(18)
Operating profit	69	32
Interest payable	(3)	(3)
Net profit	66	29
Deed of Covenant to Sherborne School	(66)	(29)
Retained profit for the year	—	—
Shareholders Funds	<u>5,987</u>	<u>5,987</u>

The subsidiary donates its profits to the School each year under the Gift Aid Scheme pursuant to a pre existing Deed of Covenant.

- (b) Sherborne School (Leisure) Limited's principal activity is that of the provision of leisure facilities. Its trading results for the period, as extracted from the audited financial statements, are summarised below:

	2005 £000	Restated 2004 £'000
Turnover	143	126
Cost of sales	—	—
Gross profit	143	126
Administration	(118)	(104)
Operating profit	25	22
Interest payable	(7)	(6)
Net profit	18	16
Gift Aid to Sherborne School	(29)	(16)
Retained (loss)/profit for the year	<u>(11)</u>	<u>—</u>
Shareholders Deficit	<u>(37,094)</u>	<u>(25,436)</u>

In future periods, the subsidiary will donate its profits to the School each year under the Gift Aid Scheme.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

4. OTHER INCOME	2005 £'000	2004 £'000
Other activities to generate funds		
Sundry lettings	27	25
Sports Centre	121	123
Trading income	-	12
Houses income	<u>68</u>	<u>75</u>
	216	235
Other incoming resources		
Surplus on sale of tangible fixed assets	72	87
Discounts	4	5
Sundry income	<u>6</u>	<u>7</u>
	<u>298</u>	<u>334</u>
INVESTMENT INCOME		
Dividends receivable	106	60
Bank Interest receivable	<u>74</u>	<u>65</u>
	<u>180</u>	<u>125</u>

5. NET INCOMING RESOURCES

This is stated after charging:

	2005 £'000	2004 £'000
Auditors remuneration:-		
Audit	20	19
Non-audit services	10	5
Surplus on disposals of fixed assets	(72)	(87)
Operating lease costs	58	51
Bank interest	40	27
Loan interest	<u>70</u>	<u>85</u>

No Directors or persons connected with them received any emoluments from the School during the year (2004 - £NIL).

Five Directors received reimbursement of out of pocket expenses amounting to £882 in the current year (2004 - £1,333 for three Directors).

Director liability insurance premium costs borne by the School in the year were £6,000 (2004 - £5,000).

All interest payable as included within financing costs, relates to interest on bank loans and overdrafts.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2005

6. STAFF COSTS AND NUMBERS

Staff costs were as follows:

	2005	2004
	£'000	£'000
Wages and salaries	8,155	7,666
Social security costs	582	530
Pension contribution	739	696
	<u>9,476</u>	<u>8,892</u>

The above includes wages and salaries of £74K that have been capitalised during the year as part of the capital projects undertaken (2004 - £ 162K)

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

	2005	2004
Educational staff	137	135
Non educational staff	185	182
	<u>322</u>	<u>317</u>

The number of higher paid employees was:

	2005	2004
£50,000 - £60,000	5	4
£70,000 - £80,000	2	2
£90,000 - £100,000	-	1
£100,000 - £110,000	<u>1</u>	<u>-</u>

In the year contributions were made for 8 (2004 – 7) higher paid employees, to the Teachers' Superannuation Scheme, and the Governors of Sherborne School Non-Teaching Staff Pension Scheme. Both of these Schemes are defined benefit arrangements.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2005

7. ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £'000	Other costs £'000	Depreciation £'000	Total £'000
Charitable activities				
Teaching	6,299	884	-	7,183
Welfare	1,795	1,589	-	3,384
Premises	550	1,153	749	2,452
Support costs	692	559	-	1,251
Grants, awards and prizes	-	98	-	98
Management and administration	-	64	-	64
	<u>9,336</u>	<u>4,347</u>	<u>749</u>	<u>14,432</u>
Costs of generating funds:				
Financing costs	-	110	-	110
Other expenditure	-	350	-	350
Investment management	-	15	-	15
Total for Charity	<u>9,336</u>	<u>4,822</u>	<u>749</u>	<u>14,907</u>
Trading costs of the subsidiaries	<u>66</u>	<u>221</u>	<u>55</u>	<u>340</u>
Total for Group	<u><u>9,402</u></u>	<u><u>5,043</u></u>	<u><u>804</u></u>	<u><u>15,249</u></u>

8. TANGIBLE FIXED ASSETS - CHARITY

	Land & Property £'000	Furnishings & Equipment £'000	Total £'000
Cost or Valuation			
1 July 2004	26,690	3,483	30,173
Additions	2,148	332	2,480
Disposals	<u>(43)</u>	<u>(23)</u>	<u>(66)</u>
30 June 2005	<u>28,795</u>	<u>3,792</u>	<u>32,587</u>
Depreciation			
1 July 2004	1,931	2,817	4,748
Charge for year	503	246	749
Disposals	<u>(-)</u>	<u>(23)</u>	<u>(23)</u>
30 June 2005	<u>2,434</u>	<u>3,040</u>	<u>5,474</u>
Net book values	<u><u>26,361</u></u>	<u><u>752</u></u>	<u><u>27,113</u></u>
30 June 2005			
30 June 2004	<u>24,759</u>	<u>666</u>	<u>25,425</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

8. TANGIBLE FIXED ASSETS - GROUP

	Land & Property £'000	Furnishings & Equipment £'000	All Weather Pitch £'000	Total £'000
Cost or Valuation				
1 July 2004	26,690	3,556	438	30,684
Additions	2,148	339	-	2,487
Disposals	(43)	(23)	-	(66)
30 June 2005	<u>28,795</u>	<u>3,872</u>	<u>438</u>	<u>33,105</u>
Depreciation				
1 July 2004	1,931	2,846	58	4,835
Charge for year	503	257	44	804
Disposals	(-)	(23)	-	(23)
30 June 2005	<u>2,434</u>	<u>3,080</u>	<u>102</u>	<u>5,616</u>
Net book values				
30 June 2005	<u>26,361</u>	<u>792</u>	<u>336</u>	<u>27,489</u>
30 June 2004	<u>24,759</u>	<u>710</u>	<u>380</u>	<u>25,849</u>

The comparable amount of land and buildings included above at valuation determined according to the historical cost accounting rules are as follows:

	Land & Property £'000
Cost	16,014
Accumulated depreciation	(1,987)
	<u>14,027</u>
Net book value	
At 30 June 2005	<u>14,027</u>
At 30 June 2004	<u>12,202</u>

In the period to 30 June 2000, the School's properties (with the exception of certain inalienable or historic buildings for which reliable valuations were not available without incurring costs considered to outweigh the usefulness of the information to accounts users) were revalued by Messrs Humberts, Chartered Surveyors, on the basis of their then current open market value or depreciated replacement cost (as appropriate). In accordance with the transitional provisions of FRS 15 these valuations have not been updated.

During the year the following major capital projects were undertaken:

- Upper Pavilion
- Wallace House extension
- ICSS Classroom Block

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

9. INVESTMENTS	Unlisted	Investment Property	Advance Fee Fund	Scholarship & Prize Fund	Total
	£'000	£'000	£'000	£'000	£'000
Charity:-					
At 1 July 2004	1	80	607	1,754	2,442
Additions	-	-	520	200	720
Donated shares	-	-	-	14	14
Disposals at book value	-	-	(32)	(188)	(220)
Unrealised gains	-	-	13	252	265
Change in cash	-	-	-	(7)	(7)
Balance at 30 June 2005	<u>1</u>	<u>80</u>	<u>1,108</u>	<u>2,032</u>	<u>3,214</u>
 Listed on the Stock Exchange	-	-	1,108	1,986	3,094
Historical cost	1	32	1,091	1,688	2,812
Cash deposits	-	-	-	39	39

The market value of investments held outside the UK was £454,148, as included within the Scholarship and Prize Fund.

Included within investments, are the following which exceed 5% of the total value at 30 June 2005:-

	Advance Fee Fund		Scholarship & Prize Fund	
	£'000	%	£'000	%
UK Government	1,108	33	171	5
Charifund	-	-	207	6
Banks	-	-	188	6

The Board of Directors considers the current open market of the investment property to be £80,000.

The consolidated balance sheet shows the same investments as the charity, with the exception that the unlisted investments of £1,002 in Sherborne School (Trading) Limited and Sherborne School (Leisure) Limited are excluded.

10. DEBTORS	Group		School	
	2005	Restated 2004	2005	Restated 2004
	£'000	£'000	£'000	£'000
Due after more than one year				
Loan to Preparatory School	81	94	81	94
Due within one year				
Trade debtors	75	64	60	56
Fees due	70	46	70	46
Other debtors	106	183	42	115
Prepayments	102	134	102	134
Sherborne School Foundation	10	77	10	77
Loan to Preparatory School	13	13	13	13
Amount due from subsidiary undertakings	-	-	58	91
	<u>457</u>	<u>611</u>	<u>436</u>	<u>626</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2005**

11. CREDITORS due within one year	Group		School	
	2005	Restated 2004	2005	Restated 2004
	£'000	£'000	£'000	£'000
Bank overdraft and loans	904	491	665	280
Fees received in advance	717	635	717	635
Trade creditors	418	319	411	309
Taxation and social security	95	196	93	189
Other creditors	106	173	105	123
Accruals and deferred income	159	136	112	136
Pensions	138	140	138	140
Deposits held	538	440	538	440
Amounts owed to subsidiaries	-	-	-	44
	3,075	2,530	2,779	2,296
Advance fees (see note 12 below)	348	469	348	469
	<u>3,423</u>	<u>2,999</u>	<u>3,127</u>	<u>2,765</u>

The bank overdraft is the amount currently drawn down on a standing facility of £2,000,000 secured on the freehold property, to provide additional working capital as the need arises.

12. ADVANCE FEE PAYMENTS

Parents may enter into a contract to pay to the School up to the equivalent of five 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:

	2005 £'000	2004 £'000
After 5 years	518	193
Within 2 to 5 years	325	321
Within 1 to 2 years	<u>220</u>	<u>270</u>
	1,063	784
Within 1 year	<u>348</u>	<u>469</u>
	<u>1,411</u>	<u>1,253</u>

The movement during the year on advanced fees were as follows:

	£'000
Balance at 1 July 2004	1,253
New advanced fees received in the year	738
Amounts accrued for interest	57
Deposits refunded in the year	(57)
Amounts utilised in payments of fees	<u>(580)</u>
Balance at 30 June 2005	<u>1,411</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

13. CREDITORS due after one year

	Group		School	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Advance Fee Fund- balances due to parents	1,063	784	1,063	784
Bank loans	829	1,083	829	1,083
Accruals and deferred income	<u>273</u>	<u>317</u>	<u>-</u>	<u>-</u>
	<u>2,165</u>	<u>2,184</u>	<u>1,892</u>	<u>1,867</u>
The bank loan is repayable by instalments:				
Due after five years	-	67	-	67
Due within two to five years	575	762	575	762
Due within one to two years	<u>254</u>	<u>254</u>	<u>254</u>	<u>254</u>
	829	1,083	829	1,083
Due within one year	<u>254</u>	<u>254</u>	<u>254</u>	<u>254</u>
	<u>1,083</u>	<u>1,337</u>	<u>1,083</u>	<u>1,337</u>

The bank overdraft and loans are secured by way of a legal mortgage charge dated 17 January 2001 over certain properties owed by Sherborne School Limited.

The proportion of the bank loan to the value of the property charged was 18% (2004 23%)

The bank loans are repayable annually in 3 termly instalments, interest is charged at 1¼% above the base rate.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2005**

14. NET ASSETS OF THE FUNDS OF THE CHARITY AND GROUP

The Charity's net assets belong to the various funds (including Advance Fees) as follows:

	Fixed Assets £'000	Net Current (liabilities)/Assets £'000	Long Term Liabilities £'000	Fund Balances £'000
All Weather Pitch Designated Fund	-	120	-	120
Accumulation Fund	26,422	(2,115)	(829)	23,478
International College at Sherborne School	-	43	-	43
Advance Fee Fund	1,108	(45)	(1,063)	-
Scholarship and Prize Fund	2,032	436	-	2,468
Endowed Property	765	-	-	765
Recoupment Fund	-	311	-	311
Charity	30,327	(1,250)	(1,892)	27,185
Subsidiaries' reserves	375	(132)	(273)	(30)
Group	30,702	(1,382)	(2,165)	27,155

14A. PERMANENT ENDOWED FUNDS: MOVEMENTS IN THE YEAR

	Restated Balance at 1 July 2004 £'000	Incoming Endowments £'000	Resources Expended £'000	Transfers and Investment Gains/(losses) £'000	Balance at 30 June 2005 £'000
Permanent endowments:					
Recoupment Fund	288	-	-	23	311
Endowed Property	765	-	-	-	765
Scholarship and Prize Fund	2,210	-	-	258	2,468
	3,263	-	-	281	3,544

Scholarship and Prize Fund

The Scholarship and Prize fund endowment is invested to provide scholarships and prizes for the benefit of the School

Recoupment Fund

In previous years, the School has sold assets held under permanent endowment. With the permission of the Charity Commission, part of the proceeds was used on capital expenditure at the ICSS. The School is required to repay these amounts to the Permanent Endowment Fund. Details of the disposals and the repayment terms are :-

Asset disposed of	Sale Proceeds £'000	Amount transferred to Accumulation fund £'000	Annual repayment £'000	Period over which sum to be repaid	Number of annual repayments outstanding at 30 June 2005
Land at Gillingham	1,188	1,050	17	60 years	47
Land at Gillingham	317	344	6	60 years	48

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2005**

14B. RESTRICTED FUNDS: MOVEMENTS IN THE YEAR

	Restated Balance at 1 July 2004 £'000	Income £'000	Expended Resources £'000	Transfers and Investment gains/(losses) £'000	Balance at 30 June 2005 £'000
ICSS Appeal fund	43	-	-	-	43
Advance Fee Fund	-	80	(56)	(24)	-
Scholarship & Prize Fund	-	87	(87)	-	-
Upper Pavilion	7	232	-	(239)	-
Other restricted funds	-	29	-	(29)	-
	<u>50</u>	<u>428</u>	<u>(143)</u>	<u>(292)</u>	<u>43</u>

ICSS Appeal fund

This fund relates to restricted donations given to be used for the ICSS.

Scholarship & Prize Fund

This fund relates to the restricted income and expenditure for Scholarships, Bursaries and Prizes.

Upper Pavilion Fund

This fund relates to the Upper Pavilion and was fully expended during the year.

Other Restricted Funds

These relate to several smaller restricted funds which have built up over a number of years, with all movements expended in accordance with the original donor's wishes.

14C. UNRESTRICTED FUNDS: MOVEMENTS IN THE YEAR

	Balance at 1 July 2004 £'000	Income £'000	Expended Resources £'000	Transfers and Investment Gains/(losses) £'000	Balance at 30 June 2005 £'000
All Weather Pitch designated fund	75	-	-	45	120
Accumulation fund	<u>22,089</u>	<u>15,823</u>	<u>(14,764)</u>	<u>330</u>	<u>23,478</u>
Charity	22,164	15,823	(14,764)	375	23,598
Non-charitable trading funds	<u>(19)</u>	<u>426</u>	<u>(342)</u>	<u>(95)</u>	<u>(30)</u>
Group	<u>22,145</u>	<u>16,249</u>	<u>(15,106)</u>	<u>280</u>	<u>23,568</u>

* Included within transfers is £66,323 and £28,562 which has been transferred to Sherborne School from its trading subsidiary under the deed of covenant and gift aid schemes. Please see note 3 for more information.

The All Weather Pitch Designated fund

This designated fund has been set up to fund the replacement of the current all weather pitch, at the end of its useful life.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2005**

15. CONTRACTS AND COMMITMENTS

At 30 June 2005 the company had capital commitments as follows:

	2005 £'000	2004 £'000
Contracted for but not provided in these financial statements	<u>1,054</u>	<u>412</u>
Authorised but not contracted	<u>-</u>	<u>-</u>

16. OTHER COMMITMENTS

At 30 June 2005, the School had annual commitments under non-cancellable operating leases as follows:

	2005 £'000	Equipment 2004 £'000
Within 1 year	13	17
Between 1 and 2 years	8	-
Between 2 and 5 years	<u>75</u>	<u>37</u>

**17. RECONCILIATION OF GROUP NET INCOMING RESOURCES TO
NET CASH INFLOW FROM GROUP OPERATIONS**

	2005 £'000	<i>Restated</i> 2004 £'000
Net Incoming resources	1,428	1,360
Non-operating cashflows eliminated:		
- Donation of shares	(14)	-
Investment income	(180)	(125)
Surplus on disposal of tangible fixed assets	(72)	(87)
Financing costs	182	164
Depreciation charges added back	804	794
(Increase) / Decrease in stocks	(28)	(12)
Decrease / (Increase) in debtors	154	(71)
Increase / (Decrease) in creditors	<u>88</u>	<u>88</u>
Net cash inflow from group operating activities	<u>2,362</u>	<u>2,111</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2005**

18. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2005	2004
	£'000	£'000
(Decrease) / Increase in cash in the year	(604)	(80)
Net advance fee capital utilised / repaid	(158)	31
Cash inflow from decrease in bank loans	<u>254</u>	<u>254</u>
Change in net debt	(508)	205
Net debt at 1 July 2004	<u>(1,228)</u>	<u>(1,433)</u>
Net debt at 30 June 2005	<u>(1,736)</u>	<u>(1,228)</u>

19. ANALYSIS OF CHANGES IN NET DEBT OF THE GROUP

	Balance at 1 July 2004 £'000	Cashflows £'000	Balance at 30 June 2005 £'000
Cash at bank & in hand	1,554	(184)	1,370
Cash held as investments	45	(7)	38
Bank overdraft	<u>(237)</u>	<u>(413)</u>	<u>(650)</u>
	1,362	(604)	758
Debt due after 1 year	(1,867)	(25)	(1,892)
Debt due within 1 year	<u>(723)</u>	<u>121</u>	<u>(602)</u>
	<u>(1,228)</u>	<u>(508)</u>	<u>(1,736)</u>

**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
FOR THE YEAR ENDED 30 JUNE 2005****20. PENSION SCHEMES**

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

In accordance with the Teachers' Pension (Amendment) Regulations, based on the latest actuarial valuation of the scheme issued in March 2003, the scheme has been attributed with notional assets equal to the actuarial value of the scheme liabilities as at 31 March 2001.

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

The pension charge for the year includes contributions payable to the scheme of £531,065 (2004: £496,834).

The company sponsors the Governors of Sherborne School Non Teaching Staff Pension Scheme which is a defined benefit arrangement. Preliminary actuarial valuation calculations of this scheme were carried out by a qualified independent actuary as at 1 September 2004 and updated on an approximate basis to 30 June 2005.

The contributions made by the employer over the financial year have been £178,212 (2004: £188,316). This contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 1 September 2004.

To address the current under funding on the pension scheme, from the 1 September 2005 the contribution rates have been revised to 7% for employees and 17.3% for the school. It is estimated this will eliminate the deficit over ten years.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 30 June 2005 calculated in accordance with the requirements of FRS17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS17 in place. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the actual 30 June 2005 balance sheet or on this year's performance statements.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	30 June 2005	30 June 2004
Inflation	2.50% p.a.	3.00% p.a.
Salary increases	3.50% p.a.	4.00% p.a.
Rate of discount	5.25% p.a.	5.75% p.a.
Pension in payment increases	2.50% p.a.	3.00% p.a.
Revaluation rate for deferred pensioners	2.50% p.a.	3.00% p.a.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

20. PENSION SCHEMES (CONTINUED)

Illustrative balance sheet figures

	30 June 2005 £'000	30 June 2004 £'000
Assets	3,978	3,258
Liabilities	<u>(5,393)</u>	<u>(3,905)</u>
Recoverable surplus/(deficit) in scheme	(1,415)	(647)
Related deferred tax asset/(liability)	-	-
Net pension asset/(liability)	<u>(1,415)</u>	<u>(647)</u>

If the amounts above had been recognised in the financial statements, the company's net assets and profit and loss reserve at 30 June 2005 and 30 June 2004 would be as follows:

	30 June 2005 £'000	30 June 2004 £'000
Net assets excluding pension asset	27,185	25,477
Pension liability	<u>(1,415)</u>	<u>(647)</u>
Net assets including pension liability	<u>25,770</u>	<u>24,830</u>
Funds note excluding pension liability	27,185	25,477
Pension Deficit	<u>(1,415)</u>	<u>(647)</u>
Funds	<u>25,770</u>	<u>24,830</u>

Assets

	30 June 2005 £'000	30 June 2004 £'000
Equities	2,523	2,019
Bonds	1,416	1,213
Other	<u>39</u>	<u>26</u>
	<u>3,978</u>	<u>3,258</u>

Expected long term rate of return

	30 June 2005	30 June 2004
Equities	8.00%	8.00%
Bonds	5.00%	5.25%
Other	4.00%	8.00%

Illustrative charge to the consolidated statement of financial activities for the year

	£'000
<i>Analysis of the amount charged to net incoming resources for the year</i>	
Current service cost	203
Past service cost	-
Previous unrecognised surplus deducted from past service cost	-
Gains and losses on settlements and curtailments	-
Previous unrecognised surplus deducted from settlement or curtailment losses	-
Total charge to net incoming resources	203
<i>Other finance income</i>	
Expected return on pension scheme assets	(232)
Interest on pension scheme liabilities	230
Net finance charge	(2)
Total charge to the consolidated statement of financial activities	201

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2005

20. PENSION SCHEMES (CONTINUED)

Illustrative amounts which would be included within the statement of total recognised gains and losses (STRGL)

	2005 £'000	2004 £'000	2003 £'000	2005 %	2004 %	2003 %
Difference between expected and actual return on assets:	327	99	(120)	8	3	(4)
Experience gains and losses arising on the scheme liabilities:	(190)	67	(104)	(5)	2	(4)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:	(882)	57	92	(22)	2	3
Total amount recognised in STRGL:	(745)	223	(132)	(19)	7	(5)

Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of year	(647)	(860)
Movement in year:		
Current service cost	(203)	(191)
Net interest / return on assets	2	(7)
Contributions	178	188
Past service costs	-	-
Other finance costs	(745)	-
Actuarial gain	-	223
Deficit in scheme at end of year	(1,415)	(647)

21. OFFICE OF FAIR TRADING

In 2004 the School was one of some 50 schools that were required to produce information to the OFT, in connection with past practice on informal consultations among Independent schools and the provisions of the Competition Act 1998. A Statement of Objections was sent to the School by the OFT on 8 November 2005. Sherborne School has cooperated fully with the OFT, and completely denies any intention to restrict competition in any way. The School is taking appropriate legal advice in order to respond to the Statement of Objections, and seeks to minimise any financial impact on the School.