

Registered Company Number: 4002575
Registered Charity Number: 1081228

Sherborne School
Annual Report and Financial Statements
for the year ended 30 June 2004



Sherborne School

ANNUAL REPORT AND ACCOUNTS DIRECTORS, OFFICERS AND ADVISERS

Reports and financial statements for the year ended 30 June 2004

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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
 (2) *G E GILCHRIST MA TD FCIB
 Mrs H GREENSTOCK
 Sir Colin LUCAS MA DPhil FRHistS
 S H J MACDONALD BA (Hons)
 Ms F H MADDOCKS MA
 *R M MORGAN MA
 (2) *H P STEWART LLB FCA
 *J VINTCENT
 J A WATNEY
 (1) *Lady WILLIAMS MBBS MRCP DObst RCOG DCH

Teachers Representative:

 *S R R EDLMANN (Appointed 1 September 2003)

The directors indicated by * above comprise the Finance and General Purposes Committee.

Notes: (1) Ceased to be member of F&GPC on 1 September 2003
 (2) Retired 4 July 2004

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 (Appointed 1 September 2003)

Sherborne School

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2004

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 2004.

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

This was another successful year for the School. The roll at Sherborne School increased to 540 pupils and the International College continued to be full. The A level and GCSE results were the best ever, with 75% of the A level results at A or B grade and two thirds of the GCSE grades at A* or A. Virtually every leaver secured a place at university and in December 2003 two post-A level candidates achieved unconditional offers of places at Oxford and Cambridge; another seven pre-A level candidates were offered conditional places and they all successfully fulfilled the conditions of those offers. This was a particularly pleasing result in view of this small Upper Sixth year group (only 85 against the usual 110/115).

The School underwent two inspections in October 2003. The Independent Schools Inspectorate found that Sherborne provides a very good quality of boarding education. The few recommendations for improvement are being attended to. The NCSC also reported most favourably on the pastoral care offered in the eight boarding houses upon which the School rightly prides itself. The inspectors commented on the high quality of pastoral care, and deemed that the School is well organized and offers a positive experience for boarding pupils.

At Sherborne the spiritual dimension continues to be at the heart of the community with many boys of all ages opting to be confirmed each year and large numbers willingly choosing to attend voluntary communion services each week. The Lent Project on behalf of the Parkinson's Disease Society raised an astonishing £50,000 (nearly three times the previous record) – boys undertook a huge variety of money-raising projects to achieve this total.

The CCF was deemed to be a highly effective contingent in the biennial inspection and within weeks the Royal Marines section had won the coveted Pringle Trophy against nearly twenty other schools.

Outstanding music of all kinds was performed throughout the year and a number of excellent plays were produced – both music and drama often in conjunction with Sherborne School for Girls and St Antony's- Leweston.

The highlight of the sporting year was the run of the Junior Colts in the National Daily Mail Rugby Cup. From a field of 550 schools they won through to the final at Twickenham and, although losing narrowly to an outstanding side, won many friends for their sportsmanship and spirit. This age-group also reached the quarter-finals of the Lords Taverners' cricket competition losing by one wicket to the eventual winners. Other fine performances came from the cricket 1st XI who won nearly all their school matches; the unbeatable cross-country teams and the fives players also achieved much success across the UK. A large number of boys represented their counties and the south-west region in several sports, including a member of the England U17 cricket squad.

Sherborne School

ANNUAL REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2004 – CONTINUED

Further investment has been made in the School buildings, including the remodelling of the dining hall and the construction of a new accommodation wing for Wallace House. The completion of a soundproof recording studio and the commencement of a programme to extend and refurbish the main sports Pavilion were made possible by the generosity of donors to the Sherborne School Foundation. In the year the decision was taken to construct a new classroom block at the International College in 2004/5 at a cost of £1million.

We consider it important to evaluate each year the public benefit provided by our School. Alongside the education of some 660 pupils (including the International College) to a high standard, we aim to make a significant contribution to the community to which we belong, both in Sherborne and further afield. As a matter of policy we provide access to our education to boys whose parents cannot afford the full school fees. In 2003/4 the School provided a total of £860,000 in fee remissions and provided means-tested bursaries to 35 pupils. We plan to increase the funds available for means tested bursaries over a period of time. Where possible, our sports facilities are available for the use of local maintained schools and members of the public. We also make our premises available to local charitable groups when this is practical. Our teachers have started a programme of outreach with local maintained primary schools, an initiative that we are seeking to develop.

FINANCIAL POSITION

The results including the International College show net incoming resources of £1.36m. After adjusting for donations received to fund property developments and for depreciation, net cash received in 2003/4 came to about £1.8m, which was used, in accordance with the School's Development Plan, to reduce the School's bank borrowing by about £250,000 and to invest about £1.6m in equipment and buildings.

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.

Sherborne School

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2004 - CONTINUED

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.

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.

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.

Funds were invested in accordance with these policies.

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.

During the year the School has been one of some 60 Schools 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. The Directors and Officers have cooperated fully with this requirement. To date the outcome is not known.

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.

Sherborne School

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2004 - CONTINUED

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 26th May 2000.

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

The King Edward VI Trust

The primary object of the Trust was the advancement and extension of education at the School. The Trust achieved this by the provision of interest-free loans to assist in the long-term development and acquisition of capital assets and also by the funding of Scholarships and Bursaries, culminating in the transfer of its residual assets on trust to the School.

On 30 May 2003, the Trustees of The King Edward VI Trust decided to wind up the Trust, with all of the residual net assets being transferred to the Sherborne School Prize and Scholarship Fund.

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

Following the transfer of substantially all of the business of Horwath Clark Whitehill to a limited liability partnership on 1 April 2004, Horwath Clark Whitehill resigned and the directors appointed their successor, Horwath Clark Whitehill LLP as 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.

Sherborne School

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2004 - CONTINUED

ACCOUNTING AND REPORTING RESPONSIBILITIES

The Charities Act 1993 requires the Directors as the trustees of the Charity to prepare accounts for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year.

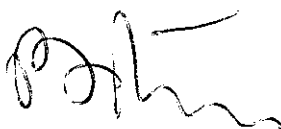
In preparing the accounts the Directors should follow best practice and

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards and the Charities SORP, disclosing and explaining any departures in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Charity will continue in operation.

The Directors are responsible for keeping accounting records, which are such as to disclose, with reasonable accuracy, the financial position of the Charity at any time, and to enable them as trustees to ensure that the accounts comply with charity law. The Directors are also responsible for safeguarding the Charity's assets and ensuring their proper application, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

Approved by the Board of Directors of Sherborne School on 27th Nov 2004 and signed on its behalf by:

Chairman



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 2004, which comprise the Consolidated Statement of Financial Activities, the Charity Balance Sheets, the Cash Flow Statement and the related notes set out on pages 11 to 29. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's trustees, 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 trustees 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 trustees 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 6.

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 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 as at 30 June 2004 and of its incoming resources and application of resources, including its 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
13 December 2004

Sherborne School

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds £'000	Reclassified 2003 £'000
INCOMING RESOURCES						
Charitable activities						
School fees	2(a)	14,186	-	-	14,186	12,825
Other income	4	334	-	-	334	226
Other activities to generate funds						
Sherborne School (Trading) Limited	3(a)	279	-	-	279	293
Sherborne School (Leisure) Limited	3(b)	82	-	-	82	43
Investment income		-	60	-	60	38
Bank & other interest		20	45	-	65	79
Donations		1	320	-	321	113
Donated from King Edward VI Trust		-	-	-	-	944
Loans converted to grants by King Edward VI Trust		-	-	-	-	659
Total Incoming		14,902	425	-	15,327	15,220
RESOURCES EXPENDED						
Costs of generating funds						
Sherborne School (Trading) Limited		250	-	-	250	250
Sherborne School (Leisure) Limited		66	-	-	66	62
Financing costs		104	-	-	104	159
Other expenditure		267	-	-	267	238
Investment management		-	11	-	11	5
Costs deductible		687	11	-	698	714
Net incoming resources available for charitable application		14,215	414	-	14,629	14,506
Charitable expenditure						
Teaching		6,733	-	-	6,733	6,063
Welfare		3,023	-	-	3,023	2,915
Premises		2,172	-	-	2,172	2,104
Support costs		1,173	-	-	1,173	1,147
Grants, awards and prizes		31	46	-	77	60
Management and administration		91	-	-	91	68
Total charitable expenditure	7	13,223	46	-	13,269	12,357
Total expended	7	13,910	57	-	13,967	13,071
Net incoming resources before transfers		992	368	-	1,360	2,149
Transfers between funds		279	(302)	23	-	-
NET INCOMING/(OUTGOING) RESOURCES		1,271	66	23	1,360	2,149
Realised gains/(losses) on investment		-	(11)	-	(11)	30
Surplus/(deficit) for the year		1,271	55	23	1,349	2,179
Unrealised gains/(losses) on investment		-	181	-	181	(11)
NET MOVEMENT IN FUNDS		1,271	236	23	1,530	2,168
Fund balances at 1 July 2003 - Reclassified		20,874	2,024	1,030	23,928	21,760
FUND BALANCES at 30 June 2004	14	22,145	2,260	1,053	25,458	23,928

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

Sherborne School

SCHOOL AND CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004

	Notes	2004 £'000	Group Reclassified 2003 £'000	2004 £'000	School Reclassified 2003 £'000
FIXED ASSETS					
Tangible assets	8	25,849	24,643	25,425	24,184
Investment assets	9	<u>2,441</u>	<u>2,350</u>	<u>2,442</u>	<u>2,351</u>
		<u>28,290</u>	<u>26,993</u>	<u>27,867</u>	<u>26,535</u>
CURRENT ASSETS					
Stocks		186	174	63	67
Debtors	10	565	494	580	485
Cash		<u>1,554</u>	<u>1,868</u>	<u>1,553</u>	<u>1,868</u>
		2,305	2,536	2,196	2,420
CREDITORS: due within one year	11	<u>(2,953)</u>	<u>(2,995)</u>	<u>(2,719)</u>	<u>(2,766)</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(648)</u>	<u>(459)</u>	<u>(523)</u>	<u>(346)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		27,642	26,534	27,344	26,189
CREDITORS: due after more than one year	13	<u>(2,184)</u>	<u>(2,606)</u>	<u>(1,867)</u>	<u>(2,242)</u>
TOTAL NET ASSETS		<u>25,458</u>	<u>23,928</u>	<u>25,477</u>	<u>23,947</u>
ENDOWED FUNDS	14a	1,053	1,030	1,053	1,030
RESTRICTED FUNDS	14b	2,260	2,024	2,260	2,024
UNRESTRICTED FUNDS	14c	<u>22,145</u>	<u>20,874</u>	<u>22,164</u>	<u>20,893</u>
TOTAL FUNDS	14	<u>25,458</u>	<u>23,928</u>	<u>25,477</u>	<u>23,947</u>

Approved by the Board of Directors of Sherborne School on 27th NOV 2004 and signed on its behalf by:

(Chairman)



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

Sherborne School

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	Notes	£'000	2004 £'000	2003 £'000
NET CASH INFLOW FROM OPERATIONS	18		2,000	2,758
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Interest received		125		117
Interest paid		<u>(115)</u>		<u>(159)</u>
			10	(42)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payment for tangible fixed assets		(2,080)		(937)
Proceeds from sale of tangible fixed assets		164		2
Payment for investments		(950)		(618)
Proceeds from sale of investments		<u>996</u>		-
			<u>(1,870)</u>	<u>(1,553)</u>
NET CASH INFLOW	19		<u><u>140</u></u>	<u><u>1,163</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

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

(b) Fee Income

Income represents amounts receivable as fees in respect of the provision of education to pupils in the main School and within the International College.

(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 accounts. 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 Accounts 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

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

As a registered charity the School is exempt from corporation taxation under the provision of Section 505, Income and Corporation Taxes Act 1988, relating to charities.

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 2004

(k) Leased assets

Finance leases

Assets held under finance leases and the related lease obligation are included at the cost of the leased asset at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the term of the lease.

Operating leases

Rentals payable under operating leases are charged to Income and Expenditure Account on a straight line basis over the term of the lease.

(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) Allocation of overheads in Statement of Financial Activities

The allocation of expenditure between charitable and other expenditure is a split based upon the Governors' best estimate of the resources input to these different parts of the School's operations.

(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 2004, all inter group sales and profits are eliminated fully on consolidation.

(o) Reclassification of Comparatives

At 30 June 2003, certain fund balances were included within creditors. These fund balances have been reclassified and included in reserves as designated funds, in accordance with best practice of Charity law.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

2. FEE INCOME ANALYSIS

(a)	Year Ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
School - Boarders	10,400	9,330
Day boys	<u>716</u>	<u>603</u>
Total School fees	<u>11,116</u>	<u>9,933</u>
ICSS - Fees	3,749	3,581
Other - Registration fees	<u>71</u>	<u>67</u>
Fees per Income and Expenditure Account	14,936	13,581
Scholarships awarded	(860)	(849)
Advance Fee Fund discount	(51)	(54)
Music fees received	<u>161</u>	<u>147</u>
Fees per Consolidated Statement of Financial Activities	<u>14,186</u>	<u>12,825</u>

(b) Awards, prizes, commission and discounts comprised:

	Unrestricted Funds £'000	Restricted Funds £'000	2004 £'000	2003 £'000
Awards and prizes	31	46	77	38
Commission	267	-	267	242
Advance fees discount	<u>-</u>	<u>51</u>	<u>51</u>	<u>54</u>
	<u>298</u>	<u>97</u>	<u>395</u>	<u>334</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

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 accounts, are summarised below:

	2004 £'000	2003 £'000
Turnover	279	293
Cost of sales	<u>(229)</u>	<u>(224)</u>
Gross profit	50	69
Administration	<u>(18)</u>	<u>(23)</u>
Operating profit	32	46
Interest payable	<u>(3)</u>	<u>(3)</u>
Net profit	29	43
Deed of Covenant to Sherborne School	<u>(29)</u>	<u>(43)</u>
Retained profit for the year	<u>=</u>	<u>=</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 accounts, are summarised below:

	2004 £000	2003 £'000
Turnover	82	43
Cost of sales	<u>-</u>	<u>-</u>
Gross profit	82	43
Administration	<u>(60)</u>	<u>(58)</u>
Operating profit/(loss)	22	(15)
Interest payable	<u>(6)</u>	<u>(4)</u>
Net profit/(loss)	<u>16</u>	<u>(19)</u>
Gift Aid to Sherborne School	(16)	-
Retained profit/(loss) for the year	<u>=</u>	<u>(19)</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 2004

4. OTHER INCOME	2004 £'000	2003 £'000
Other activities to generate funds		
Sundry lettings	25	20
Sports Centre	123	115
Trading income	12	1
Houses income	<u>75</u>	<u>63</u>
	235	199
Other incoming resources		
Gains on sale of tangible fixed assets	87	17
Discounts	5	6
Sundry income	<u>7</u>	<u>4</u>
	<u>334</u>	<u>226</u>

5. NET INCOMING RESOURCES

This is stated after charging:

	2004 £'000	2003 £'000
Depreciation of tangible fixed assets:-		
- owned by the charity	738	708
Auditors remuneration:-		
Audit	19	18
Non-audit services	5	5
Profit on disposals of fixed assets	<u>(87)</u>	<u>(2)</u>

No Directors or persons connected with them received any emoluments from the School during the year (2003 - £NIL).

Three Directors received reimbursement of out of pocket expenses amounting to £1,333 in the current year (2003 - £1,498).

Director liability insurance premium costs borne by the School in the year were £5,000 (2003 - £4,000).

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

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

6. STAFF COSTS AND NUMBERS

Staff costs were as follows:

	2004 £'000	2003 £'000
Wages and salaries	7,666	6,901
Social security costs	530	480
Pension contribution	<u>696</u>	<u>515</u>
	<u>8,892</u>	<u>7,896</u>

The above includes wages and salaries that have been capitalised during the year as part of the capital projects undertaken.

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

	2004	2003
Educational staff	157	157
Non educational staff	<u>255</u>	<u>238</u>
	<u>412</u>	<u>395</u>

The number of higher paid employees was:

	2004	2003
£50,000 - £60,000	4	4
£70,000 - £80,000	2	1
£90,000 - £100,000	<u>1</u>	<u>1</u>

In the year contributions were made for 7 (2003 – 6) 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 2004

7. ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £'000	Other costs £'000	Depreciation £'000	Total £'000
Charitable activities				
Teaching	5,937	796	-	6,733
Welfare	1,636	1,387	-	3,023
Premises	398	1,036	738	2,172
Support costs	673	500	-	1,173
Grants, awards and prizes	-	77	-	77
Management and administration	-	91	-	91
	<u>8,644</u>	<u>3,887</u>	<u>738</u>	<u>13,269</u>
Costs of generating funds:				
Financing costs	-	104	-	104
Other expenditure	-	267	-	267
Investment management	-	11	-	11
Total for Charity	<u>8,644</u>	<u>4,269</u>	<u>738</u>	<u>13,651</u>
Trading costs of the subsidiaries	<u>86</u>	<u>220</u>	<u>10</u>	<u>316</u>
Total for Group	<u><u>8,730</u></u>	<u><u>4,489</u></u>	<u><u>748</u></u>	<u><u>13,967</u></u>

8. TANGIBLE FIXED ASSETS - CHARITY

	Land & Property £'000	Furnishings & Equipment £'000	Total £'000
Cost or Valuation			
1 July 2003	24,974	3,222	28,196
Additions	1,796	264	2,060
Disposals	<u>(80)</u>	<u>(3)</u>	<u>(83)</u>
30 June 2004	<u>26,690</u>	<u>3,483</u>	<u>30,173</u>
Depreciation			
1 July 2003	1,447	2,565	4,012
Charge for year	486	252	738
Disposals	<u>(2)</u>	<u>-</u>	<u>(2)</u>
30 June 2004	<u>1,931</u>	<u>2,817</u>	<u>4,748</u>
Net book values	<u><u>24,759</u></u>	<u><u>666</u></u>	<u><u>25,425</u></u>
30 June 2004			
30 June 2003	<u>23,527</u>	<u>657</u>	<u>24,184</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2004

TANGIBLE FIXED ASSETS - GROUP

	Land & Property £'000	Furnishings & Equipment £'000	All Weather Pitch £'000	Total £'000
Cost or Valuation				
1 July 2003	24,974	3,289	424	28,687
Additions	1,796	270	14	2,080
Disposals	<u>(80)</u>	<u>(3)</u>	<u>-</u>	<u>(83)</u>
30 June 2004	<u>26,690</u>	<u>3,556</u>	<u>438</u>	<u>30,684</u>
Depreciation				
1 July 2003	1,447	2,582	14	4,043
Charge for year	486	264	44	794
Disposals	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
30 June 2004	<u>1,931</u>	<u>2,846</u>	<u>58</u>	<u>4,835</u>
Net book values				
30 June 2004	<u>24,759</u>	<u>710</u>	<u>380</u>	<u>25,849</u>
30 June 2003	<u>23,527</u>	<u>707</u>	<u>410</u>	<u>24,644</u>

TANGIBLE FIXED ASSETS

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	10,897
Accumulated depreciation	<u>(812)</u>
	<u>10,085</u>
Net book value	
At 30 June 2004	<u>10,085</u>
At 30 June 2003	<u>10,085</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:

- Abbeylands refurbishment
- Wallace House extension
- Recording studio
- Dining centre
- Hyle House
- Computer networking system

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

9. INVESTMENTS	Unlisted	Investment Property	Advance Fee fund	Scholarship & Prize Fund	Total
Charity:-					
At 1 July 2003	1	80	586	1,684	2,351
Additions	-	-	571	346	917
Disposals at book value	-	-	(553)	(454)	(1,007)
Unrealised gains	-	-	3	178	181
Balance at 30 June 2004	<u>1</u>	<u>80</u>	<u>607</u>	<u>1,754</u>	<u>2,442</u>
Listed on the Stock Exchange	-	-	607	1,709	2,316
Historical cost	1	32	571	1,804	2,408
Cash deposits	-	-	-	45	45

The market value of investments held outside the UK was £395,978, as included within the Scholarship and Prize Fund.

Included within investments, are the following which exceed 5% of the total value at 30 June 2004:-

	Advance fee fund		Scholarship & Prize Fund	
	£'000	%	£'000	%
UK Government	575	25	141	6
Charifund	-	-	179	8
Banks	-	-	160	7
Continental Europe – Unit Trusts & OEICS	-	-	126	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		Charity	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Due after more than one year				
Loan to Preparatory School	94	109	94	109
Sherborne School Foundation	-	63	-	63
	<u>94</u>	<u>172</u>	<u>94</u>	<u>172</u>
Due within one year				
Trade debtors	64	61	56	55
Other debtors	183	83	115	16
Prepayments	134	88	134	88
Sherborne School Foundation	77	77	77	77
Loan to Preparatory School	13	13	13	13
Amount due from subsidiary undertakings	-	-	91	64
	<u>565</u>	<u>494</u>	<u>580</u>	<u>485</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

11. CREDITORS due within one year	Group		Charity	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank overdraft and loans	491	758	280	549
Fees received in advance	635	629	635	629
Fees due	30	38	30	38
Trade creditors	319	275	309	263
Taxation and social security	196	72	189	68
Other creditors	173	170	123	123
Accruals and deferred income	136	138	136	138
Pensions	140	159	140	159
Deposits held	364	377	364	377
Amounts owed to subsidiaries	-	-	44	43
	<u>2,484</u>	<u>2,616</u>	<u>2,250</u>	<u>2,387</u>
Advance fees (see note 12 below)	<u>469</u>	<u>379</u>	<u>469</u>	<u>379</u>
	<u>2,953</u>	<u>2,995</u>	<u>2,719</u>	<u>2,766</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:

	2004 £'000	2003 £'000
After 5 years	193	246
Within 2 to 5 years	321	350
Within 1 to 2 years	<u>270</u>	<u>309</u>
	784	905
Within 1 year	<u>469</u>	<u>379</u>
	<u>1,253</u>	<u>1,284</u>

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

	£'000
Balance at 1 July 2003	1,284
New advanced fees received in the year	438
Amounts accrued for interest	49
Deposits refunded in the year	(11)
Amounts utilised in payments of fees	<u>(507)</u>
Balance at 30 June 2004	<u>1,253</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

13. CREDITORS due after one year

	Group		Charity	
	2004	Reclassified 2003	2004	Reclassified 2003
	£'000	£'000	£'000	£'000
Advance Fee Fund- balances due to parents	784	905	784	905
Bank loans	1,083	1,337	1,083	1,337
Accruals and deferred income	<u>317</u>	<u>364</u>	<u>-</u>	<u>-</u>
	<u>2,184</u>	<u>2,606</u>	<u>1,867</u>	<u>2,242</u>
The bank loan is repayable by instalments				
Due after five years	67	321	67	321
Due within two to five years	762	762	762	762
Due within one to two years	<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>
Due within one year	<u>254</u>	<u>254</u>	<u>254</u>	<u>254</u>
	<u>1,337</u>	<u>1,591</u>	<u>1,337</u>	<u>1,591</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.

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 Assets/(liabilities) £'000	Long Term Liabilities £'000	Fund Balances £'000
All Weather Pitch Designated Fund	-	75	-	75
Accumulation Fund	24,741	(1,569)	(1,083)	22,089
International College at Sherborne School	-	43	-	43
Advance Fee Fund	607	177	(784)	-
Scholarship and Prize Fund	1,754	456	-	2,210
Other Restricted Funds	-	7	-	7
Permanent Endowment Fund	<u>765</u>	<u>288</u>	<u>-</u>	<u>1,053</u>
Charity	27,867	(523)	(1,867)	25,477
Subsidiaries' reserves	<u>423</u>	<u>(125)</u>	<u>(317)</u>	<u>(19)</u>
Group	<u>28,290</u>	<u>(648)</u>	<u>(2,184)</u>	<u>25,458</u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

14A. PERMANENT ENDOWED FUNDS: MOVEMENTS IN THE YEAR

	Balance at 1 July 2003	Incoming Endowments	Amounts Expended	Transfers and Investment Gains/(losses)	Balance at 30 June 2004
	£'000	£'000	£'000	£'000	£'000
Permanent endowments:					
Recoupment Fund	265	-	-	23	288
Endowed Property	<u>765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>765</u>
	<u>1,030</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>1,053</u>

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 were 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	Amount transferred to Accumulation fund	Annual repayment	Period over which sum to be repaid	Number of annual repayments outstanding at 30 June 2004
	£'000	£'000	£'000		
Land at Gillingham	<u>1,188</u>	<u>1,050</u>	<u>17</u>	<u>60 years</u>	<u>48</u>
Land at Gillingham	<u>317</u>	<u>344</u>	<u>6</u>	<u>60 years</u>	<u>49</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2004

14B. RESTRICTED FUNDS: MOVEMENTS IN THE YEAR

	Balance at 1 July 2003 £'000	Income £'000	Expended £'000	Transfers and Investment Gains/(losses) £'000	Balance at 30 June 2004 £'000
ICSS Appeal fund	43	-	-	-	43
Advance Fee Fund	-	33	-	(33)	-
Scholarship & Prize Fund	1,981	113	(57)	173	2,210
Soundproof music recording studio	-	238	-	(238)	-
Other restricted funds	-	41	-	(34)	7
	<u>2,024</u>	<u>425</u>	<u>(57)</u>	<u>(132)</u>	<u>2,260</u>

ICSS Appeal fund

This fund relates to restricted donations given to the ICSS, which can be used for any purpose.

Scholarship & Prize Fund

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

Soundproof Music Recording Studio Fund

This fund relates to the Soundproof music recording studio 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

	Reclassified Balance at 1 July 2003 £'000	Income £'000	Expended £'000	Transfers and Investment Gains/(losses) £'000	Balance at 30 June 2004 £'000
All Weather Pitch designated fund	30	-	-	45	75
Accumulation fund	<u>20,863</u>	<u>14,541</u>	<u>(13,594)</u>	<u>279</u>	<u>22,089</u>
Charity	20,893	14,541	(13,594)	324	22,164
Non-charitable trading funds	<u>(19)</u>	<u>361</u>	<u>(316)</u>	<u>(45)</u>	<u>(19)</u>
Group	<u>20,874</u>	<u>14,902</u>	<u>(13,910)</u>	<u>279</u>	<u>22,145</u>

* Included within transfers is £29,281 and £15,895 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 2004**

15. CONTRACTS AND COMMITMENTS

At 30 June 2004 the company had capital commitments as follows:

	2004 £'000	2003 £'000
Contracted for but not provided in these financial statements	<u>412</u>	<u>-</u>
Authorised but not contracted	<u>-</u>	<u>-</u>

16. OTHER COMMITMENTS

At 30 June 2004, the School had annual commitments under non-cancellable operating leases as follows:

	Equipment 2004 £'000	2003 £'000
Within 1 year	17	51
Between 2 and 5 years	37	44
	<u> </u>	<u> </u>

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

17. RELATED PARTY TRANSACTIONS

King Edward VI Trust

The School's accounts for 2003 included the receipt of grants from the King Edward VI Trust in furtherance of its charitable Objects and included the transfer of all its residual net assets on trust for scholarships and prizes at the School, and also the assignment by way of gift of a debt due from the Sherborne School Foundation.

The transfer of the net assets of the King Edward VI Trust into the School's Prize and Scholarship Fund were included in the School accounts at the open market value of the underlying net assets at the date of transfer (30th June 2003).

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

	2004	Reclassified 2003
	£'000	£'000
Net Incoming resources	1,360	2,149
Non-operating cashflows eliminated:		
- Investment income	(125)	117
- Gain on disposal of tangible fixed assets	(87)	(2)
- Financing costs	115	159
Depreciation charges added back	794	708
(Increase) Decrease in stocks	(12)	1
(Increase) Decrease in debtors	(72)	(74)
Increase/(Decrease) in creditors	<u>27</u>	<u>(300)</u>
Net cash inflow from group operating activities	<u>2,000</u>	<u>2,758</u>

19. ANALYSIS OF CHANGES IN NET CASH RESOURCES OF THE GROUP

	Cash	Bank Overdraft	Debt Due < 1 year	Debt Due > 1 year	Total
	£'000	£'000	£'000	£'000	£'000
Balance 30 June 2003	1,868	(437)	(254)	(1,337)	(160)
Net cash outflow/(inflow) for the year	<u>(314)</u>	<u>200</u>	<u>-</u>	<u>254</u>	<u>140</u>
Balance 30 June 2004	<u>1,554</u>	<u>(237)</u>	<u>(254)</u>	<u>(1,083)</u>	<u>(20)</u>

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.

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

20. PENSION SCHEMES (CONTINUED)

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

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

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

The superannuation charge represents contributions payable to the Scheme for the year ended 30 June 2004 of £722,217 (2003: £542,466).

The company sponsors the Governors of Sherborne School Non Teaching Staff Pension Scheme which is defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 September 2001 and updated on an approximate basis to 30 June 2004.

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

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 30 June 2004 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 2004 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 2004	30 June 2003
Inflation	3.0% p.a.	2.75% p.a.
Salary increases	4.00% p.a.	3.75% p.a.
Rate of discount	5.75% p.a.	5.50% p.a.
Pension in payment increases	3.00% p.a.	2.75% p.a.
Revaluation rate for deferred pensioners	3.00% p.a.	2.75% p.a.

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

20. PENSION SCHEMES (CONTINUED)

Illustrative balance sheet figures

	30 June 2004	30 June 2003
	£'000	£'000
Assets	3,258	2,775
Liabilities	<u>(3,905)</u>	<u>(3,635)</u>
Recoverable surplus/(deficit) in scheme	(647)	(860)
Related deferred tax asset/(liability)	-	-
Net pension asset/(liability)	<u>(647)</u>	<u>(860)</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 2004 and 30 June 2003 would be as follows:

	30 June 2004	30 June 2003
Net assets excluding pension asset	-	-
Pension asset	(647)	(860)
Net assets including pension asset	(647)	(860)
Profit and loss reserve excluding pension asset	-	-
Pension reserve	(647)	(860)
Profit and loss reserve	(647)	(860)

Assets

	30 June 2004	30 June 2003
Equities	2,019	1,594
Bonds	1,213	1,154
Other	26	27

Expected long term rate of return

	30 June 2004	30 June 2003
Equities	8.00%	8.50%
Bonds	5.25%	4.75%
Other	8.00%	8.50%

Illustrative charge to the profit and loss account over the financial year

	£
<i>Operating profit</i>	
Current service cost	191
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 operating charge	191
<i>Other finance income</i>	
Expected return on pension scheme assets	(198)
Interest on pension scheme liabilities	205
Net finance charge	7
Total charge to project and loss account	198

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

Sherborne School

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED 30 JUNE 2004

20. PENSION SCHEMES (CONTINUED)

	Amount (£000s)
Difference between expected and actual return on assets	99
Experience gains and losses arising on the scheme liabilities	67
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	<u>57</u>
Total	<u>223</u>

Movement in illustrative balance sheet surplus figures during the year

	2004	2003
<i>Surplus in scheme at beginning of year</i>	(860)	(679)
<i>Movement in year:</i>		
<i>Current service cost</i>	(191)	(226)
<i>Net interest / return on assets</i>	(7)	(6)
<i>Contributions</i>	188	183
<i>Past service costs</i>	-	-
<i>Other finance income</i>	-	-
<i>Actuarial gain</i>	<u>223</u>	<u>(132)</u>
<i>Surplus in scheme at end of year</i>	<u>(647)</u>	<u>(860)</u>