

COMPANY NUMBER: 4252305
CHARITY NUMBER: 1088057

WARWICK INDEPENDENT SCHOOLS FOUNDATION

Directors' Report

&

Financial Statements

for the year ended

31 July 2004



WARWICK INDEPENDENT SCHOOLS FOUNDATION

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS AND CHARITY TRUSTEES

Warwick Independent Schools Foundation Governors are the directors and the charity trustees of Warwick Independent Schools Foundation and have all served in office throughout the financial year except where indicated. The bodies shown below may nominate twenty-one Governors and these Governors serve on the Board for a term of three years. Up to a further nine Governors may be self-appointed and these Governors serve on the Board for a term of five years. Retiring Governors can be re-nominated or re-elected but may not serve more than a total term of fifteen years. The Lord-Lieutenant of Warwickshire and the Mayor of Warwick are ex-officio Governors.

Nominated by

Name

Charity of Thomas Oken & Nicholas Eyffler
The Charity of Sir Thomas White, Warwick
The King Henry VIII Endowed Trust, Warwick
The King Henry VIII Endowed Trust, Warwick
Warwick United Charities
Friends of Warwick School
King's High School Parents & Staff Association
Warwick Prep. School Parents' Association
Staff of Warwick School
Staff of King's High School
Staff of Warwick Preparatory School
Old Warwickian Association
Old Girls' Association, King's High School
University of Birmingham

Mr D E Hanson
Mrs S M Rhodes
Mr P G Butler
Mr N F J Thurley (Chairman until 23/04/04)
Mrs A White*
Mrs P A Goddard
Mrs E Moloney*
Dr T W Leggatt*
Prof R H Trigg
Mrs P A Deeley* (resigned 3/09/04)
Mrs C Jennings
Mr C R Mason
Mrs J A Edwards
Mrs E M Aspinwall (appointed 12/12/03)
(resigned 14/09/04)
Prof J F McEldowney*
Brig M J F Stephens
Mr R J Grant
Mrs M B Haywood
Mr C C L Davis (appointed 7/11/03)
Mr G B Guest
Mr M J Kinson

University of Warwick
University of Oxford
Warwickshire County Council
Warwickshire County Council
Warwickshire County Council
Warwick District Council
Warwick Town Council

Co-opted Governors

Mr R V J Cadbury (Chairman from 23/04/04)
Dr J M Henderson
Prof E W Ives
Mrs S J James*
Dr J P Khan

Mrs J Marshall
Mrs V M Phillips
Mr K C K Scott (Vice Chairman)
Prof M L Shattock

*Parent of pupil at a school that is part of Warwick Independent Schools Foundation.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

DIRECTORS, OFFICERS AND ADVISERS

OFFICERS

Headmaster	Warwick School Deputy Head	Mr E B Halse Mr S H L Williams (left 31/08/04) Dr G R W Hawley (joined 01/09/04)
Headmistresses	King's High School for Girls Deputy Head	Mrs E Surber Mrs C Russell
	Warwick Preparatory School Deputy Head	Mrs D M Robinson Mrs R Barker
Foundation Secretary and Clerk to the Governors		Mr A J Bligh
Bursars	Warwick School King's High School for Girls Warwick Preparatory School	Mr N G R Stock Mr A A B Booth Mrs E R Lewis

Addresses	Warwick School Myton Road WARWICK CV34 6PP Day and Boarding for boys 7 – 18	Warwick Preparatory School Bridge Field Banbury Road WARWICK CV34 6PL Day, boys 3 – 7; girls 3 – 11
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King's High School
Landor House
Smith Street
WARWICK CV34 4HJ
Day girls 11 – 18

Registered Office

Warwick Independent Schools Foundation
3 Church Street
WARWICK CV34 4AB

ADVISERS

Bankers	Lloyds TSB Bank Plc 12 Swan Street WARWICK CV34 4BJ	Investment Advisers	Morgan Stanley Quilter Provincial House 37 New Walk LEICESTER LE1 6TU
Solicitors	Veale Wasbrough Orchard Court Orchard Lane BRISTOL BS1 5DS	Quantity Surveyors	Starkey Button & Company The Mews Trinity Street LEAMINGTON SPA CV32 5YN
Auditors	Horwath Clark Whitehill LLP St Bride's House 10 Salisbury Square LONDON EC4Y 8EH	Insurance Brokers	HSBC Insurance Brokers Ltd 9 – 17 Perrymount Road Haywards Heath WEST SUSSEX RH16 3DU

WARWICK INDEPENDENT SCHOOLS FOUNDATION

FOR THE YEAR ENDED 31 JULY 2004

DIRECTORS' REPORT

STATUS AND ADMINISTRATION

Warwick Independent Schools Foundation ("the Charity and the Company") formerly known as Warwick Schools was incorporated as a charitable company, limited by guarantee, on the 29th August 2001, and registered in England under company number 4252305 and charity number 1088057 and is the corporate trustee of the Warwick Schools Foundation Trust ("the Trust").

In 1875, a scheme was approved by the Endowed Schools Commission for the amalgamation of certain educational charities in Warwick, under the name King's School Foundation. The Scheme provided for the re-establishment of the old King's School in new buildings, to be called the Grammar School (for boys), a Middle School (for day boys to the age of 15), and a school for girls. A number of local charities contributed the whole, or a portion of, their annual income. A Charity under the name Warwick Schools was registered with the Charity Commissioners for England and Wales (registration number 528775) and was regulated by Schemes signed on 23 December 1981, 26 November 1991, 13 June 1995, and 16 September 1998. On 29 August 2001, this Charity changed its name to Warwick Schools Foundation Trust. Under the Charity Commission Scheme made on 29 August 2001 all trust funds other than the Trust's permanent endowment of the school's land were transferred to a new charity known as Warwick Schools, as property of the Company, and the Trust itself was made a subsidiary charity of the Company as its corporate trustee. On 11 March 2003 the Charity and the Company changed its name from Warwick Schools to Warwick Independent Schools Foundation.

CHARITABLE OBJECTS

The Objects of the Charity are set out in the Memorandum of Association and are to advance education by carrying on in or near Warwick day and boarding schools for boys and girls.

Within these Objects, the Charity and the Trust have various permanent endowments and unendowed trust funds held for special purposes in connection with the development of the Schools' facilities and for scholarships, bursaries, prizes, and other educational purposes.

BOARD POLICY

The Charity provides education in Warwick to boys and girls from the ages of 3 – 19 in three schools: Warwick School, King's High School for Girls, and Warwick Preparatory School.

It is the Board's policy for all three schools to attain high academic levels as well as providing an extra-curricular programme that aims to develop life-long interests and help build self-confidence and a desire to contribute to the community.

GOVERNANCE

The Governors, who are also the Directors and the Charity trustees, are responsible for the overall management and control of Warwick Independent Schools Foundation and meet twice a year. Subsidiary Management Committees of Governors have been established for each of the three schools and Governors are asked to serve on at least two of these Committees each of which meet three times a year.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

FOR THE YEAR ENDED 31 JULY 2004

DIRECTORS' REPORT

As at 31 July 2004, membership of the three Management Committees was as follows:

Warwick	King's High School	Warwick Preparatory School
Mrs E M Aspinwall	Mrs E M Aspinwall	Mr P G Butler
Mr P G Butler	Mr R V J Cadbury	Mr R V J Cadbury
Mr R V J Cadbury	Mr C C L Davis	Mrs P A Deeley
Mr C C L Davis	Mrs P A Deeley	Mrs J A Edwards
Mrs J A Edwards	Mrs J A Edwards	Mrs P A Goddard
Mrs P A Goddard	Mr R J Grant	Mr G B Guest
Mr R J Grant	Mr D E Hanson	Dr J M Henderson
Mr G B Guest	Mrs M B Haywood	Mrs S J James
Mr D E Hanson	Prof E W Ives	Mrs C Jennings
Mrs M B Haywood	Mrs S J James	Dr J P Khan
Dr J M Henderson	Dr J P Khan	Mr M J Kinson
Prof E W Ives	Mr M J Kinson	Dr T W Leggatt
Mrs C Jennings	Mrs J Marshall (Chairman)	Mrs J Marshall
Dr T W Leggatt	Mr C R Mason	Mrs E Moloney
Mrs J Marshall	Prof J F McEldowney	Mrs V M Phillips (Chairman)
Mr C R Mason	Mrs E Moloney	Mrs S M Rhodes
Prof J F McEldowney	Mrs V M Phillips	Mr K C K Scott
Mrs V M Phillips	Mr K C K Scott	Brig M J F Stephens
Mrs S M Rhodes	Prof M L Shattock	Mr N F J Thurley
Mr K C K Scott	Brig M J F Stephens	Prof R H Trigg
Prof M L Shattock	Mr N F J Thurley	Mrs A White
Brig M J F Stephens (Chairman)	Prof R H Trigg	
Mr N F J Thurley		
Prof R H Trigg		
Mrs A White		

Members of the Finance and Policy Committee, who meet three times a year, carry out the work of implementing the Board's policies. At their November meeting, they also approve the annual report and accounts. The Finance and Policy Committee works under the chairmanship of the Chairman of Governors. Its membership is listed below:

Mr R V J Cadbury (Chairman from 23/04/04)	Mr K C K Scott
Dr T W Leggatt (appointed 25/06/04)	Brig M J F Stephens
Mrs J Marshall	Mr N F J Thurley (Chairman until 23/04/04)
Prof J F McEldowney (appointed 25/06/04)	Prof R H Trigg
Mrs V M Phillips	Mrs J A Edwards (until 25/06/04)

The Board has set up an Investment Committee reporting to the Finance and Policy Committee to ensure the safe and effective investment of the Charity's funds. Membership of the Investment Committee is listed below:

Mr R V J Cadbury	Mr K C K Scott (Chairman)
Mr P G Butler	Mr N F J Thurley

Each School has also established a Buildings Development Committee, chaired by the Chairman of that School's Management Committee, which meets as and when required.

The day-to-day running of the Schools is delegated to the Heads of each School and their respective Senior Management Teams. The Heads attend the Management Committee and Buildings Development Committee meetings for their own school and they all attend the Finance and Policy Committee meetings.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

FOR THE YEAR ENDED 31 JULY 2004

DIRECTORS' REPORT

REVIEW OF ACTIVITIES AND ACHIEVEMENTS

Warwick School

In the year Warwick School had 848 (2003: 851) boys in the Senior School of whom 41 (2003: 46) were boarders and 230 (2003: 235) boys in the Junior School. Numbers for the following year are at a slightly lower level but Governors are confident that the total numbers in the School can be maintained close to the current level for the foreseeable future. Academic standards have continued at their high level and GCSE results for 2004 were significantly ahead of those for 2003. At A-level (excluding General Studies) 74% (2003: 71%) of passes were Grades A and B; at GCSE 65% (2003: 55%) of passes were Grades A* & A..

King's High School

In the year King's High School had 547 (2003: 564) daygirls. Total numbers for next year will return to the 2003 levels, as a slightly higher than usual number have been taken in next year to redress the balance. Academic standards have remained at a very high level. At A-level 82 % (2003: 86%) of passes were at Grades A and Grade B; at GCSE 82 % (2003: 79%) of passes were Grade A* & A.

Warwick Preparatory School

In the year Warwick Preparatory School had 408 (2003: 408) children in the main school and 48 (2003: 48) children in the nursery. The school continues to be a popular choice amongst local parents and demand for places remains high, with waiting lists at many ages. Governors are confident that numbers can be maintained at present levels for the foreseeable future.

Pupils' progress and attainments continue to meet and often exceed expectations.

DEVELOPMENTS

During the year work was completed on the construction of a new Maintenance Workshop at Warwick School. The total cost of this project amounted to £225,000 all of which has been capitalised.

The main item of work authorised for the next financial year is the refurbishment of the Middle School at Warwick Preparatory School together with the creation of a new entrance foyer, classroom and additional offices and alterations to the Upper School at an estimated cost of £1.5 million.

The Governors are actively considering major development projects at both King's High School and Warwick School, but no firm commitments have yet been made. At King's High School it is intended to build new classrooms and a sixth form centre whilst at Warwick School it is intended to build new science facilities. Further information on these projects will be given in the course of next year.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

FOR THE YEAR ENDED 31 JULY 2004

DIRECTORS' REPORT

FINANCIAL ACTIVITIES AND RESULTS

Net income for the financial year of £1,898,000 was a third up on last year largely reflecting a reduction in expenditure on non-capital premises projects. At this level net income is broadly in line with that required to implement the Schools' development plans.

Tuition fees in each School were increased by 9.9% matching the increase in underlying costs and reflecting in particular Government decisions on employers' contributions to the Teachers' Pension Scheme and National Insurance and salary increases in the state sector. Because of the small fall in pupil numbers the total School fees income increased by 9% compared to last year.

The Charity is helped considerably each year through the receipt of charitable income from The King Henry VIII Endowed Trust, Warwick and The Sir Thomas White Charity, Warwick. This income is allocated to Bursary funds and enables Governors to fund the bursaries and awards referred to under the section on Public Benefit.

A number of activities are now carried out through Warwick Schools Enterprises Limited, a wholly owned subsidiary company, and these contributed £27,000 (2003: £42,000) towards the Schools' Incoming Resources.

INVESTMENT POWERS, POLICY AND PERFORMANCE

Under the Charity's Memorandum and Articles of Association the trustees have wide powers to invest in such securities or property as they may think fit subject to the appropriate legal considerations. In practice the Board of Governors has appointed an Investment Committee to make such decisions on its behalf and Morgan Stanley Quilter have been appointed to advise the Investment Committee.

The Board's investment policy is to invest funds so as to generate long-term capital growth which in turn assumes that expenditure out of these funds should be below the income generated. Funds are allocated to fixed interest stocks, UK equities, overseas equities and cash to give a balanced exposure through a medium risk portfolio.

The Charity's investments have continued to be managed in conformity with this policy. Performance is measured against the FTSE International Private Investor Balanced index. In the current financial period the total return generated by the Charity's portfolio was 5.9 % compared with 7.9 % for the benchmark index. The return from the FTSE All Share Index over this period was 12.0 % and from the FTSE Govt Secs All Stocks Index was 2.3 %. The comparative under performance by the Charity's portfolio reflects a higher weighting in fixed interest stocks than in the benchmark portfolio.

RESERVES

Note 11 to the accounts shows the assets and liabilities attributable to the various funds by type and also describes the various trusts of the Charity and summarises the period's movement on each fund.

The Directors regularly review the level and nature of the reserve funds of the School. The Directors have invested substantial funds in the development of school buildings in recent years and have designated a separate Building Development Fund to earmark funds set aside for future developments. Free reserves of £ 321,000 are lower than the Directors would wish to see in the longer term. However, the Directors are satisfied that external finance facilities would be able to provide an additional and adequate safety net if it should be required.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

FOR THE YEAR ENDED 31 JULY 2004

DIRECTORS' REPORT

PUBLIC BENEFIT

As in previous years the Governors have continued to commit significant sums in support of their Award Making Policy. In total £1,076,000 (2003: £929,000) was spent on scholarships, bursary awards, grants and prizes. Of this amount £705,000 (2003: £611,000) related to Warwick School benefiting 189 (2003: 189) pupils and £361,000 (2003: £303,000) related to King's High School benefiting 87 (2003: 79) pupils. Thus in the two senior schools nearly one in four pupils receives some form of financial assistance. The Foundation Award Scheme, which was introduced in 1997, is a means tested scheme and enables Governors to widen access to as broad a group of pupils as possible. Parental contributions are lower for those living within the old Borough of Warwick and in some instance free places can be given. The Schools also operate scholarship schemes that are awarded on academic merit. The amount awarded for scholarships is currently under review and it is likely that scholarships will also become means tested in due course. It is not intended that this will reduce the overall level of finance support made available but will be used as an opportunity to increase the number of pupils able to receive financial assistance.

All Schools in the Foundation have established strong links with the local community and share sports and educational facilities with local maintained schools and members of the public. In the year under review some 70 different organisations used the Foundation's facilities in one form or another. Local schools and charities are offered these facilities at a significant discount. The two senior Schools have recently set up an Independent State School Partnership with 7 local Warwick Schools. It is the largest scheme of its kind in the country this year and is aimed at improving standards in English at Key Stage 2 and at A* and A grade at GCSE. In addition the Partnership will seek to increase standards at A* and A grade in GCSE IT.

Pupils at the Schools are involved in many local charitable endeavours including helping out at local elderly people's homes, in the Baptist Church and at local primary schools and nurseries. Fundraising for local causes also features prominently in the Schools' activities for charity.

RISK MANAGEMENT

The Directors are responsible for the management of the risks faced by the Charity. Detailed considerations of risk are delegated to the Finance and Policy Committee, who are assisted by the Senior Management Teams. Risks are identified, assessed, and controls established throughout the year. A formal review of the Charity's risk management processes is undertaken on an annual basis.

The key controls used by the Charity include:

- Formal agendas for all Committee and Board activity;
- Detailed terms of reference for all Committees;
- Comprehensive strategic planning, budgeting, and management accounting;
- Established organisational structure and lines of reporting;
- Formal written policies;
- Clear authorisation and approval levels.

Through the risk management processes established for the Schools, the Directors are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

FOR THE YEAR ENDED 31 JULY 2004

DIRECTORS' REPORT

AUDITORS

The Charity's auditors, Horwath Clark Whitehill, transferred substantially all of their business to a limited liability partnership, Horwath Clark Whitehill LLP, on 1 April 2004. The trustees have agreed that, following this change, Horwath Clark Whitehill LLP should be appointed as the Charity's auditors.

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

WARWICK INDEPENDENT SCHOOLS FOUNDATION

FOR THE YEAR ENDED 31 JULY 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs at the year end and of the surplus or deficit of the company for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The Directors are responsible for keeping accounting records which disclose, with reasonable accuracy, the financial position of the company at any time, and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the company's corporate assets and those of its trust funds and ensuring their proper application in accordance with charity law, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

Approved by the Board of Directors of Warwick Independent Schools Foundation on 10 December 2004 and signed on its behalf by:

MR R V J CADBURY  (DIRECTOR)

MR K C K SCOTT (DIRECTOR)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
WARWICK INDEPENDENT SCHOOLS FOUNDATION

We have audited the financial statements of Warwick Independent Schools Foundation for the year ended 31 July 2004, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes set out on pages 15 to 26. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 15 to 17.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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 9.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 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, 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 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

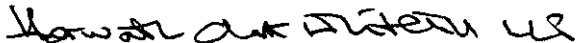
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
WARWICK INDEPENDENT SCHOOLS FOUNDATION

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 31 July 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
10 December 2004

St Brides House
10 Salisbury Square
London EC4Y 8EH

WARWICK INDEPENDENT SCHOOLS FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES (Incorporating Income & Expenditure Account)

FOR THE YEAR ENDED 31 JULY 2004

	Notes	Unrestricted Funds		Restricted Funds	Endowed Funds	Total Funds	11 Months to 31 Jul 2003
		Schools	Other				
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Charitable activities							
School fees	2	15,857	-	-	-	15,857	14,564
Other income	3	1,057	-	-	-	1,057	819
Bank & other interest		225	-	-	-	225	161
Other activities to generate funds	3	66	28	-	-	94	90
Income from subsidiary	15	27	-	-	-	27	42
Investment income	4	-	209	17	-	226	192
Charitable income and donations		19	551	2	-	572	575
Total Incoming		<u>17,251</u>	<u>788</u>	<u>19</u>	<u>-</u>	<u>18,058</u>	<u>16,443</u>
RESOURCES EXPENDED							
Costs of generating funds		70	21	-	-	91	70
Charitable expenditure							
Teaching		10,084	-	-	-	10,084	9,157
Welfare		887	-	-	-	887	779
Premises		2,212	-	-	27	2,239	2,607
Support costs		1,707	10	-	-	1,717	1,427
Grants, awards & prizes		350	709	17	-	1,076	929
Management & administration		60	6	-	-	66	59
Total Expended	6	<u>15,370</u>	<u>746</u>	<u>17</u>	<u>27</u>	<u>16,160</u>	<u>15,028</u>
Net incoming/(outgoing) resources before transfers		1,881	42	2	-27	1,898	1,415
Transfers between funds		<u>-1,881</u>	<u>1,883</u>	<u>-2</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME FOR THE YEAR			1,925	-	-27	1,898	1,415
Investment gains/losses							
Realised			<u>-12</u>	<u>-1</u>	<u>-</u>	<u>-13</u>	<u>-20</u>
			1,913	-1	-27	1,885	1,395
Unrealised			<u>113</u>	<u>26</u>	<u>-</u>	<u>139</u>	<u>23</u>
NET MOVEMENT IN FUNDS			2,026	25	-27	2,024	1,418
Balance brought forward at 1 August 2003			29,084	546	2,545	32,175	30,757
FUND BALANCES at 31 July 2004			<u>31,110</u>	<u>571</u>	<u>2,518</u>	<u>34,199</u>	<u>32,175</u>

The notes on pages 15 to 26 form part of these accounts.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

BALANCE SHEET

AT 31 JULY 2004

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Tangible assets for operational use	7	23,388	23,666
Investments	8	6,337	5,813
		<u>29,725</u>	<u>29,479</u>
CURRENT ASSETS			
Stocks		2	2
Debtors	9	723	711
Cash		5,470	4,062
		<u>6,195</u>	<u>4,775</u>
CREDITORS: due within one year	10	<u>1,721</u>	<u>2,079</u>
NET CURRENT ASSETS		<u>4,474</u>	<u>2,696</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>34,199</u>	<u>32,175</u>
CREDITORS: due after more than one year			
Taxes & Social Security Costs		-	-
TOTAL NET ASSETS	11	<u>34,199</u>	<u>32,175</u>
ENDOWED FUNDS	11a	2,518	2,545
RESTRICTED FUNDS	11b	571	546
UNRESTRICTED FUNDS			
Designated & general funds	11c	<u>31,110</u>	<u>29,084</u>
TOTAL FUNDS		<u>34,199</u>	<u>32,175</u>

Approved by the Board on 10th December 2004
and signed on its behalf by:

R V J CADBURY..... DIRECTOR

K C K SCOTT..... DIRECTOR

The notes on pages 15 to 26 form part of these accounts.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2004

	Notes	£'000	2004 £'000	2003 £'000
NET CASH INFLOW FROM OPERATIONS	19		1,600	1,718
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Investment income & bank interest			451	353
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payment for tangible fixed assets		-245		-2,700
Decrease/(increase) in buildings in progress		-		1,696
Payment for equities		-529		-179
Payment for COIF		-4		-
Payment for gilt edged securities		-156		-
Decrease in bank deposits		-175		-21
Proceeds from sale of equities		310		80
Proceeds from sale of fixed interest securities		156		-
			<u>-643</u>	<u>-1,124</u>
NET CASH INFLOW/(OUTFLOW)			1,408	947
FINANCING				
Loans repaid			<u>-</u>	<u>-</u>
NET CASH INFLOW/(OUTFLOW) FOR THE YEAR	20		<u>1,408</u>	<u>947</u>

Note

Charity Law requires separate administration of the cashflow of endowed and other restricted funds of the Charity. This constraint has not adversely affected group cashflows as stated above.

The notes on pages 15 to 26 form part of these accounts.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2004

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of accounting

The accounts of the Charity and the Company are prepared in accordance with the Companies Act 1985 and applicable accounting standards as modified by the Charities (Accounts and Reports) Regulations 2000 and the Statement of Recommended Practice, 'Accounting and Reporting by Charities' issued in October 2000 (the Charities SORP). The accounts are drawn up on the historical cost accounting basis except that investment assets are carried at market value. The paragraphs below describe the specific policies adopted for the recognition of significant categories of incoming resource and expenditure.

The Charity became the corporate trustee of the Trust on 29 August 2001 and the accounts, therefore, include the Trust as a subsidiary charity for the accounting period commencing 1 September 2001.

Under the Charity Commission Scheme of 29 August 2001 all trust funds other than the Trust's permanent endowment of the school's land were transferred to the new charity known as Warwick Independent Schools Foundation, as property of the Company, and the Trust itself was made a subsidiary charity of the Company as its corporate trustee.

(b) Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable include contributions received from Restricted Funds for Bursaries and Awards.

(c) Charitable income and donations

Charitable income and donations received for the general purposes of the Charity are credited to "other unrestricted funds" to distinguish them from direct school income. Grants given for specific purposes are treated as income in the year of receipt and are taken to "restricted funds". Unspent restricted income is included under restricted funds as it is fully committed. Income received from the charities of The King Henry VIII Endowed Trust, Warwick and Sir Thomas White is accounted for on a receivable basis.

(d) Resources expended

Resources expended are accounted for on an accruals basis. Certain expenditure is apportioned to cost categories based on the estimated amount attributable to that activity in the year. Teaching, welfare and premises costs are derived from activities classified in cost departments which are directly for the pupils' benefit. Support costs are the cost of administration of the organisation. Management and administration costs relate to the statutory management costs of the charity. The irrecoverable element of VAT is included with the item of expense to which it relates. Liabilities are recognised where there is a legal or constructive obligation committing the Charity to the expenditure.

(e) Operating leases

Rentals payable are charged on a time basis over the lease term.

(f) Pension schemes

The Schools participate in a multi-employer pension scheme, the Government's Teachers Pension Defined Benefits Scheme, for their teaching staff. The pension liability is the responsibility of the Teachers Pension Scheme. As a result, it is not possible to identify the assets and liabilities of the scheme that are attributable to the Schools. Accordingly, under FRS17 the scheme is accounted for as if it were a defined contribution scheme.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

1. STATEMENT OF ACCOUNTING POLICIES - continued

(f) Pension schemes (continued)

The Charity also participates in a multi-employer pension scheme, the Local Government Pension Scheme, for its non-teaching staff that is administered by Warwickshire County Council. The company is able to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Accordingly the scheme is treated as a defined benefit scheme under FRS 17. The company has taken advantage of the transitional disclosure arrangements set out in FRS17.

(g) School buildings and equipment

Capitalisation and replacement

The original land and buildings endowed to the Schools together with all subsequent additions recorded by the Trust were professionally re-valued as at 31 August 2001. On 1 September 2001, all land and buildings, other than the original endowed property, were transferred to the Charity. In these accounts these transfers are treated as being at cost to the Charity. The Charity is also responsible for keeping the original building in fit and useful condition and these costs are written off as incurred.

Buildings improvements and extensions and furniture and equipment costing more than £5,000 are capitalised and carried in the balance sheet at historical cost.

Depreciation

Depreciation is not provided on freehold land. Depreciation of other assets is provided at rates calculated to write off the excess of cost over estimated residual amount evenly over the estimated useful economic lives of each class of asset, subject to annual review.

These rates are currently as follows:

Buildings (excluding sports associated constructions and maintenance facility)	50 years
Sports associated constructions and maintenance facility	20 years
Furniture & equipment	3 years
Motor vehicles	4 years

(h) Stock

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

(i) Investments

Investments are stated at market value.

Unit trust investments are stated at mid-market price.

Realised gains and losses on investments, calculated as the difference between the sale proceeds and their market value at the start of the period, or subsequent cost, are credited or charged to the SOFA in the period of gain or loss.

Unrealised gains and losses representing the movement in market values during the period are credited or charged to the SOFA in the period of gain or loss.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

1. STATEMENT OF ACCOUNTING POLICIES - continued

(j) Fund accounting

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general object of the Charity. Unrestricted funds are identified as either Designated Funds or General Funds. Designated Funds represent funds that the Trustees have set aside for defined purposes. Certain elements of the Designated Bursary Funds are subject to restrictions set out in the Memorandum and Articles of Association. Each Designated Fund is disclosed separately in the notes to the financial statements. There is a commitment to use these monies in future years, as designated. General Funds represent accumulated surpluses/deficits to date, after transfers to Designated Funds.

Restricted Funds are subject to specific restrictions imposed by donors.

The Endowment Funds are permanent endowment funds, ie the donors have stated that the funds are to be held as capital.

(k) Subsidiary undertakings

The Charity owns the whole of the share capital of Warwick Schools Enterprises Limited. In the opinion of the Governors the activities of the company are not material in the context of the overall accounts and therefore consolidated accounts are not prepared. The company results and net assets position at the balance sheet date are set out in note 15. The Charity also owns the whole of the share capital of Campus Library Services Limited, which was dormant throughout the financial period.

2. FEES RECEIVABLE

	2004	2003
	£'000	£'000
Net Fees	14,798	13,635
Add Scholarships and Bursaries	1,059	929
	<u>15,857</u>	<u>14,564</u>

3. OTHER INCOME

	2004	2003
	£'000	£'000
Charitable Activities		
Entrance and registration fees	45	46
Insurance commissions	31	33
Music tuition fees	340	331
Summer School	81	-
Other	560	409
	<u>1,057</u>	<u>819</u>
Other activities to generate funds		
Letting of Premises & Function Catering	66	64
Rental of Domestic Properties	28	26
	<u>94</u>	<u>90</u>

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

4. INVESTMENT INCOME

	Unrestricted £'000	Restricted £'000	2004 Total £'000	2003 Total £'000
UK Fixed Interest	38	2	40	42
UK Equities	61	-	61	50
Unit Trusts	34	4	38	36
COIF Funds	5	10	15	11
Bank Interest	71	1	72	53
	<u>209</u>	<u>17</u>	<u>226</u>	<u>192</u>

5. EXPENDITURE

	2004 £'000	2003 £'000
Charitable expenditure includes:		
Auditors' remuneration		
For audit	27	28
For other services	-	4
Governors' Liability Insurance	3	3
Depreciation	523	529
	<u> </u>	<u> </u>
	2004 £'000	2003 £'000
Total staff costs comprised:		
Wages and salaries	8,795	8,164
Social security costs	657	566
Pension contributions	911	720
Compensation for Loss of Office	89	-
	<u>10,452</u>	<u>9,450</u>

The average number of full time equivalent employees in the year was 312 (2003: 303) of which 181 (2003: 176) were teaching staff. Neither the governors nor persons connected with them received any remuneration or other benefits from the Schools or any connected organisation. Travelling expenses amounting to £1,696 (2003 - £131) were reimbursed to three governors (2003 - two).

The number of higher paid employees was:

	2004	2003
£50,000 - £60,000	3	2
£60,000 - £70,000	3	2
£70,000 - £80,000	1	0
£80,000 - £90,000	<u>1</u>	<u>1</u>

All the above higher paid employees are accruing benefits under Defined Benefit Schemes.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

6. ANALYSIS OF TOTAL RESOURCES EXPENDED

2004	Staff Costs £'000	Other £'000	Depreciation £'000	2004 Total £'000	2003 Total £'000
Costs of generating funds	-	82	9	91	70
Charitable activities					
Teaching	8,681	1,396	7	10,084	9,157
Welfare	419	468	-	887	779
Premises	648	1,084	507	2,239	2,607
Support costs	704	1,013	-	1,717	1,427
Prizes & other awards	-	1,076	-	1,076	929
Management & administration	-	66	-	66	59
	<u>10,452</u>	<u>5,185</u>	<u>523</u>	<u>16,160</u>	<u>15,028</u>

7. TANGIBLE FIXED ASSETS

	Land & Buildings £'000	Furniture & Equipment £'000	Motor Vehicles £'000	Assets in Course of Construction £'000	Total £'000
COST					
At 1 August 2003	24,646	682	74	-	25,402
Additions	225	-	-	20	245
Reclassification	-	-	-	-	-
At 31 July 2004	<u>24,871</u>	<u>682</u>	<u>74</u>	<u>20</u>	<u>25,647</u>
DEPRECIATION					
At 1 August 2003	991	682	63	-	1,736
Charge for year	516	-	7	-	523
At 31 July 2004	<u>1,507</u>	<u>682</u>	<u>70</u>	<u>-</u>	<u>2,259</u>
NET BOOK VALUES					
At 31 July 2004	<u>23,364</u>	<u>-</u>	<u>4</u>	<u>20</u>	<u>23,388</u>
At 31 July 2003	<u>23,655</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>23,666</u>

Included in the net book value of land and buildings is £2,266,770 (2003: £2,378,200) in respect of long leasehold buildings.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

8. INVESTMENTS

	Unrestricted Designated £'000	Restricted £'000	Total £'000
Balance at 1 August 2003	5,267	546	5,813
Additions	685	3	688
Disposals at opening market value	-458	-20	-478
Movements in cash deposits	159	16	175
Unrealised gains/(losses)	113	26	139
Balance at 31 July 2004	<u>5,766</u>	<u>571</u>	<u>6,337</u>
Listed on the Stock Exchange	3,858	509	4,367
Cash deposits	<u>1,908</u>	<u>62</u>	<u>1,970</u>
Listed Securities Comprise:			
UK Fixed Interest	727	30	757
UK Equities	1,968	-	1,968
Unit Trusts	1,037	222	1,259
Balanced Growth Funds	126	257	383
	<u>3,858</u>	<u>509</u>	<u>4,367</u>

9. DEBTORS

	2004 £'000	2003 £'000
Fees	170	196
Prepayments	108	112
Amount due from subsidiary undertaking	87	90
VAT	26	37
Accrued Charitable Income	332	276
	<u>723</u>	<u>711</u>

Included within Amount due from subsidiary undertaking is £30,000 falling due after more than one year.

10. CREDITORS due within one year.

	2004 £'000	2003 £'000
Fees received in advance	419	420
Trade creditors	92	83
Taxation and social security	-	315
Capital expenditure	94	193
Other creditors and accruals	477	430
Salaries	639	638
	<u>1,721</u>	<u>2,079</u>

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

11. NET ASSETS OF THE FUNDS OF THE CHARITY

The net assets are held for the various funds as follows:

	Fixed Assets	Investments	Net Current Assets	Long Term Liabilities	Total
	£'000	£'000	£'000	£'000	£'000
Endowed funds	2,518	-	-	-	2,518
Restricted funds	-	571	-	-	571
Unrestricted funds					
- Bursary funds	1,822	5,522	332	-	7,676
- other	19,048	244	4,142	-	23,434
	<u>23,388</u>	<u>6,337</u>	<u>4,474</u>	<u>-</u>	<u>34,199</u>

11a ENDOWED FUNDS: MOVEMENTS IN THE YEAR

	Balance at 1 August 2003	Incoming Resources	Resources Expended	Transfers & Investment Losses	Balance 31 July 2004
	£'000	£'000	£'000	£'000	£'000
Fixed assets fund	2,545	-	-27	-	2,518
	<u>2,545</u>	<u>-</u>	<u>-27</u>	<u>-</u>	<u>2,518</u>

The Endowed funds represent the value at 29 August 2001 of land and buildings originally endowed to the schools of the Charity.

11b RESTRICTED FUNDS: MOVEMENTS IN THE YEAR

	Balance at 1 August 2003	Incoming Resources	Resources Expended	Transfers & Investment Losses	Balance 31 July 2004
	£'000	£'000	£'000	£'000	£'000
Exhibitions & prizes fund	167	9	-7	4	173
Legacy funds	379	10	-10	19	398
	<u>546</u>	<u>19</u>	<u>-17</u>	<u>23</u>	<u>571</u>

Exhibitions & Prizes – The income from the investments forming these funds is to provide contributions towards specific prizes and exhibitions given to pupils who are attending or have recently left the schools of the Charity.

Legacy – The income of the investments forming these funds is to provide benefits to pupils in accordance with the wishes of the legator.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

11c. UNRESTRICTED FUNDS

	Balance at 1 August 2003 £'000	Incoming Resources £'000	Resources Expended £'000	Transfers & Investment Losses £'000	Balance 31 July 2004 £'000
Designated Funds					
Bursary Fund					
Warwick School	3,229	117	-356	677	3,667
King's High School	1,992	75	-245	365	2,187
Fixed Asset loans	2,060	-	-	-238	1,822
Fixed assets	19,061	-	-496	483	19,048
Building Development Funds	2,100	-	-	1,770	3,870
Repairs & Maintenance Fund	34	28	-21	-	41
Pension Contingency	154	-	-	-	154
Unrestricted Funds					
Free Reserves	454	17,819	-14,996	-2,956	321
	<u>29,084</u>	<u>18,039</u>	<u>-16,114</u>	<u>101</u>	<u>31,110</u>

Bursary Funds – These funds enable the Governors to provide such number of free and assisted places in the Schools of the Charity as they shall determine, for the benefit of pupils who are in need of financial assistance. Funds may be used to advance loans to the Schools to assist in the purchase of fixed assets. Interest rates and repayment periods for such loans are based on commercial terms.

Building Development Funds– These funds are set aside for future building developments.

Fixed Assets – These represent the net book value of the unendowed assets available for use by the Charity, excluding assets funded out of Bursary Funds.

Repairs and Maintenance Fund – This fund is being accumulated from net rental income to finance future repairs and maintenance.

Pension Contingency – These funds are set aside to provide for the contingent costs of possible early retirement of teaching staff.

12. CAPITAL COMMITMENTS

	2004 £'000	2003 £'000
Authorised and contracted for		
Maintenance Workshop, Warwick School	<u>-</u>	<u>250</u>
Authorised but not yet contracted for		
Caretakers Lodge, Warwick School	<u>150</u>	<u>-</u>

13. OPERATING LEASE COMMITMENTS

At 31 July 2004, the Charity had the following annual commitments under non-cancellable operating leases:

	Property		Vehicles	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Operating leases which expire:				
Within one year	0	0	5	5
Within two to five years	15	13	11	11
After five years	<u>30</u>	<u>29</u>	<u>0</u>	<u>0</u>

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

14. TAXATION

No corporation tax has been provided for in these accounts because income of the Charity is within the exemptions granted by Section 505 of the Income and Corporation Taxes Act 1988. The Charity has borne VAT on its expenditure where appropriate.

15. WHOLLY OWNED SUBSIDIARY COMPANIES

The Charity holds a 100% interest in a trading company, Warwick Schools Enterprises Limited, with the Charity receiving any surpluses earned by the company as a covenanted donation. The principal activities of the company were the letting of school facilities and the operation of a school clothing shop.

The financial statements of the company for the year ended 31 July 2004, which are not consolidated with the Charity's financial statements, showed the following position:

Balance Sheet	2004 £'000	2003 £'000
Fixed Assets	3	-
Current Assets		
Stock	34	56
Debtors	51	30
Cash	21	21
	<u>106</u>	<u>107</u>
Creditors: Amounts falling due within one year	70	67
	<u>36</u>	<u>40</u>
Creditors: Amount falling due after one year	30	36
Total Net Assets	<u>9</u>	<u>4</u>
Capital and Reserves		
Called up share capital	-	-
Profit and loss account (below)	9	4
	<u>9</u>	<u>4</u>
	£'000	£'000
Profit and Loss Account		
Turnover	325	315
Operating costs	293	269
Profit from continuing activities	<u>32</u>	<u>46</u>
Covenanted donation gross	27	42
Balance carried forward	<u>5</u>	<u>4</u>

The Charity also holds a 100% interest in Campus Library Services Limited, which was dormant throughout the financial period.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

16. RELATED PARTY TRANSACTIONS

In the previous financial year the Charity had granted a £75,000 loan facility to Warwick Schools Enterprises Limited at a 6% rate of interest repayable over 10 years. At 1 August 2003 £40,000 had been drawn down against this facility. A further £30,000 was drawn down against this facility during the year but repaid before the year end. The Charity also recharged operating costs of £142,000 (2003: £132,000) during the financial year in respect of time spent by the Charity's staff on the subsidiary's business, a proportion of the running costs of the premises let and a licence fee.

17. CONNECTED CHARITY

Warwick Scholarship Trust, a registered charity and company limited by guarantee, was incorporated on 27 June 2003. The objects of the charity are to further the education of children by awarding scholarships, bursaries and other financial assistance to persons under the age of 19 who attend any of the schools of Warwick Independent Schools Foundation and who are in need of financial assistance. The Memorandum and Articles provide that Warwick Independent Schools Foundation must appoint 7 out of the 9 trustees. Accordingly the Governors consider that Warwick Scholarship Trust is a connected charity. However, no material financial transactions had taken place by 31 July 2004 and therefore consolidated accounts have not been prepared.

18. PENSION SCHEMES

The Schools participate in a multi employer defined benefits 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 that are attributable to the Schools.

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.

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 Schools.

The superannuation charge represents contributions payable to the Scheme for the year ended 31 July 2004 of £ 783,000 (2003: £582,000).

Other members of staff are entitled to belong to the Warwickshire County Council Pension Fund, a multi-employer defined benefit scheme operated within the Local Government Scheme, to which contributions are made by both employees and the employer. The basis of contribution to the Scheme is calculated according to the advice of the Scheme actuary. The cost of providing such pensions is charged on a systematic basis over the average remaining service life of the members.

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

18. PENSION SCHEMES - continued

The last full actuarial valuation of the Scheme was carried out on the effective date of 31 March 2001 when the assets of the Scheme were deemed sufficient to cover its accrued liabilities. The employers have accordingly amended their rate of contribution to the scheme in line with advice from the actuary. The market value of the Scheme's assets at 31 March 2001 was £667 million. The next actuarial review will be as at 31 March 2004.

The valuation method adopted was the Projected Unit Method and it was assumed, in relation to security of both accrued and protected rights that the Scheme would continue. The assumed common rate of contribution was 11.7% with the adjusted rate for Warwick Schools being 9.5% of members' salaries. The main long-term financial assumptions adopted were:

	Past Service	Future Service
Rate of discount	5.6%	6.5%
Rate of pensionable pay inflation	3.8%	4.0%
Rate of price inflation	2.3%	2.5%

In accordance with FRS17 a qualified actuary has updated the pension valuation. The Scheme's assets and liabilities relating to Warwick Schools were found to be as follows:

	31 July 2004 £'000	31 July 2003 £'000
Total market value of assets	3,037	2,686
Present value of scheme liabilities	3,751	3,292
(Deficit) in Scheme	<u>-714</u>	<u>-606</u>

The major assumptions used by the actuary were:

	2004 %	2003 %	2002 %
Rate of increase in salaries	4.3	4.0	3.9
Rate of increase in pensions in payment	2.8	2.5	2.4
Discount rate	5.5	5.5	5.6
Inflation assumption	<u>2.8</u>	<u>2.5</u>	<u>2.4</u>

Fair value of assets and expected rate of return

	31 July 2004		31 July 2003		31 August 2002	
	Fair value £'000	Expected rate of return %	Fair value £'000	Expected Rate of return %	Fair value £'000	Expected Rate of return %
Equities	2,296	7.5	2,025	7.5	1,822	8.0
Government bonds	334	5.0	379	4.7		
Other bonds	231	5.7	105	5.5	430	6.0
Property	0	6.5	-	6.5	-	
Other	176	4.5	177	3.75	177	4.0
Total	<u>3,037</u>		<u>2,686</u>		<u>2,429</u>	

WARWICK INDEPENDENT SCHOOLS FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

18. PENSION SCHEMES - continued

Analysis of movement in deficit in the Scheme relating to Warwick Independent Schools Foundation during the year

	31 July 2004 £'000	31 July 2003 £'000
Deficit in the Scheme at beginning of year	-606	-311
Contributions Paid	126	148
Current service cost	-233	-191
Past service cost	0	-30
Net interest/Return on assets	-2	24
Actuarial gain (loss)	1	-246
Deficit in the Scheme at end of year	<u>-714</u>	<u>-606</u>

Analysis of the amount charged to other income

	2004 £'000	2003 £'000
Expected return on pension scheme assets	185	171
Interest on pension scheme liabilities	-187	-147
Net charge	<u>-2</u>	<u>24</u>

Employers' contributions for the year to 31 July 2004 were £126,000 (2003: £148,000). The current contributions are made at a rate of 9.5% of pensionable pay. The scheme is open to new members.

19. RECONCILIATION OF SURPLUS BEFORE APPROPRIATIONS TO NET CASH FLOW FROM OPERATIONS

	2004 £'000	2003 £'000
Net incoming resources	1,898	1,415
Interest receivable	-451	-353
Mortgage interest	-	-
Depreciation	523	529
Loss on disposal	-	-
(Decrease)/increase in creditors	-358	186
(Increase)/decrease in debtors	-12	-103
(Increase)/decrease in stock	-	44
	<u>1,600</u>	<u>1,718</u>

20. ANALYSIS OF CHANGES IN NET CASH RESOURCES OF THE COMPANY

	2004 £'000	2003 £'000
Balance 1 August 2003	4,062	3,115
Net cash (outflow)/inflow for the year	1,408	947
Balance 31 July 2004	<u>5,470</u>	<u>4,062</u>