

**THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL
(A COMPANY LIMITED BY GUARANTEE)**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008

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Ryecroft Glenton

INCORPORATING RAINBOW GILLESPIE

Chartered Accountants

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THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL**GOVERNORS' REPORT****FOR THE YEAR ENDED 31 JULY 2008**

The Governors submit their annual report and the audited financial statements of The Newcastle upon Tyne Royal Grammar School (including its associated Property Trust) and its subsidiary RGS Trading Limited for the year ended 31 July 2008.

REFERENCE AND ADMINISTRATIVE DETAILS**Registered office:**

Eskdale Terrace
Newcastle upon Tyne
NE2 4DX

Advisors**Bankers:**

Barclays Bank plc
Tyneside Corporate Group
PO Box 379
71 Grey Street
Newcastle upon Tyne
NE99 1JA

Auditors:

Ryecroft Glenton
Chartered Accountants
32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

Investment advisors:

Brewin Dolphin Limited
Time Central
Gallowgate
Newcastle upon Tyne
NE1 4SR

Legal advisors:

Dickinson Dees
St Anne's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Insurance broker:

Northern Counties Guarantee Corporation Limited
478 Durham Road
Low Fell
Gateshead
NE9 6BP

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GOVERNORS' REPORT – CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The School was founded and endowed at the beginning of the sixteenth century by Thomas Horsley who was, more than once, the Lord Mayor of Newcastle upon Tyne. By virtue of a Charter granted in 1600 by Queen Elizabeth it became "The Free Grammar School of Queen Elizabeth in Newcastle upon Tyne". It subsequently assumed the title "The Newcastle upon Tyne Royal Grammar School". Prior to the 2006/07 year, the School was regulated by a 1909 Scheme made by the Board of Education under the Charitable Trust Acts 1853 to 1894 and a 1975 Scheme made by the Charity Commissioners with subsequent amendments. The membership of the Governing Body was subsequently amended by a resolution of the Governors dated 1 January 1997.

On 1 August 2007, the assets, liabilities and undertaking of the School were transferred to a charitable company and its associated Property Trust under a Scheme approved by the Charity Commissioners on 12 July 2006. The new charitable company is registered with the Charity Commissioners, number 1114424 and is a company limited by guarantee, number 5664801.

Objects

The objects are set out in the School's Memorandum of Association as follows:

"The objects for which the Charity is established are for the public benefit:

- The education of children and young persons in the North East of England;
- To provide facilities in the interests of social welfare for the education, recreation or other leisure facilities (including but not limited to the arts) of the public at large with a view to improving the conditions of life in Newcastle upon Tyne and the North East of England."

The School accepts day pupils from the age of 7. The School's aim is to attain the highest academic levels as well as providing a wide range of extra- curricular and sporting activities.

Governors

The Governors (who for the purposes of company law are also the directors) who served during the period were:-

Mr D L Taylor	Chairman, Co-optative Governor
Mr P A Walker	Vice-Chairman, Co-optative Governor
Mr A J Applegarth	Co-optative Governor
Cllr A R Armstrong	From 1 June 2008
Mr R D Armstrong	Nominated by Newcastle City Council
Mrs L R Bird	Co-optative Governor
Mr P A Campbell	Co-optative Governor
Dr S Cholerton	Nominated by the University of Newcastle upon Tyne
Mr N A H Fenwick	Co-optative Governor
Mr J C Fitzpatrick	Co-optative Governor
Mr A Hobson	Nominated by the University of Oxford
Professor A C Hurlbert	Co-optative Governor
Mr D Marshall	Nominated by Durham County Council
Professor E W N Glover	Nominated by the University of Durham
Dr K J Neill	Co-optative Governor
Cllr A W Purdue	To 31 May 2008 Nominated by Northumberland County Council
Professor E Ritchie	Nominated by the University of Newcastle upon Tyne
Dr K E Spence	Nominated by the University of Cambridge
Mr S E Wood	Co-optative Governor

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GOVERNORS' REPORT – CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

The Governing Body consists of 10 Co-optative Governors and 9 Nominative Governors, the former serving for 5 years and the latter for 3. They can be re-elected. The Governors are Trustees of the Charitable Body.

The Nominative Governors are appointed by:-

Durham County Council
Newcastle City Council
Northumberland County Council
University of Cambridge
University of Durham
University of Newcastle upon Tyne
University of Oxford

The co-optative Governors are co-opted by the existing Governors.

Organisational structure and decision making

Governors meet once every term to review the activities of the school and its subsidiary. Financial control is exercised over the activities of the School by means of an agreed Annual Budget.

More detailed issues are dealt with in advance of Governors' meetings by a Finance and General Purposes Committee. Governors who served on the Finance and General Purposes Committee during the period were:-

Mr P Walker	(Chairman)
Mr D L Taylor	(Vice Chairman)
Mr P Campbell	
Mr J C Fitzpatrick	
Mr D Marshall	
Dr K J Neill	
Councillor A W Purdue	
Mr S E Wood	

The day to day running of the School is vested in the Headmaster and Bursar:

The Headmaster: Dr B Trafford

The Bursar & Clerk to Governors: Mr R J Metcalfe

OBJECTIVES AND ACTIVITIES

Our objectives

1. To seek academic excellence

Please see paragraphs 3-5

2. To provide excellent pastoral support and extra-curricular activities

Please see paragraphs 13-16

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GOVERNORS' REPORT – CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

3. To make the School more inclusive

Please see paragraph 7

4. To recruit and retain excellent staff

Please see paragraph 23

5. To set and maintain high standards of governance

Please see paragraph 17

6. To provide and maintain excellent facilities

Please see paragraphs 24-25

7. To ensure that the School remains financially sound

Please see paragraph 6, 18 and 19

8. To ensure that the School has strong links with its community and provides public benefit

Please see paragraphs 7-12

Introduction

1. The academic year 2007-8 was yet another one of remarkable achievement for the Royal Grammar School. It was also remarkable for the retirement of the Headmaster James Miller after 14 years at the helm. James took the School through a period of tremendous change, not at least in the development of a wide range of new facilities, the introduction of co-education and the overall growth of the School. Tributes have been paid to James elsewhere, but the Governors would like to put on record their thanks and appreciation for his tremendous contribution to the development of the School and its continued excellence in performance across the curriculum and a wide range of extra-curricular activities. The Governors would also like to record their great pleasure at the arrival of Dr Bernard Trafford to succeed James Miller as Headmaster, and look forward to many years of further progress for the School under his leadership.
2. One of the most significant changes to the School during James Miller's period as Headmaster was the introduction of co-education. Girls having joined the Sixth Form from 2001 onwards and lower years from 2006 onwards, they now play a full and highly successful part in the life of the School. In September 2007, there were 208 girls in the School, of whom 81 were in the Sixth Form and 38 in the Junior School. Having made such a successful transformation to a co-educational school, Governors now feel that the introduction of co-education need no longer be identified as a separate objective.

Academic

3. A level results were the second best achieved. The all-important A/B percentage – the proportion of students who achieved grades A or B – was 87.1%, very slightly down on 2007 but nevertheless higher than any other last year since the new exams were introduced. The GCSE results were the best ever, as measured by the percentage of A* grades. Candidates achieved 41.7% of all their GCSE grades at this top level. Nineteen students achieved the perfect 10 A* grades: a further 29 passed all their GCSEs at grades A* or A.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GOVERNORS' REPORT – CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

4. As usual, students entered the Junior, Intermediate and Senior Mathematics Challenges. 35 won gold at Junior level, 16 Intermediate and five Senior. One sixth former, Jian He, qualified for the British Mathematical Olympiad.

Junior School

5. Junior School pupils achieved another very high set of scores in the Key Stage 2 tests (SATs). 100% achieved level 5 in science, whilst in both maths and English 94% of students attained the highest standard available. The aggregate score of 288 equalled the best-ever result of the year before. That previous year's results were recognised during this year by the Sunday Times which announced the Junior School as its nominated top independent primary school in the country. This was based not only on the SATs results but also on the richness of educational opportunity balanced against the fee level which is modest in national terms. It was a very significant accolade.
6. Following an unprecedented level of applications to Year 5, a third form was added in that year in September 2007, so that from September 2008 there were three rather than two forms in each of Years 5 and 6. Governors regarded this as a very healthy sign, as these children will hopefully enjoy nine years at RGS.

Public Benefit

7. Over the year the school continued to make a very significant contribution to public benefit. The major contribution remained the school's passionate and effective commitment to providing means-tested bursaries during the school year at a total cost to the school of 3685,473 of which £474,884 was contributed by the Bursary Campaign and other funds controlled by the RGS Education Trust. The average level of fee help was 81.5% of fees, indicating that the majority came from homes with very low family incomes. 52 students received bursaries of 90% or 100% of school fees, indicating that their family incomes will have been somewhat below £20,000 per annum.
8. The school continued its range of outreach activities. Once again it hosted the Newcastle Science Enrichment Programme (NSEP) series of Saturday morning science sessions for children from local schools who were working towards Crest silver awards: two RGS teachers, an RGS technician and several RGS sixth formers were involved in teaching and running this course, working with two teachers from a local school. The school provided facilities for many other outside activities: in particular the Performing Arts Centre hosted stage shows for Newcastle Preparatory, for West Jesmond Primary, Heaton Manor and St Thomas More Schools and concerts for local amateur orchestras and the St Paul's Youth Orchestra.
9. Around 90 RGS Sixth Formers went out each week to help in the wider community, many of them visiting more than one placement. In many cases, the placements were in institutions with which the school has had links over several year and in which the staff have become friends as well as professional associates.
10. The Sixth Formers worked in homes for the elderly, charity shops, hospices, training centres and schools for the disabled, but mostly in schools in less privileged parts of the city, where they worked with younger children on a one-to-one basis, typically helping to improve their literacy and numeracy. This Inner-City Partnership now involves eight schools, including the RGS, and over sixty Sixth Formers. The association of many years with the Percy Hedley Foundation continued, with students helping both adults and children with special needs.
11. Another important part of the RGS students' work was with the elderly, in particular the residents of Pilgrim Court, (nearby sheltered accommodation) where the students provided a daily shopping service.
12. Fund raising also remained an important element of the Voluntary Service Group's work and this year RGS students raised over £11,000 for good causes, through the annual Charities Week and other occasional year-group campaigns.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GOVERNORS' REPORT – CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

Arts

13. RGS students were busy in the performing arts during the year. Amongst a host of musical and dramatic events, performing included a staggeringly lavish production of the Arthurian musical Pendragon and the school's Symphony Orchestra performing Beethoven's 5th Symphony. The Senior Choir toured Paris and Brussels, singing (amongst other venues) in La Madeleine Church in Central Paris.

Debating

14. Debating was as lively as ever with heavy involvement in internal, local and regional events. Kit Mercer and Jamie Robson won the ESU Scotland competition: another pair made the quarter finals and it is believed that the successes made the RGS team the top Junior Debating Society in the UK. At Senior level, Hugo Wallis and Andrew Bellis finished fourth out of 100 teams in the Durham Union Schools Debating Competition. Richard Coates and Andrew Bellis became Northern Champions in the ESU Mace Competition and made it to the national final, beating over 500 teams to get there.

Outdoor Education

15. In outdoor education, students from Year 10 and above pursued a wide variety of exhibitions. There was a steady stream of awards gained at the Duke of Edinburgh Gold, Silver and Bronze levels, following a variety of expeditions and other activities. Ten students undertook a two week challenge trekking expedition to Morocco. Two senior teams made a World Challenge expedition to Kyrgyzstan. Less arduously, 67 students went on a Greek trip which included Delphi, Athens, Corinth and Epidaurus. Younger students has a summer camp (Year 7); a Latin trip to Hadrian's Wall (Year 9); a trip to Germany (Years 7-9); and one to Cantabria in Spain (Years 9 and 10).

Sport

16. The RGS sporting life was busy as always. Boys played rugby at all ages: the Senior School regularly put out 11 Rugby teams for Saturday fixtures. RGS rugby players think big, and it was no surprise that 67 boys made a summer tour of New Zealand and the Cook Islands, playing 17 matches and winning 11. Boys and girls alike made their mark in athletics and hockey. Football, basketball, badminton and judo carried on as ever, as did netball, swimming, and squash. The fencing squad gained in excess of 13 individual medals in competitions across Britain: six RGS fencers represented the North East region at the British Young Championships where Matt Henderson (Year 10) won bronze. He also won silver in the Public Schools Fencing Championships. In the British Schools Team Championships the girls' team came third; the Year 10 boy's team became British Schools Team U15 Epée Champions. The senior running team won the Tyneside Road Relays and the Tyneside Cross Country Championships. The senior boys' tennis team became Northern Champions for the third year in a row and narrowly missed a place in the All England Finals.

Structure, governance and management

17. At a General Meeting Governors approved amendments to the Articles of Association of the charitable company with regard to arrangements for meetings and for the appointment of Governors. Governors also carried out a self-assessment exercise: while this indicated general satisfaction with present arrangements for meetings and the exchange of information between Governors and the School, a number of initiatives will be taken to help Governors have a greater awareness of what is happening in the School and have the opportunity to meet with staff on a more regular basis. Health and Safety management in the School was also reviewed by Governors in the light of new corporate manslaughter legislation.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GOVERNORS' REPORT – CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

18. Governors carried out their annual review of risks facing the School and identified the state of the economy as the greatest current risk. This was addressed through a range of measures, including those outlined in paragraphs 6 and 19 in particular.
19. During the year Governors continued to pay close regard to the financial management of the School, in particular with regard to ensuring the financial security of the School and value for money in terms of the opportunities which the School offers to students and the results which they achieve compared with the level of tuition fees paid by their parents. The School also registered for VAT with effect from 1 February 2008.
20. Governors noted a range of positive performance indicators for the School, including the following:
 - the cashflow prior to scheduled loan repayments was positive and in line with the Business Plan;
 - student numbers increased from 1,218 to 1,249;
 - expenditure per student increased from £8,309 to £8,699;
 - the number of bursaries provided increased from 87 to 94;
 - expenditure on bursaries increased from £523,891 to £685,473;
 - academic results, as reported above, were highly satisfactory; and
 - staff turnover during the year was exceptionally low.
21. Having operated successfully as a charitable company for two financial years, Governors felt that the successful transformation to incorporation need no longer be a specific objective.
22. The School's subsidiary, RGS Trading Ltd, continued to operate the school's tuck shops, vending machines and licensed bars. The amounts show a turnover for the Company during the year of £82,686, and a trading loss of £5,424. The Directors of the Company reviewed the range of trading activities and will further review these in the light of the trading loss.
23. A number of new staffing appointments were made to strengthen the School's administrative and medical support and the School's Support Staff Pension Plan underwent a full review, including the provision of a new Deed and Rules.
24. On the property front, the School disposed of its Boathouse and boats, carried out alterations to the Main Building to provide additional office space and refurbished various other areas; following the grant of a new 21 year lease, major improvements were made to the Mooracres playing fields.
25. Looking ahead, plans are in hand for the provision of two additional classrooms to accommodate permanently the additional forms in Years 5 and 6 and potentially to refurbish the School's Library facilities: the construction work for these facilities will take place over summer 2009.
 - the cashflow prior to scheduled loan repayments was positive and in line with the Business Plan;
 - student numbers increased from 1,218 to 1,249;
 - expenditure per student increased from £8,309 to £8,699
 - the number of bursaries provided increased from 87 to 94;

FINANCIAL REVIEW

Reserves policy

The governors continue to take steps to review their reserves policy. Their intention is to continue to develop the School facilities whilst at the same time containing increases in tuition fees to a reasonable level.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GOVERNORS' REPORT – CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

Principal funding

The School's day to day charitable activities are self funding. The recent capital development programme undertaken by the School has initially been funded by a bank loan, repayable out of future income generated by the School.

Investment powers, policy and performance

The Trustees' investment powers are governed by the Trust Deed. The Governors have delegated the management of the investment portfolios to Brewin Dolphin Limited, but appraise their performance at regular intervals; the Governors' policy is to maintain income to fund bursaries, while preserving the market value of the investments. The total return on all investments was:-

J.R. Howarth Bequest and Bursary Fund. Decrease in market value 12.9% and gross income yield 4.4%
Peter Taylor Fund and Bursary Fund. Decrease in market value 13.2% and gross income yield 4.6%

Decreases in market value compare with the FTSE All – share index benchmark decrease of 16.4%.

Reserves

Notes 23 and 24 to the financial statements show the assets and liabilities attributable to the various funds by type, describe the various funds and summarise the movements on each fund. Unrestricted funds in total amounted to £17,458,239 of which £3,459,671 is a revaluation reserve held as a designated fund. Funds held as fixed assets totalled £26,138,573 leaving a deficit of free reserves at the year end of £8,680,334 a decrease in deficit of £891,476 over that shown last year in the accounts of the School

The School's freehold land and buildings on the Jesmond site are shown in the financial statements at an independent financial valuation of £25,800,000 (based on a depreciated replacement cost basis as at 18 December 2006), together with the cost of subsequent additions. Whilst the market value of the site is not readily ascertainable due to the covenants and other restrictions on the use of the premises, the Governors are confident that the current value of these assets is not overstated compared with the amounts shown in the financial statements.

Risk management

The Governors examine the major risks that the School faces each year, in the course of reviewing their strategic planning for the development of the School. The charitable company has developed systems to monitor and control these risks in order to mitigate any impact which they may have on the School in the future.

Grant making policy

In this period, the School awarded 94 bursaries amounting to £685,473 including amounts granted from the RGS Educational Trust for this purpose. The Governors' policy is to award means tested financial assistance for the duration of a pupil's education at the school on the basis of educational ability to enable pupils to attend or remain at the School in situations where the financial circumstances of their parent(s) or guardian(s) would not otherwise make that possible.

Asset cover for funds

Notes 23 and 24 to the financial statements set out an analysis of the assets attributable to the various funds together with a brief description of them. It is considered that the assets are sufficient to meet the School's obligations on a fund by fund basis.

The School's tangible assets are held for use by the School. The Governors believe that their value shown in the financial statements is fair and reasonable, being based on a professional valuation undertaken in December 2006. Investments are held to provide income and growth to match the liabilities set down by the donors of the capital.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL**GOVERNORS' REPORT - CONTINUED****FOR THE YEAR ENDED 31 JULY 2008****Accounting and reporting responsibilities**

Company and charity law applicable in England and Wales requires the Governors, as the trustees of the charitable company, to prepare financial statements for each financial period, which give a true and fair view of the charitable company's financial activities during the period and of its financial position at the end of the period.

In preparing the financial statements the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards and the Charities SORP disclosing and explaining any departure in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue.

The Governors are responsible for keeping proper accounting records which are such as to disclose with reasonable accuracy the financial position of the charitable company at any time and to enable them as trustees to ensure that the financial statements comply with Charity Law. The Governors are also responsible for safeguarding the charitable company's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Governors is aware at the time the report is approved there is no relevant audit information of which the charitable company's auditors are unaware and the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

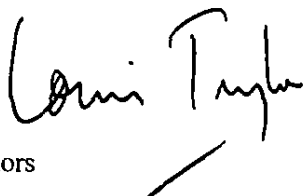
These financial statements comply with all relevant statutory requirements, the governing documents, and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2006.

Auditors

A resolution proposing that Ryecroft Glenton be re-appointed as auditors of the School will be put to the annual general meeting.

Approved by the Board of Governors on 10 November 2008 and signed on their behalf by:

Mr D L Taylor
Chairman of the Governors



INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL**

We have audited the Group's financial statements for the year ended 31 July 2008, which comprise the Group Statement of Financial Activities, School Statement of Financial Activities, Group Balance Sheet, School Balance Sheet, Group Statement of Cash Flows and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein and in accordance with the requirements of the Statement of Recommended Practice: 'Accounting by Charities'.

This report is made solely to the charitable 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 charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governors and auditors

As described in the Statement of Accounting and Reporting Responsibilities within the Governors' Report, the Governors (who also act as company directors) are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

We are not required to consider whether any statement in the Governors' Report concerning the major risks to which the group is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the group's risk management and control procedures.

We read other information contained in the Governors' 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance 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 THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL****Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to charities of the state of affairs of the charitable company and of the group as at 31 July 2008 and of the incoming resources and application of resources of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Governors' Report is consistent with the financial statements.



Ryecroft Glenton
Chartered Accountants
Registered Auditors

32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

10 November 2008

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GROUP STATEMENT OF FINANCIAL ACTIVITIES
AND INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2008

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2008 £	Total funds 2007 £
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income – grants and donations	3	272,831	550,201	-	823,032	568,546
Activities for generating funds						
- facilities lettings income		70,941	-	-	70,941	69,375
- shop trading income		82,686	-	-	82,686	72,434
Investment income	4	2,790	11,996	-	14,786	19,662
Incoming resources from charitable activities	5	10,468,871	-	-	10,468,871	9,607,580
Other incoming resources	6	71,662	-	-	71,662	13,252
Total incoming resources before exceptional item		10,969,781	562,197	-	11,531,978	10,350,849
Exceptional item – transfer of undertaking	7	-	-	-	-	14,987,758
Total incoming resources		10,969,781	562,197	-	11,531,978	25,338,607
RESOURCES EXPENDED						
Costs of generating funds						
Costs of generating voluntary income	8	42,488	-	-	42,488	71,670
Marketing costs	8	30,522	-	-	30,522	23,326
Fundraising trading – shop costs	8	88,111	-	-	88,111	82,257
Costs of letting of facilities	8	26,079	-	-	26,079	10,149
Charitable activities						
Provision of school services	8	10,005,047	2,747	-	10,007,794	9,449,367
Bursaries provided	8	167,922	533,467	-	701,389	523,891
Governance costs	8	57,147	-	-	57,147	42,508
Total resources expended		10,417,316	536,214	-	10,953,530	10,203,168
Net income for the year		552,465	25,983	-	578,448	15,135,439
Transfers between funds		11,848	(11,848)	-	-	-
Net incoming resources for the year before other recognised gains and losses		564,313	14,135	-	578,448	15,135,439
Other recognised gains						
Gains on revaluation of fixed assets for charitable company's own use		-	-	-	-	2,144,663
(Losses)/gains on investment assets		-	-	(53,449)	(53,449)	16,595
Net movement of funds		564,313	14,135	(53,449)	524,999	17,296,697
Reconciliation of funds						
Total funds brought forward		16,893,926	80,137	322,634	17,296,697	-
Total funds carried forward		<u>17,458,239</u>	<u>94,272</u>	<u>269,185</u>	<u>17,821,696</u>	<u>17,296,697</u>

The Statement of Financial Activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

**GROUP STATEMENT OF FINANCIAL ACTIVITIES
AND INCOME AND EXPENDITURE ACCOUNT - CONTINUED**

FOR THE YEAR ENDED 31 JULY 2008

Statement of changes in group resources applied for fixed assets for charitable use

	Total funds	Total funds
	2008	2007
	£	£
Net movement in funds for the year	524,999	17,296,697
Resources added back for depreciation of fixed assets for charitable use, net of additions	413,185	1,001,103
	<hr/>	<hr/>
Net movement in liquid funds	<u>938,184</u>	<u>18,297,800</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

SCHOOL STATEMENT OF FINANCIAL ACTIVITIES
AND INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2008

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2008 £	Total funds 2007 £
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income – grants and donations	3	272,831	550,201	-	823,032	568,546
Activities for generating funds - facilities lettings income		70,941	-	-	70,941	69,375
Investment income	4	2,790	11,996	-	14,786	19,662
Incoming resources from charitable activities	5	10,468,871	-	-	10,468,871	9,607,580
Other incoming resources	6	71,662	-	-	71,662	13,252
Total incoming resources before exceptional item		10,887,095	562,197	-	11,449,292	10,278,415
Exceptional item – transfer of undertaking	7	-	-	-	-	14,973,542
Total incoming resources		10,887,095	562,197	-	11,449,292	25,251,957
RESOURCES EXPENDED						
Costs of generating funds						
Costs of generating voluntary income	8	42,488	-	-	42,488	71,670
Marketing costs	8	30,522	-	-	30,522	23,326
Costs of letting of facilities	8	26,079	-	-	26,079	10,149
Charitable activities						
Provision of school services	8	10,005,047	2,747	-	10,007,794	9,449,367
Bursaries provided	8	167,922	533,467	-	701,389	523,891
Governance costs	8	57,147	-	-	57,147	42,508
Total resources expended		10,329,205	536,214	-	10,865,419	10,120,911
Net income for the year		557,890	25,983	-	583,873	15,131,046
Transfers between funds		11,848	(11,848)	-	-	-
Net incoming resources for the year before other recognised gains and losses		569,738	14,135	-	583,873	15,131,046
Other recognised gains						
Gains on revaluation of fixed assets for charitable company's own use		-	-	-	-	2,144,663
(Losses)/gains on investment assets		-	-	(53,449)	(53,449)	16,595
Net movement of funds		569,738	14,135	(53,449)	530,424	17,292,304
Reconciliation of funds						
Total funds brought forward		16,889,533	80,137	322,634	17,292,304	-
Total funds carried forward		<u>17,459,271</u>	<u>94,272</u>	<u>269,185</u>	<u>17,822,728</u>	<u>17,292,304</u>

The Statement of Financial Activities includes all gains and losses recognised in the year.
All incoming resources and resources expended derive from continuing activities.

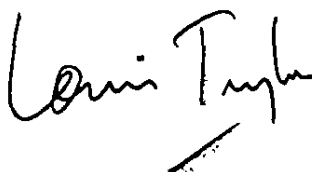
THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GROUP BALANCE SHEET AT 31 JULY 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
School buildings and equipment	16	26,138,573	26,551,758
Investments	17	280,700	336,075
		<u>26,419,273</u>	<u>26,887,833</u>
CURRENT ASSETS			
Stocks	18(a)	26,912	17,767
Debtors	19(a)	470,456	306,233
Cash at bank and in hand	20	253,737	93,078
		<u>751,105</u>	<u>417,078</u>
CREDITORS: Amounts falling due within one year	21(a)	<u>4,166,682</u>	<u>3,629,414</u>
Net current liabilities		<u>(3,415,577)</u>	<u>(3,212,336)</u>
Total assets less current liabilities		23,003,696	23,675,497
CREDITORS: Amounts falling due after more than one year	22	<u>5,182,000</u>	<u>6,378,800</u>
TOTAL NET ASSETS		<u>17,821,696</u>	<u>17,296,697</u>
ENDOWED FUNDS	24(a)	269,185	322,634
RESTRICTED FUNDS	24(b)	94,272	80,137
UNRESTRICTED SCHOOL FUNDS			
Designated		7,459,671	7,493,617
General		9,999,600	9,395,916
Non charitable trading funds		(1,032)	4,393
TOTAL UNRESTRICTED SCHOOL FUNDS	24(c)	<u>17,458,239</u>	<u>16,893,926</u>
TOTAL FUNDS		<u>17,821,696</u>	<u>17,296,697</u>

Approved by the Governors on 10 November 2008
and signed on their behalf by:

Mr D L Taylor
Chairman of the Governors



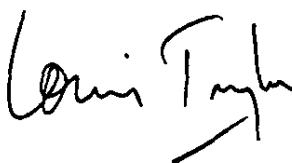
THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

SCHOOL BALANCE SHEET AT 31 JULY 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
School buildings and equipment	16	26,138,055	26,550,980
Investments	17	280,701	336,076
		<u>26,418,756</u>	<u>26,887,056</u>
CURRENT ASSETS			
Stocks	18(b)	25,746	16,345
Debtors	19(b)	470,456	310,615
Cash at bank and in hand		254,542	83,889
		<u>750,744</u>	<u>410,849</u>
CREDITORS: Amounts falling due within one year	21(b)	4,164,772	3,626,801
Net current liabilities		<u>(3,414,028)</u>	<u>(3,215,952)</u>
Total assets less current liabilities		23,004,728	23,671,104
CREDITORS: Amounts falling due after more than one year	22	5,182,000	6,378,800
TOTAL NET ASSETS		<u>17,822,728</u>	<u>17,292,304</u>
ENDOWED FUNDS	24(a)	269,185	322,634
RESTRICTED FUNDS	24(b)	94,272	80,137
UNRESTRICTED SCHOOL FUNDS			
Designated		7,459,671	7,493,617
General		9,999,600	9,395,916
TOTAL UNRESTRICTED SCHOOL FUNDS	24(c)	<u>17,459,271</u>	<u>16,889,533</u>
TOTAL FUNDS		<u>17,822,728</u>	<u>17,292,304</u>

Approved by the Governors on 10 November 2008
and signed on their behalf by:

Mr D L Taylor
Chairman of the Governors



THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2008

	Notes	2008 £	2007 £
NET CASH INFLOW FROM OPERATIONS	15	<u>1,863,315</u>	<u>1,825,831</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,568	7,115
Interest paid		(506,843)	(522,159)
Dividends received		<u>11,218</u>	<u>12,547</u>
		<u>(492,057)</u>	<u>(502,497)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments for tangible fixed assets		(666,084)	(2,501,277)
Proceeds from sale of fixed assets		<u>59,625</u>	<u>-</u>
		<u>(606,459)</u>	<u>(2,501,277)</u>
ACQUISITIONS			
Cash acquired from transfer of business and funds from the charity		<u>-</u>	<u>800,327</u>
		<u>764,799</u>	<u>(1,700,950)</u>
FINANCING			
Repayment of bank loan		<u>(1,125,000)</u>	<u>(1,216,556)</u>
DECREASE IN CASH	20(a)	<u>(360,201)</u>	<u>(1,594,172)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
	Notes	2008 £	2007 £
Decrease in cash	20(a)	(360,201)	(1,594,172)
Cash outflow from loan repayments		1,125,000	1,216,556
Loan acquired on transfer of funds from the charity		<u>-</u>	<u>(8,591,556)</u>
MOVEMENT IN NET DEBT	20(b)	<u>764,799</u>	<u>(8,969,172)</u>
NET DEBT AT 1 AUGUST 2007		<u>(8,969,172)</u>	<u>-</u>
NET DEBT AT 31 JULY 2008	20(b)	<u>(8,204,373)</u>	<u>(8,969,172)</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008

1. ACCOUNTING POLICIES

Group financial statements

The financial statements consolidate the accounts of The Newcastle upon Tyne Royal Grammar School, (including its Property Trust, charity reference number 1114424-1) and its wholly owned subsidiary, RGS Trading Limited, on a line by line basis. RGS Trading Limited covenants taxable profits to The Newcastle upon Tyne Royal Grammar School.

Accounting convention

The financial statements are prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued in March 2005 and with applicable accounting standards, under the historical cost accounting basis, except for the revaluation of freehold land and buildings and the inclusion of investment assets at market value.

The accounts have been prepared on a going concern basis. The group balance sheet shows net current liabilities of £3,415,577 as a result of construction costs of £9.7 million incurred which it is anticipated will result in increased revenues in future years. Liabilities are covered by long term finance and are in line with the School's business plan.

Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are stated after deducting allowances, scholarships and other remissions granted by the School from its unrestricted funds, but include contributions received from Restricted Funds for Scholarships, Bursaries and other grants.

Voluntary income and fund accounting

Voluntary income is received by way of grants and donations and is included in full in the Statement of Financial Activities when receivable.

The School receives a grant from the Hospital of St Mary the Virgin charity and recognises all grants receivable from that charity including amounts not yet paid by 31 July 2008 but which under the terms of that charity's trust deed it must pay over in due course to the School

Grants and donations received for the general purposes of the charitable company are included as unrestricted funds. Grants and donations for activities restricted by the wishes of the donor are taken to "restricted funds" if these wishes are legally binding on the Governors. Donations required to be retained as capital in accordance with the donor's wishes are accounted for as "endowments" – permanent or not, according to the nature of the restriction.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

1. ACCOUNTING POLICIES - CONTINUED

Resources expended

All expenditure is included on an accruals basis and is included under expense categories that aggregate all costs for allocation to activities. Where costs cannot directly be attributed to particular activities they have been allocated on a basis consistent with the use of the resources. The allocation method used has been to apportion all costs on the basis of the estimate of full time equivalent staff numbers employed on each activity.

Governance costs

Governance costs are those costs associated with constitutional and statutory requirements of the school.

Investment and investment income

Investments are included at closing mid-market value at the balance sheet date. Any gain or loss on revaluation is taken to the Statement of Financial Activities. Investment income is accounted for in the period in which the charity is entitled to receipt. Incoming resources from endowment funds are restricted.

Grants and bursaries

Grants and bursaries are included as expenditure in the period for which the award is given.

Tangible fixed assets

All freehold land and buildings are included in the financial statements based on the latest independent valuation of their value to the School plus the cost of subsequent major additions. Replacements and minor improvements to the fabric of the School are written off in the Statement of Financial Activities as they are incurred.

Assets under construction

Work carried out prior to the design stage of a development project is expensed in the period in which the expenditure is incurred. Expenditure incurred during design and construction phases is capitalised and included in assets under construction. The assets are transferred to freehold land and buildings on the earlier of completion of the project or occupancy by the School.

Depreciation

Freehold land is not depreciated.

Assets under construction are not depreciated on the grounds that they have not yet been brought into use. The cost of other fixed assets is depreciated by equal annual instalments over their expected useful lives as follows:

Motor vehicles	-	4 years
Plant and equipment	-	3 – 10 years
All Weather Pitch	-	20 years
Freehold buildings	-	50 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowances for any obsolete or slow moving items.

Pension costs

The School operates two main schemes:

The School participates in the Teachers' Pension Scheme, which is a defined benefit scheme for teaching staff only.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

1. ACCOUNTING POLICIES - CONTINUED

Contributions to the scheme are charged to the Statement of Financial Activities so as to spread the cost of the pensions over employees' working lives with the School in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by a qualified actuary on the basis of quinquennial valuations, using a prospective benefit method.

The School also operates a defined contribution scheme for non-teaching staff. The assets of the scheme are held separately from those of the School in an independently administered fund. The charge to the Statement of Financial Activities is the amount payable in the period.

2. NET INCOME OF TRADING SUBSIDIARY

The charitable company has one wholly owned trading subsidiary which is incorporated in the UK. RGS Trading Limited, which provides refreshments and confectionery through the school's tuck shops, covenants taxable profits to The Newcastle upon Tyne Royal Grammar School. A summary of the trading results is shown below:

	2008 £	2007 £
Turnover	82,686	72,434
Cost of sales	83,123	77,940
	<hr/>	<hr/>
Gross loss	(437)	(5,506)
Administration	4,987	4,317
	<hr/>	<hr/>
Operating loss	(5,424)	(9,823)
	<hr/>	<hr/>
Net loss	(5,424)	(9,823)
Taxation	-	-
	<hr/>	<hr/>
	(5,424)	(9,823)
Amount covenanted to the Newcastle upon Tyne Royal Grammar School	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Result	<u>(5,424)</u>	<u>(9,823)</u>
	<hr/>	<hr/>
Net (liabilities)/assets	<u>(1,032)</u>	<u>4,392</u>

3. VOLUNTARY INCOME

Group and school	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2008 £	Total funds 2007 £
Grants and donations					
Hospital of St Mary the Virgin	271,161	-	-	271,161	223,101
The Royal Grammar School					
Educational Trust	-	474,884	-	474,884	288,080
Other income for bursaries	-	45,317	-	45,317	55,358
Other donations received	1,670	30,000	-	31,670	2,007
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>272,831</u>	<u>550,201</u>	<u>-</u>	<u>823,032</u>	<u>568,546</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

4. INVESTMENT INCOME

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2008 £	Total funds 2007 £
Dividend income	-	8,471	-	8,471	9,582
Prize fund income	-	2,747	-	2,747	2,965
Bank interest receivable	2,790	778	-	3,568	7,115
Group and School	<u>2,790</u>	<u>11,996</u>	<u>-</u>	<u>14,786</u>	<u>19,662</u>

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

Group and school	Provision of school services	
	2008 £	2007 £
School fees	10,057,779	9,216,490
Catering income	411,092	391,090
	<u>10,468,871</u>	<u>9,607,580</u>
 The school fee income comprised:	 2008 £	 2007 £
Gross fees	10,207,112	9,308,121
Less: total grants and allowances	(149,333)	(91,631)
	<u>10,057,779</u>	<u>9,216,490</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

6. OTHER INCOME

Group and School	2008 £	2007 £
Profit on sale of fixed assets	59,625	-
Other income	12,037	13,252
	<u>71,662</u>	<u>13,252</u>

**7. EXCEPTIONAL ITEM: TRANSFER FROM OLD CHARITY -
NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL**

On 1 August 2006, all of the assets, liabilities and undertakings of the old charity Newcastle upon Tyne Royal Grammar School (charity number 5828148) were transferred into this charitable company and its associated Property Trust.

The assets and liabilities transferred were as follows:-

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total £
Fixed assets – school buildings and equipment	23,405,991	-	-	23,405,991
Fixed asset investments	1	13,441	306,039	319,481
Stocks	22,134	-	-	22,134
Debtors	292,028	-	-	292,028
Cash at bank and in hand	691,314	92,972	-	784,286
Creditors falling due within one year	(2,258,033)	-	-	(2,258,033)
Creditors falling due after more than one year	(7,733,650)	-	-	(7,733,650)
Net assets as stated in the 2006 accounts of the Trust	14,419,785	106,413	306,039	14,832,237
Adjustments to reflect change in accounting policy	141,305	-	-	141,305
Adjusted net assets transferred to charitable company	14,561,090	106,413	306,039	14,973,542
Subsidiary	14,216	-	-	14,216
Adjusted net assets transferred to charitable group	<u>14,575,306</u>	<u>106,413</u>	<u>306,039</u>	<u>14,987,758</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

8. TOTAL RESOURCES EXPENDED	Activities		Total 2008 £	Total 2007 £
	undertaken directly £	Support costs £		
Group				
Costs of generating funds				
Costs of generating voluntary income	31,877	10,611	42,488	71,670
Marketing costs	23,448	7,074	30,522	23,326
Fundraising trading – shop costs	88,111	-	88,111	82,257
Costs of letting of facilities	21,658	4,421	26,079	10,149
Charitable activities				
Provision of school services	8,831,773	1,176,021	10,007,794	9,449,367
Bursaries provided	685,473	15,916	701,389	523,891
Governance costs	30,620	26,527	57,147	42,508
	<u>9,712,960</u>	<u>1,240,570</u>	<u>10,953,530</u>	<u>10,203,168</u>
School				
Costs of generating funds				
Costs of generating voluntary income	31,877	10,611	42,488	71,670
Marketing costs	23,448	7,074	30,522	23,326
Costs of letting of facilities	21,658	4,421	26,079	10,149
Charitable activities				
Provision of school services	8,831,773	1,176,021	10,007,794	9,449,367
Bursaries provided	685,473	15,916	701,389	523,891
Governance costs	30,620	26,527	57,147	42,508
	<u>9,624,849</u>	<u>1,240,570</u>	<u>10,865,419</u>	<u>10,120,911</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

9. CHARITABLE ACTIVITIES UNDERTAKEN
DIRECTLY - GROUP AND SCHOOL

	Provision of school services £	Bursaries provided £	Total 2008 £	Total 2007 £
Teachers' salaries	4,971,397	-	4,971,397	4,645,197
Teaching resources	280,311	-	280,311	221,434
Other educational costs	159,696	-	159,696	190,163
Other teaching staff costs	69,777	-	69,777	31,017
Premises costs	1,409,228	-	1,409,228	1,432,052
Catering costs	463,206	-	463,206	399,676
Academic support expenditure	490,164	-	490,164	446,000
Prizes and awards	9,485	-	9,485	8,701
Bursaries provided	-	685,473	685,473	508,691
Depreciation	978,509	-	978,509	952,051
	<u>8,831,773</u>	<u>685,473</u>	<u>9,517,246</u>	<u>8,834,982</u>

Academic support expenditure is:

Educational support salaries	298,428	277,665
PE and sport	142,847	139,811
Clubs and magazines	48,889	28,524
	<u>490,164</u>	<u>446,000</u>

	2008 £	2007 £
Premises costs are:		
Salary costs	471,505	454,797
Maintenance	451,232	364,658
Occupancy costs	363,642	379,092
Insurance	122,849	233,505
	<u>1,409,228</u>	<u>1,432,052</u>

Catering costs are:

Staff costs	195,466	170,633
Food	204,690	175,862
Kitchen overheads	63,050	53,181
	<u>463,206</u>	<u>399,676</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

10. SUPPORT COSTS

Group and School

	Administration costs £	Financial costs £	Other central costs £	Total 2008 £	Total 2007 £
Costs of generating funds					
Costs of generating voluntary income	4,630	5,224	757	10,611	10,133
Marketing costs	3,086	3,483	505	7,074	6,756
Cost of lettings of facilities	1,929	2,177	315	4,421	4,222
Charitable Activities					
Provision of school services	513,106	579,012	83,903	1,176,021	1,123,076
Bursaries provided	6,944	7,836	1,136	15,916	15,200
Governance Costs	11,574	13,060	1,893	26,527	25,334
Total Cost	<u>541,269</u>	<u>610,792</u>	<u>88,509</u>	<u>1,240,570</u>	<u>1,184,721</u>

11. GOVERNANCE COSTS – Direct costs

Group and School	2008 £	2007 £
Audit and accountancy charges	24,501	12,010
Governors' events	6,119	5,164
	<u>30,620</u>	<u>17,174</u>

12. AUDIT AND ACCOUNTANCY FEES

	2008 £	2007 £
Audit and accountancy	11,506	11,430
Pension scheme	585	580
Other accountancy work	18,392	1,470
Total for school	<u>30,483</u>	<u>13,480</u>
Audit and accounting RGS Trading	1,003	783
Total for group	<u>31,486</u>	<u>14,263</u>

Fees for the year ended 31 July 2008 includes audit fees of £7,638 (2007 £7,220) charged to the charitable company. Of the £31,486 of fees, £24,501 is included in Governance costs and £6,985 in Support costs.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

13. BANK INTEREST PAYABLE

Included within financial support cost is interest payable on bank loans and overdrafts of £506,843 (2007: £522,159).

14. GOVERNORS

No governor (or any person connected with them) received any remuneration or expenses (2007 £nil).

No governor received reimbursement for travel expenses (2007, 1 trustee £81).

15. RECONCILIATION OF NET INCOMING RESOURCES FOR THE YEAR TO NET CASH INFLOW FROM OPERATIONS

	2008 £	2007 £
Net incoming resources for the year	578,448	15,135,439
Transfer from the Trust	-	(14,987,758)
Depreciation	978,769	964,355
(Increase)/decrease in stocks	(9,145)	6,122
Increase in creditors	45,108	79,848
(Increase)/decrease in debtors	(164,223)	125,328
Net payment from cash deposits held within investments	1,926	-
Investment income	(14,786)	(19,662)
Interest paid	506,843	522,159
Profit on sale of fixed assets	(59,825)	-
Net cash inflow from operations	<u><u>1,863,315</u></u>	<u><u>1,825,831</u></u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

16. TANGIBLE FIXED ASSETS

	Land & buildings £	Motor vehicles £	Plant and equipment £	Assets under construction £	Total for school £	RGS Trading Ltd plant and equipment £	Total for group £
Cost or valuation							
At 1 August 2007	26,003,888	170,514	2,464,274	-	28,638,676	1,038	28,639,714
Additions	356,200	9,964	195,446	3,974	565,584	-	565,584
Transfer	(16,224)	-	16,224	-	-	-	-
At 31 July 2008	26,343,864	180,478	2,675,944	3,974	29,204,260	1,038	29,205,298
Accumulated depreciation							
At 1 August 2007	47,641	128,416	1,911,639	-	2,087,696	260	2,087,956
Charge for period	680,391	22,237	275,881	-	978,509	260	978,769
At 31 July 2008	728,032	150,653	2,187,520	-	3,066,205	520	3,066,725
Net book value							
At 31 July 2008	<u>25,615,832</u>	<u>29,825</u>	<u>488,424</u>	<u>3,974</u>	<u>26,138,055</u>	<u>518</u>	<u>26,138,573</u>
At 31 July 2007	<u>25,956,247</u>	<u>42,098</u>	<u>552,635</u>	<u>-</u>	<u>26,550,980</u>	<u>778</u>	<u>26,551,758</u>

The premises were revalued by Storey Sons and Parker, external Chartered Surveyors as at 18 December 2006 on a depreciated replacement cost basis at £25,800,000. The net book value of land and buildings is made up of:-

£

Freehold land at valuation	6,000,000
Freehold buildings at valuation/additions at cost	19,515,958
Long leasehold additions	35,663
Short leasehold additions	64,211
	<u>25,615,832</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 JULY 2008

17. INVESTMENTS

	Market value	
	31 July 2008	31 July 2007
	£	£
Investments comprise of:-		
UK investments	253,915	313,603
Non UK investments (all listed)	26,785	22,472
	<u>280,700</u>	<u>336,075</u>
UK investments comprise of:		
Listed investments	177,082	202,032
Unlisted investments	63,268	74,679
Cash	13,565	36,892
	<u>253,915</u>	<u>313,603</u>
The historical cost of those investments is:	<u>256,644</u>	<u>236,316</u>

Movement in investments - Group and School

	Restricted £	Endowed £	Total £
Opening market value at 1 August 2007	13,441	322,634	336,075
Additions	-	58,704	58,704
Disposals at opening market value	-	(44,351)	(44,351)
Revaluation	-	(46,400)	(46,400)
Movement in cash held within investments	-	(23,328)	(23,328)
Group balance at 31 July 2008	<u>13,441</u>	<u>267,259</u>	<u>280,700</u>
Investment in subsidiary – cost			<u>1</u>
School balance at 31 July 2008			<u>280,701</u>

Subsidiary undertaking	Country of incorporation	Shares held
		Class %
RGS Trading Limited	England and Wales	Ordinary 100%

The company sells refreshments and confectionery through the Royal Grammar School's tuck shops, bar and vending machines.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

18. STOCK	31 July 2008 £	31 July 2007 £
a) Group		
Stationery	4,056	458
Kitchen	4,261	3,524
Materials and chemicals	2,620	1,159
Sundry items	14,809	11,204
Goods for resale	1,166	1,422
	<u>26,912</u>	<u>17,767</u>
	31 July 2008 £	31 July 2007 £
b) School		
Stationery	4,056	458
Kitchen	4,261	3,524
Materials and chemicals	2,620	1,159
Sundry items	14,809	11,204
	<u>25,746</u>	<u>16,345</u>
19. DEBTORS AND PREPAYMENTS	31 July 2008 £	31 July 2007 £
a) Group		
Fees receivable	47,660	57,784
Prepayments	167,867	29,933
Deferred loan fees	19,545	22,826
School field trip debtors	14,684	5,016
Educational Trust debtor	5,418	28,009
Grant debtors	190,691	140,888
Other debtors	24,591	21,777
	<u>470,456</u>	<u>306,233</u>
b) School		
Fees receivable	47,660	57,784
Prepayments	167,867	29,933
Deferred loan fees	19,545	22,826
Amounts due from subsidiary undertaking	-	4,382
School field trip debtors	14,684	5,016
Educational Trust debtor	5,418	28,009
Grant debtors	190,691	140,888
Other debtors	24,591	21,777
	<u>470,456</u>	<u>310,615</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

20. CASH AND CASH EQUIVALENTS

a) Analysis of cash balances as shown in the group balance sheet

	As at 31 July 2007 £	Change in period £	As at 31 July 2008 £
Cash at bank and in hand	93,078	160,659	253,737
Bank overdraft	(1,687,250)	(520,860)	(2,208,110)
	<u>(1,594,172)</u>	<u>(360,201)</u>	<u>(1,954,373)</u>

b) Analysis of changes in net debt

	As at 31 July 2007 £	Cash flows £	Other changes £	As at 31 July 2008 £
Cash at bank and in hand	93,078	160,659	-	253,737
Bank overdraft	(1,687,250)	(520,860)	-	(2,208,110)
Debt due within one year	(1,125,000)	1,125,000	(1,250,000)	(1,250,000)
Debt due after one year	(6,250,000)	-	1,250,000	(5,000,000)
	<u>(8,969,172)</u>	<u>764,799</u>	<u>-</u>	<u>(8,204,373)</u>

21. CREDITORS: Amounts falling due within one year

	31 July 2008 £	31 July 2007 £
a) Group		
Bank loan (note 22)	1,250,000	1,125,000
Bank overdraft	2,208,110	1,687,250
Fees received in advance	4,291	14,268
Pension contributions payable	75,771	76,452
Other taxes and social security costs	139,988	129,051
Accruals	59,005	118,310
Other creditors	133,623	201,716
Trade creditors	260,494	241,367
Deposits repayable within one year	35,400	36,000
	<u>4,166,682</u>	<u>3,629,414</u>

The bank loan and overdraft are secured by a first legal charge over the freehold land and buildings of the School. It is repayable in quarterly instalments and attracts interest at 5.95%.

Total bank borrowings represent 33% (2007: 35%) of the value of the assets on which they are charged.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

21. CREDITORS: Amounts falling due within one year - continued

	31 July 2008 £	31 July 2007 £
b) School		
Bank loan	1,250,000	1,125,000
Bank overdraft	2,208,110	1,687,250
Fees received in advance	4,291	14,268
Pension creditor	75,771	76,452
Other taxes and social security costs	139,988	129,051
Accruals	59,005	118,310
Other creditors	131,713	201,716
Trade creditors	260,494	238,754
Deposits repayable within one year	35,400	36,000
	<u>4,164,772</u>	<u>3,626,801</u>

22. CREDITORS: Amounts falling due after more than one year

	31 July 2008 £	31 July 2007 £
Group and School		
Bank loan - repayable within 5 years	5,000,000	6,250,000
Deposits - repayable within 5 years	182,000	128,800
	<u>5,182,000</u>	<u>6,378,800</u>
Bank loan		
Amounts repayable by instalments:		
In one year or less or on demand	1,250,000	1,125,000
In more than one year but not more than five years	5,000,000	6,250,000
	<u>6,250,000</u>	<u>7,375,000</u>
Included in creditors: amounts falling due within one year (note 21)	<u>(1,250,000)</u>	<u>(1,125,000)</u>
	<u>5,000,000</u>	<u>6,250,000</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

23. ALLOCATION OF NET ASSETS

	Tangible fixed assets £	Investments £	Net current assets/ (liabilities) £	Long term liabilities and provisions £	Total £
Endowed funds	-	267,259	1,926	-	269,185
Restricted funds	-	13,441	80,831	-	94,272
Unrestricted funds:					
Designated funds	7,459,671	-	-	-	7,459,671
School general fund	18,678,384	1	(3,496,785)	(5,182,000)	9,999,600
School total	<u>26,138,055</u>	<u>280,701</u>	<u>(3,414,028)</u>	<u>(5,182,000)</u>	<u>17,822,728</u>
Unrestricted non-charitable Trading funds	518	(1)	(1,549)	-	(1,032)
Group total	<u>26,138,573</u>	<u>280,700</u>	<u>(3,415,577)</u>	<u>(5,182,000)</u>	<u>17,821,696</u>

24. FUNDS

	Brought forward 1 August 2007 £	Other incoming resources £	Resources expended £	Investment losses & transfers £	Balance 31 July 2008 £
a) Endowed funds					
Group and School					
Prize investment fund	74,679	-	-	(11,411)	63,268
J R Howarth Bursary Fund	166,607	-	-	(29,886)	136,721
Peter Taylor Bursary Fund	81,348	-	-	(12,152)	69,196
	<u>322,634</u>	<u>-</u>	<u>-</u>	<u>(53,449)</u>	<u>269,185</u>

Donations are credited to the appropriate fund and the impact of market valuation and investment transactions are also included. Investment income and expenditure is treated within the restricted funds.

The funds are all permanent.

The original bequest of £121,132 from James Ronald Howarth was provided to give assistance to able boys attending the Royal Grammar School, for scholarships and bursaries. If, at any time, the Royal Grammar School loses its independence, as defined by the Governors of the School, the whole sum shall be paid to the Rector and Fellows of Exeter College, Oxford, to be used at their discretion for the benefit of the college.

The prize investment fund comprises many small donations made for various reasons to provide a variety of school prizes. The funds have been managed by COIF Charities Investment Fund.

In 1998 the family of the late Lord Taylor of Gosforth set up a Bursary Fund to assist with the tuition fees of pupils entering the 6th form of the RGS who, for financial reasons, might not otherwise be able to attend the school.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

24. FUNDS - CONTINUED

b) Restricted funds	Brought forward 1 August 2007 £	Incoming resources £	Resources expended £	Transfers £	Balance 31 July 2008 £
Group and School					
J R Howarth Bursary Fund	50,059	6,443	(6,633)	-	49,869
Peter Taylor Bursary Fund	9,770	2,806	(6,633)	-	5,943
School Bursary Fund	20,308	520,201	(520,201)	-	20,308
Cricket fund	-	30,000	-	(11,848)	18,152
Prize fund	-	2,747	(2,747)	-	-
	<u>80,137</u>	<u>562,197</u>	<u>(536,214)</u>	<u>(11,848)</u>	<u>94,272</u>

The funds are restricted by the donor for the provision of bursaries and prizes. The resources expended represent bursaries and prizes granted during the year.

The transfer represents movement of funds to general funds on the purchase of fixed assets.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

	Brought forward 1 August 2007 £	Incoming resources £	Resources expended £	Transfers £	Balance 31 July 2008 £
c) Unrestricted funds (General and designated funds)					
i. Group					
Revaluation reserve	7,493,617	-	(33,946)	-	7,459,671
Group general fund	9,395,916	10,887,095	(10,295,259)	11,848	9,999,600
Non-charitable trading funds	4,393	82,686	(88,111)	-	(1,032)
	<u>16,893,926</u>	<u>10,969,781</u>	<u>(10,417,316)</u>	<u>11,848</u>	<u>17,458,239</u>
ii. School		Other incoming resources £	Resources expended £	Transfers £	Balance 31 July 2008 £
Revaluation reserve	7,493,617	-	(33,946)	-	7,459,671
School general funds	9,395,916	10,887,095	(10,295,259)	11,848	9,999,600
	<u>16,889,533</u>	<u>10,887,095</u>	<u>(10,329,205)</u>	<u>11,848</u>	<u>17,459,271</u>

The School general fund is retained to cover the fixed assets and provide working capital.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

25. PUPIL AND EMPLOYEE DETAILS

	2008	2007
	No.	No.
Pupil numbers at 31 July 2008:		
Senior school:		
- Full fees	956	948
- Receiving bursaries	90	85
	<u>1,046</u>	<u>1,033</u>
Junior School:		
- Full fees	199	183
- Receiving bursaries	4	2
	<u>203</u>	<u>185</u>
Total	<u>1,249</u>	<u>1,218</u>
	2008	2007
	£	£
Staff costs:		
Salaries and wages	5,291,237	4,850,564
National Insurance	441,386	407,811
Superannuation and pension contributions	613,797	574,764
	<u>6,346,420</u>	<u>5,833,139</u>

The number of employees receiving remuneration of more than £60,000 is as follows:

	2008	2007
	No.	No.
£60,001 - £70,000	1	1
£80,001 - £90,000	1	1
£150,001 - £160,000	-	1
£160,001 - £170,000	1	-

For these employees, the School has made contributions for the provision of money purchase benefits of £7,938 for one employee, and has made payments to defined benefit schemes for two employees.

Staff numbers at 31 July 2008:

	Full time equivalents	
	2008	2007
	No.	No.
Teachers:		
- Senior school	89	93
- Junior school	16	10
Academic support	15	13
Property management	19	19
Clerical and administrative	8	8
Catering	13	13
	<u>160</u>	<u>157</u>

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

26. PENSIONS

The School's employees belong to two principal pension schemes, the Teachers' Pension Scheme for teaching staff and a fully insured money purchase scheme for support staff known as the RGS Non-Academic Staff Pension Scheme.

The pension costs included in these financial statements comprise:

	2008 £	2007 £
a) Charge for the period:		
Teachers' Pension scheme	549,442	513,001
RGS Non-Academic Staff Pension scheme	64,355	61,763
	<u>613,797</u>	<u>574,764</u>
b) Amounts in creditors (including employees' contributions)	<u>75,771</u>	<u>76,452</u>

The Teachers' Pension Scheme

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

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

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

The RGS Non-Academic Staff Pension Scheme

The RGS Non-Academic Staff Pension Scheme is a fully insured money purchase scheme for all permanent RGS staff who are not entitled to join the Teachers Pension Scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

THE NEWCASTLE UPON TYNE ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 JULY 2008

27. FINANCIAL COMMITMENTS

As at 31 July 2008, the following capital commitments existed in respect of the redevelopment of the school:

	2008 £	2007 £
Amounts contracted for:	<u>-</u>	<u>170,694</u>

28. RELATED PARTIES

The School shares some trustees with the RGS Educational Trust, a charity the main purpose of which is to provide income towards bursaries for some pupils of the school. The School maintains a bank account on behalf of the Trust in respect of donations towards the Trust's campaign appeal and the school has met the Trust's campaign appeal costs totalling £31,877 (2007: £61,537). The contribution towards bursaries by the Trust this year amounted to £474,884 (2007: £288,080).

As at 31 July 2008, £5,418 (2007: £2,608) is included within debtors in respect of accountancy and audit fees paid by the school on behalf of the Trust.

29. REGISTERED CHARITY AND TRADING SUBSIDIARY

The Newcastle upon Tyne Royal Grammar School is a charitable company limited by guarantee, company number 5664801 and is registered with the Charity Commission with a registration number 1114424.

The trading subsidiary, RGS Trading Limited is a company limited by shares, registration number 4063794.

30. OPERATING LEASES

As at 31 July 2008 the charitable company had annual commitments under non-cancellable operating leases as set out below:-

	Land and buildings	
	2008 £	2007 £
Operating leases which expire:		
In over five years	<u>13,317</u>	<u>13,317</u>

