

Royal Ballet School

FINANCIAL STATEMENTS

for the year ended

31 August 1999



Company Registration No. 547018

Royal Ballet School

DIRECTORS AND OFFICERS

DIRECTORS

Lord Sterling of Plaistow, CBE (Chairman)
Mr Peter Foy (Deputy Chairman)
Mr David Norman (Deputy Chairman)
Mrs Angela Bernstein
Mr David Bintley
Mr Nicolas Chisholm
Miss Felicity Clark
Sir Anthony Dowell, CBE
Mrs Mary Eyre
Mr Michael Kaiser
Mrs Tessa King-Farlow
Mr Colin Nears, CBE
Mr Francis Plowden
Lady Sainsbury
Sir Colin Southgate
Mr Stephen Szemerényi
Dame Ninette de Valois, CH, DBE
Sir Peter Wright, CBE

SECRETARY

Mr Ian Scholey

REGISTERED OFFICE

155 Talgarth Road
Barons Court
London W14 9DE

AUDITORS

Baker Tilly
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BANKERS

Lloyds TSB Bank plc
City of London
3a Threadneedle Street
London EC2R 8AU

SOLICITORS

Finers Solicitors
179 Great Portland Street
London W1N 6LS

Royal Ballet School

REPORT OF THE GOVERNORS

The Governors submit their report and the financial statements of the Royal Ballet School for the year ended 31 August 1999.

STATUS

The School is a Company Limited by Guarantee (Company Number 547018) incorporated in 1955 and is a Registered Charity, number 214364. Information on a connected charity is given in note 18 to the financial statements.

OBJECTS AND PRINCIPAL ACTIVITIES

The School aims to:

- Train and educate 204 full time students towards a career as classical ballet dancers.
- Supply The Royal Ballet and Birmingham Royal Ballet with the majority of their dancers.
- Recruit these students in the United Kingdom and throughout the world through its Search for Talent programme.
- Maintain its standing as a world class centre of excellence.
- Contribute to the raising of national and international classical ballet teaching standards through the Teacher Link programme of seminars, "Work in Progress" days and the *Sidelines* newsletter.
- Train and educate ballet teachers of the future on the Teachers' Course.
- Nurture the young people within its care and to fulfil its responsibilities to students and their parents.

The School is located on two sites where full-time pupils and students are trained and educated. White Lodge in Richmond Park is a boarding school for 11 to 16 year olds, the Upper School in West London has a Dancers' Course for students aged 16 to 18 and a Teachers' Course for students aged 16 upwards.

Children aged 9 to 12 attend Junior and Mid-Associate classes weekly or monthly at various centres throughout the U.K.. Pupils aged 13 and 15 attend Senior Associate classes fortnightly in London and Birmingham.

The School runs Junior and Senior Summer Schools for two weeks in July/August.

REVIEW

In September 1998 the School had 80 girls and 51 boys at White Lodge, 54 girls and 29 boys on the Upper School Dancers' Course, 20 girls and 1 boy on the Upper School Teachers' Course, 250 girls and 88 boys on the Junior Associates course and 37 girls and 4 boys on Senior Associates.

40 girls and 20 boys attended the 1999 Junior Easter Course. 33 girls and 12 boys attended the 1999 Senior Summer School.

By the end of the academic year, 7 of the Teachers' Course graduates and 21 of the 37 Dancers' Course graduates had obtained jobs.

The School's pupils and students achieved a 92% pass rate (Grades A* to C) in GCSE examinations, a 33% pass rate in AS Levels and a 73% pass rate in A Levels.

Royal Ballet School

REPORT OF THE GOVERNORS

THE FINANCIAL RESULTS

The key to the School's financial stability is the agreement it has with the Department for Education and Employment (DfEE). The core of the School's income comes from the DfEE in the form of means tested grant aid to parents under the Music and Ballet Scheme - places on the scheme are restricted to United Kingdom residents. In the year under review there were 127 Aided Places at White Lodge and 57 at the Upper School for students on the Dancers' Course. Other United Kingdom students at the Upper School receive funding from their parents, Local Authorities or from the School's own resources. Non United Kingdom students, especially at the Upper School, are funded by their parents and by grants that the School receives from a number of trusts and foundations. A breakdown of the School's funding is shown in note 1 on page 13.

The School budgets to break even and this year there was a surplus of £25,676 as shown on page 8. The full results are shown in the accounts.

DIRECTORS

The directors of the company during the year were the Members of the Board of Governors who were:-

Lord Sterling of Plaistow, CBE (Chairman)	
Mrs Angela Bernstein	
Mr David Bintley	
Mr Nicolas Chisholm	
Miss Felicity Clark	(appointed 29 June 1999)
Sir Anthony Dowell, CBE	
Mrs Mary Eyre	
Mr Peter Foy	
Mr Michael Kaiser	(appointed 9 February 1999)
Mrs Tessa King-Farlow	
Sir Bruce MacPhail	(resigned 10 November 1998)
Mr Colin Nears, CBE	
Mr David Norman	
Mr Francis Plowden	
Lady Sainsbury	
Sir Colin Southgate	
Mr Stephen Szemerényi	
Dame Ninette de Valois, CH, DBE	
Sir Peter Wright, CBE	

The director in control of the day-to-day running of the school is Gailene Stock, who is not a Member of the Board of Governors.

Governors are either appointed by the Royal Opera House (Covent Garden) Limited or nominated. They are either nominated by the Secretary of State for Education or are elected by the existing Governing Body.

Royal Ballet School

REPORT OF THE GOVERNORS

FIXED ASSETS

The significant changes in fixed assets during the year are detailed in note 6 to the financial statements.

MARKET VALUE OF FREEHOLD LAND AND BUILDINGS

The directors are of the opinion that the market value of properties at 155 Talgarth Road would significantly exceed the net book values included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the School's intention to retain ownership of its existing properties for use in its business for the foreseeable future.

RESTRICTED FUNDS

The company holds a number of Scholarships and Funds, the use of which is restricted to the purposes specified by the donors.

SERVICES IN KIND

During the year the School received services in kind from P&O, Abbott Mead Vickers and BBDO Limited.

TAXATION STATUS

The company is a registered charity and, as such, for taxation purposes is entitled to exemption under the Income and Corporation Taxes Act 1988.

YEAR 2000

The School has reviewed its existing systems in relation to Year 2000 compliance. The directors believe that the accounts system and the telephone system are compliant. The auditions database is not Year 2000 compliant and a new system is currently being installed.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



IE Scholey

Secretary

16 November 1999

Royal Ballet School

GOVERNORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Governors are responsible for keeping proper accounting records, for safeguarding the assets of the School and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing those financial statements, the Governors are required to:

- select suitable accounting policies and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis.

AUDITORS' REPORT TO THE MEMBERS OF ROYAL BALLET SCHOOL

We have audited the financial statements on pages 7 to 18.

Respective responsibilities of Governors and Auditors

As described on page 5 the School Governors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 judgements made by the Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the School'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 that 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the School's affairs at 31 August 1999 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

BAKER TILLY

Registered Auditor

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

16 November 1999

Royal Ballet School
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 August 1999

	<i>Notes</i>	Unrestricted Funds £	Restricted Funds £	Total 1999 £	Total 1998 £
INCOMING RESOURCES					
School fees and grants	1	3,579,080	-	3,579,080	3,542,181
Lets and sundry income		206,666	-	206,666	210,863
Grants receivable		104,432	21,562	125,994	122,851
Interest received		15,013	-	15,013	20,931
TOTAL INCOMING RESOURCES		3,905,191	21,562	3,926,753	3,896,826
RESOURCES EXPENDED					
Direct Charitable expenditure	2,3	3,786,348	33,266	3,819,614	3,808,441
Support costs for charitable activity	2	30,262	-	30,262	48,495
Management and administration expenses	2	51,201	-	51,201	35,989
TOTAL RESOURCES EXPENDED		3,867,811	33,266	3,901,077	3,892,925
NET MOVEMENT IN FUNDS		37,380	(11,704)	25,676	3,901
Fund balances brought forward at 1 September 1998		386,683	26,980	413,663	338,322
Fund balances carried forward at 31 August 1999		424,063	15,276	439,339	413,663

Royal Ballet School
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 August 1999

	<i>Notes</i>	1999 £	1998 £
INCOME			
School fees and grants	1	3,579,080	3,542,181
Lets and sundry income		206,666	210,863
Grants receivable		104,432	96,732
		<u>3,890,178</u>	<u>3,849,776</u>
EXPENDITURE			
Staff costs:			
wages and salaries	5	2,058,396	2,054,872
social security costs		160,166	159,729
other pension costs		73,441	62,063
		<u>2,322,003</u>	<u>2,276,664</u>
Depreciation		339,271	336,863
Other operating charges		1,204,937	1,257,588
		<u>3,866,211</u>	<u>3,871,115</u>
TRADING SURPLUS/(DEFICIT)		<u>23,967</u>	<u>(21,339)</u>
Interest receivable		15,013	20,931
Interest on bank overdraft wholly repayable within five years	3	(1,600)	-
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES		<u>37,380</u>	<u>(408)</u>
INCOME AND EXPENDITURE ACCOUNT brought forward		52,262	52,670
INCOME AND EXPENDITURE ACCOUNT carried forward		<u>89,642</u>	<u>52,262</u>
STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES			
Surplus/(deficit) for the financial period		37,380	(408)
Movement on restricted funds		(11,704)	4,309
Total recognised gains since last annual report		<u>25,676</u>	<u>3,901</u>

The surplus for the year is derived entirely from the company's continuing operations.

Royal Ballet School

BALANCE SHEET

31 August 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	6	2,302,902	2,388,478
Deferred credit: grants receivable	7	(1,217,478)	(1,314,210)
		<u>1,086,424</u>	<u>1,074,268</u>
CURRENT ASSETS			
Stocks	8	15,607	9,127
Debtors	9	289,922	319,312
Cash at bank and in hand		650	1,263
		<u>306,179</u>	<u>329,702</u>
CREDITORS: Amounts falling due within one year			
Bank overdraft	10	(28,541)	(122,471)
School fees in advance	11	(233,337)	(127,765)
Trade and other creditors	12	(435,726)	(482,251)
		<u>(391,425)</u>	<u>(402,785)</u>
NET CURRENT LIABILITIES			
		<u>694,999</u>	<u>671,483</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS			
Amounts falling due after more than one year	13	(248,285)	(248,285)
Provision for liabilities and charges	14	(7,375)	(9,535)
		<u>439,339</u>	<u>413,663</u>
CAPITAL AND RESERVES			
Revaluation reserve		334,421	334,421
Restricted funds	4	15,276	26,980
Income and expenditure account		89,642	52,262
		<u>439,339</u>	<u>413,663</u>

Approved by the board on 16 November 1999

Lord Sterling of Plaistow, CBE

Chairman

Mr David Norman

Deputy Chairman

Royal Ballet School
CASH FLOW STATEMENT
for the year ended 31 August 1999

	<i>Notes</i>	1999 £	1998 £
NET CASH FLOW FROM OPERATING ACTIVITIES	1	334,599	197,698
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2	13,413	20,931
CAPITAL EXPENDITURE	2	(254,695)	(235,105)
INCREASE/(DECREASE) IN CASH	3	93,317	(16,476)

Royal Ballet School

NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 August 1999

1	RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	1999 £	1998 £	
	Operating profit/(loss)	23,967	(21,339)	
	Depreciation/amortisation of grant	242,539	240,130	
	(Increase)/decrease in stocks	(6,480)	8,020	
	(Increase)/decrease in debtors	29,390	(66,699)	
	Increase/(decrease) in creditors	56,887	33,277	
	Movement in restricted funds	(11,704)	4,309	
		<u>334,599</u>	<u>197,698</u>	
2	GROSS CASH FLOWS	£	£	
	Returns on investments and servicing of finance:			
	Interest received on bank deposits	15,013	20,931	
	Interest paid on bank overdraft	(1,600)	-	
		<u>13,413</u>	<u>20,931</u>	
	Capital expenditure:			
	Payment to acquire tangible fixed assets	<u>254,695</u>	<u>235,105</u>	
3	ANALYSIS OF CHANGES IN NET DEBT	1 September 1998 £	Cash flow £	31 August 1999 £
	Cash in hand and at bank	1,263	(613)	650
	Overdrafts	(122,471)	93,930	(28,541)
		<u>(121,208)</u>	<u>93,317</u>	<u>(27,891)</u>

Royal Ballet School

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Charities (Accounts and Reports) Regulations 1997, the Statement of Recommended Practice "Accounting by charities" and under the historical cost convention as modified by the revaluation of certain assets, and under the going concern concept, on the understanding that the company will continue to receive sufficient financial support to enable it to meet its liabilities as and when they fall due for payment.

The governors are of the opinion that the present overdraft facility is adequate. The overdraft facility is unsecured, although the deeds are held informally by the bank.

TANGIBLE FIXED ASSETS

Freehold property

The governors do not consider it appropriate to comply with the recommendation of the Statement of Standard Accounting Practice No. 12, to depreciate that proportion of the valuation which may be attributed to the building due to:-

- i) the absence of information relating to the division between the value attributable to the land and that attributable to the building and,
- ii) in the opinion of the governors the amount of depreciation to be provided would be immaterial.

Leasehold property

The original cost of the leasehold property was fully amortised in the period 1955 to 1976, although the lease does not expire until 2013. Subsequent major works and additions to the leasehold property are capitalised and amortised over the unexpired period of the lease, or evenly over the expected useful lives of the major works and additions as appropriate, at rates varying between 6% and 25% per annum on cost.

Furniture, fixtures and equipment

Depreciation has been calculated by allocating cost, less any estimated residual value, evenly over the expected useful lives of the assets concerned.

The rates used are:-

Boiler	- 10%)
Furniture and fixtures	- 15%) per annum on cost
Canteen equipment	- 20%)
Computer equipment	- 33⅓%)
Motor vehicles	- 25%)

Deferred credit: grants receivable

This represents grants receivable from the Endowment Fund for the acquisition of tangible fixed assets. The grants are credited to the Income and Expenditure Account over the expected useful lives of the assets.

STOCKS

Stocks are valued at the lower of cost and net realisable value on a "first in, first out" basis.

TURNOVER

Turnover consists of school fees and expenses due and receivable, grants receivable from the Department for Education and Employment, income arising from the letting of the school premises and facilities, and sponsorship of the school's performances.

PENSION CONTRIBUTIONS

The costs of providing pensions for employees are charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Any funding surplus or deficit which may arise from time to time is amortised over the average working life of employees.

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

1	FEES RECEIVABLE	1999 £	1998 £
	Gross fees	3,643,155	3,624,429
	Less bursaries	(64,075)	(86,248)
		<u>3,579,080</u>	<u>3,542,181</u>
	Financed by:		
	Grants from DfEE	2,980,235	2,815,073
	Grants from Local Authorities	26,701	82,932
	Connected charity	97,912	104,867
	Outside trusts	103,922	127,424
	Parents	370,310	411,885
		<u>3,579,080</u>	<u>3,542,181</u>

2 ANALYSIS OF TOTAL RESOURCES EXPENDED

	<i>Staff costs</i>		<i>Other</i>		<i>Depreci-</i>	<i>1999</i>
	<i>Un-</i>	<i>Restricted</i>	<i>Un-</i>	<i>Restricted</i>	<i>ation</i>	<i>Total</i>
	£	£	£	£	£	£
Direct charitable expenditure:						
Teaching costs	1,301,115	27,541	64,123	-	-	1,392,779
Welfare	435,165	-	403,150	-	-	838,315
Premises	-	-	386,074	-	319,098	705,172
Administration	368,683	-	163,651	-	20,173	552,507
Search for talent	217,040	-	106,476	-	-	323,516
Grants awards prizes	-	-	-	5,725	-	5,725
Other	-	-	1,600	-	-	1,600
	<u>2,322,003</u>	<u>27,541</u>	<u>1,125,074</u>	<u>5,725</u>	<u>339,271</u>	<u>3,819,614</u>
Support costs	-	-	30,262	-	-	30,262
Management and administration	-	-	51,201	-	-	51,201
	<u>2,322,003</u>	<u>27,541</u>	<u>1,206,537</u>	<u>5,725</u>	<u>339,271</u>	<u>3,901,077</u>

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

3	EXPENDITURE			1999 £	1998 £
	Management and administration costs include:				
	Audit fee			10,500	10,868
	Interest			1,600	-
				<hr/>	<hr/>
4	RESTRICTED FUNDS	<i>Balance at 1 September 1998 £</i>	<i>Incoming resources £</i>	<i>Resources expended £</i>	<i>Balance at 31 August 1999 £</i>
	Bursaries/teaching	25,771	20,386	28,844	17,313
	Prizes	(85)	1,154	500	569
	Other	1,294	22	3,922	(2,606)
		<hr/>	<hr/>	<hr/>	<hr/>
		26,980	21,562	33,266	15,276
				<hr/>	<hr/>
5	EMPLOYEES			1999 No.	1998 No.
	The average weekly number of persons (excluding directors) employed by the company during the year was:				
	Office and management			14	15
	Teachers and pianists			46	46
	Domestics			12	12
	Catering			23	23
				<hr/>	<hr/>
				95	96
				<hr/>	<hr/>
	The directors received no remuneration during the year (1998: £Nil).				
				1999 No.	1998 No.
	EMPLOYEES' REMUNERATION				
	The number of employees whose emoluments exceeded £40,000 were:				
	£50,001 - £60,000			1	1
				<hr/>	<hr/>

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1999

6	TANGIBLE FIXED ASSETS	Property		Furniture, fixtures and equipment			Total £
		Freehold Talgarth Road £	Short leasehold White Lodge £	Talgarth Road £	White Lodge £	Motor vehicle £	
	Cost or valuation						
	1 September 1998	411,926	4,302,904	534,525	495,815	26,406	5,771,576
	Additions	-	191,441	37,710	25,544	-	254,695
	31 August 1999	411,926	4,494,345	572,235	521,359	26,406	6,026,271
	Depreciation						
	1 September 1998	-	2,524,464	455,421	396,611	6,602	3,383,098
	Charged in the year	-	249,155	42,987	40,527	6,602	339,271
	31 August 1999	-	2,773,619	498,408	437,138	13,204	3,722,369
	Net book value						
	31 August 1999	411,926	1,720,726	73,827	84,221	13,202	2,303,902
	31 August 1998	411,926	1,778,440	79,104	99,204	19,804	2,388,478

The freehold land and buildings were professionally revalued in February 1979 at £409,500. The original cost of the freehold land and buildings is £77,505.

7	DEFERRED CREDIT: Grants receivable	White Lodge Studio £
	Balance at 1 September 1998	1,314,210
	Debited to income in year	(96,732)
	Balance at 31 August 1999	1,217,478

8	STOCKS	1999 £	1998 £
	Goods for resale	15,607	9,127

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1999

		1999 £	1998 £
9	DEBTORS		
	Due within one year:		
	School fees		
	- parents	36,246	26,476
	- local authorities	-	1,667
	- DfEE	135,376	100,918
	Other debtors	38,806	40,461
	Prepayments and accrued income	79,494	104,496
	Connected charity	-	45,294
		<u>289,922</u>	<u>319,312</u>
10	BANK OVERDRAFT		
	The bank overdraft is unsecured.		
11	SCHOOL FEES IN ADVANCE	1999 £	1998 £
	Parents	150,702	107,018
	Scholarships from Outside Trusts	79,745	19,118
	Local Authorities	2,890	1,629
		<u>233,337</u>	<u>127,765</u>
12	CREDITORS:	1999 £	1998 £
	Amounts falling due within one year:		
	Trade creditors	84,581	176,725
	Connected charity	54,908	-
	Taxation and social security	49,460	47,987
	Other creditors	8,667	7,665
	Accruals	238,110	249,874
		<u>435,726</u>	<u>482,251</u>
13	CREDITORS:	1999 £	1998 £
	Amounts falling due in more than one year:		
	Other creditors	248,285	248,285
		<u></u>	<u></u>
	Other creditors comprise a loan from the Royal Ballet School Endowment Fund. This loan is unsecured, interest free and is only repayable when there are surplus funds available.		

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

14	PROVISION FOR LIABILITIES AND CHARGES	1999 £	1998 £
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Pension commitments	7,375	9,535
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15 LIABILITY OF MEMBERS

The company does not have a share capital and is limited by guarantee. In the event of the company being wound up, the maximum amount which each member is liable to contribute is £1. There were 18 Members at the Balance Sheet date.

16	CAPITAL COMMITMENTS	1999 £	1998 £
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Capital expenditure contracted for but not provided in the financial statements	35,250	-
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17	COMMITMENTS UNDER OPERATING LEASES	1999 £	1998 £
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At 31 August 1999 the company had commitments under non-cancellable operating leases as follows:

Plant and machinery		
Expiring between 2 and 5 years	22,709	14,840

18 CONNECTED CHARITY

Royal Ballet School Endowment Fund (registered charity number 285766) has as its purpose the provision of scholarships and facilities for the students at the Royal Ballet School.

During the year the School received grants of £148,331 from the Endowment Fund to cover school and other fees. This was supplemented by additional grants of £3,384 for the library, and £11,403 for the School Archives totalling £163,118 (1998: £172,097). The position at the end of the year is shown in the balance sheet.

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

19 PENSION COMMITMENTS

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with Clerical Medical and General Life Assurance Society in their Pension Contract.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary, employed by Clerical Medical, on the basis of triennial valuations using the attained age funding method.

The most recent valuation was at 1 April 1998, and the assumptions used which have the most significant effect on the results of the valuation were the investment return, assumed to be 8% per annum, and the rate of salary increases, assumed to be 6% per annum.

The pension cost for the year ending 31 August 1999 is £41,010 (1998: £32,288).

The valuation showed that the market value of the scheme's assets was £1,455,801 and that the actuarial value of these represented 104% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The contributions paid in the period were 5% for the members and 6%/11.9% for the Company.

The company also contributes to a scheme run by the Department for Education and Employment. The amount contributed was £31,769 (£29,775).

20 TAXATION

The company is a registered charity and, as such, for taxation purposes is entitled to exemption from United Kingdom taxation under the Income and Corporation Taxes Act 1988.