



DRAGON SCHOOL TRUST LIMITED
GROUP ACCOUNTS FOR THE YEAR ENDED
31 AUGUST 2012

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Company number 524331

Registered charity number 309676



DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012:
GOVERNORS, ORGANISATIONAL STRUCTURE, OFFICERS AND ADVISERS

Dragon School Trust Limited ("Dragon School" or "Trust") is a company registered under the Companies Act 2006 and a registered charity. It is a company limited by guarantee; the liability of members of the company is limited to £1 each. The Governors of the Dragon School are trustees of the charity, and directors and members of the company. During the year those serving were:

Prof R W Ainsworth	A B R	
J D E Byam Shaw	B S *	
G P Candy	G P	
S Chambers	D	
Mrs L J Holmes	D G M	
C I M Jones	Chairman B D G M P R S +	
Sir David Lewis	+	
G Marsh	A D +	
N Millard	Sa	
Dr J A F Spence	A	
G E O Stanford	+	appointed 16 June 2012
Lady Stringer	D G	
W G Touche	G P + *	
W A Webb	G T *	
T D Wheare	A G R +	
Ms J Whitbread	S	
Mrs G H Wilson	G P R T	

Committee memberships and other groups (as at the end of year).

A	Academic Committee	R	Remuneration and Nominations Committee
B	Bursaries Committee		
D	Development Committee	S	Social Responsibility Committee
G	General Purposes Committee	Sa	Safeguarding Children
M	Marketing Steering Group	T	Dragon School Trading Ltd
P	Property Committee	+	Old Dragon
		*	Current parent

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Board and committees

The Board of Governors is a self-appointing body. Governors hold office for six years, whereupon they may be reappointed. Governors normally retire at the age of 70. There may be no more than 20 and no fewer than seven Governors. All sub-committees and groups report to the main board. The full board and other committees and groups regularly meet three times a year and at other times as necessary.

The Academic Committee is the forum for academic discussion in which Governors and staff participate equally.

The Bursaries Committee propose policy to the Governing Body and deals with grant applications, means testing and interviews.

The Development Committee is made up of both Governors and others closely connected with the School.

The General Purposes Committee (GPC) has particular responsibility for finance.

The Remuneration and Nominations Committee is tasked with reviewing the membership of the Governing Body and the performance and remuneration of Headmaster and Bursar, reporting via the Chairman to the full board of Governors.

The Safeguarding Children Committee ensures board-level review and responsibility for safeguarding children, other members are senior pastoral staff.

The Social Responsibility Committee meets termly to guide the development and implementation of the School's charitable, social, economic and environmental policies.

Other steering committees are also appointed as necessary, currently including the Property Committee and the Marketing Steering Group.

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Advisors

The Trust appoints professional advisors to deal with specialist matters from time to time. All contracts are subject to review on a continuous basis as circumstances merit.

Architects.	MEB Design Ltd	Oxford
	Ridge Property and Construction	Blenheim, Oxfordshire
Auditors.	haysmacintyre	London
Bankers:	Barclays Bank plc	Oxford
	Coutts & Co	London
	National Westminster Bank	Oxford
Insurance brokers.	Marsh Brokers Ltd	Haywards Heath, West Sussex
Investment advisors.	Brewin Dolphin Securities Limited	Lymington, Hampshire
Pension advisors:	Mathews Comfort & Co Limited	Oxford
	Affinity IFAs	Aylesbury, Oxfordshire
Solicitors:	Henmans	Oxford
	Manches	Oxford
	Morgan Cole	Oxford
	Stone King	London
Surveyors:	Sidleys	Oxford
	McBains Cooper	Oxford

Registered office and address for correspondence.

The Dragon School
Bardwell Road
Oxford
OX2 6SS

Web-site: www.dragonschool.org
e-mail contact: bursar@dragonschool.org

The Headmaster is J R Baugh.

The Company Secretary and Bursar is I M Caws.

**DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012:
GOVERNORS' REPORT**

The Governors present their annual report and audited accounts for the year ended 31 August 2012 in compliance with current statutory requirements for companies and charities and the company's Memorandum and Articles of Association. This report, together with the three preceding pages, incorporates the information required for the directors' report under the Companies Act. Comparative figures in the accounts are for the year ended 31 August 2011.

REFERENCE AND ADMINISTRATIVE INFORMATION

The Dragon School was founded in 1877. It was incorporated in 1953 as a company limited by guarantee and registered at Companies House, number 524331. It is registered with the Charity Commission under charity number 309676. The Governors, principal executive officers and advisers, together with contact details, are given on pages i to iii.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Dragon School is governed by its Memorandum and Articles of Association dating from 1953 and last amended in November 2008.

Governing Body

The Dragon School is run by the Governors, who are listed on page i together with information on how the members of the governing body are appointed to office (page ii)

Recruitment and training of Governors

New Governors are appointed at a meeting of the full board on the basis of recommendations made by the Nomination and Remuneration Committee. That Committee receives suggestions from Governors, school officers, advisers, and unsolicited requests. After an initial consideration of suitability on the basis of the existing board's known skills and needs, and confirmation of interest and eligibility, a detailed review of suitability is carried out together with an interview before a recommendation is made to the full board.

New Governors receive a detailed induction on-site from the Chairman, Headmaster and Bursar which is accompanied by extensive documentation. Further information is provided about the Dragon School by specific staff presentations at the start of each Governors' meeting, and general information about schools and charity administration provided through relevant publications. Further opportunities to attend appropriate seminars and training events are offered when they occur.

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GOVERNORS' REPORT (continued)

Organisation and management

The Governors, as the trustees of the Charity, are legally responsible for the overall management and control of the School. The full board of Governors meets at least once a term, receiving reports from committees who meet with similar frequency. Further information about the current committees is set out on page 11.

The day to day running of the School is delegated to the Headmaster and Bursar, supported by the senior management team and staff. The Headmaster and Bursar both attend all Governors' and sub-committee meetings except those of the Remuneration and Nominations Committee and when restricted business is discussed.

Group structure and relationships

The Dragon School has a wholly owned trading company, Dragon School Trading Limited (company number 1379919), which is used to generate income for the School through the hire of facilities, the sale of Dragon-related souvenirs and second hand clothing. All residual profits are paid to the Trust under gift aid.

The Dragon School is associated with two other charities, 'The Lynam Educational Fund' (274993), whose objects include assistance with school fees in cases of need but which in addition has general charitable objects, and 'The Dragon Christmas Charity Sale' (1106073), which raises money for charities helping children and families. The School provides support in the form of staff time to these charities, but as the School does not control these charities, their activities and financial results are not included within these reports and accounts, except to the extent that they have donated to the School. In 2012 the Lynam Educational Fund gave £22k in support of hardship, and the Sale gave £15k to the School's bursary funds.

The School actively supports the independent schools sector and in particular the furtherance of educational standards and the quality of pastoral care, through participation in and subscription to umbrella organisations such as IAPS, BSA and RNCf (formerly JET) and through exam setting and curriculum review processes. The School also maintains strong links with local state schools, supporting them in a number of ways, additionally, the School develops and maintains links with a number of schools and charities overseas both through regular contacts and as opportunity and need arise.

The School, as it has done for a number of years, continues to promote the use of its facilities (eg playing fields, astro, Lynam Hall, music school and IT) by schools and other charities and groups in the community particularly those involved in educational or child-related activities, letting others use its facilities at a discounted rate or, where appropriate for other charities, gratis.

During the latter part of the year and since the year-end the School has had positive talks with some local state schools, the local authority and the Department for Education with a view to

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GOVERNORS' REPORT (continued)

sponsoring an academy. The technical and legal nature of this project is as yet uncertain but the Governors hoped good progress would be made in the coming year.

Risk management

The Governors are responsible for the management of the risks faced by the Dragon School. They review regularly a summary of the primary risks thought most likely to materialise or have the greatest effect, together with the action taken to mitigate those risks. They also undertake annually a formal review of the detailed table of identified risks from which the primary risks are extracted. The detailed table, which in turn represents the summary of a pyramidal structure of risk assessment and reporting carried out throughout the School and its operations, is scrutinised in greater detail by the General Purposes Committee and approved by the full Board.

Despite the School's very strong reputation, Governors are conscious that past performance in maintaining pupil numbers cannot be depended upon in the current extraordinary economic climate. Particular attention is being paid to marketing and pupil recruitment as a result.

The School's key controls include.

- detailed terms of reference for all Committees
- formal agendas for all Committee and Board activity
- written minutes of all board meetings
- established school management structure and open lines of staff reporting
- clear lines of communication with parents
- formal written policies covering all important activities
- comprehensive planning over appropriate time-scales both long and short
- comprehensive management accounting, reporting and budgetary control
- strong emphasis placed on recruiting and retaining the best staff
- strict vetting procedures with respect to employment of all staff

Through the risk management processes established for the School, the Governors are satisfied that the major risks identified have been adequately mitigated. It is recognised that systems cannot provide absolute assurance that all possible risks have been identified or managed.

Disabled applicants and staff

The School makes inclusion a thread which runs through all its activities. In order to promote a working environment within which the School can call upon the widest possible range of knowledge, skill and experience, the School's policies facilitate the employment of disabled people and the provision where appropriate of training and career development. Were an employee to become disabled whilst in service, every effort would be made to retain them.

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GOVERNORS' REPORT (continued)**

Communication with staff

Governors place considerable importance on informing all staff of financial and other matters that affect them, consulting with them where appropriate. The Headmaster and Bursar report the outcome of Governors' meetings to staff through the School's formal management structure. All other such matters are briefed to staff as they arise through regular staff meetings.

CHARITABLE OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES

Charitable objects

The Dragon School's charitable objects are as set out in the Memorandum and Articles of Association. The primary object is to advance the education of the public by acquiring and carrying on any school or schools for the education of children and young adults and by ancillary or incidental educational activities and other associated activities for the benefit of the community. In pursuit of these objects the School runs the Dragon School at Bardwell Road for boys and girls from 8 to 13 years old and the School's pre-prep, the Dragon at Lynams, on a separate site. Lynams takes boys and girls from the age of 4. Additionally the School manages a number of restricted funds in connection with the development of the School's facilities, and the provision of bursaries, prizes and other educational purposes.

In setting the School's objectives and planning its activities the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its interim advice following the Upper Tribunal's decision on public benefit and fee-charging charities in October 2011.

The School's commitment to providing financial support to pupils whose parents could not otherwise afford to consider a Dragon education predates the 2006 Charities Act and subsequent guidance from the Charities Commission. The pursuit of wider access to the School is held to be of benefit to all Dragon pupils.

Aims

The Dragon intends to provide a wide-ranging educational experience for all children, stretching all to the best of their respective abilities in academic, artistic, sporting, cultural and social activities. Although real excellence is achieved by pupils in many fields, particularly the academic, the School is most proud of its liberal ethos, the inclusivity of its educational provision and its pastoral care for all. In addition, the School aims to play a full and effective part in its local community.

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GOVERNORS' REPORT (continued)

Objectives for the year

The Dragon School's primary objective this year was to continue to provide the best possible education and care for each and every pupil, ensuring that those leaving for other schools achieve the places desired. In addition, the School has sought to widen access and increase its social impact.

Strategies used to achieve the year's objectives

The School continues formal self-reviews of all areas of operation so as to improve methods and procedures, particularly of teaching and pastoral care, but additionally in the process of monitoring and assessing its own procedures. Special teaching was provided to leavers tailored to the schools of their choice and the pupils' abilities to ensure their applications were successful.

Principal activities of the year

The School provided education to its pupils in accordance with its stated aims and motto *arduus ad solem*. Demand for places continues to be high, in large part due to the recognised high standards achieved by the School. During the year the School had (on average) 842 pupils made up of 264 boarders and 365 day children at the main school and a further 213 day pupils at Lynam's. Of the total pupils, 534 were boys and 308 were girls.

Grant making policy

The School is particularly sensitive about the costs associated with delivering first class education, and seeks to extend its facilities as far as possible to those who might not otherwise be able to afford them. In particular it continues to carry out specific fund-raising to enable means-tested bursaries to be awarded, in appropriate circumstances covering nearly all of the fees. Currently the School provides up to 25 bursary places at up to 100% grant under its '125th anniversary' scheme. Other awards are made with respect to short-term hardship arising from significant life-changes.

In general, grants are made from the bursaries, general and other specific funds to provide financial help with the fees or in recognition of academic potential and ability. Where significant financial help may be required, the Bursaries Committee considers all circumstances involved in a grant application, including where appropriate means testing and interviews and home visits, with a view to making grants as fairly and as effectively as possible. All grants are made subject to annual review.

REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR

Operational performance of the Dragon School – Academic and Pastoral

This has been another successful Dragon year in all areas. Pupils' general academic success may be measured by the 73% of Common Entrance papers that were graded 'A' or 'B' by senior schools.

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Other academic success may be indicated by leavers winning 44 awards to 15 different senior schools, though some of these were specifically for music and sport.

Music bore striking fruit, with nine awards to senior schools; there were public performances by choirs and ensembles such as in Orff's Carmina Burana; at the Oxford Music Festival Dragons were awarded seven first places, with one outstanding and five distinctions, and thirteen Dragons have been selected to play in the Young National Schools' Symphony Orchestra. These results, amongst others, are underpinned by the hard work by pupils in all year-groups and their individual teachers who delivered about 20,000 lessons over the year.

Similarly the usual depth and range of dramatic performances were strengthened by the LAMDA syllabus, with over 100 children passing exams, a significant number being awarded distinctions and merit)

The list of sports in which the children were involved ranged from the traditional Rugby, Soccer, Cricket, Hockey and Athletics to Netball, Tennis, Swimming, Fencing, Judo, Gymnastics, Sailing, Chess and others – with Dragon teams emerging triumphantly from match fixtures in all (for example, at a meeting at Stowe, Dragon athletes won nine of the ten cups awarded), several children are playing in county squads or at similar levels for various sports. If other activities such as Bee Keeping, Ballet, or Gardening were competitive Dragons would have done their best to win those too. Leavers won eight awards to senior schools for sports or where sport contributed significantly in the assessment.

The School's philanthropic programme, guided by the pupils themselves under instructive facilitation, overlaps with an enthusiastic green movement grouped in 'Eco-teams'. Both veins of thinking are blended into normal curriculum subjects, as well as coming to the fore in specific fundraising events and activities culminating in the Governors' challenge, wherein B block pupils (11-12 year olds) are given £2 to turn into fundraising projects; the 140-strong year-group generated just under £11k between them from a wide range of imaginative activities

Recent years' inspections were by Ofsted in 2011 and by ISI in 2010. The latest found the School 'outstanding' in all areas, the highest possible assessment; the summary states that 'pupils needs are at the heart of the school and all pupils have a very strong voice within the school. They are encouraged to participate in every aspect of school life and clearly feel at home within the school and community.' The full text is available in the public domain, via www.ofsted.gov.uk/inspection-reports/find-inspection-report.

Following the purchase of the freehold, the School continues to take small but important steps to improve its infrastructure. Its main capital expenditure during the year was on rewriting its pupil-management system 'DAMS' in a future-proofed manner.

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ANNUAL REPORT AND ACCOUNTS 2012:
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Operational performance of the Dragon School – Key Performance Indicators

- 99% (2011 100%) of leaving children gained places at their first choice school
- 73% (2011 69%) of Common Entrance papers were graded A or B
- 44 (2011: 40) academic, music, art, sporting and all round awards were made by schools to Dragon pupils.

Operational performance of the Dragon School – Widening Access and Social Impact

a) Bursaries and other grants:

Bursaries are at the heart of the Dragon's public benefit provision. Following wide advertisement, the initial target of 25 bursary awards across the School set seven years ago was reached at the start of the 2008/9 academic year and five new grants per year have been awarded since. Bursary awards (day and boarding) were on average 90% of the fees at a cost to the School this year of £426k (2011 £440k); a range of other grants including staff, hardship and scholarship totalling a further £451k were awarded between 60 other pupils.

b) Social Impact:

The School believes that as an institution it should give strong support to the wider community. Of equal importance is the conviction that gaining a proper understanding of their social and environmental responsibilities must be a cornerstone of the education of each of our pupils. The School is committed to involving all pupils in such projects.

c) Educational:

The collaborative project with the Pegasus School (in Blackbird Leys, Oxford), involving drama and fieldwork ventures, and the Latin in the Community initiative, whereby Dragon teachers and pupils assist teachers and children from other non-fee-paying schools without this expertise, continue to flourish. Surplus equipment is also donated to other schools or charities. Other links and ideas are built into the curriculum through visits, demonstrations, lectures and debates.

d) Music, Sport and Arts:

Dragon musicians have played and sung in public at a variety of charities. International visitors have provided sporting as well as musical interaction. In addition, a range of local schools, charities and local groups and clubs continue to use the School's facilities when available. The provision of facilities for these purposes is valued at an estimated £33k (at the normal discounted rates for charitable use).

e) Community.

During the year the staff and its pupils raised just under £32k for other charities through entrepreneurial activity, cake sales, Red Nose Day, play collections, and similar events, most pupils led. In addition the Dragon Christmas Charity Sale raised a further £82k for various charities from the sale held at the end of the Christmas term on the School's premises, run by the parents with the assistance of pupils and staff.

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Operational performance of the Dragon School – Fundraising

The School raised £1,465k voluntary income, including the donation of £1,000k from a single source, in a challenging financial environment (2011 £260k). Its strategy remains to reach out to the whole Dragon community including Old Dragons, current and past parents focussing on meeting two core needs the maintenance of the bursary funds and supporting the School's capital plans. Successful events were held which promoted the Dragon's vision and needs to all these groups.

The School is also the grateful recipient of grants from the Lynam Educational Fund with which it can provide help with fees to parents whose circumstances unexpectedly change, providing continuity of environment and education for children in a period when their home lives may be radically upset, and from the Christmas Sale, towards bursaries

The exceptional generosity evident in what the School has been given this year has provided an excellent platform on which the next, ambitious, building projects may be based; however, with the ongoing need to service the freehold loan from routine revenues, the time-table to breaking ground on these developments is reliant upon further donations.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The Trust's accounts reflect its general success as a school, but careful management is required of the School's finances and this continues to be so in the current macro-economic environment and in the run-up to payment of the final balance on the freehold. The operating surplus (before notional interest) was £2,400k (2011 £1,018k), helped particularly by the significant donation of £1,000k towards future building projects

Any surplus arising is invested in the major capital projects needed to keep the School in the forefront of preparatory education, and in the provision of subsidised education for children otherwise unable to attend such a school. Inevitably, the demand for capital investment continues to exceed available resources and in setting the fees the Governors have to balance accessibility and fairness to current parents with the requirements of a capital-intensive business.

As pupil numbers are relatively static, expansion not being practicable on the existing sites, fee income is similarly consistent. During the year £15,308k was generated from fees, 89% of its total incoming resources.

Other significant sources of additional income are from investments £122k, mainly those held for the prepaid fees fund and bank deposits, and from donations (exceptionally) £1,487k

The greatest part of the Trust's expenditure is on staff costs which at £8,758k represent 59% of resources expended; and of these, most (£6,538k – 75%) are spent on direct teaching, with an additional £1,096k (13%) on welfare and pastoral functions.

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Finance costs are significant at £1,060k (7% of total resources) payable as interest on the School's bank loan. Other non-staff costs include direct expenditure on teaching (£941k, 6% of total resources), premises (£1,113, 8%) and welfare (£1,240k, 8%). Virtually all these costs, staff, finance and other, which are necessary for the charity to meet its objects, represent semi-fixed overheads.

Although day-to-day operations are secured, the £21,000k loan and the deferred payment of £9,000k (due by January 2014) require careful on-going management, thus the surplus for the year has been largely applied, as shown in the cash flow statement, in financing the loan (£1,134k capital repaid in addition to interest). Notwithstanding this, however, the School spent £45k on property and building improvements and a further £451k on other equipment. The latter are mainly represented by a range of ICT upgrades, in particular the continuing re-write of the School's management system 'DAMS'. Numerous smaller equipment purchases, many funded by donation, have been made throughout the teaching and boarding areas.

The Trust's balance sheet is dominated by the net book value of its freeholds £43,930k, including in particular the main site purchased two years ago for £29,733k, this was substantially funded by bank loan and deferred payment.

RESERVES POLICY

The Governors review the restricted and designated reserves regularly. The specific objects of restricted funds are explained in the notes to the accounts. None of the restricted funds are limited by their objects as to the expenditure of capital except the Endowed Bursaries fund. Most of the unrestricted reserves are represented by fixed assets, especially the School's land and buildings, as shown on the balance sheet, financed by the long-term loans. The 'free reserves', excluding these elements, are monitored termly by reference to cash flows projected to the end of the academic year and then for a further ten years, with the objective of scheduling major expenditure for the School as early as possible within the funds available. Sufficient current assets are held to meet the liabilities of other funds.

INVESTMENT POLICY AND OBJECTIVES

The Trust's investment powers are governed by its Memorandum and Articles of Association. These permit funds to be invested in such investments, securities or property as may be thought fit.

The Trust's main group of investments is held with respect to prepaid fees. Prepaid fees funds are invested in Government stocks with redemption dates matched to individual schemes' requirements and held to redemption, the yield to this point being matched with the discount offered on individual schemes, and in cash deposits.

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Miscellaneous investments represent gifts received of sundry investments. These are held with a view to realising maximum capital value within the short-term foreseeable future and then sold

FUTURE PLANS

The School reviews its strategic framework regularly. The framework consists of three documents: guiding principles, the strategy setting out the major strands of development out to 2020, and specific plans for the next five years including key objectives to be achieved in each of the main pillars of School development (Academic, Pastoral, ICT, Facilities and Social Impact) in that period. The key objectives set out in the Strategic Plan for the next decade are to:

Academic Development:

- Maintain a leading position and reputation for innovative and exciting teaching and learning.
- Maximise all children's learning potential by improving thinking skills and prove "value-added".
- Embrace new technologies for children's immediate and future educational benefit.
- Achieve more efficient use of teachers' time and resources.
- Contribute academic and pedagogic resources to the wider community.

Pastoral Development.

- Create structures within the School that assist children, staff and parents to develop clear identities
- Maximise all opportunities in the School to help provide children with the social skills to develop positive relationships with others.
- Ensure that parents are fully involved in the School's pastoral and welfare initiatives.
- Develop training at all levels to help children, staff and parents develop strategies for understanding and promoting good pastoral care

ICT Development:

- Provide staff with a more effective and efficient teaching platform at School and at home
- Enable the School to better deploy and utilise staff effort.
- Allow all members of the School to benefit from ICT based resources
- Create a climate of curiosity and creativity.
- Facilitate academic and non-academic administrative efficiency.

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Social Impact and Public Benefit:

- Widen access further by increasing the existing bursary scheme.
- Establish the School as a recognised leader for pupil-led social benefit initiatives
- Develop the existing initiatives with local schools.
- Reflect sustainable development through policy and practice at all levels

Facilities Development:

- Provide first class staff accommodation to meet the School's requirements

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The Governors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Governors to prepare financial statements for each financial year. Under that law the Governors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Trust and its subsidiary ('the group'), and of the result of the group for that year.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the Trust and subsidiary's transactions and disclose with reasonable accuracy at any time the financial position of the Trust and subsidiary and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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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 group'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

The Governors are grateful for the tremendous parental support for the School in achieving all that it does. It is the commitment of parents, the leadership of the Headmaster, the effort put into caring for the pupils by the staff, and the energy of those pupils, and the dedicated work of the support staff in all their fields of expertise, which make the School what it is today and enables it to face the future with confidence.

ON BEHALF OF THE GOVERNORS



C I M Jones, Chairman

1 December 2012

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012:
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DRAGON SCHOOL TRUST LIMITED

We have audited the financial statements of Dragon School Trust Limited for the year ended 31 August 2012 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 opinion we have formed.

Respective responsibilities of governors and auditor

As explained more fully in the Statement of Governors' Responsibilities, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governor's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DRAGON SCHOOL TRUST LIMITED**

(continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charitable company's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

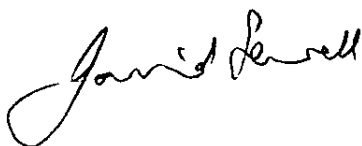
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Governors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



David Sewell, Senior Statutory Auditor,
For and on behalf of haysmacintyre, Statutory Auditors

Fairfax House
15 Fulwood Place
London WC1V 6AY

27 February 2013

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012:
GROUP STATEMENT OF FINANCIAL ACTIVITIES (SoFA)

	Note	Unrestricted funds		Restricted funds	Endowed funds	Total funds	Total funds
		Schools	Trading			2012	2011
		£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Income from charitable activity							
School fees	2	15,308	-	-	-	15,308	14,696
Other educational	3.	244	-	-	-	244	213
Other ancillary trading	3	34	-	-	-	34	29
Income from generated funds							
Trading		-	26	-	-	26	22
Investment income	4.	111	-	9	2	122	128
Donations		22	-	1,465	-	1,487	285
Total incoming resources		15,719	26	1,474	2	17,221	15,373
RESOURCES EXPENDED							
Costs of generating funds							
Fundraising for voluntary resources		190	-	-	-	190	155
Trading		-	11	-	-	11	10
Other		176	-	-	-	176	20
Total costs of generating funds		366	11	-	-	377	185
Charitable expenditure							
Schools and grantmaking		12,894	1	428	2	13,325	13,004
Schools - financing costs	5.	1,060	-	-	-	1,060	1,120
		13,954	1	428	2	14,385	14,124
Governance costs							
		57	2	-	-	59	46
Total resources expended	6	14,377	14	428	2	14,821	14,355
NET INCOMING RESOURCES BEFORE NOTIONAL PROPERTY LOAN INTEREST							
		1,342	12	1,046	-	2,400	1,018
Notional property loan interest	1),5.	(443)	-	-	-	(443)	(419)
NET INCOMING RESOURCES		899	12	1,046	-	1,957	599
Investment gains (losses)		(6)	-	9	-	3	(22)
Transfers between funds	20.	85	(12)	(73)	-	-	-
NET MOVEMENT IN FUNDS		978	-	982	-	1,960	577
Fund balances at 1 September 2011		19,054	-	1,228	389	20,671	20,094
FUND BALANCES AT 31 AUGUST 2012		20,032	-	2,210	389	22,631	20,671

All activities are continuing. The above results include unrealised gains on investments £7k (2011 £14k loss). The net movement in funds excluding this amount is £1,953k (2011 £591k).

The notes on pages 6 to 17 form part of these accounts.
In particular, notes 20 to 22 provide additional detail about specific funds.

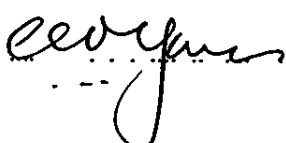
DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012:
CHARITY AND CONSOLIDATED BALANCE SHEETS

Registered company number 524331
--

	Note	Group		Charity	
		2012	2011	2012	2011
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets for operational use	10	44,567	44,826	44,567	44,826
Investments	22			-	-
		<u>44,567</u>	<u>44,826</u>	<u>44,567</u>	<u>44,826</u>
Current assets					
Stock	12.	28	23	25	20
Debtors	13.	532	441	531	440
Investments	14.	452	584	452	584
Cash at bank and in hand	15.	5,813	3,824	5,813	3,824
		<u>6,825</u>	<u>4,872</u>	<u>6,821</u>	<u>4,868</u>
Creditors due within one year	16	(4,154)	(3,967)	(4,150)	(3,963)
Net current assets		<u>2,671</u>	<u>905</u>	<u>2,671</u>	<u>905</u>
Total assets less current liabilities		47,238	45,731	47,238	45,731
Creditors due in more than one year	17	(24,607)	(25,060)	(24,607)	(25,060)
Total net assets	21	<u>22,631</u>	<u>20,671</u>	<u>22,631</u>	<u>20,671</u>
Endowment funds		389	389	389	389
Restricted funds		982	1,228	982	1,228
Unrestricted funds general		21,260	19,054	21,260	19,054
Fund balances	20	<u>22,631</u>	<u>20,671</u>	<u>22,631</u>	<u>20,671</u>

The notes on pages 6 to 17 form part of these accounts.

The financial statements were approved and authorised for issue by the Board of Governors on 1 December 2012 and were signed below on its behalf by

C I M Jones . . .  Chairman of Governors

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012:
GROUP CASH FLOW STATEMENT

	Note	2012	2011
		£'000	£'000
Net cash inflow from operations	19a	4,472	2,319
Returns on investments and servicing of finance			
Interest paid		(988)	(1,085)
Investment income receipts		96	106
		(892)	(979)
Capital expenditure and financial investment			
Payments for tangible fixed assets		(496)	(484)
Proceeds from sale of fixed assets		1	3
			(481)
Management of liquid resources			
Proceeds from redemption of investments		144	378
Acquisition of investments		(9)	-
		135	378
Cash inflow before movements on prepaid fees and financing		3,220	1,237
Prepaid fees scheme.			
Received		570	123
Utilised		(667)	(793)
		(97)	(670)
Property loan repaid		(1,134)	(1,043)
		(1,134)	(1,043)
Increase/ (decrease) in cash	19b.	1,989	(476)

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

The notes on pages 6 to 17 form part of these accounts

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012
NOTES

1 ACCOUNTING POLICIES

a) Basis of accounting

The accounts are prepared under the historical cost convention as modified by the revaluation of listed investments, in accordance with the Companies Act 2006, applicable accounting standards and the Statement of Recommended Practice and Reporting by Charities: the Charities SORP (2005). The following accounting policies have been used consistently in dealing with items which are considered material in relation to the group's accounts.

b) Consolidation/ group accounts

The Trust has beneficial ownership of 100% of the share capital of Dragon School Trading Limited. The group accounts consolidate the results of this subsidiary, which are summarised in note 23. As the subsidiary pays any surpluses to the parent, the surplus dealt with in the parent company's accounts is identical to that shown on the group income and expenditure account. The Trust's Governors represent the ultimate controllers of the group.

c) Incoming resources – fees and similar income

Incoming resources are recognised, in general, only with respect to the period of account. Specifically, fees paid with respect to future terms are carried forward as liabilities, and donations of any sort are included only when resources are irrevocably transferred. School fees include extras.

d) Incoming resources – donations

Donations are recognised only on receipt of cash or irrevocable title to assets for which a publically traded market establishes daily values.

e) Resources expended

Governance costs comprise the costs of running the charity as such, including legislative and regulatory compliance costs, and including strategic planning, audit, and the costs of public accountability. With respect to resources expended running the school, 'property' includes costs of maintaining the buildings used for educational purposes, while 'welfare' include boarding and catering costs; 'support' represents other costs of servicing the direct teaching function. Irrecoverable VAT is included with the item of expense to which it relates in all cases. Overheads and other costs not directly attributable to a functional activity are apportioned on the basis of management estimates consistently applied.

f) Tangible fixed assets

Land and buildings are shown at original cost. Fixtures and fittings are capitalised when they are included in the provision of additional facilities, such as when a building is extended or converted; other fixtures and fittings are charged to revenue in the year of purchase. Equipment costing over £1k is capitalised.

Depreciation is provided on all assets other than freehold land. Freehold buildings are amortised on a straight line basis, taking into account their estimated residual value, which in the case of education-specific buildings is considered negligible but in the case of residential property is expected to approximate their original costs. Leasehold land and buildings are amortised over the period of the lease. With respect to other assets, depreciation is provided at straight line on cost.

The estimated lifetimes of various types of assets in use are:

Freehold buildings	Over 50 years
Other	3-10 years

g) Investments

Quoted investments are stated at their market value at the year end. Movements in value are reflected in the SoFA together with any gains or losses on disposal. Other investments are shown at cost.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012.
NOTES

1 ACCOUNTING POLICIES (continued)

h) Pension costs

Pension costs represent contributions under the Teachers' Pensions Agency (TPA) teachers' superannuation scheme, various defined contribution schemes and provision against amounts due with respect to specific obligations recognised by the Trust. Both the TPA and the defined contribution schemes' costs are shown in the accounts as charged, the payments being made to external funds

i) Stock

Stock of consumables held at the year-end are valued at cost, subject to their usability. Stock held for resale is valued at the lower of cost and net realisable value. Purchases of educational materials for the next academic year are carried forward as prepayments

j) Property creditor

The long-term property creditor has been discounted to net present value using the Trust's fixed bank borrowing rate. Interest is charged to income and expenditure account at this rate and added to the outstanding credit balance until the date of repayment

2 SCHOOL FEES

	2012	2011
	£'000	£'000
School fees and extras	15,780	15,182
less scholarships, bursaries and grants	(898)	(926)
	<u>14,882</u>	<u>14,256</u>
Bursaries paid from restricted funds	426	440
	<u>15,308</u>	<u>14,696</u>

All income is generated in the UK.

3 OTHER INCOME

	2012	2011
	£'000	£'000
Other educational charitable activities		
Courses, conferences, lectures	194	164
Registration fees	50	49
	<u>244</u>	<u>213</u>
Other ancillary trading		
Commission and similar income	15	14
Other	19	15
	<u>34</u>	<u>29</u>

4 INVESTMENT INCOME

	2012	2011
	£'000	£'000
Investment income arises from		
Listed investments	29	51
Bank deposits	78	49
Other sources	15	28
	<u>122</u>	<u>128</u>

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012
NOTES

5. FINANCING COSTS	2012 £'000	2011 £'000
Interest payable is due to		
Bank loans and overdrafts	1,011	1,052
Discount allowed on prepaid fees	49	68
	<u>1,060</u>	<u>1,120</u>
Notional interest on 'property loan'	443	419
	<u>1,503</u>	<u>1,539</u>

Financing costs as detailed here are included in charitable expenditure as part of the operation of the School. The notional interest represents the unwind of the discount on the final £9,000k instalment payment for the purchase of the School's freehold site (see note 17b).

6. ANALYSIS OF TOTAL RESOURCES EXPENDED	Staff costs £'000	Depr'n £'000	Other £'000	Total 2012 £'000	Total 2011 £'000
Cost of generating funds					
Fundraising for voluntary resources	129	-	61	190	155
Trading costs	1	-	10	11	10
Other costs *	16	-	160	176	20
Total cost of generating funds	<u>146</u>	<u>-</u>	<u>231</u>	<u>377</u>	<u>185</u>
Charitable expenditure					
Schools and grantmaking					
Teaching	6,538	109	941	7,588	7,359
Welfare	1,096	44	1,240	2,380	2,409
Premises	235	412	1,113	1,760	1,693
Support costs of schooling	743	189	237	1,169	1,101
Grants, awards and prizes	-	-	428	428	442
	<u>8,612</u>	<u>754</u>	<u>3,959</u>	<u>13,325</u>	<u>13,004</u>
Schools - financing costs†	-	-	1,060	1,060	1,120
Total charitable expenditure	<u>8,612</u>	<u>754</u>	<u>5,019</u>	<u>14,385</u>	<u>14,124</u>
Governance costs	-	-	59	59	46
Total resources expended	<u>8,758</u>	<u>754</u>	<u>5,309</u>	<u>14,821</u>	<u>14,355</u>
†add Notional property loan interest	-	-	443	443	419
Total outgoing resources	<u>8,758</u>	<u>754</u>	<u>5,752</u>	<u>15,264</u>	<u>14,774</u>

* Other 'costs of generating funds' includes provision for bad debts £93k 2011 £-32k

No allocation has been made of senior management time spent on governance matters as such time is additional to full time roles providing support to the School's teaching. Staff costs are further detailed in note 7.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012
NOTES

6. ANALYSIS OF TOTAL RESOURCES EXPENDED

(continued)

	2012 £'000	2011 £'000
Included in 'other costs' are		
Auditors' remuneration (incl VAT where non-recoverable)		
- for audit	15	14
- for other services	6	16
Operating leases - land and buildings	36	34
Included in 'depreciation' is:		
Deficit on disposal of fixed assets	1	1

7a) EMPLOYEES

	2012 £'000	2011 £'000
Staff costs:		
Wages and salaries	7,376	7,124
National Insurance	604	586
Pension costs	778	759
	<u>8,758</u>	<u>8,469</u>

The numbers of employees whose remuneration was over £50k fell into the following bands

	No	No
£50 - £60k	7	7
£60 - £70k	4	3
£70 - £80k	1	2
£80 - £90k	1	-
£100-£110k	1	1
£140-£150k	1	1

Of these higher paid staff all had defined contribution pension schemes, total cost

	£'000	£'000
	<u>131</u>	<u>125</u>
Total pension costs were made up of		
TPA pension contributions	639	614
Defined contribution schemes	139	145
	<u>778</u>	<u>759</u>

The Governors did not receive any remuneration. The accounts do not estimate the value of their time and expertise in governance and support roles, though this is considerable. Four Governors received travel expenses of, respectively, £1,165, £753, £76 and £6, one other attended a training course costing £125 (2011 one travel, £957, two training £785).

The average number of employees, excluding Governors, was

	2012 No.	2011 No
Teaching	164	159
Pensioners	13	13
Support staff	96	96
Development	7	6
	<u>280</u>	<u>274</u>

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012
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7b) PENSIONS

The majority of the staff participate in one of two pension schemes the Teachers' Pension Scheme run by the Teachers' Pension Agency specifically for teaching staff, and an Aviva (formerly Norwich Union) Group Personal Pension scheme

The Teachers' Pensions Scheme 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 1st April 2001 to 31st March 2004 revealed that the total liabilities of the Scheme (pensions currently in payment and estimated costs 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 1st January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution rate has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance the Scheme's assets and liabilities within 15 years as required by the regulations), a total contribution rate of 20.5%. This translated into an employer contribution rate of 14.1% and an employee contribution rate of 6.4%.

Formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Since April 2012 employee contributions have been tiered from 6.4% to 8.4% depending upon salary bands; employer contributions remain at 14.1%

The Aviva scheme is a defined contribution scheme. The assets of the scheme are held separately from the Trust in an independently administered fund. The employer contributes up to 12% corresponding to employees' chosen contribution rates.

Included within salary costs are payments to certain former staff members or their spouses whose pension provision prior to the School adopting the Teachers' Pension Scheme was inadequate during their employment. The total amount paid was £63k (2011 £64k). The Trust is under no legal obligation to continue with these payments and accordingly the accounts do not include any estimate, actuarial or otherwise, of a possible total future commitment.

8 RELATED PARTIES

Three of the Governors had children at the School during the year for which they are charged normal fees and extras as agreed in the standard parent-school contract.

Another Governor's brother is a director in one of the School's firm of architects, with which the School contracts - independently of the Governor - in building projects. The total paid, under standard RIBA terms and rates, on these contracts during the year under review was £2k (incl VAT, 2011 £11k), as at the year-end there was no balance (2011 £1k) due.

One Governor is partner in a firm of Chartered Surveyors which provides adhoc advice with respect to property, there were no transactions during the year (2011 £2k).

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012
NOTES

9. TAXATION

As a registered charity the Trust does not pay corporation tax on surpluses arising from its charitable activities. The Trust's subsidiary, Dragon School Trading Limited, pays corporation tax on profits, but these are nil for tax purposes after allowing for the payment of profits to the parent company as a charge. The Trust suffers irrecoverable VAT on all purchases other than those made by its subsidiary trading company. Irrecoverable VAT paid to Customs and Excise totalled approximately £579k (2011 £543k) during the year.

10 TANGIBLE FIXED ASSETS (group and parent company) for own use:

	Freehold property £'000	Motor vehicles £'000	Other £'000	TOTAL £'000
Cost				
at 1 September 2011	47,981	150	3,015	51,146
additions	45	24	427	496
disposals	-	(4)	(50)	(54)
at 31 August 2012	48,026	170	3,392	51,588
Depreciation				
at 1 September 2011	3,705	132	2,483	6,320
charge	391	13	349	753
released	-	(4)	(48)	(52)
at 31 August 2012	4,096	141	2,784	7,021
Net book value				
at 1 September 2011	44,276	18	532	44,826
at 31 August 2012	43,930	29	608	44,567

The rebuild cost of properties included in freehold was approximately £34,269k at the most recent insurance review (September 2012), though this does not include the value of the land itself. With respect to other assets (fixtures, fittings and equipment), these are insured for £2,142k (see note 1d). These values are cited merely for comparison with the historical cost figures shown above. The School does not own any heritage assets.

Virtually all assets held are used for the purposes of the School's operation, some small proportion is used for management and trading, but identification of the amounts involved is not practicable.

11 COMMITMENTS, CAPITAL AND OPERATING LEASES

The Trust had no capital commitments (2011 £168k) with respect to building contracts in progress at the year-end. There were no amounts committed but not yet contracted.

Commitments under operating leases for land and buildings next year total £34k (2011 £33k).

12 STOCKS

	Group		Parent company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Goods for resale	3	3	-	-
Consumables	25	20	25	20
	28	23	25	20

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012:
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13 DEBTORS

	Group		Parent company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	274	260	274	260
Loans	29	11	29	11
Prepayments	169	123	169	123
Accrued income	60	47	59	46
	532	441	531	440

14 INVESTMENTS HELD AS CURRENT ASSETS

	Group and parent company	
	2012	2011
	£'000	£'000
Investments are shown at value:		
U.K. Government stocks	244	390
Other U K. listed investments	208	194
	452	584
Historical cost	408	550
Value of investments		
brought forward	584	984
disposals at value brought forward	(148)	(392)
acquired	9	-
change in unrealised values	7	(8)
carried forward	452	584

Included in the above are M&G Charifund units at £159k, Cazenove growth trust fund £40k and three different holdings of various government stocks each representing more than 5% of the total investments held

15 CASH AT BANK AND IN HAND

	Group		Parent company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Cash on deposit	5,635	3,706	5,635	3,706
Current bank accounts and petty cash	178	118	178	118
	5,813	3,824	5,813	3,824

16. CREDITORS DUE WITHIN ONE YEAR

	Group		Parent company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans	1,279	1,230	1,278	1,230
Taxation and social security	286	264	286	264
Trade creditors	373	393	373	393
Amount owed to subsidiary	-	-	3	3
Accruals	415	437	409	430
Deferred income				
- fees received in advance	1,028	783	1,028	783
- deposits held	314	260	314	260
- prepaid fees scheme	450	600	450	600
Due under finance leases	9	-	9	-
	4,154	3,967	4,150	3,963

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012.
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17a) CREDITORS DUE IN MORE THAN ONE YEAR

Group and parent
company

	2012 £'000	2011 £'000
Bank loans	13,889	15,071
Other creditors freehold site property purchase	8,330	7,887
Deferred income prepaid fees	1,190	1,088
Deposits held	1,187	1,014
Lease creditors	11	-
	24,607	25,060

b) ANALYSIS OF LONG TERM CREDITORS

Long term creditors are due in less than five years except as follows:

Bank loans

due within one year	1,278	1,230
due between two and five years	5,951	5,656
due in more than five years	7,938	9,415
	15,167	16,301

Deferred income - prepaid fees (see also note 18)

due within one year	450	600
due between two and five years	1,180	1,057
due in more than five years	10	31
	1,640	1,688

Other creditor freehold site property purchase

due between two and five years	8,330	7,887
--------------------------------	-------	-------

£21,000k was borrowed from Coutts & Co to fund the first payment for the freehold of the School's site on 31 January 2007. This loan is repayable by fixed instalments totalling £2,121k per annum, of which £1,134k represents capital this year. A hedging facility was simultaneously arranged so that in effect interest is fixed at 5.615%. The loan is secured by a fixed and floating charge on the whole of the Trust's property, together with additional specific charges over several freehold properties. The loan outstanding at the year-end (£15,167k) represents less than half of the value of properties used for security.

The 'Other creditor for freehold site property purchase' £8,330k represents the net present value of the balance of £9,000k due in January 2014 on the Trust's purchase of its freehold. This is interest free (though shown discounted at the balance sheet date in accordance with Accounting Standards) and is secured by a specific charge over two freehold properties and a second charge over the freehold site purchased.

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012:
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18 PREPAID FEES ACCOUNT

	Group and parent company	
	2012 £'000	2011 £'000
Balance at 30 September 2011	1,688	2,290
New contracts	570	123
Amounts accrued to contracts as debt-financing costs	49	68
Amounts used in payment of fees		
– to the School	(630)	(770)
– to other schools	(37)	(23)
Balance at 31 August 2012	<u>1,640</u>	<u>1,688</u>

19 NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of net incoming resources to cash inflow from operations

	2012 £'000	2011 £'000
Net incoming resources	1,957	599
Interest payable	1,503	1,539
Interest receivable	(122)	(128)
Depreciation charges	753	728
(Increase)/ decrease in stocks	(5)	(3)
Decrease/ (increase) in debtors	(65)	83
(Decrease) / increase in creditors	450	(500)
Loss/ (surplus) on disposal of fixed assets	1	1
Net cash inflow from operations	<u>4,472</u>	<u>2,319</u>

b) Analysis of cash flows and net debt

	1 Sept 2011 £'000	cashflow £'000	other movements £'000	31 Aug 2012 £'000
Cash at bank and in hand	3,824	1,989	-	5,813
Debt bank loans	(16,301)	1,134	-	(15,167)
Debt property purchase – balance	(7,887)	-	(443)	(8,330)
Current asset investments	584	(135)	3	452
	<u>(19,780)</u>	<u>2,988</u>	<u>(440)</u>	<u>(17,232)</u>

DRAGON SCHOOL TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS 2012
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20 FUNDS DETAILED MOVEMENTS

	Balance at 1 Sept 2011 £'000	Income £'000	Outgoing resources £'000	Investment gains/ (losses) £'000	Transfers £'000	Balance at 31 Aug 2012 £'000
ENDOWMENT FUND	3	-	-	-	-	3
ENDOWED BURSARIES FUND	386	2	(2)	-	-	386
	389	2	(2)	-	-	389
RESTRICTED FUNDS						
Knatchbull Memorial fund	54	3	(2)	1	-	56
Bursaries funds	998	293	(426)	8	4	877
Development fund	176	1,178	-	-	(77)	1,277
	1,228	1,474	(428)	9	(73)	2,210
UNRESTRICTED FUNDS						
DESIGNATED						
Prepaid fees	-	28	(49)	(11)	32	-
General fund	19,054	15,691	(14,771)	5	53	20,032
	19,054	15,719	(14,820)	(6)	85	20,032
CHARITY total funds	20,671	17,195	(15,250)	3	12	22,631
Non-charity trading funds	-	26	(14)	-	(12)	-
GROUP	20,671	17,221	(15,264)	3	-	22,631

21 FUNDS NET ASSETS

	Fixed Assets £'000	Invest- ments £'000	Other net current assets £'000	Long term liabilities £'000	Total net assets £'000
ENDOWMENT FUND	-	-	3	-	3
ENDOWED BURSARIES FUND	-	-	386	-	386
	-	-	389	-	389
RESTRICTED FUNDS					
Knatchbull Memorial fund	-	49	7	-	56
Bursaries funds	-	93	784	-	877
Development fund	-	-	1,277	-	1,277
	-	142	2,068	-	2,210
UNRESTRICTED FUNDS					
DESIGNATED					
Prepaid fees	-	244	946	(1,190)	-
General fund	44,567	66	(1,184)	(23,417)	20,032
	44,567	310	(238)	(24,607)	20,032
CHARITY total funds	44,567	452	2,219	(24,607)	22,631
Non-charity trading funds	-	-	-	-	-
GROUP	44,567	452	2,219	(24,607)	22,631

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22 FUNDS EXPLANATORY NOTES

- a) The Endowment fund represent amounts given with a restriction on the disbursement of the capital amount. The income is used for general purposes. The Trust's endowment fund derives from a small group of gifts in about 1997.
- b) The Endowed Bursaries fund provides fee support from income arising from donations whose capital expenditure has been restricted by the donors. Otherwise funds are administered as for other bursaries.
- c) The Knatchbull Memorial fund provides funding for travel and exploration activities of former pupils ('Old Dragons'). It has specific trustees who review the application of resources.
- d) The Bursaries funds are for the provision of fee support for pupils. The funds include donations for named bursaries, the costs of bursary support are deducted from these sums as appropriate. The funds are administered by the Bursaries Committee who review the application of resources. Additional fee concessions and support are provided from the general fund.
- e) The Development fund includes sums raised for the buildings of the School and for other specific purposes through the 'annual giving programme'. Some of these donations are restricted to specific projects, though most are not. In some cases general donations are received without even apparent restrictions with respect to the school's development programme, but the Trust infers a restriction in these cases on the principle that such donations probably originated from literature soliciting funds for such purpose. Amounts spent on these building projects are transferred from the Development fund to the general fund each year.
The balance carried forward on the fund represents unspent donations, mainly sums for building projects that have not yet been started.
- f) The Prepaid Fees fund represents income and expenditure with respect to amounts paid in advance for fees. Investments in government stocks and cash deposits are held against the future liabilities.

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23 TRADING SUBSIDIARY

The Trust holds 100 ordinary shares of £1 each, representing 100% of the issued share capital of Dragon School Trading Limited, a company incorporated in England and Wales. The value of the investment as determined by the equity method is £100. These shares are included on the parent company balance sheet as investments held as fixed assets.

	2012	2011
	£	£
Shares in subsidiary company at cost	<u>100</u>	<u>100</u>

The Trust advances working capital as necessary to the trading company to finance its operations. Interest is charged on the amount outstanding from time to time at the same rate as charged by the Trust's bankers.

The Trading company's results for the year, and balance sheet at the year end, from the audited accounts, are summarised below

	2012	2011
	£'000	£'000
Turnover	26	22
Cost of sales	<u>(14)</u>	<u>(13)</u>
Gross profit	12	9
Administration expenses	(6)	(7)
Interest payable	<u>-</u>	<u>-</u>
Profit for the financial year	<u>6</u>	<u>2</u>
Paid to Dragon School Trust Ltd under gift aid	<u>6</u>	<u>2</u>
Generated for parent company		
Surplus above	6	2
Management charges from Trust	6	6
Interest charged by Trust	<u>-</u>	<u>-</u>
	<u>12</u>	<u>8</u>
Current assets	7	7
Current liabilities	<u>(7)</u>	<u>(7)</u>
Net assets	<u>-</u>	<u>-</u>
Called up share capital	-	-
General reserves	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>