

DRAGON SCHOOL TRUST LIMITED
GROUP ACCOUNTS FOR THE YEAR ENDED
31ST AUGUST 1996

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Company number: 524331

Registered charity number: 309676

DRAGON SCHOOL TRUST LIMITED
PROFESSIONAL ADVISORS AND CONTACTS

| | |
|--------------------|---|
| Architects: | MEB Partnership Watermill House Chevening Road Chipstead Sevenoaks Kent TN13 2RY |
| Auditors: | Critchleys Boswell House 1-5 Broad Street Oxford OX1 3AW |
| Bankers: | Barclays Bank plc PO Box 333 Oxford OX1 3HS |
| Insurance brokers: | Mathews Comfort & Co Ltd St Aldates Oxford OX1 1DL |
| Solicitors: | Cole and Cole Buxton Court 3 West Way Oxford OX2 0SZ |
| Surveyors: | James Styles and Whitlock, 16 King Edward Street Oxford OX1 4JB |

The school appoints other professional advisors to deal with specialist matters from time to time. All contracts are subject to review as circumstances merit.

DRAGON SCHOOL TRUST LIMITED

REPORT OF THE GOVERNORS

The governors present their annual report and the accounts for the year ended 31st August 1996 in compliance with current statutory requirements and the school's Memorandum and Articles of Association.

OBJECTS

The Dragon School Trust's primary object is to run the Dragon School, Oxford, though the company's objects allow it to run any other school. In accordance with these objects, the 'Dragon School' is a preparatory school for boys and girls from 8 to 13 years old. As well as providing education to a high academic standard the school excels at sporting activities. This is also the first year of operation for its pre-preparatory school 'Lynams', which is based at a separate site a short distance from the main school. 'Lynams' takes children from the age of 3.

ORGANISATION

The governors determine the general policy of the school. Sub-committees of the governors are formed to deal with specialist matters as necessary. The day-to-day management of the school is delegated to the Headmaster and the Bursar.

REVIEW

Demand for school places exceeds capacity. Opening the pre-preparatory school allowed some additional space on the main site, previously used to teach 7-year olds; this area is now used for the 8-year old year-group.

1995/96 was another successful year: pupils won 28 scholarships for the second year in a row, and the boys' 1st teams for rugby, soccer, hockey and cricket were all undefeated. Art, drama and music all flourished as well. However, the school's main achievement is in the confidence it builds in a wide range of pupils; this it continues to do.

The governors continue to review the development of the school site to meet changing needs and demands. Over the summer holidays the Old Hall was converted to a Resources Centre, which provides a library and computer-based reference study centre. Most of the funds for the work were provided by the generosity of friends of the school, including governors, Old Dragons and past and present parents.

Contact with the school's friends has been enhanced through the introduction of a periodic bulletin about the school's development, 'Dragons'. This compliments the 'official record' of the 'Draconian', the school magazine, and the Museum.

FINANCIAL RESULTS

The school has to balance ever growing demands for expenditure on an enormous range of activities within its budgets. Capital expenditure exceeds current surpluses, even after the generosity of donors, and the governors are aiming to be able to fund a greater proportion of the school's development from available surpluses. Nevertheless, the school continued to operate successfully and recorded a satisfactory surplus of £340,290 (1995: £114,395) as shown in the income and expenditure account on page 7. This is analysed between funds on page 10.

DRAGON SCHOOL TRUST LIMITED

REPORT OF THE GOVERNORS - CONTINUED

FIXED ASSETS

In the opinion of the governors the market value of the school's freehold and long leasehold properties is considerably in excess of book value based on the current use of the properties. No independent professional valuation has been carried out. The school has a continuing programme of upgrade and improvement to facilities; during the year it spent £587,340 on property and £200,563 on other assets.

INVESTMENT POWERS

The school's investment powers are governed by the Memorandum of Association of the company. These permit funds to be invested in or upon such investments, securities or property as may be thought fit.

RESERVES

The governors review the restricted and designated reserves regularly. The named restricted funds have specific trustees appointed; these trustees are drawn from the governors and staff of the school. None of the restricted funds have limitations on the expenditure of capital for their objects.

Most of the general reserve is represented by fixed assets, especially the school buildings, shown on page 20. It is thus not excessive.

ASSOCIATED CHARITY

The school has an associated charity, 'The Lynam Fund', whose objects include the assistance with school fees in cases of need but which has general charitable objects in addition. The fund is nevertheless closely associated with the school. Further information may be obtained from the bursar.

MEMORANDUM AND ARTICLES OF ASSOCIATION

The memorandum and articles of association of the Dragon School Trust Ltd are under review with the intention of modernising them within parameters permitted by company law and the Charity Commissioners.

ON BEHALF OF THE GOVERNORS,



R.J.C. SHUTTLEWORTH
CHAIRMAN

22 February 1997

DRAGON SCHOOL TRUST LIMITED

STATEMENT OF GOVERNORS' RESPONSIBILITIES

Company law requires the governors to ensure that accounts are prepared for each accounting year which give a true and fair view of the state of affairs of the Trust and of the results for that year.

In the preparation of those accounts, the governors are required to ensure that appropriate accounting policies are selected and then applied consistently; making judgements and estimates that are reasonable and prudent; and ensuring that the accounts are prepared on a going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The governors are responsible for ensuring that the Trust keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with the Companies Act 1985. They also have general responsibility for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The governors, having ensured that accounts have been prepared, have requested the Auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

AUDITORS' REPORT

TO THE MEMBERS OF DRAGON SCHOOL TRUST LIMITED

We have audited the accounts on pages 7 to 20.

Respective responsibilities of governors and auditors

As described on page 5 the school's governors are responsible for ensuring the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the governors in the preparation of the accounts, and whether the accounting policies are appropriate to the Trust'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the charitable company and the group as at 31st August 1996 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Oxford
22 February 1997

Critchleys
Chartered Accountants
Registered Auditors

DRAGON SCHOOL TRUST LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 1996

| | | 1996 | | 1995 | |
|---------------------------------|------|-----------|-----------|-----------|-----------|
| | Note | £ | £ | £ | £ |
| Incoming resources | | | | | |
| Amounts receivable for services | 2. | | 5,226,867 | | 4,678,450 |
| Voluntary income - donations | | | 170,147 | | 117,085 |
| Other income | 3. | | 53,382 | | 62,427 |
| Interest receivable | 4. | | 139,125 | | 115,587 |
| | | | ----- | | ----- |
| Total incoming resources | | | 5,589,521 | | 4,973,549 |
| Resources expended | | | | | |
| Running the school | | | | | |
| Teaching | | 2,812,544 | | 2,522,195 | |
| Property | | 649,089 | | 529,321 | |
| Welfare | | 951,603 | | 986,988 | |
| Administration | | 411,284 | | 480,420 | |
| Grants and donations | | 23,439 | | 22,590 | |
| Interest payable | 5. | 240,791 | | 183,922 | |
| | | ----- | 5,088,750 | ----- | 4,725,436 |
| Running the charity | | | | | |
| Cost of trading company's sales | | 26,543 | | 33,170 | |
| Management | | 127,300 | | 110,413 | |
| | | ----- | 153,843 | ----- | 143,583 |
| | | | ----- | | ----- |
| Total resources expended | | | 5,242,593 | | 4,869,019 |
| | | | ----- | | ----- |
| Net incoming resources | | | 346,928 | | 104,530 |
| Gains/(losses) on investments | | | | | |
| Realised | | (3,255) | | - | |
| Unrealised | | (3,383) | | 9,865 | |
| | | ----- | (6,638) | ----- | 9,865 |
| Net movement on funds | | | | | |
| - as previously reported | | | | 104,530 | |
| - prior year adjustment | 19. | | | 9,865 | |
| | | | ----- | ----- | ----- |
| | | | 340,290 | | 114,395 |
| | | | ===== | | ===== |

An analysis by individual fund appears in the statement of financial activities on page 10.

All activities are continuing. There are no gains or losses other than those recognised through the income and expenditure account. As a company limited by guarantee and charity it is not appropriate to show a reconciliation of 'shareholders funds'.

The notes on pages 12 to 20 form part of these accounts.

DRAGON SCHOOL TRUST LIMITED

BALANCE SHEET AS AT 31ST AUGUST 1996

| | Note | 1996 | 1995 |
|--|------|-------------|-------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | 9. | 6,160,206 | 5,540,740 |
| CURRENT ASSETS | | | |
| Stocks | 12. | 11,378 | 10,946 |
| Debtors | 13. | 253,388 | 232,659 |
| Investments | 14. | 707,386 | 769,086 |
| Cash at bank and in hand | | 606,754 | 856,698 |
| | | ----- | ----- |
| | | 1,578,906 | 1,869,389 |
| | | ----- | ----- |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 15. | (1,209,871) | (978,301) |
| | | ----- | ----- |
| NET CURRENT ASSETS | | 369,035 | 891,088 |
| | | ----- | ----- |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 6,529,241 | 6,431,828 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 16. | (2,792,842) | (3,019,424) |
| | | ----- | ----- |
| PROVISION FOR LIABILITIES AND CHARGES | 17. | - | (16,295) |
| | | ----- | ----- |
| | | (2,792,842) | (3,035,719) |
| | | ----- | ----- |
| TOTAL NET ASSETS | | 3,736,399 | 3,396,109 |
| | | ===== | ===== |
| RESERVES (pages 10, 20) | | | |
| General | | 2,565,029 | 2,323,357 |
| Designated | | 405,154 | 333,787 |
| Restricted | | 766,216 | 738,965 |
| | | ----- | ----- |
| FUNDS UNDER MANAGEMENT | | 3,736,399 | 3,396,109 |
| | | ===== | ===== |

The notes on pages 12 to 20 form part of these accounts.

Approved by the governors on 22 February 1997.

R.J.C. SHUTTLEWORTH  Chairman of governors

DRAGON SCHOOL TRUST LIMITED**PARENT COMPANY BALANCE SHEET AS AT 31ST AUGUST 1996**

| | Note | 1996 £ | 1995 £ |
|--|------|-------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | 9. | 6,160,206 | 5,540,740 |
| Investments | 11. | 100 | 100 |
| | | ----- | ----- |
| | | 6,160,306 | 5,540,840 |
| CURRENT ASSETS | | | |
| Stocks | 12. | 6,537 | 3,760 |
| Debtors | 13. | 253,129 | 261,725 |
| Investments | 14. | 707,386 | 769,086 |
| Cash at bank and in hand | | 603,065 | 826,161 |
| | | ----- | ----- |
| | | 1,570,117 | 1,860,732 |
| | | ----- | ----- |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | | |
| | 15. | (1,201,182) | (969,744) |
| | | ----- | ----- |
| NET CURRENT ASSETS | | 368,935 | 890,988 |
| | | ----- | ----- |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 6,529,241 | 6,431,828 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | | | |
| | 16. | (2,792,842) | (3,019,424) |
| PROVISION FOR LIABILITIES AND CHARGES | | | |
| | 17. | - | (16,295) |
| | | ----- | ----- |
| | | (2,792,842) | (3,035,719) |
| | | ----- | ----- |
| TOTAL NET ASSETS | | 3,736,399 | 3,396,109 |
| | | ===== | ===== |
| RESERVES (pages 10, 20) | | | |
| General | | 2,565,029 | 2,323,357 |
| Designated | | 405,154 | 333,787 |
| Restricted | | 766,216 | 738,965 |
| | | ----- | ----- |
| FUNDS UNDER MANAGEMENT | | 3,736,399 | 3,396,109 |
| | | ===== | ===== |

The notes on pages 12 to 20 form part of these accounts.

DRAGON SCHOOL TRUST LIMITED
ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1996
STATEMENT OF FINANCIAL ACTIVITIES (SoFA)

| | Restricted funds | | | | | | | | | | Designated funds | | | | TOTAL FUNDS |
|--------------------------------------|--------------------------------------|------------------|---------------------|------------|------------------|---------------------------|--------------------|------------------------|------------------|--------------|---------------------------------------|------------------|----------|--------------|-------------|
| | Founder's fund and Appeals 1967-1982 | Skipper Memorial | Knatchbull Memorial | Prize fund | Development fund | Miscellaneous small gifts | Special activities | Total restricted funds | Scholarship fund | Prepaid fees | Provision for repayment of borrowings | Development fund | Trading | General fund | |
| Incoming resources | | | | | | | | | | | | | | | |
| Amounts due for services | - | - | - | - | - | - | - | - | - | - | - | - | 65,310 | 5,161,557 | 5,226,867 |
| Voluntary income - donations | 4 | - | 100 | - | 18,393 | 2,551 | - | 21,048 | - | - | - | 149,099 | - | - | 170,147 |
| Other income | - | - | - | - | - | - | - | - | - | - | - | - | - | 53,382 | 53,382 |
| Interest receivable | - | 2,090 | 1,814 | 408 | - | - | - | 4,312 | 5,831 | 72,455 | - | - | - | 56,527 | 139,125 |
| Total incoming resources | 4 | 2,090 | 1,914 | 408 | 18,393 | 2,551 | - | 25,360 | 5,831 | 72,455 | - | 149,099 | 65,310 | 5,271,466 | 5,589,521 |
| Resources expended | | | | | | | | | | | | | | | |
| Teaching | - | - | - | - | - | 2,551 | 114 | 2,665 | - | - | - | - | - | 2,809,879 | 2,812,544 |
| Property | - | - | - | - | - | - | - | - | - | - | - | - | - | 649,089 | 649,089 |
| Welfare | - | - | - | - | - | - | - | - | - | - | - | - | - | 951,603 | 951,603 |
| Administration | - | - | - | - | - | - | - | - | - | - | - | - | - | 411,284 | 411,284 |
| Grants and donations | - | 9,900 | 1,925 | 408 | - | - | - | 12,233 | 11,206 | - | - | - | - | 23,439 | 23,439 |
| Interest payable | - | - | - | - | - | - | - | - | - | 43,387 | - | - | - | 197,404 | 240,791 |
| Cost of sales | - | - | - | - | - | - | - | - | - | - | - | - | 26,543 | 26,543 | 26,543 |
| Management | - | - | - | - | - | - | - | - | - | - | - | - | 11,300 | 116,000 | 127,300 |
| Total resources expended | - | 9,900 | 1,925 | 408 | - | 2,551 | 114 | 14,898 | 11,206 | 43,387 | - | - | 37,843 | 5,135,259 | 5,242,593 |
| Net incoming resources | 4 | (7,810) | (11) | - | 18,393 | - | (114) | 10,462 | (5,375) | 29,068 | - | 149,099 | 27,467 | 136,207 | 346,928 |
| Gains/(losses) on investments | | | | | | | | | | | | | | | |
| Realised | - | - | - | - | - | - | - | - | - | (3,255) | - | - | - | - | (3,255) |
| Unrealised | - | 400 | 2,748 | 78 | - | - | - | 3,226 | (2,007) | (4,602) | - | - | - | - | (3,383) |
| Transfers (a) | - | - | - | - | - | - | 11,332 | 11,332 | 20,003 | (20,003) | (97,300) | - | - | 85,968 | - |
| Transfers (b) | - | - | 27 | 28 | 2,176 | - | - | 2,231 | 2,644 | (1,208) | - | 4,303 | - | (7,970) | - |
| Transfers (c) | - | - | - | - | - | - | - | - | - | - | - | - | (27,467) | 27,467 | - |
| Net movement on funds | 4 | (7,410) | 2,764 | 106 | 20,569 | - | 11,218 | 27,251 | 15,265 | - | (97,300) | 153,402 | - | 241,672 | 340,290 |
| Balances brought forward | 605,160 | (4,572) | 30,175 | 2,502 | 79,891 | - | (11,218) | 701,938 | 148,172 | 25,913 | 97,300 | 43,333 | - | 2,323,357 | 3,340,013 |
| - as previously stated | - | 29,224 | 2,354 | 5,449 | - | - | - | 37,027 | 2,714 | 16,355 | - | - | - | - | 56,096 |
| - prior year adjustment (note 19) | 605,160 | 24,652 | 32,529 | 7,951 | 79,891 | - | (11,218) | 738,965 | 150,886 | 42,268 | 97,300 | 43,333 | - | 2,323,357 | 3,396,109 |
| - restated | 605,164 | 17,242 | 35,293 | 8,057 | 100,460 | - | - | 766,216 | 166,151 | 42,268 | - | 196,735 | - | 2,565,029 | 3,736,399 |
| Balances carried forward | | | | | | | | | | | | | | | |

- (i) Surplus on prepaid fees scheme transferred to Scholarship fund.
(ii) Provision for repayment of borrowings reserve no longer required.
(iii) Deficits on previous years' special activities written off by transfer from general fund.
Allocation of interest earned by central treasury function to different funds.
Profits from trading activities transferred to general fund.

The notes on pages 12 to 20 form part of these accounts

DRAGON SCHOOL TRUST LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 1996

| | | 1996 | | 1995 | |
|---|------|-----------|-----------|-------------|-------------|
| | Note | £ | £ | £ | £ |
| Net cash inflow from operating activities | 18a. | | 815,042 | | 550,803 |
| Returns on investments and servicing of finance: | | | | | |
| Interest paid | | (202,510) | | (155,922) | |
| Interest received | | 127,887 | | 119,052 | |
| | | ----- | | ----- | |
| Net cash outflow from returns on investments and servicing of finance | | | (74,623) | | (36,870) |
| Investing activities | | | | | |
| Payments to acquire tangible fixed assets | | (788,603) | | (2,420,355) | |
| Proceeds from redemption of investments | | 53,257 | | 57,279 | |
| Proceeds from sale of fixed assets | | 14,450 | | 239,873 | |
| | | ----- | | ----- | |
| Net cash outflow from investing activities | | | (720,896) | | (2,123,203) |
| Net cash inflow/(outflow) before financing | | | 19,523 | | (1,609,270) |
| Financing: | | | | | |
| Mortgage loan advanced | | - | | 1,900,000 | |
| Repayment of property loan | | (27,067) | | (7,800) | |
| | | ----- | (27,067) | ----- | 1,892,200 |
| (Decrease)/increase in cash equivalents | 18b. | | (7,544) | | 282,930 |
| | | | ===== | | ===== |

The notes on pages 12 to 20 form part of these accounts.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 1996

1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts are prepared under the historical cost convention and in compliance with all applicable accounting standards. The following accounting policies have been used consistently in dealing with items which are considered material in relation to the group's accounts:

b) Presentation

The group has adopted the revised SORP with respect to charities' accounts. Comparatives have been restated where reclassification has been necessary.

c) Amounts receivable for services

Amounts receivable for services includes amounts invoiced in respect of fees and extras, net of allowances given, and other income associated with the operation of the school. It also includes sales (net of VAT) generated by the trading subsidiary.

d) Classification of resources expended

The classification of resources expended follows the 'guidance on the charities SORP for independent schools' produced by a joint ISBA/IAPS working party (until recently in draft form). In general, this distinguishes between the costs associated with running the school and running the charity as a whole. Included in the latter, 'management' costs are costs of governors' meetings, legal and professional advice with respect to the organisation as a charity, and fundraising costs including costs of maintaining contact with old pupils and staff. With respect to resources expended running the school, 'property' includes costs of maintaining the buildings used for educational purposes, while 'welfare' costs include boarding and catering costs.

e) Tangible fixed assets

No depreciation is provided on freehold buildings. Although the Companies Act 1985 requires a charge for depreciation to be made on fixed assets having a finite useful life, the governors consider that the buildings in use by the Trust are an important part of the school's character and consequently ensure that they are fully maintained in order that their useful life may be extended indefinitely. It is therefore considered inappropriate to provide for depreciation. With respect to other assets depreciation is provided at straight line on cost over the expected useful lives of the assets concerned.

The rates of depreciation used are:

| | |
|--------------------------------------|----------------------|
| Leasehold property | Over period of lease |
| All-weather pitch | Over 28 years |
| Fixtures, fittings and equipment | 3-15 years |
| Motor vehicles and grounds machinery | 5-15 years |

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.

f) Investments

Quoted investments are stated at their market value. (See note 19.) Other investments are shown at cost.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 1996

1. ACCOUNTING POLICIES (CONTINUED)

- g) Prepaid fees
Amounts received under the prepaid fees scheme are carried forward as liabilities. Turnover is credited with the equivalent of fees thus paid in the period when they become receivable.
- h) Pension costs
Pension costs represent contributions under the DFE teachers' superannuation scheme, various defined contribution schemes and provision against amounts due with respect to specific obligations recognised by the school. Both the DFE 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. Purchases of educational materials for the next academic year are carried forward as prepayments. Stock held for resale is valued at the lower of cost and realisable value.
- j) 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. As the subsidiary has covenanted 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.

2. AMOUNTS RECEIVABLE FOR SERVICES

| | 1996 £ | 1995 £ |
|------------------------|-----------|-----------|
| School fees and extras | 5,341,598 | 4,754,370 |
| less fees allowances | (180,041) | (138,314) |
| | ----- | ----- |
| | 5,161,557 | 4,616,056 |
| Trading company sales | 65,310 | 62,394 |
| | ----- | ----- |
| | 5,226,867 | 4,678,450 |
| | ===== | ===== |

3. OTHER INCOME

| | | |
|---|--------|--------|
| Fees in lieu of notice and forfeited deposits | 7,930 | 8,746 |
| Registration fees | 21,050 | 32,749 |
| Commission and sundry | 24,402 | 20,932 |
| | ----- | ----- |
| | 53,382 | 62,427 |
| | ===== | ===== |

4. INTEREST RECEIVABLE

Interest receivable arises from:

| | | |
|--------------------|---------|---------|
| Listed investments | 74,081 | 67,932 |
| Bank deposits | 57,804 | 41,376 |
| Other sources | 7,240 | 6,279 |
| | ----- | ----- |
| | 139,125 | 115,587 |
| | ===== | ===== |

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 1996

| | | | |
|---|--|------------------|------------------|
| 5. | INTEREST PAYABLE AND SIMILAR CHARGES | 1996 £ | 1995 £ |
| | Interest payable is due to | | |
| | Bank | 193,581 | 139,736 |
| | Discount allowed on prepaid fees | 43,387 | 43,591 |
| | Sundry | 3,823 | 595 |
| | | <u>240,791</u> | <u>183,922</u> |
| 6. | SURPLUS FOR THE FINANCIAL YEAR is after charging: | | |
| | Depreciation and amortisation | 149,919 | 108,463 |
| | Auditors' remuneration (including VAT) | | |
| | - for audit | 7,900 | 7,000 |
| | - for other services | 12,140 | 14,044 |
| | | <u>=====</u> | <u>=====</u> |
| 7. | EMPLOYEES | 1996 £ | 1995 £ |
| | Costs | | |
| | Wages and salaries | 2,778,610 | 2,380,991 |
| | National Insurance | 218,290 | 184,814 |
| | Pension costs (see following) | 159,965 | 171,825 |
| | | <u>3,156,865</u> | <u>2,737,630</u> |
| | | <u>=====</u> | <u>=====</u> |
| The numbers of employees whose remuneration was over £40,000 fell into the following bands: | | | |
| | £40 - £50,000 | 1 | 1 |
| | £60 - £70,000 | 1 | 1 |
| | | <u>=====</u> | <u>=====</u> |
| | Pension costs were made up of: | | |
| | DFE pension contributions | 123,521 | 109,890 |
| | Defined contribution schemes | 36,444 | 32,935 |
| | Provision (see also note 17) | - | 29,000 |
| | | <u>159,965</u> | <u>171,825</u> |
| | | <u>=====</u> | <u>=====</u> |

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 1996

7. EMPLOYEES (continued)

The majority of the staff participate in one of two pension schemes: the Teachers' Superannuation Scheme run by the Teachers' Pension Agency specifically for teaching staff, and a Norwich Union scheme.

The Teachers' Superannuation Scheme (TSS) is a contributory scheme run by the Teachers' Pension Agency, the benefits of which are governed by the Teachers' Superannuation (Consolidation) Regulations 1988, as amended. The Scheme pays guaranteed benefits protected against inflation and gives an annual pension and tax free lump sum on retirement. The normal retirement age in this scheme is 60 for both sexes and it is a 'final salary' scheme, the benefits being assessed on the individual's salary on retirement and not on the salary on which contributions have been made. The scheme is periodically reviewed by the Government Actuary who determines the appropriate level of contribution. The present contributions are employees 6% and employer 8.05% of salary.

The latest actuarial valuation was as at 31 March 1986. As the TSS scheme is a notional scheme further disclosure of the results of the investigation is not required.

The Norwich Union scheme is a defined contribution scheme. The assets of the plan are held separately from the school in an independently administered fund.

Included within salary costs are amounts paid to former employees whose pension provisions were inadequate during their employment. The total amount paid was £100,377 (1995 £97,366). The school is committed to continue with these payments. No estimate, actuarial or otherwise, has been made of the total future commitment.

The governors did not receive any remuneration. Expenses paid to the governors for the year totalled £114 (1995 £147).

| | 1996 | 1995 |
|---|-------|-------|
| | No. | No. |
| The average number of persons employed was: | | |
| Teaching | 111 | 85 |
| Pensioners | 23 | 23 |
| Property maintenance | 8 | 7 |
| Domestic | 65 | 63 |
| Administration | 14 | 10 |
| | ----- | ----- |
| | 221 | 188 |
| | ===== | ===== |

8. TAXATION

As a registered charity the school does not pay corporation tax on surpluses arising from its charitable activities. The Trust's subsidiary Dragon School Trading pays corporation tax on profits, but these are nil for tax purposes after allowing the covenant to the parent company as a charge.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 1996

9. TANGIBLE FIXED ASSETS (Group and parent company)

| | Freehold property £ | Long leasehold £ | Short leasehold £ | Fixtures fittings & equipment £ | Motor vehicles £ | TOTAL £ |
|-----------------|---------------------------|------------------------|-------------------------|--|------------------------|------------|
| Cost | | | | | | |
| at 1.9.95 | 3,558,425 | 2,086,288 | 180,672 | 402,443 | 100,686 | 6,328,514 |
| additions | 357,185 | 230,155 | - | 171,311 | 29,252 | 787,903 |
| disposals | - | - | - | (10,152) | (53,892) | (64,044) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| at 31.8.96 | 3,915,610 | 2,316,443 | 180,672 | 563,602 | 76,046 | 7,052,373 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Depreciation | | | | | | |
| at 1.9.95 | 14,802 | 399,908 | 85,998 | 225,169 | 61,897 | 787,774 |
| charge for year | - | 33,164 | 11,836 | 89,825 | 15,094 | 149,919 |
| on disposals | - | - | - | (9,284) | (36,242) | (45,526) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| at 31.8.96 | 14,802 | 433,072 | 97,834 | 305,710 | 40,749 | 892,167 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Net book value | | | | | | |
| at 31.8.96 | 3,900,808 | 1,883,371 | 82,838 | 257,892 | 35,297 | 6,160,206 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| at 1.9.95 | 3,543,623 | 1,686,380 | 94,674 | 177,274 | 38,789 | 5,540,740 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

The rebuild cost of properties included in freehold and leasehold was approximately £15,000,000 at the last insurance review (1 September 1995). This does not include the value of the sites for which no estimate of value has been made. See also note 1d).

10. CAPITAL COMMITMENTS

The school had capital commitments of £70,000 (1995: £10,000) with respect to building contracts in progress at the year-end. There were no amounts committed but not yet contracted.

11. INVESTMENTS HELD AS FIXED ASSETS

| | Parent company | |
|--------------------------------------|----------------|-------|
| | 1996 | 1995 |
| | £ | £ |
| Shares in subsidiary company at cost | 100 | 100 |
| | ===== | ===== |

The Trust holds 100 ordinary shares of £1, representing 100% of the allotted 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.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 1996

| 12. STOCKS | Group | | Parent company | |
|--|------------------|----------------|----------------|----------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| Goods for resale | 4,841 | 7,186 | - | - |
| Consumables | 6,537 | 3,760 | 6,537 | 3,760 |
| | <u>11,378</u> | <u>10,946</u> | <u>6,537</u> | <u>3,760</u> |
| | <u>=====</u> | <u>=====</u> | <u>=====</u> | <u>=====</u> |
| 13. DEBTORS | Group | | Parent company | |
| | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| Trade debtors | 201,370 | 128,362 | 192,067 | 117,407 |
| Amount owed by subsidiary | - | - | 12,363 | 40,021 |
| Loans | 1,283 | 37,523 | 1,283 | 37,523 |
| Tax repayable | 14,775 | 5,149 | 12,856 | 5,149 |
| Prepayments and accrued income | 35,960 | 61,625 | 34,560 | 61,625 |
| | <u>253,388</u> | <u>232,659</u> | <u>253,129</u> | <u>261,725</u> |
| | <u>=====</u> | <u>=====</u> | <u>=====</u> | <u>=====</u> |
| 14. INVESTMENTS HELD AS CURRENT ASSETS | Group and parent | | | |
| | 1996 | 1995 | | |
| | £ | £ | | |
| Government stocks | 630,884 | 695,811 | | |
| Other U.K. listed investments | 76,502 | 73,275 | | |
| | <u>707,386</u> | <u>769,086</u> | | |
| | <u>=====</u> | <u>=====</u> | | |

The cost of listed investments was £672,174 (1995 - £712,991).

| 15. CREDITORS: FALLING DUE WITHIN ONE YEAR | Group | | Parent company | |
|---|------------------|----------------|------------------|----------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £ | £ | £ | £ |
| Bank loans - due within one year (note 16) | 103,644 | 34,571 | 103,644 | 34,571 |
| Loan to development fund | - | 65,000 | - | 65,000 |
| Taxation and social security | 96,878 | 94,294 | 92,035 | 90,059 |
| Trade creditors | 261,649 | 231,363 | 261,638 | 231,363 |
| Accruals | 42,098 | 71,522 | 38,262 | 67,200 |
| Deferred income | | | | |
| - fees received in advance | 606,704 | 364,097 | 606,704 | 364,097 |
| - prepaid fees scheme (note 16) | 98,898 | 117,454 | 98,898 | 117,454 |
| | <u>1,209,871</u> | <u>978,301</u> | <u>1,201,182</u> | <u>969,744</u> |
| | <u>=====</u> | <u>=====</u> | <u>=====</u> | <u>=====</u> |

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 1996

| 16 a) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | Group and parent | |
|--|------------------|-----------|
| | 1996 | 1995 |
| | £ | £ |
| Bank loans | 2,166,888 | 2,505,428 |
| Deferred income: prepaid fees | 625,954 | 513,996 |
| | ----- | ----- |
| | 2,792,842 | 3,019,424 |
| | ===== | ===== |

b) ANALYSIS OF LONG TERM CREDITORS

| | | |
|---------------------------------|-----------|-----------|
| Bank loans: | | |
| due within one year | 103,644 | 34,571 |
| due between two and five years | 509,721 | 518,169 |
| due in more than five years | 1,657,167 | 1,987,258 |
| | ----- | ----- |
| | 2,270,532 | 2,539,998 |
| | ===== | ===== |
| Deferred income - prepaid fees: | | |
| due within one year | 98,898 | 117,454 |
| due between two and five years | 442,012 | 278,576 |
| due in more than five years | 183,942 | 235,420 |
| | ----- | ----- |
| | 724,852 | 631,450 |
| | ===== | ===== |

One bank loan, for £242,400 as at 31 August 1995, had been scheduled for repayment by 31st August 2013. This was repaid during the year following review of the school's banking requirements.

The second bank loan, for £370,532, is repayable by 31st August 2006 by means of fixed instalments. Interest is charged at 2% above LIBOR and the loan is secured by a first legal charge on part of the school's freehold property.

The third bank loan, for £1,900,000, is repayable by instalments over fifteen years commencing October 1996. Interest is charged at 1 7/8% over LIBOR and the loan is secured by a first legal charge on part of the school's freehold property.

| 17. PROVISION FOR LIABILITIES AND CHARGES | Group and parent | |
|--|------------------|----------|
| | 1996 | 1995 |
| | £ | £ |
| Balance brought forward | 16,295 | 78,582 |
| Paid in year | (16,295) | (91,287) |
| Charged to income and expenditure (note 7) | - | 29,000 |
| | ----- | ----- |
| Balance carried forward | - | 16,295 |
| | ===== | ===== |

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST 1996

18. NOTES TO THE CASH FLOW STATEMENT:

a) Reconciliation of operating surplus to net cash inflow from operating activities:

| | 1996 | 1995 |
|---|-----------|-----------|
| | £ | £ |
| Operating surplus | 340,290 | 114,395 |
| Interest payable | 203,111 | 183,922 |
| Interest receivable | (132,487) | (125,452) |
| Depreciation charges | 149,919 | 108,463 |
| Increase in stocks | (432) | (4,208) |
| Increase/(decrease) in debtors | (21,330) | 126,411 |
| Increase in creditors | 262,760 | 111,743 |
| Loss/(gain) on redemption of investments | 5,060 | (7,356) |
| Movement in value of investments | 3,383 | 7,635 |
| Loss on sale of fixed assets | 4,768 | 35,250 |
| | ----- | ----- |
| Net cash inflow from operating activities | 815,042 | 550,803 |
| | ===== | ===== |

b) Analysis and movement of cash equivalents:

| | Cash | Property loan | TOTAL |
|---------------------------------------|-----------|---------------|---------|
| As at 1st September 1995 | 856,698 | (242,400) | 614,298 |
| Increase in cash and cash equivalents | (249,944) | 242,400 | (7,544) |
| | ----- | ----- | ----- |
| As at 31st August 1996 | 606,754 | - | 606,754 |
| | ----- | ----- | ----- |

19. PRIOR YEAR ADJUSTMENT

The accounts include a prior year adjustment arising from a change in accounting policy: listed investments are now included at value rather than cost. The accounting policy has been changed to comply with the recommended practice for charities.

This change has meant that the net surplus for the year is shown £3,383 lower than it would have been on the old basis. Last year's operating surplus has been restated as shown on page 7 to be £9,865 higher than previously reported. The overall adjustment with respect to reserves in previous years (page 8) is £56,096 being the unrealised surplus on investments held as at 31 August 1995.

DRAGON SCHOOL TRUST LIMITED
ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1996

ANALYSIS OF ASSETS BY FUND

| | Founder's fund and Appeals 1967-1982 | Skipper Memorial | Knatchbull Memorial | Prize fund | Development fund | Total restricted funds | Scholarship fund | Prepaid fees | Development fund | Total designated funds | General fund (incl. Trading) | TOTAL FUNDS |
|------------------------------------|---|---------------------|------------------------|---------------|---------------------|------------------------------|---------------------|-----------------|---------------------|------------------------------|---------------------------------|----------------|
| Fixed assets | | | | | | | | | | | | |
| Tangible assets | 605,164 | - | - | - | 41,118 | 646,282 | - | - | 128,664 | 128,664 | 5,385,260 | 6,160,206 |
| Investments | - | - | - | - | - | - | - | - | - | - | - | - |
| | 605,164 | - | - | - | 41,118 | 646,282 | - | - | 128,664 | 128,664 | 5,385,260 | 6,160,206 |
| Current assets | | | | | | | | | | | | |
| Stocks | - | - | - | - | - | - | - | - | - | - | 11,378 | 11,378 |
| Debtors | - | - | - | - | - | - | - | - | - | - | 253,388 | 253,388 |
| Investments | - | 35,415 | 34,170 | 6,917 | - | 76,502 | 56,546 | 574,338 | - | 630,884 | - | 707,386 |
| Cash - specific accounts | - | - | - | - | - | - | - | 243,547 | - | 243,547 | 363,207 | 606,754 |
| Cash - analysis of central account | - | (18,173) | 1,123 | 1,140 | 59,342 | 43,432 | 109,605 | (50,765) | 68,071 | 126,911 | (170,343) | - |
| | - | 17,242 | 35,293 | 8,057 | 59,342 | 119,934 | 166,151 | 767,120 | 68,071 | 1,001,342 | 457,630 | 1,578,906 |
| Creditors: | | | | | | | | | | | | |
| falling due within one year | - | - | - | - | - | - | - | (98,898) | - | (98,898) | (1,110,973) | (1,209,871) |
| | - | 17,242 | 35,293 | 8,057 | 59,342 | 119,934 | 166,151 | 668,222 | 68,071 | 902,444 | (653,343) | 369,035 |
| Net current assets | | | | | | | | | | | | |
| | - | - | - | - | - | - | - | (625,954) | - | (625,954) | (2,166,888) | (2,792,842) |
| Total net assets | | | | | | | | | | | | |
| | 605,164 | 17,242 | 35,293 | 8,057 | 100,460 | 766,216 | 166,151 | 42,268 | 196,735 | 405,154 | 2,565,029 | 3,736,399 |
| Total funds per SoF/A (page 10): | 605,164 | 17,242 | 35,293 | 8,057 | 100,460 | 766,216 | 166,151 | 42,268 | 196,735 | 405,154 | 2,565,029 | 3,736,399 |

Explanation of the funds:

The Founder's Fund and Appeals 1967-1982 represent the balance of monies raised for and spent on specific building projects up to 1982.

The Skipper Memorial fund exists to provide fee support for children and relatives of Old Dragons.

The Knatchbull Memorial fund provides funding for travel and exploration activities.

The Prize fund is in fact an aggregate of relatively small bequests given for the purpose of providing prizes to pupils for particular achievements.

The Development fund represents sums raised for the buildings of the school. This fund appears both as restricted and designated funds, depending on the restrictions or otherwise placed on gifts by the donors.

The Scholarship fund represents monies designated to provide fee assistance for pupils. Surpluses from the pre-paid fees fund (which records transactions with respect to the school's prepaid fees scheme) are transferred to the Scholarship fund.

The Skipper and Knatchbull Memorial funds have specific trustees who review the application of resources.

There are no restrictions placed upon the expenditure of capital on any of the funds.