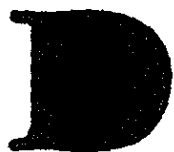

FINANCIAL STATEMENTS

for the Year Ended 31 July 2000

St. Mary's School (Melrose) Limited



Douglas Home & Co
Chartered Accountants



ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

FINANCIAL STATEMENTS
for the year ended 31st July, 2000

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ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

FINANCIAL STATEMENTS
for the year ended 31st July, 2000

Company Registration Number: SC 23577

Recognised Charity Number: SC 009352

Registered Office: Abbey Park,
Melrose,
Roxburghshire,
TD6 9LN.

Governors: Lord Sanderson of Bowden (Chairman)
D.M.S. Spawforth (Vice-Chairman)
The Hon. Lord Abernethy
L.A.C. Ashby
G.T.G. Baird
A.S. Grant
P.M.A. Hardie
E.J.S. Hogg
R.G. Swan
D.M. Whalley
L.C. Onslow

Secretary: Neil W. Miller

Auditors: Douglas Home & Co.,
Registered Auditors and Chartered Accountants,
47-49, The Square,
Kelso,
Roxburghshire,
TD5 7HW.

Bankers: The Royal Bank of Scotland,
High Street,
Melrose,
Roxburghshire,
TD6 9PF.

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

REPORT OF THE GOVERNORS

The Governors, who are also the Company Directors and the Charity Trustees, submit their report, together with financial statements, for the year ended 31st July, 2000.

Object

In accordance with the Charitable Company's Memorandum and Articles of Association, the object of the School is the advancement of education.

Principal Activity

The company operates an independent preparatory school.

Review of Activities and Financial Position

A surplus of £44,550 was achieved and transferred to the relevant funds. The School continues to meet its day to day working capital requirements by means of a bank overdraft.

The school's new Kindergarten for 2½ to 4 year old children was opened during Michaelmas term under the direction of Miss Katherine Walsingham. It has gone from strength to strength and is now firmly established as a centre of excellence for pre-school education and is contributing greatly to the school.

An academic scholarship to Merchiston Castle School was gained by Patrick Glennie, and Andrew Burt passed in the top half of candidates to Winchester College.

No fewer than 26 A Grades were scored by the school's six Common Entrance candidates.

In sport, the girls Hockey Team not only won the Scottish Under 13 Independent Schools Hockey Tournament but also had six players selected to the West of Scotland Prep School side, Bella Scott being appointed captain.

Governors

The Board of Governors determine the general policy of the School. The day to day management of the School is delegated to the Headmaster and the School Treasurer.

The present membership of the Board is set out below. All Governors served throughout the year except as stated below. A.W. Jack resigned from the Board on 24th March 2000 and Mrs. L.C. Onslow was appointed in his place.

G.T.G. Baird and P.M.A. Hardie retire by rotation at the A.G.M. and, being eligible, offer themselves for re-election. L.C. Onslow, who was appointed during the year, offers herself for re-election.

Lord Sanderson of Bowden (Chairman)	The Hon. Lord Abernethy	L.A.C. Ashby
D.M.S. Spawforth (Vice-Chairman)	A.S. Grant	P.M.A. Hardie
G.T.G. Baird	R.G. Swan	D.M. Whalley
E.J.S. Hogg	L.C. Onslow (appointed 24th March 2000)	

The company has no share capital and therefore no Governor holds any shares but each, as a member, has guaranteed to pay a sum of £1 if called upon.

Governors are elected in accordance with the terms set out in the Articles of Association. Governors are elected for a three year term for a maximum of two terms.

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

REPORT OF THE GOVERNORS (continued)

Governor's Responsibilities for the Financial Statements

Company law requires the Governors to prepare financial statements for each financial year which give a true and fair view of the financial activities of the charitable company during the year and of the financial position at the end of the year. In preparing those financial statements, the Governors should follow best practice and:

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

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charitable company and which enable them to ascertain its financial position and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed Assets

The Governors are of the opinion that, in aggregate, the market value of land and building is no less than the book value of the assets.

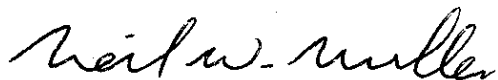
Auditors

Douglas Home & Co. offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

Small Company Exemptions

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD



Neil W. Miller
Secretary.

22 September 2000

REPORT OF THE AUDITORS TO THE MEMBERS OF

ST. MARY'S SCHOOL (MELROSE) LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective Responsibilities of Governors and Auditors

As described on page 2 the company's Governors, who also act as Trustees for the company's charitable activities, are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

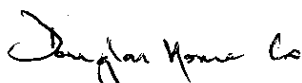
Basis of Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs at 31st July 2000 and of its 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.



Douglas Home & Co.,
Registered Auditors and Chartered Accountants,
47-49, The Square,
Kelso,
Roxburghshire,
TD5 7HW.

Date 17th October 2000

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

STATEMENT OF FINANCIAL ACTIVITIES
(incorporating the Income and Expenditure Account)
For the year ended 31st July, 2000

	Note	Unrestricted Fund £	Restricted Funds £	Total 2000 £	Total 1999 £
Incoming Resources					
Class and Boarding Fees		464,656	-	464,656	394,264
Enrolment Registration Fees		1,350	-	1,350	1,400
Kindergarten Fees		28,854	-	28,854	-
Rental Income		7,605	-	7,605	6,820
Donations and Covenants Received		3,592	24,381	27,973	51,086
Investment Income		-	414	414	682
Centenary Events Income		195	-	195	242
Net Gain on Disposal of Tangible Fixed Assets		-	-	-	961
Net Fundraising		232	-	232	194
Total Incoming Resources		506,484	24,795	531,279	455,649
Resources Expended					
Direct Charitable Expenditure		456,978	25,251	482,229	409,551
Management and Administration		4,500	-	4,500	4,500
Total Resources Expended		461,478	25,251	486,729	414,051
Net Incoming/(Outgoing) Resources before Transfers		45,006	(456)	44,550	41,598
Transfers between Funds		69	(69)	-	-
Net Incoming/(Outgoing) Resources		45,075	(525)	44,550	41,598
Unrealised Gains on Investments		-	39	39	75
Net Movement in Funds		45,075	(486)	44,589	41,673
Fund Balances Brought Forward		425,268	81,080	506,348	464,675
Fund Balances Carried Forward	9	470,343	80,594	550,937	506,348

The accompanying accounting policies and notes form an integral part of these financial statements.


ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

BALANCE SHEET
At 31st July, 2000

	Note	2000 £	1999 £
Fixed Assets			
Tangible Assets	4	<u>756,186</u>	<u>755,365</u>
Current Assets			
Stock		7,010	9,492
Debtors	5	9,101	4,624
Investments	6	3,794	3,753
Cash at Bank		30,407	33,013
		<u>50,312</u>	<u>50,882</u>
Creditors: Amounts Falling Due Within One Year	7	(229,224)	(266,494)
Net Current Liabilities		<u>(178,912)</u>	<u>(215,612)</u>
Total Assets less Current Liabilities		577,274	539,753
Creditors: Amounts Falling Due After More than One Year	8	(26,337)	(33,405)
Total Net Assets		<u><u>£ 550,937</u></u>	<u><u>£ 506,348</u></u>
Reserves:			
- Unrestricted Funds			
General Fund	9	470,343	425,268
- Restricted Funds			
Bursary and Prize Fund	9	6,454	6,415
Centenary Debenture Sinking Fund	9	10,500	13,000
Development Campaign Fund	9	32,057	32,299
Designated Donations	9	31,583	29,366
		<u><u>£ 550,937</u></u>	<u><u>£ 506,348</u></u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board of Governors on 22 September 2000.



 Lord Sanderson of Bowden,
 Chairman.

The accompanying accounting policies and notes form an integral part of these financial statements.

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of heritable property and investments and in accordance with applicable accounting standards, and follow the recommendations in the Statement of Recommended Practice: Accounting by Charities.

The principal accounting policies are set out below. The policies have remained unchanged from the previous year.

Fees and Meal Charges

Fees and meal charges are the total amount receivable by the company in respect of school fees and outlays and meal charges, and is inclusive of any VAT suffered on outlays.

Depreciation

Depreciation is calculated to write down the cost or valuation of tangible fixed assets over their expected useful lives. The rates and methods generally applicable are:

Fixtures and Fittings	10% reducing balance
Plant and machinery	25% straight line
Motor Vehicles	25% straight line

The company adopts a policy to maintain its heritable properties to a high standard and the Governors are therefore of the opinion that useful economic lives and residual values are such that any depreciation would not be material.

The rate applicable to fixtures and fittings has been increased this year following reappraisal of the useful lives of these assets. As a consequence the depreciation charge for the year has been increased by £2,018.

Stock

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

Contributions to Pension Funds

The pension costs charged against profits represent the amount of the contributions payable to the teachers superannuation scheme in respect of the accounting period.

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

PRINCIPAL ACCOUNTING POLICIES (continued)

Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Following the publication of Statement of Recommended Practice "Accounting by Charities" investments are included at market value.

Realised gains or losses arising from disposals of investments and unrealised net gains are added to or deducted from the appropriate fund.

Expenditure

Expenditure, which is charged on an accruals basis, is allocated between:

- expenditure incurred directly in the fulfilment of the charity's objectives (direct charitable);
- expenditure incurred directly in the effort to raise voluntary contributions (fund-raising and publicity); and
- expenditure incurred in the management and administration of the charity.

Fund Accounting

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the charity.

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st July, 2000

1. Resources Expended

The movement in funds is stated after:

	2000 £	1999 £
Auditors' Remuneration	2,350	1,750
Depreciation - Owned Assets	7,469	3,186
- Assets under Hire Purchase Obligations	8,982	6,179
Operating Lease Rentals	542	-
	<hr/>	<hr/>

Resources Expended

Staff Costs (included in Direct Charitable Expenses £312,222)	314,137	283,223
Depreciation	16,451	9,365
Bank Interest	12,931	16,128
Other Resources expended	143,210	105,335
	<hr/>	<hr/>
	486,729	414,051

The average number of employees during the year was 19 (1999 - 19).

Included in other resources expended are the following major amounts:

	2000 £	1999 £
Catering	20,394	21,538
Books & Class Materials	10,535	7,052
Marketing	10,217	4,965
Rent, Rates & Insurance	16,593	14,937
Light & Heat	17,464	15,449
Property Repairs	30,683	10,610
Printing, Stationery & Telephone	9,938	9,837
Other	27,386	20,947
	<hr/>	<hr/>
	£ 143,210	£ 105,335

2. Governors' Remuneration

The Governors received no remuneration and no expenses were reimbursed during the year (1999 - nil).

The School purchased insurance to indemnify the Governors. The cost of the indemnity insurance was £177.

3. Taxation

The Company has been granted charitable status and is exempt from income tax by virtue of Section 505 of the Income and Corporation Taxes Act 1988, and from capital gains tax by virtue of the Capital Gains Tax Act 1979, Section 145.

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July, 2000

4. Fixed Assets

	Heritable Land and Buildings £	Fittings and Furniture £	Plant and Machinery £	Motor Vehicles £	Total £
Cost or Valuation					
At 1st August, 1999	687,635	52,947	26,849	30,029	797,460
Additions	-	5,031	8,598	3,643	17,272
At 31st July, 2000	<u>687,635</u>	<u>57,978</u>	<u>35,447</u>	<u>33,672</u>	<u>814,732</u>
Depreciation					
At 1st August, 1999	-	17,587	19,179	5,329	42,095
Charge for Year	-	4,040	4,676	7,735	16,451
At 31st July, 2000	<u>-</u>	<u>21,627</u>	<u>23,855</u>	<u>13,064</u>	<u>58,546</u>
Net Book Value					
At 31st July, 2000	<u>687,635</u>	<u>36,351</u>	<u>11,592</u>	<u>20,608</u>	<u>756,186</u>
At 31st July, 1999	<u>687,635</u>	<u>35,360</u>	<u>7,670</u>	<u>24,700</u>	<u>755,365</u>

The figures stated above for cost or valuation include a valuation as follows:

	Heritable Land and Buildings	
	2000 £	1999 £
At Cost	290,635	290,635
At 1991 Valuation	397,000	397,000
	<u>£ 687,635</u>	<u>£ 687,635</u>

The heritable land and buildings were valued at 31st July, 1991 by Lorne Brown Associates, Chartered Surveyors, on an open market basis. The charity is adopting the transitional provisions of Financial Reporting Standard 15 and this valuation has not therefore been updated.

Included in the fixed assets above are assets held under hire purchase contracts as follows:

Class of Asset	Net Book Value		Depreciation Charge for Year	
	2000 £	1999 £	2000 £	1999 £
Plant and Machinery	2,889	2,550	1,247	850
Motor Vehicles	<u>20,608</u>	<u>24,700</u>	<u>7,735</u>	<u>5,329</u>

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July, 2000

5. Debtors	2000	1999
	£	£
Trade Debtors	7,272	4,624
Other Debtors	1,829	-
	<u>9,101</u>	<u>4,624</u>

6. Current Asset Investments

Investments form part of the Bursary and Prize Funds (see note 9).

	2000	1999
	£	£
Bank and Building Society Deposits	<u>1,376</u>	<u>1,374</u>
Listed U.K. Investments:		
Market Value at 1st August, 1999	2,379	2,304
Add net Gain on Revaluation at 31st July, 2000	39	75
	<u>2,418</u>	<u>2,379</u>
Total Market Value at 31st July, 2000	<u>£ 3,794</u>	<u>£ 3,753</u>
Historical Cost of Listed Investments at 31st July, 2000	<u>£ 1,451</u>	<u>£ 1,451</u>

7. Creditors: Amounts Falling Due Within One Year

	2000	1999
	£	£
Bank Overdraft	198,199	241,384
Hire Purchase Creditor	7,356	5,836
Other Taxes and Social Security	5,981	5,766
Accruals and Deferred Income	17,563	13,383
Loan - Deposited Covenant	125	125
	<u>£ 229,224</u>	<u>£ 266,494</u>

The bank overdraft is secured by a standard security over the school buildings and land and by a bond and floating charge over all of the company's assets. The H.P. creditor is secured on the assets to which it relates.

8. Creditors: Amounts Falling Due After More than One Year

	2000	1999
	£	£
Debenture Loans	1,000	1,050
Centenary Debenture Loans	21,000	23,500
Hire Purchase	4,337	8,855
	<u>£ 26,337</u>	<u>£ 33,405</u>

Debentures bear interest at 2.5% per annum, and are repayable only at the option of the School.

Centenary debentures bear interest at 5% per annum, and are repayable between 1st January, 2000 and 31st December, 2002, the date being at the option of the School.

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July, 2000

9. Funds

	Restricted				Unrestricted	
	Bursary and Prize	Development Campaign	Centenary Debenture Sinking Fund	Designated Donations	General Fund	Total
	£	£	£	£	£	£
At 1st August, 1999	6,415	32,299	13,000	29,366	425,268	506,348
Net Incoming/Outgoing Resources	-	(242)	-	(214)	45,006	44,550
Unrealised Gain on Investments	39	-	-	-	-	39
Transfers	-	-	(2,500)	2,431	69	-
At 31st July, 2000	<u>£6,454</u>	<u>£ 32,057</u>	<u>£ 10,500</u>	<u>£ 31,583</u>	<u>£ 470,343</u>	<u>£ 550,937</u>

With the exception of the general fund, distributions from the above funds are restricted to specified purposes only.

Unrealised gains of £168,817 (1999 - £168,817) for tangible fixed assets are included in the General Fund above.

The Bursary and Prize Fund represents monies received to provide prizes during the academic year.

The Development Campaign Fund was set up in 1995 to raise funds towards the provision of new and enhanced school facilities for the use of its pupils and the surrounding community. Distributions from this fund are restricted to projects within the School's Development Plan. At 31st July, 2000 funds had been committed towards replacement heating, carpeting, classroom equipment and reception class.

The Centenary Debenture Sinking Fund represents amounts set aside to enable the repayment of the debentures which are repayable between 1st January, 2000 and 31st December, 2002. It is the intention that sufficient amounts will be transferred to this fund before the repayment dates.

Designated Donations are donations received for a specific purpose, either to meet revenue expenditure or provide fixed assets for use by the School. During 2000 money has been received towards roof repairs, resurfacing the all-weather courts and to refit the dining room. The expenditure on the dining room had still to be incurred as at 31st July, 2000.

10. Analysis of Net Assets Between Funds

	Tangible Fixed Assets	Net Current Liabilities	Long Term Liabilities	Total
	£	£	£	£
Restricted Funds				
Bursary and Prize Fund	-	6,454	-	6,454
Development Campaign Fund	2,096	29,961	-	32,057
Centenary Debenture Sinking Fund	-	10,500	-	10,500
Designated Donations	15,956	15,627	-	31,583
	<u>18,052</u>	<u>62,542</u>	<u>-</u>	<u>80,594</u>
Unrestricted Funds	738,134	(241,454)	(26,337)	470,343
	<u>£756,186</u>	<u>£ (178,912)</u>	<u>£ (26,337)</u>	<u>£ 550,937</u>

ST. MARY'S SCHOOL (MELROSE) LIMITED
A Charitable Company Limited by Guarantee

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July, 2000

11. Pensions

Certain academic staff are members of the Scottish Teachers Superannuation Scheme. Staff contribute 6% of salary and the participating employer's contribution is 6.9%. The charge included in the financial statements amounts to £10,346, being the contributions payable by the School for the year. (1999 - £7,574).

12. Leasing Commitments

Annual payments under operating leases are due in respect of leases which expire:

	2000	1999
	£	£
Within one year	-	2,028
Between two and five years	542	542
	<u>542</u>	<u>2,570</u>

13. Transactions with Governors

Six Governors had children in attendance at the School during the year (1999 five Governors). All were charged at full rates.