

## **Commentary on the model Trustees' Annual Report and accounts: The Higher College Charity**

This example first appeared in the publication 'Guidance for Independent Schools on Reporting under the Charities SORP 2005' and is reproduced with the permission of Horwath Clark Whitehill LLP, the Independent Association of Preparatory Schools and the Independent School Bursars Association.

The example illustrates an unincorporated educational charity operating two schools, known as the Higher and Junior Colleges, and a trading subsidiary.

### **The Trustees' Annual Report**

The report follows the order set out in the SORP. Within the *structure, governance and management section*, the risk management statement (SORP paragraph 45) has been supplemented with a list of the key controls operating. The *review of achievements and performance* section gives a rounded view of the schools, combining academic, sporting and artistic achievements together with activities involving the community.

*Future plans* are outlined in considerable detail and include specific proposals with targets for achievement.

The report concludes with a statement of trustees' accounting and reporting responsibilities which has been included in accordance with APB Audit Standards, although this statement is not a requirement of the SORP.

### **The accounts**

The consolidated Statement of Financial Activities reports charitable activities as a single line, with a fuller analysis in the note 6 to the accounts. In accordance with the SORP (paragraph 397), where a consolidated SOFA only is prepared, the results of the charity have been disclosed in note 3 to the accounts.

Although the charity has no preservation or conservation objects (paragraph 281), the trustees, after consultation with their auditors, have classified the inalienable land and buildings of the College as heritage assets (paragraph 21) and the accounting policy and the nature of the heritage assets are disclosed in notes 1 and 7 respectively.

The charity operates an advanced fee payments scheme, details of which are disclosed in notes 1 and 11.

The charity is a member of a multi employer pension scheme, details of which are disclosed in note 14. (Refer also to the appendix to the example for a defined benefit pension scheme.)

The balance sheet identifies the heritage assets as a separate category (paragraph 288) and discloses the funds of the charity. A cash flow statement is prepared.

The appendix to the example illustrates the FRS17 disclosures where the school has its own defined benefit pension scheme for non-teaching staff.

# THE HIGHER COLLEGE CHARITY ANNUAL REPORT AND ACCOUNTS 2005 GOVERNORS, OFFICERS AND ADVISERS

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## GOVERNORS AND CHARITY TRUSTEES

**The Higher College** Governors are the charity trustees of The Higher College Charity ("the Charity"). They have all served in office throughout the year except where indicated. Together with past Governors who served in the year as indicated, they are:

Sir Anthony H Critchton-Hall * (Chairman)	D R King **
J F Winchester	Lady Edge # (appointed 15 September 2005)
R A Harrow	P C F Stowe *
S D Eton *#‡	M A Bradfield #
J P A Westminster **	J A Reed
Mrs C A Dean *	B R Radley # (retired 31 December 2004)
P L Forwood *	

\* Member of the Finance and General Purposes Committee \*\* Member of the Building Development Committee

# Member of the Audit and Risk Management Committee

‡ Parent of a pupil at the Higher College

The Board is a self-appointing body - with one exception, in that the Bishop of Newtown is entitled to nominate one Higher College Governor. Service on the Board is for a term of five years. Retiring Higher College Governors can be re-elected.

**The Junior College** has a separate Governing Body acting under delegated authority from the Board of the Higher College Governors. The Junior College Governors and their appointers are:

Appointed by The Higher College Board of Governors	Sir Anthony H Critchton-Hall (Chairman) S D Eton P C F Stowe Lady Edge
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Appointed by The Higher College Parent-Teacher Association	J C Smith
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H E Heslop ‡  
J R Jessop ‡

‡ Parent of a pupil at the Junior College

## OFFICERS

Headmasters	- Higher College	Rev P Arnold MA
	- Junior College	J T Hillslip BEd
The Bursar		Col R Marchitt DSO MC
The Clerk to the Governors		J Sortout MA

Addresses	<b>The Higher College</b> Maddison Road, Newtown Newshire SU5 6LK	<b>The Junior College</b> Lower Maddison Road, Newtown Newshire SU5 3ER
Website	<a href="http://www.thc.org.uk">www.thc.org.uk</a>	

**THE HIGHER COLLEGE CHARITY  
ANNUAL REPORT AND ACCOUNTS 2005  
GOVERNORS, OFFICERS AND ADVISERS**

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**ADVISERS:**

**Bankers:**

Helpful Bank Plc  
12 High Street  
Newtown  
Newshire  
SU2 1AL

**Solicitors:**

Lawyer & Co  
100 New Square  
Newtown  
Newshire  
SU2 1AX

**Auditors:**

Audit & Co  
25 Oxford Square  
Newtown  
Newshire  
SU1 3LN

**Investment Advisers:**

The Investment Bank Plc  
25 Cheapside  
Newtown  
Newshire  
SU1 3QL

**Surveyors:**

Inspectit & Co  
21 High Street  
Newtown  
Newshire  
SU2 1AL

**Insurance Brokers:**

Homeplace Insurance Brokers Ltd  
7 The Close  
Newtown  
Newshire  
SU3 8DT

# **THE HIGHER COLLEGE CHARITY**

## **ANNUAL REPORT OF THE HIGHER COLLEGE GOVERNORS**

### **FOR THE YEAR ENDED 31 AUGUST 2005**

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The Higher College Governors present their annual report for the year ended 31 August 2005 under the Charities Act 1993, together with the audited accounts for the year, and confirm that the latter comply with the requirements of the Act, the Trust Deed and the Charities SORP 2005.

#### **REFERENCE AND ADMINISTRATIVE INFORMATION**

The Charity was founded in 1856, and is registered with the Charity Commission under charity number 979654. The Higher College Governors, Junior College Governors, executive officers and principal addresses of the Charity are as listed on page 1. Particulars of the Charity's professional advisers are given on page 2.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### ***Governing Document***

The Charity is governed by its Trust Deed dating from 1856 and last amended in 1987.

##### ***Governing Bodies***

The structure of the Charity consists of separate governing bodies for the two schools known as the Higher College and the Junior College, the details of which are explained on page 1, together with information on how the members of each governing body are appointed to office.

##### ***Recruitment and Training of Governors***

The Charity's elected Governors are appointed at a Meeting of the Higher College Board on the basis of nominations received from independent trustee recruitment consultants to the Board's specifications concerning eligibility, personal competence, specialist skills and local availability, and also from the Head of the Higher College. New Governors are inducted into the workings of the Charity and its schools, including Board Policy and Procedures, at an induction workshop specially organised for them by the Heads and Bursar, who also organise triennial strategic planning and trustee-training workshops for all Governors.

##### ***Organisational Management***

The Higher College Governors, as the charity trustees of the Charity, are legally responsible for the overall management and control of both the Higher College and the Junior College, and meet at least three times a year. The work of implementing most of their policies is carried out by the members of the Finance and General Purposes Committee (F&GP), who meet three weeks before each meeting of the full Higher College Governing Board and on two extra occasions specifically to approve the budgets and finalise the audited accounts and annual report for approval by the Board. The F&GP works under the chairmanship of the Chair of the Higher College Governors. The other principal committees, apart from the Junior College Governing Body, are the Building Development Committee, chaired by D R King, and the Audit and Risk Management Committee, chaired by S D Eton. Other committee members are listed on page 1. Each of these committees meets termly, four weeks before the meetings of the full Governing Board.

The day to day running of the schools is delegated to the respective College Heads supported by their Senior Management Teams, together with the Bursar. The Headmasters and the Bursar attend meetings of the above Committees.

##### ***Group Structure and Relationships***

The Charity has a wholly owned non-charitable subsidiary, HC Enterprises Limited, whose activities and trading performance are discussed below.

# **THE HIGHER COLLEGE CHARITY**

## **ANNUAL REPORT OF THE HIGHER COLLEGE GOVERNORS**

### **FOR THE YEAR ENDED 31 AUGUST 2005**

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The Higher College actively supports the attainment of the highest standards in the Independent Schools sector, partly through networking with other major Schools and partly through peer group studies for the evaluation of quality and performance improvement methods. We also co-operate with many local charities in our ongoing endeavors to widen public access to the schooling we can provide, to optimise the use of our cultural and sporting facilities and to awaken in our pupils an awareness of the social context of the all-round education they receive at the College. The College also benefits from the generosity of a thriving network of Old Collegians whose close support we greatly appreciate and gladly acknowledge.

#### ***Risk Management***

The Higher College Board of Governors is responsible for the management of the risks faced by the College. Detailed considerations of risk are delegated to the Audit and Risk Management Committee, who are assisted by the Senior Management Teams. Risks are identified, assessed and controls established throughout the year. A formal review of the charity's risk management processes is undertaken on an annual basis.

The key controls used by the charity include:

- formal agendas for all Committee and Board activity;
- detailed terms of reference for all Committees;
- comprehensive strategic planning, budgeting and management accounting;
- established organisational structure and lines of reporting;
- formal written policies;
- clear authorisation and approval levels, and
- vetting procedures as required by law for the protection of the vulnerable.

Through the risk management processes established for the College, the Higher College Governors are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

## **OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES**

#### ***Charitable Objects***

The Charity's Objects, as set out in its Trust Deed, are the advancement of education, including the provision of boarding and/or day schooling for children of either or both sexes, and the provision of free education for up to 15 pupils whose parents live in Newshire. Within these Objects, the Charity also has to maintain its heritage endowment, the College, with its Grade I listed buildings considered of national importance, and also has various other permanent endowments requiring it to preserve for posterity various works of art, artefacts, books and historical documents relating to the College's history, as well as a number of unendowed trust funds held for special purposes in connection with the development of the schools' facilities as well as for scholarships, bursaries, prizes and other educational purposes.

#### ***Aims and Intended Impact***

Within these Objects, the Higher College's aim is to provide a first class independent education, both through strong academic tuition, and through developing wider sporting, artistic and social skills in all its pupils. This is intended to provide an environment where each pupil can develop and fulfill his or her potential, thus to help build self-confidence and inculcate a desire to contribute to the wider community.

# **THE HIGHER COLLEGE CHARITY**

## **ANNUAL REPORT OF THE HIGHER COLLEGE GOVERNORS**

### **FOR THE YEAR ENDED 31 AUGUST 2005**

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#### ***Objectives for the Year***

This year, the focus has been on the continued achievement of academic performance, further widening of access to the education provided by the schools, continuing the summer schools for overseas students (see below), which also puts the school's facilities to good use when not otherwise needed, the introduction of a personal tutoring system and increasing the involvement of pupils in extra-curricular activities

#### ***Strategies to achieve the year's objectives***

These included continuing to review the schools' academic syllabus in order to benchmark academic standards against external public examinations and independent value-added criteria, with academic achievements being balanced by a strong emphasis on sporting and social skills; completion of planning for the implementation of our strategy to install a personal tutor system for each Higher College pupil; expansion of teaching in engineering and science subjects; maintaining the expertise of teaching staff and ensuring successor planning and staff development; the further development of links with local junior schools in both the state and independent sectors and also facilitating wider community access to our schools' facilities.

#### ***Principal activities of the year***

The Charity principally provides education in Newtown to boys and girls from the ages of 7 - 18 in its two schools, the Junior College and the Higher College, and also runs summer schools for overseas students. As mentioned above, we are also continuing to expand the teaching of engineering and science subjects.

This year, Higher College averaged 825 (2004: 793) pupils of whom 163 (2004: 152) were day pupils and Junior College averaged 230 (2004: 217) pupils of whom 24 (2004: 26) were day pupils. Waiting lists are full, and this gives us confidence that the schools can operate at full capacity for the foreseeable future. This is a result of our continued resolve to keep up the academic standards for which the College has become known.

#### ***Grant-making policy***

This year, the value of scholarships, grants, prizes and other awards made to the Schools' pupils out of restricted funds exceeded £250,000. The Higher College Governors' policy, in line with that of other Independent Schools, is to make these awards on the basis of the individual's educational potential, subject to the particular conditions imposed by the original donor where the award is out of restricted funds. Further awards totaling almost £500,000 in bursaries and allowances were made from unrestricted funds, where the policy is to relieve hardship where the pupil's education and future prospects would otherwise be at risk.

#### ***Volunteers***

Old Collegians helped with College fundraising and cultural activities to the extent of more than 1,000 hours of voluntary service during the year, and the Board would like to take this opportunity to say how much we appreciate their continuing and valuable support for our work.

# THE HIGHER COLLEGE CHARITY

## ANNUAL REPORT OF THE HIGHER COLLEGE GOVERNORS

### FOR THE YEAR ENDED 31 AUGUST 2005

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#### REVIEW OF ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR

##### *Operational performance of the schools*

This year saw an excellent performance in the public examinations, with 74% of exam results being either an A or a B at A level, and 65% achieving A\* or A at GCSE. Both performances exceeded 2004. In fact, these results were the highest academic standards we have ever achieved. Higher College was placed in the top 20 schools in the country for the third year running. Junior College is now regarded as one of the best preparatory schools in the country and accepted as a good start for all pupils even if they do not wish to go on to Higher College.

Pleasing though they may be, the Charity does not assess its performance on these results alone. Higher College subscribes to independently set and assessed tests at age 13 and on entering the sixth form, which produces predictions of GCSE AS and A levels. The College uses these predictions to assess value-added performance, against which a summary of outcomes is prepared annually for Higher College Governors. 2005's results showed that our pupils have again exceeded the original predictions, this time by approximately one examination grade per pupil per subject. The Charity has thus achieved the year's objective in this area: maintaining its high academic performance.

An ISI inspection took place in March 2005, and the results were made available to all parents. The broad conclusions were that the schools continue to provide an exemplary standard of education and remain at the forefront of academic developments. Areas which needed addressing, in particular with IT support, have been included in the 5 year Strategic Plan summarized below under the heading of Future Plans.

Wider access to our schooling was achieved during 2005 with a total of £686,000 (2004: £203,000) awarded in scholarships, bursaries and grants to 153 (2004: 140) pupils through our general and special trust funds. As a percentage of our pupil total we believe this to be among the highest in the country. Some 78 (2004: 65) hardship cases received financial support towards fees, equivalent to 25 (2004: 23) full-fee places. Following decisions taken last year, all Higher College scholarships were reduced to a maximum award of 25% of the full fees payable.

In line with both the Strategic Plan and the year's objectives, 2005 saw the completion of planning for the introduction of a personal tutor system, the ultimate aim being to provide each child with a teacher to guide and mentor the pupil all the way through from entering Junior College to leaving Higher College. Parents and pupils have warmly welcomed its introduction, and feedback from them was summarised for Governors at their meeting in October 2005.

Attaining these academic achievements did not prejudice our sporting activities. Higher College's 1st XV Rugby Team were undefeated until their last game, when they lost to Hoggwoods. The 1st XI Cricket Team once again reached the national finals, losing narrowly to Sporting College in the final itself. Junior College's sporting record matched that of Higher College, and we are very proud of our coaching programme for 11 year olds set up five years ago in all the major sports. There were notable successes for swimming team, and the girls' U14 hockey, and also for the U16 chess team. We all rejoiced over a former pupil, Heather Fieldhouse, who continues to take an active interest in this aspect of college life after having represented Great Britain in fencing at the Athens Olympics.

# **THE HIGHER COLLEGE CHARITY**

## **ANNUAL REPORT OF THE HIGHER COLLEGE GOVERNORS**

### **FOR THE YEAR ENDED 31 AUGUST 2005**

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Higher College actively encourages all pupils to be involved in sporting activities, whether or not they excel in this field. This year saw the introduction of competitive sport for 3rd and 4th teams in several areas, which allowed many more pupils to take part. The achievements in this area are therefore much wider than just the success of the leading teams. Nevertheless, 2005 was a good year for the College's representative teams.

The schools also give high priority to the arts. The opening of the Greyham Theatre in 2004 has given this area a great boost, and over 75% of pupils have had lessons there. The productions of West Side Story and the Centenary Christmas Concert were particular highlights of the year. The facility has also been made available at a reduced rate to the Hightown Dramatic Society.

The Charity is continuing to develop wider community links. In addition to the Theatre, both schools have a programme of widening access to facilities, at fee rates below commercial levels. Subsidised arrangements are now in place for the Swimming Pool and the Sports Hall, and the Summer School programme continues to be highly successful.

While some performance factors are clearly within our own control (e.g., quality of teaching staff, etc.), other factors are not. We count ourselves fortunate in being able to acknowledge the positive contribution made to this year's achievements by a number of factors not susceptible to control, such as our pupils' striving for excellence, their parents' endorsement of the life-values we seek to inculcate, the strength of alumni support for the schools, etc.

#### ***Fundraising Performance***

A new Appeal has been launched for the building of a new Engineering and Science Centre to meet the demands of the new millennium. The appeal target is £2 million by the end of the year 2007, and by the end of this year £320,000 had been received for the New Building Fund at a cost of £90,000, with outstanding promises of another £200,000 - a good start to the Appeal. Both schools will then have a range of academic facilities to rival the very best in the country.

#### ***Investment performance against Objectives***

The Charity's investment performance is measured regularly against the appropriate WM Index, and for this year the performance, a total return of 10%, exceeded expectations and outperformed the Index by 1.5%, thanks to the expert advice of our investment managers.

### **FINANCIAL REVIEW AND RESULTS FOR THE YEAR**

The schools' operating surplus of £470,000 (within the total of £536,000 for unrestricted funds as shown in the Statement of Financial Activities) was below our targeted percentage of fee income set out in our long term plans, but was after charging £335,000 expenditure on refurbishment of the houses. This surplus has been achieved with an inflation matching increase in fees and against a background of strongly rising operating costs, so that in the circumstances we consider it a highly satisfactory achievement.

Total income for the year was up by some 10% on last year, reflecting the increase in pupil numbers throughout the school. The modernisation of the Houses has been completed, at an overall cost of £960,000 - of which £490,000 was in this financial year. The schools are helped considerably each year by the support of the "Cricket" charity, which provides £50,000 in grants for 11 pupils.

**THE HIGHER COLLEGE CHARITY**  
**ANNUAL REPORT OF THE HIGHER COLLEGE GOVERNORS**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

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Our trading subsidiary continues to hire out Higher College facilities during vacations and school hours, as well as its commercial activities within the Group and externally, and has contributed £175,000 to the schools' operating surplus. Group total funds increased by £875,000 for the year, including revaluations.

***Reserves policy***

After deducting sums earmarked for the Heritage project (now standing at £322,000) and bearing in mind that capitalised expenditure on the schools' premises and equipment is largely financed by our standby secured bank loan facility of £2,000,000, uncommitted reserves freely available for current activities increased by a further £248,000 this year to £1,138,000 (Group: £1,146,000) as shown in Accounts Note 12c. This is sufficient to fund some 6 weeks' total expenditure – which, while sufficient for our immediate needs in normal circumstances, is still a long way from the Board's target of at least 12 weeks' reserves with no reliance on bank financing.

Our policy is, therefore, to continue building up our free reserves to the ideal level by means of annual operating surpluses and judicious management of our investment assets, supplemented by general-purpose appeals from time to time.

***Investment policy and objectives***

The Board aims to maximise the total investment return within the objectives of maintaining income, while continuing to preserve the real value of endowed investments and to maximise income on temporarily invested restricted funds and also to match the return on invested Advance Fees Scheme monies in line with the maturation profile of the related liability to provide schooling in future years.

**THE HIGHER COLLEGE CHARITY**  
**ANNUAL REPORT OF THE HIGHER COLLEGE GOVERNORS**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

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**FUTURE PLANS**

The Board's current 5-year Strategic Plan was approved by the Higher College Governors in March 2005, and will be reviewed on an annual basis. The key objectives within the current Plan are:

- 1) To maintain the present low pupil/teacher ratio of around 7:1, which we believe gives pupils the necessary time for developing both academic and wider skills;
- 2) To maintain the school roll at a normal level of 800 (Higher College) and 200 (Junior College);
- 3) To continue to review the academic syllabus, and in particular to review Sixth Form examinations;
- 4) To maintain the current high standards of academic achievement as measured by external public examinations and independent value-added criteria;
- 5) To balance academic achievement through maintaining a curriculum allowing full scope for the development of sporting and social as well as academic skills;
- 6) To provide wider pastoral support through the provision of a one-to-one personal tutor system for the duration of each pupil's time at our schools;
- 7) To widen access to the schools still further through the provision of means-tested bursaries equivalent to 30 full-fee-paying places;
- 8) To encourage new forms of learning and communication, and to facilitate this by making a laptop computer available to every pupil and teacher by August 2006;
- 9) To renew the sports hall and swimming pool complex by 2008 (subject to funding adequacy);
- 10) To continue to build links with local junior schools in both the state and independent sectors and;
- 11) To continue to build and encourage community access to the schools' facilities.

**THE HIGHER COLLEGE CHARITY  
ANNUAL REPORT OF THE HIGHER COLLEGE GOVERNORS  
(CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2005**

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**ACCOUNTING AND REPORTING RESPONSIBILITIES**

The Charities Act 1993 requires the Higher College Governors as the charity trustees of the Charity to prepare accounts for each financial year which give a true and fair view of its financial activities during the year and of its financial position at the end of the year. In preparing the accounts the Higher College Governors should follow best practice, and:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- follow applicable accounting standards and the Charities SORP, disclosing and explaining any departures in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Charity will continue in operation.

The Higher College Governors are responsible for keeping accounting records which are such as to disclose, with reasonable accuracy, the financial position of the Charity at any time, and to enable them as trustees to ensure that the accounts comply with charity law. The Higher College Governors are also responsible for safeguarding the Charity's assets and ensuring their proper application in accordance with charity law, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

Approved by the Board of Governors of Higher College on 7 November 2005  
and signed on its behalf by:

***Cathy Dean***  
(Governor)

**THE HIGHER COLLEGE CHARITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds £'000	2004 £'000
<b>INCOMING RESOURCES</b>						
<b>Income from Charitable Activities</b>						
School fees	2(a)	8,439	-	-	8,439	8,236
Other educational income	4	99	-	-	99	46
Other ancillary trading income	4	140	-	-	140	121
<b>Incoming Resources from Generated Funds</b>						
Activities for generating funds:						
- Trading turnover: H C Enterprises	3	1,583	-	-	1,583	1,192
Investment income	8	362	292	-	654	547
Donations		21	320	8	349	36
<b>Other incoming resources</b>	4	34	-	-	34	-
<b>Total incoming resources</b>		<b>10,678</b>	<b>612</b>	<b>8</b>	<b>11,298</b>	<b>10,178</b>
<b>RESOURCES EXPENDED</b>						
<b>Costs of generating funds</b>						
Fundraising trading - HC Enterprises		1,466	-	-	1,466	1,093
Fund-raising for voluntary resources		-	90	-	90	-
Financing costs under Advance Fee Contracts		165	-	-	165	150
Bank interest		52	-	-	52	82
Investment management		6	4	-	10	10
		1,689	94	-	1,783	1,335
<b>Charitable Activities</b>						
Schools and grantmaking		8,408	251	-	8,659	7,823
<b>Governance costs</b>		45	-	-	45	41
<b>Total resources expended</b>	6	<b>10,142</b>	<b>345</b>	<b>-</b>	<b>10,487</b>	<b>9,199</b>
<b>NET INCOMING RESOURCES</b>		536	267	8	811	979
<b>Investment gains/losses</b>		(13)	15	62	64	206
<b>NET MOVEMENT IN FUNDS</b>		523	282	70	875	1,185
Fund balances at 1 September 2004		1,238	804	11,463	13,505	12,320
<b>FUND BALANCES at 31 August 2005</b>	12	<b>1,761</b>	<b>1,086</b>	<b>11,533</b>	<b>14,380</b>	<b>13,505</b>

The notes on pages 15 to 27 form part of these accounts.

**THE HIGHER COLLEGE CHARITY  
CHARITY AND CONSOLIDATED BALANCE SHEETS  
AS AT 31 AUGUST 2005**

	Notes	Group		Charity	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>					
Heritage assets	1, 7	<b>7,500</b>	7,500	<b>7,500</b>	7,500
Other tangible assets	7	<b>2,070</b>	1,886	<b>2,062</b>	1,874
Investment assets	8	<b>7,033</b>	6,937	<b>7,040</b>	6,945
		<b>16,603</b>	16,323	<b>16,602</b>	16,319
<b>CURRENT ASSETS</b>					
Stocks		<b>169</b>	178	<b>74</b>	86
Debtors	9	<b>661</b>	619	<b>595</b>	496
Cash		<b>597</b>	566	<b>596</b>	565
		<b>1,427</b>	1,363	<b>1,265</b>	1,147
<b>CREDITORS: due within one year</b>	10	<b>(1,775)</b>	(2,238)	<b>(1,620)</b>	(2,023)
<b>NET CURRENT LIABILITIES</b>		<b>(348)</b>	(875)	<b>(355)</b>	(876)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>16,255</b>	15,448	<b>16,247</b>	15,443
<b>CREDITORS: due after more than one year</b>					
Advance fees	11	<b>(1,831)</b>	(1,858)	<b>(1,831)</b>	(1,858)
Final term deposits		<b>(44)</b>	(85)	<b>(44)</b>	(85)
<b>TOTAL NET ASSETS</b>		<b>14,380</b>	13,505	<b>14,372</b>	13,500
<b>ENDOWED FUNDS</b>	12a	<b>11,533</b>	11,463	<b>11,533</b>	11,463
<b>RESTRICTED FUNDS</b>	12b	<b>1,086</b>	804	<b>1,086</b>	804
<b>UNRESTRICTED FUNDS</b>					
Designated & general funds	12c	<b>1,761</b>	1,238	<b>1,753</b>	1,233
<b>TOTAL FUNDS</b>	12	<b>14,380</b>	13,505	<b>14,372</b>	13,500

Approved by the Board of Governors of Higher College on 7th November 2005  
and signed on its behalf by:

***Henry Critchton-Hall***

(Chairman)

The notes on pages 15 to 27 form part of these accounts.

**THE HIGHER COLLEGE CHARITY**  
**CONSOLIDATED CASHFLOW STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

		2005		2004
	Notes	£'000	£'000	£'000
<b>NET CASH INFLOW FROM OPERATIONS</b>	15		459	1,185
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>				
Investment income receipts		654		547
Bank interest paid		(52)		(82)
Amounts accrued to advance fee contracts		(165)		(150)
			437	315
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>				
Payment for tangible fixed assets		(646)		(250)
Proceeds from sale of tangible fixed assets		97		50
		(549)		(200)
Payment for investments		(1,495)		(2,000)
Proceeds from sale of investments		1,463		1,000
Endowment donations		8		-
			(572)	(1,200)
<b>NET CASH INFLOW BEFORE FINANCING</b>			323	300
<b>FINANCING</b>				
Receipts from new advance fee contracts		423		400
Amounts accrued to advance fee contracts		165		150
Advance fees utilised and repaid		(740)		(700)
			(152)	(150)
<b>INCREASE IN CASH</b>	16		171	150
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>				
Increase in cash in the period		171		150
Net advance fee capital utilised/repaid		152		150
<b>Change in net debt</b>	16		323	300
<b>Net debt at 1 September 2004</b>			(2,297)	(2,597)
<b>Net debt at 31 August 2005</b>			(1,974)	(2,297)

**Note**

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

The notes on pages 15 to 27 form part of these accounts.

# THE HIGHER COLLEGE CHARITY

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 AUGUST 2005

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#### 1 STATEMENT OF ACCOUNTING POLICIES

##### **Basis of Accounts Preparation**

These accounts are prepared under the Charities Act 1993 on the historical cost convention as modified by the adoption of current cost for investment assets and in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting and Reporting by Charities: the Charities SORP 2005. The accounts consolidate those of the Charity and its wholly owned non-charitable subsidiary trading company: HC Enterprises Ltd. In accordance with paragraph 397 of the Charities SORP 2005, no separate SOFA has been presented for the Charity alone.

##### **Fees and similar income**

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are stated after deducting allowances, scholarships and other remissions granted by the school, but include contributions received from Restricted Funds for Scholarships, Bursaries and other grants. Fees received in advance of education to be provided in future years under an Advance Fee Payments Scheme contract are held as interest-bearing liabilities until either taken to income in the term when used or else refunded. Investment income earned on them in the meantime, if exceeding the provision for any debt-financing costs arising under the contract, is taken to a designated fund to cover any ultimate shortfall that may arise on the Scheme.

##### **Donations**

Donations receivable for the general purposes of the Charity are credited to Unrestricted Funds. Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds where these wishes are legally binding on the Higher College Governors, except that any amounts required to be retained as *capital* in accordance with the donor's wishes are accounted for instead as Endowments - permanent or expendable according to the nature of the restriction.

##### **Resources expended**

Expenditure is accounted for on an accruals basis. Overhead and other costs not directly attributable to particular functional activity categories are apportioned over the relevant categories on the basis of management estimates of the amount attributable to that activity in the year, either by reference to staff time or space occupied, as appropriate. The irrecoverable element of VAT is included with the item of expense to which it relates.

Governance costs comprise the costs of running the charity, including strategic planning for its future development, also internal and external audit, any legal advice for the Higher College Governors, and all the costs of complying with constitutional and statutory requirements, such as the costs of Board and Committee meetings and of preparing statutory accounts and satisfying public accountability.

Fuel supplied to the schools by a subsidiary company is treated as a cost of the schools, and the intra-group sale proceeds and associated costs are excluded from trading income and trading expenditure. Charges for construction and repair costs to the Charity by its subsidiary are capitalised or expensed and likewise excluded from trading income and expenditure.

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (Continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

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**1 STATEMENT OF ACCOUNTING POLICIES (continued)**

**Operating leases**

Rentals payable under operating leases are charged in the SOFA on a straight line basis over the lease term.

**Pension schemes**

The Charity contributes to the Teachers' Pension Defined Benefits Scheme at rates set by the Scheme Actuary and advised to the Board by the Scheme Administrator. The scheme is a multi employer pension scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the school. In accordance with FRS17 therefore, the scheme is accounted for as a defined contribution scheme. The Charity also contributes to individual personal pension schemes for non-teaching staff with more than five years' service, at 5% of annual basic pay. Contributions to both schemes are charged in the SOFA as they become payable in accordance with the rules of the schemes.

**College land and buildings and equipment**

*Capitalisation and replacement*

The college land, together with the original college buildings (which are all Grade 1 listed properties) was a gift of permanent endowment to the Charity in 1909 subject to a binding legal obligation to preserve it for educational use in perpetuity as an important part of the country's heritage. These assets were revalued on 31 August 1995 at £7,500,000, with the college grounds being valued at £6,000,000 and the original buildings at £1,500,000. In accordance with the transitional provisions of Financial Reporting Standard 15, this valuation has not been updated. Since the Charity is responsible for keeping the original buildings in fit and useful condition in perpetuity, the costs of doing so are written off as and when incurred.

Buildings improvements and extensions subsequent to the original gift and costing more than £5,000, and furniture and equipment costing more than £1,500, are capitalised and carried in the balance sheet at historical cost. Any reserves used to finance such costs are set aside as a Designated Fund to be amortised over the life of the asset.

*Depreciation*

The freehold college land is not depreciated. In accordance with the terms of trust on which they are held, the original college buildings have to be maintained in good working order in perpetuity and are therefore considered to have an indefinite useful economic life. As such they are not depreciated, but annual impairment reviews have so far confirmed that their service potential remains undiminished. Depreciation of other assets is provided at rates calculated to write off the excess of cost over estimated residual amount evenly over the estimated useful economic lives of each class of asset, subject to annual review.

These rates are currently as follows:

Buildings improvements and extensions	10 - 20 years
Furniture and equipment	3 - 10 years
Motor vehicles	4 years

**THE HIGHER COLLEGE CHARITY  
NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2005**

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**1 STATEMENT OF ACCOUNTING POLICIES (continued)**

**Investments**

Investments are valued in the balance sheet at their mid-market value at the balance sheet date. Investment management costs are accounted for as incidental costs of the acquisition or disposal where transaction-based, while investment income management costs are charged as expenditure out of the relevant income funds.

**Stock**

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

**2 SCHOOL FEES**

	2005 £'000	2004 £'000
<b>(a) The schools' fee income comprised:</b>		
Gross fees	8,931	8,669
Less: Total bursaries, grants and allowances	(686)	(603)
	8,245	8,066
Add back: Scholarships, Grants etc. paid for by Restricted Funds	194	170
	8,439	8,236

In addition, an outside body, the "Crickets" charitable trust, contributed £50,000 towards pupils' fees, included above. Allowances include a contribution of £22,000 (2004 - £18,000) by the School to cover the shortfall in the Assisted Places Scheme for 25 (18) pupils.

**(b) Grants, awards and prizes paid for by Restricted Funds comprised:**

Scholarships, grants etc.	194	170
Prizes and leaving awards	57	69
	251	239

The above educational awards were made to 76 individuals (2004: 73).

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

**3 INCOME FROM THE SUBSIDIARY'S TRADING ACTIVITIES**

The Charity owns the whole of the share capital of HC Enterprises Limited, which provides leisure, construction and fuel supplies and sells promotional goods relating to the Schools. Its trading results for the year, as extracted from the audited accounts, are summarised below, together with the School's own results for the year to distinguish them from the group results in the consolidated Statement of Financial Activities:

	<b>Subsidiary</b>		<b>Charity</b>	
	<b>2005</b>	<i>2004</i>	<b>2005</b>	<i>2004</i>
	<b>£'000</b>	<i>£'000</i>	<b>£'000</b>	<i>£'000</i>
Turnover and Fee Income	<b>1,583</b>	<i>1,192</i>	<b>8,678</b>	<i>8,403</i>
Cost of sales: Subsidiary	<b>(1,140)</b>	<i>(785)</i>		
Gross profit: Subsidiary	<b>443</b>	<i>407</i>		
Administration: Subsidiary	<b>(326)</b>	<i>(308)</i>		
Other income	<b>7</b>	<i>-</i>	<b>376</b>	<i>36</i>
Investment income receivable	<b>54</b>	<i>37</i>	<b>600</b>	<i>510</i>
Net income for year	<b>178</b>	<i>136</i>		
GiftAid donation	<b>(175)</b>	<i>(137)</i>	<b>175</b>	<i>137</i>
Gross incoming resources: Charity			<b>9,829</b>	<i>9,086</i>
Costs of Charitable Activities			<b>8,659</b>	<i>7,823</i>
Governance costs of the Charity			<b>45</b>	<i>41</i>
Costs of Generating Funds: Charity			<b>317</b>	<i>242</i>
Retained income	<b>3</b>	<i>(1)</i>	<b>808</b>	<i>980</i>

Turnover and cost of sales excludes £200,000 (2004 - £270,000) for fuel supplied to the schools and £Nil (2004 - £531,000) in respect of construction services.

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

**4 OTHER INCOME**

	2005 £'000	2004 £'000
<b>Other educational charitable activities</b>		
Entrance and registration fees	44	48
Courses and sub-lettings	96	73
	140	121
<b>Other ancillary activities</b>		
Insurance commissions	18	17
Tuck Shop, School Trips/Meals and Other Income	81	29
	99	46
<b>Other incoming resources</b>		
Gains on sale of tangible fixed assets	27	-
Other	7	-
	34	-

**5. EXPENDITURE**

**Charitable Activity expenditure includes:**

Refurbishment of pupil accommodation	335	555
Loss on disposal of fixed assets	-	3

**Governance expenditure includes:**

Auditors' remuneration:		
for audit services	15	14
for other services	1	7
	16	21

**Total staff costs comprised:**

Wages and salaries	4,572	4,488
Social security costs	379	372
Pension contributions	280	270
	5,231	5,130

The average number of employees in the year was 276 (2004 - 287) of which 150 (152) were teaching staff.

Neither the Higher College Governors nor persons connected with them received any remuneration, other benefits or reimbursement of expenses from the School or any connected organisation.

The number of higher paid employees was:

	2005 No.	2004 No.
Taxable emoluments band:		
£60,000 - £70,000	5	3
£70,000 - £80,000	1	1
	6	4

The number with retirement benefits accruing in

- Money-Purchase Schemes was	1	1
for which the contributions amounted to	£4,500	£4,100
- Defined Benefit Schemes was	4	4

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

**6 ANALYSIS OF TOTAL RESOURCES EXPENDED**

	Staff costs £'000	Other costs £'000	Depreciation £'000	Total £'000
<b>Costs of generating funds:</b>				
Financing costs	-	217	-	217
Investment management	-	10	-	10
Fundraising for voluntary resources	49	41	-	90
<b>Total for Charity</b>	<b>49</b>	<b>268</b>	<b>-</b>	<b>317</b>
Trading costs of the subsidiary	240	1,225	1	1,466
<b>Total for Group</b>	<b>289</b>	<b>1,493</b>	<b>1</b>	<b>1,783</b>
<b>Charitable activities</b>				
Teaching	3,068	250	62	3,380
Welfare	997	746	54	1,797
Premises	567	1,671	264	2,502
Support costs of schooling	310	408	11	729
School's operating costs	4,942	3,075	391	8,408
Grants, awards and prizes	-	251	-	251
	4,942	3,326	391	8,659
<b>Governance costs</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>45</b>
<b>Total</b>	<b>4,942</b>	<b>3,371</b>	<b>391</b>	<b>8,704</b>
<b>Total Resources Expended Group</b>	<b>5,321</b>	<b>4,864</b>	<b>392</b>	<b>10,487</b>
<b>Charity</b>	<b>4,991</b>	<b>3,639</b>	<b>391</b>	<b>9,021</b>

**7 TANGIBLE FIXED ASSETS**

	Land £'000	Freehold Buildings £'000	Motor Vehicles £'000	Furniture & Equipment £'000	Charity Total £'000	<i>Subsidiary:</i> Furniture & Equipment £'000	Group Total £'000
<b>Cost or valuation</b>							
1 September 2004	6,000	4,403	40	1,500	11,943	58	12,001
Additions	-	490	14	142	646	-	646
Disposals	-	(69)	(9)	(21)	(99)	(6)	(105)
31 August 2005	6,000	4,824	45	1,621	12,490	52	12,542
<b>Depreciation</b>							
1 September 2004	-	1,331	35	1,203	2,569	46	2,615
Charge for year	-	232	5	154	391	1	392
Disposals	-	(10)	(9)	(13)	(32)	(3)	(35)
31 August 2005	-	1,553	31	1,344	2,928	44	2,972
<b>Net book values</b>							
<b>31 August 2005</b>	<b>6,000</b>	<b>3,271</b>	<b>14</b>	<b>277</b>	<b>9,562</b>	<b>8</b>	<b>9,570</b>
<i>31 August 2004</i>	<i>6,000</i>	<i>3,072</i>	<i>5</i>	<i>297</i>	<i>9,374</i>	<i>12</i>	<i>9,386</i>

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

**7 TANGIBLE FIXED ASSETS (continued)**

**Heritage Assets (The College and its Treasures)**

In addition to the original endowment of the college land and buildings as a heritage asset that must be preserved for its own use in perpetuity (see Note 1), Higher College has a substantial endowment of assets gifted or bequeathed on trust for retention in perpetuity to form a permanent record of the College's history and which are required to be preserved for their educational value to the College and, through reasonable public access to them, as a contribution to the nation's culture and education both nationally and locally. These comprise a unique collection of busts, paintings and cartoons depicting the College's 15 Heads since its founding in 1856, together with many other artefacts whose intrinsic value is also bound up with the College's history. Most of these are irreplaceable originals to which no reliable value can be attributed. Accordingly, these assets are not capitalised in the accounts. The Charity Governors take the view that any further and detailed particulars of the numerous items making up this collection would unduly clutter the accounts and thus detract from their primary purpose. Readers looking for such details are referred to the College website, where photographs and histories for all the major items can be viewed at [www.thc.org.uk](http://www.thc.org.uk).

**8 INVESTMENTS**

	Designated Funds		Restricted Funds	Endowment Funds	Total
	Other Funds	Advance Fees			
	£'000	£'000			
<b>Group:-</b>					
Balance at 1 September 2004	203	2,027	744	3,963	<b>6,937</b>
Additions	20	-	73	1,402	<b>1,495</b>
Disposals at book value	-	(41)	(33)	(1,605)	<b>(1,679)</b>
Revaluations	27	(47)	27	273	<b>280</b>
<b>Balance at 31 August 2005</b>	<b>250</b>	<b>1,939</b>	<b>811</b>	<b>4,033</b>	<b>7,033</b>
Listed on the UK Stock Exchange (Historical cost: £6,150,000)	250	1,939	711	3,783	<b>6,683</b>
Cash deposits	-	-	100	250	<b>350</b>
<b>Charity:-</b> as above					<b>7,033</b>
Investment in Subsidiary Company (see Note 3)					<b>7</b>
					<b>7,040</b>

Investment income was from UK listed securities except for £15,000 (2004: £10,000) on cash deposits.

**THE HIGHER COLLEGE CHARITY  
NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2005**

**9 DEBTORS**

	<b>Group</b>		<b>Charity</b>	
	<b>2005</b>	<i>2004</i>	<b>2005</b>	<i>2004</i>
	<b>£'000</b>	<i>£'000</i>	<b>£'000</b>	<i>£'000</i>
School fees	166	175	166	175
Trade debtors	53	74	-	-
Sundry debtors	384	322	378	279
Prepayments	58	48	51	42
	<b>661</b>	<i>619</i>	<b>595</b>	<i>496</i>

**10 CREDITORS** due within one year

	<b>Group</b>		<b>Charity</b>	
	<b>2005</b>	<i>2004</i>	<b>2005</b>	<i>2004</i>
	<b>£'000</b>	<i>£'000</i>	<b>£'000</b>	<i>£'000</i>
Bank overdraft	235	375	221	284
Amounts due to subsidiary company	-	-	23	88
Fees received in advance	420	353	420	353
Trade creditors	25	38	-	-
Taxation and social security	61	62	43	-
Refurbishment costs	10	290	11	290
Other creditors and accruals	519	490	397	378
	<b>1,270</b>	<i>1,608</i>	<b>1,115</b>	<i>1,393</i>
Advance fees (see note 11 below)	505	630	505	630
	<b>1,775</b>	<i>2,238</i>	<b>1,620</b>	<i>2,023</i>

The bank overdraft is the amount currently drawn down on a standing facility of £2,000,000 secured on the freehold property to provide additional working capital as the need arises, and represents 2.5% of the property's current value.

**11 ADVANCE FEE PAYMENTS**

Parents may enter into a contract to pay to the school up to the equivalent of seven years' tuition fees in advance. The money may be returned subject to specific conditions on the receipt of one term's notice. Assuming pupils will remain in the school, advance fees will be applied as follows:

	<b>2005</b>	<i>2004</i>
	<b>£'000</b>	<i>£'000</i>
After 5 years	108	129
Within 2 to 5 years	1,316	1,291
Within 1 to 2 years	407	438
	<b>1,831</b>	<i>1,858</i>
Within 1 year	505	630
	<b>2,336</b>	<i>2,488</i>

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

**11 ADVANCE FEE PAYMENTS (continued)**

The balance represents the accrued liability under the contracts. The movements during the year were:

	£'000	£'000
Balance at 1 September 2004		2,488
New contracts		423
Amounts accrued to contracts as debt-financing costs		165
		3,076
Amounts utilised in payment of fees:		
To the school	(646)	
To other schools	(52)	
		(698)
Capital repaid		(42)
<b>Balance at 31 August 2005</b>		<b>2,336</b>

**12 NET ASSETS OF THE FUNDS OF CHARITY AND GROUP**

The Charity's net assets belong to the various funds (including Advance Fees) as follows:

	Fixed Assets £'000	Investments £'000	Net Current Assets £'000	Long Term Liabilities £'000	Fund Balances £'000
<b>Endowment funds</b>	7,500	4,033	-	-	<b>11,533</b>
<b>Restricted funds</b>	-	811	275	-	<b>1,086</b>
<b>Unrestricted funds:</b>					
Advance fees (segregated fund)	-	1,939	(108)	(1,831)	-
	7,500	6,783	167	(1,831)	<b>12,619</b>
Other funds (Charity)	2,062	257	(522)	(44)	<b>1,753</b>
<b>Charity</b>	<b>9,562</b>	<b>7,040</b>	<b>(355)</b>	<b>(1,875)</b>	<b>14,372</b>
Subsidiary's Reserves	8	(7)	7	-	<b>8</b>
<b>Group</b>	<b>9,570</b>	<b>7,033</b>	<b>(348)</b>	<b>(1,875)</b>	<b>14,380</b>

Note: Net current assets for Advance Fees comprised:

Cash	397
Advance fees due within one year	(505)
	<b>(108)</b>

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

**12A ENDOWED FUNDS: MOVEMENTS IN THE YEAR**

	Balance at 1 September 2004 £'000	Incoming endowments £'000	Amounts Expended £'000	Investment Gains/(Losses) £'000	Balance at 31 August 2005 £'000
<b>Permanent endowments:</b>					
College Gift	7,500	-	-	-	<b>7,500</b>
Foundation capital	563	-	-	15	<b>578</b>
Other Special Trusts:					
Grants and allowances	1,772	8	-	66	<b>1,846</b>
Scholarships, bursaries	1,460	-	-	(17)	<b>1,443</b>
Prize and other funds	168	-	-	(2)	<b>166</b>
	<b>11,463</b>	<b>8</b>	<b>-</b>	<b>62</b>	<b>11,533</b>

The College Gift and the Foundation Capital represent the original endowments, the latter being to fund the provision of free education for the local populace. The income of this latter fund therefore contributes to the wholly or partially free education of pupils whose parents live in Newshire.

The other Special Trusts consist of a number of individual trust and prize funds set up by individual donors. The Foundation capital and the Trusts are pooled for Investment.

Each Trust Fund is allocated its proportion of investment income and gains and losses and bears its own expenses. (Note: None of the year's inter-fund transfers affected Endowed Funds.)

**12B RESTRICTED FUNDS: MOVEMENTS IN THE YEAR**

	Balance at 1 September 2004 £'000	Incoming Funds £'000	Amounts Expended £'000	Transfers* and Investment Gains (losses) £'000	Balance at 31 August 2005 £'000
New Building Fund	-	320	(90)	-	<b>230</b>
Grants and Allowances	157	112	(112)	(8)	<b>149</b>
Scholarships and Bursaries	504	113	(86)	20	<b>551</b>
Prize and other funds	99	28	(21)	4	<b>110</b>
Foundation Income (see Note 12A)	44	39	(36)	(1)	<b>46</b>
	<b>804</b>	<b>612</b>	<b>(345)</b>	<b>15</b>	<b>1,086</b>

\*Included above is a transfer of £3,700 from a bursary fund to the Grants and Allowances Fund.

**THE HIGHER COLLEGE CHARITY  
NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2005**

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**12C UNRESTRICTED FUNDS: MOVEMENTS IN THE YEAR**

	Balance at 1 September 2004 £'000	Income £'000	Expended £'000	Transfers £'000	Gains/ (losses) £'000	<b>Balance at 31 August 2005 £'000</b>
<b>Designated funds:</b>						
Advance Fee income	250	248	(165)	-	(40)	<b>293</b>
Heritage Assets fund	93	20	-	200	9	<b>322</b>
<b>Free reserves</b>	<b>890</b>	<b>8,766</b>	<b>(8,511)</b>	<b>(25)</b>	<b>18</b>	<b>1,138</b>
<b>Charity</b>	<b>1,233</b>	<b>9,034</b>	<b>(8,676)</b>	<b>175</b>	<b>(13)</b>	<b>1,753</b>
Non-charitable trading funds	5	1,644	(1,466)	(175)	-	<b>8</b>
<b>Group</b>	<b>1,238</b>	<b>10,678</b>	<b>(10,142)</b>	<b>-</b>	<b>(13)</b>	<b>1,761</b>

Advance Fee income represents the amount set aside to cover any future shortfall on the accrued liability for advance fees. The Higher College Governors are setting aside, in the Heritage Assets Fund, monies towards the costs of extensions and refurbishment of College buildings in preparation for the Charity's centenary celebrations in 2009.

The free reserves, in conjunction with a £2 million standby bank borrowing facility secured on the school premises, are retained to provide working capital.

**13 CONTRACTS AND COMMITMENTS**

No capital expenditure had been contracted for at 31 August 2005.

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

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**14 PENSION SCHEMES**

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

In accordance with the Teachers' Pension (Amendment) Regulations based on the latest actuarial valuation of the scheme issued in March 2003, the scheme has been attributed with notional assets equal to the actuarial value of the scheme liabilities as at 31 March 2001.

Following this valuation the standard contribution rate was raised from 14.35% to 19.5% from 1 April 2003. 6% to be paid by the teachers and the remaining 13.5% borne by the Charity.

The superannuation charge for the year represents contributions payable to the Scheme of £227,000 (2004: £220,000).

The Charity also runs a scheme for its non-teaching staff, which is a defined contributions scheme. The cost for the year represents the Charity's contributions to that scheme of £52,750 (2004: £49,800).

**THE HIGHER COLLEGE CHARITY**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2005**

**15 RECONCILIATION OF GROUP NET INCOMING RESOURCES TO NET CASH INFLOW FROM GROUP OPERATIONS**

	2005		2004
	£'000	£'000	£'000
Net Incoming resources		811	979
Non-operating cashflows eliminated:			
- Investment income		(654)	(547)
- Endowment Donations		(8)	-
- Gain on disposal of tangible fixed assets		(27)	3
- Financing costs		217	232
Depreciation charges added back		392	375
Decrease in stocks		9	10
Increase in debtors		(42)	(20)
Increase/(decrease) in creditors due within 1 year	(323)		158
Exclude: Movement in advance fees due within 1 year	125		(25)
		(198)	133
(Increase)/decrease in Final Term Deposits		(41)	20
<b>Net cash inflow from group operations</b>		<b>459</b>	<b>1,185</b>

**16 ANALYSIS OF CHANGES IN NET CASH RESOURCES AND DEBT OF THE GROUP**

	As at 1 September 2004 £'000	Cash flow £'000	As at 31 August 2005 £'000
Cash	566	31	597
Bank overdraft	(375)	140	(235)
	191	171	362
Advance fees due within one year	(630)	125	(505)
Advance fees due after more than one year	(1,858)	27	(1,831)
	(2,297)	323	(1,974)

**Illustration of the requirements for Compliance with FRS17 where the School has its own defined benefit pension scheme for non-teaching staff.**

## THE HIGHER COLLEGE CHARITY GROUP

### Implementation of FRS17 - year ended 31 August 2005

#### Impact on reserves disclosures in the Governors' Annual Report:-

##### FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The schools' operating surplus of £438,000 (within the total of £504,000 for unrestricted funds as shown in the Statement of Financial Activities) was below our targeted percentage of fee income set out in our long term plans, but was after charging £335,000 expenditure on refurbishment of the houses.

##### **Reserves policy**

Disregarding the notional pension-funding deficit calculated under FRS17 (see below), after deducting sums earmarked for the Heritage project (now standing at £322,000) and bearing in mind that capitalised expenditure on the schools' premises and equipment is largely financed by our standby secured bank loan facility of £2,000,000, uncommitted reserves freely available for current activities increased by a further £248,000 this year to £1,138,000 (Group: £1,146,000). Our policy is, therefore, to continue building up our free reserves to the ideal level by means of annual operating surpluses and judicious management of our investment assets, supplemented by general-purpose appeals from time to time.

Total Unrestricted Funds as shown in the accounts include a notional funding deficit of £312,000 (2004: £185,000) calculated under FRS17 in respect of the Charity's defined benefit pension scheme for non-teaching staff. The Governors believe that this notional funding calculation, which can vary considerably between surplus and deficit according to the assumptions made at each year-end, has no material effect on the Charity's cashflows in the short term, and that in the longer term its effects are sustainable out of future income. For this reason we consider that it should be disregarded for reserves policy purposes.

#### Inclusion of FRS17 pension-funding movements in the SoFA:-

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds £'000	2004 £'000
<b>INCOMING RESOURCES</b>						
Other incoming resources	4	34	-	-	34	4
<b>Total incoming resources</b>		<b>10,678</b>	<b>612</b>	<b>8</b>	<b>11,298</b>	<b>10,182</b>
<b>RESOURCES EXPENDED</b>						
<b>Costs of generating funds</b>						
Bank interest and other finance costs		56	-	-	56	82
		<b>1,693</b>	<b>94</b>	<b>-</b>	<b>1,787</b>	<b>1,335</b>
<b>Charitable Activities</b>						
Schools and grant-making		8,436	251	-	8,687	7,848
<b>Governance costs</b>						
		45	-	-	45	41
<b>Total resources expended</b>	5, 6	<b>10,174</b>	<b>345</b>	<b>-</b>	<b>10,519</b>	<b>9,224</b>
<b>NET INCOMING RESOURCES (page 2)</b>		<b>504</b>	<b>267</b>	<b>8</b>	<b>779</b>	<b>958</b>

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds £'000	2004 £'000
<b>NET INCOMING RESOURCES (page 1)</b>		<b>504</b>	<b>267</b>	<b>8</b>	<b>779</b>	<b>958</b>
Investment gains/losses		(13)	15	62	64	206
Pension Scheme actuarial gains/losses		(95)	-	-	(95)	(70)
<b>NET MOVEMENT IN FUNDS</b>		<b>396</b>	<b>282</b>	<b>70</b>	<b>748</b>	<b>1,094</b>
Fund balances at 1 September 2004		1,053	804	11,463	<b>13,320</b>	12,226
<b>FUND BALANCES at 31 August 2005</b>	12	<b>1,449</b>	<b>1,086</b>	<b>11,533</b>	<b>14,068</b>	<b>13,320</b>

## Presentation of an FRS17 Pension Reserve in the Balance Sheet:-

	Notes	Group		Charity	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>TOTAL NET ASSETS before pension deficit</b>		<b>14,380</b>	13,505	<b>14,372</b>	13,500
Pension Scheme funding deficit		(312)	(185)	(312)	(185)
<b>TOTAL NET ASSETS after pension deficit</b>		<b>14,068</b>	13,320	<b>14,060</b>	13,315
<b>ENDOWED FUNDS</b>	12a	<b>11,533</b>	11,463	<b>11,533</b>	11,463
<b>RESTRICTED FUNDS</b>	12b	<b>1,086</b>	804	<b>1,086</b>	804
<b>UNRESTRICTED FUNDS</b>					
Designated & general funds	12c	<b>1,761</b>	1,238	<b>1,753</b>	1,233
Less: Pension Reserve (Deficit)	14	(312)	(185)	(312)	(185)
Net Unrestricted Funds		<b>1,449</b>	1,053	<b>1,441</b>	1,048
<b>TOTAL FUNDS</b>		<b>14,068</b>	13,320	<b>14,060</b>	13,315

## FRS17 disclosures in the Accounts Notes:-

### 1 STATEMENT OF ACCOUNTING POLICIES

#### Pension schemes

The Charity contributes to the Teachers' Pension Defined Benefits Scheme at rates set by the Scheme Actuary and advised to the Board by the Scheme Administrator. The scheme is a multi employer pension scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the school. In accordance with FRS17 therefore, the scheme is accounted for as a defined contribution scheme. The Charity also contributes to a Defined Benefits pension scheme for non-teaching staff with more than five years' service and who wish to join it. Rates are set by the Scheme Actuary and advised to the School by the Scheme Administrator. This scheme is being accounted for under FRS17, with the annually calculated notional surplus or deficit on the funding of the Scheme shown in the accounts as a designated fund entitled "Pensions Reserve", which is deducted from Unrestricted Funds in the balance sheet. The governors believe that the scheme currently meets statutory minimum funding requirements. It is intended that the level of annual contributions to the scheme will be adjusted following the next detailed actuarial valuation, due on 1 September 2006. The governors note that the calculated notional deficit or surplus calculated under FRS17 can vary greatly from year to year depending on the assumptions made at the valuation date, but with normally little or no effect on short term cashflows.

**5 EXPENDITURE** (Note 6 (Expenditure analysis) will also change consequentially)

<b>Total staff costs comprised:</b>	<b>2005</b>	<b>2004</b>
Wages and salaries	<b>4,572</b>	4,488
Social security costs	<b>379</b>	372
Pension contributions	<b>308</b>	295
	<b>5,259</b>	<b>5,155</b>

The number of higher paid employees was:

	<b>2005</b>	<b>2004</b>
	<b>No.</b>	<b>No.</b>
Taxable emoluments band:		
£60,000 - £70,000	<b>5</b>	3
£70,000 - £80,000	<b>1</b>	1
The number with retirement benefits accruing in - Defined Benefit Schemes was	<b>5</b>	<b>5</b>

**14 PENSION SCHEMES**

***Teaching Staff***

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

In accordance with the Teachers' Pension (Amendment) Regulations based on the latest actuarial valuation of the scheme issued in March 2003, the scheme has been attributed with notional assets equal to the actuarial value of the scheme liabilities as at 31 March 2001.

Following this valuation the standard contribution rate was raised from 14.35% to 19.5% from 1 April 2003. 6% to be paid by the teachers and the remaining 13.5% borne by the Charity.

The superannuation charge for the year represents contributions payable to the Scheme of £255,000 (2004: £245,000).

***Non-teaching Staff***

The Charity also runs a Scheme for its non-teaching staff, which is a defined benefits scheme. The Scheme is shared with HC Enterprises Ltd, whose share of the assets and liabilities is not material to the Scheme. The Scheme was closed to new entrants on 31 August 2002. The charge for the year, against which employer contributions paid over to the Scheme Trustees in the year amounted to £33,750 (2004: £34,800), together with the actuarial gains and losses on the Scheme for the year, is recognised in the Statement of Financial Activities in accordance with FRS17.

For staff not in this defined benefits scheme, the Charity operates a Stakeholder pension scheme. This is a unit-linked defined contribution scheme from Norwich Union, under which the Charity contributes double the employee contributions up to a maximum of 10% of pensionable pay. Employer contributions totalling £19,000 (2004: £15,000) were paid in respect of this pension scheme for the year.

The assets of the defined benefits scheme for non-teaching staff are held separately from those of the Charity and its subsidiary. The Scheme is funded by contributions from the employees and participating employers in accordance with the recommendations of independent qualified actuaries on the basis of triennial valuations. The most recent of these valuations was made on 1 September 2003 and conducted using the revised actuarial assumptions of the Pensions Act 1995. This legislation requires trustees to achieve a defined Minimum Funding Requirement (MFR) and to maintain contributions and investment returns at a level that ensures the scheme's liabilities are matched by its assets. The MFR valuation on 1 September 2003 indicated that the assets, the market value of which was then £671,000, represented 80% of its liabilities. The actuarial valuation does not separately identify the Charity's share of the underlying assets and liabilities of the Scheme.

The expected rates of return on the Scheme's main assets classes as at each year-end, and the market values of those asset classes, were:

	2005		2004		2003	
	%	£000s	%	£000s	%	£000s
Equities	8	463	8	432	8	470
Government Bonds	5	232	5	216	4.50	167
Other	4	77	4	72	4	34

The assumptions which had the most significant effect on the results of the valuation are those relating to the return on investments, the rate of increase in salaries and the discount rate used to derive the net present value of scheme liabilities. The assets of the Scheme have been included in this year's accounts at open market value as at the year-end, and the liabilities have been calculated using the following actuarial assumptions:

	2005	2004	2003
Rate of increase in salaries	4.0%	4.5%	4.25%
Pension increases	2.5%	3.0%	2.75%
Rate of discount	5.3%	5.50%	6.0%
Inflation	3.0%	2.75%	2.5%
Revaluation of deferred pension	3.0%	2.75%	2.5%

The liabilities are determined using the projected unit method as distinct from the aggregate method used in the triennial valuation. Under the projected unit method, the current service costs will increase as the members of the scheme approach retirement. On this basis, the calculated notional funding position in respect of the Scheme at 31 August 2005, and at previous year-ends where available, was as follows:

	2005	2004	2003
	£'000s	£'000s	£'000s
Market value of assets	772	720	671
Value of accrued liabilities	(1,084)	(905)	(765)
Deficit	<u>(312)</u>	<u>(185)</u>	<u>(94)</u>

The actuary has confirmed that the valuation made above under the requirements of FRS 17 does not indicate that there is either an immediate funding requirement or any immediate need to change the agreed contribution rates currently in force. The actuary has excluded from both assets and liabilities items which have neutral effect on the Scheme's financial position i.e. additional voluntary contributions, annuities secured in respect of pensions in payment and insurance contract for death in service benefits.

**The charge to the Statement of Financial Activities over the financial year comprised:**

	2005 £'000s	2004 £'000s
<b>Operating charge</b>		
Current service cost	62	60
Past service cost	Nil	Nil
	<u>62</u>	<u>60</u>
<b>Other finance income</b>		
Expected return on pension scheme assets	50	45
Interest on pension scheme liabilities	(54)	(41)
<b>Net (interest)/return</b>	<u>(4)</u>	<u>4</u>
<b>Total charge to expenditure in the SOFA</b>	<u>66</u>	<u>56</u>

**The actuarial gains and losses shown in the Statement of Financial Activities comprised:**

	2005 £'000s	2004 £'000s
Difference between expected and actual return on assets	20	60
<i>Percentage of scheme assets at year-end</i>	3%	8%
Experience losses arising on the scheme liabilities	20	50
<i>Percentage of present value of scheme liabilities at year-end</i>	2%	5%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(135)	(180)
<i>Percentage of present value of scheme liabilities at year-end</i>	(12%)	(20%)
<b>Total</b>	<b>(95)</b>	<b>(70)</b>
<b><i>Percentage of present value of scheme liabilities at year-end</i></b>	<b>(9%)</b>	<b>(8%)</b>

**Movement in balance sheet surplus/(deficit) figures during the year:**

	£'000s	£'000s
Deficit in scheme at 31 August 2004	(185)	(94)
Movement in year:		
Current service cost	(62)	(60)
Past service cost		
Net interest/return on assets	(4)	4
Contributions	34	35
Actuarial loss	(95)	(70)
<b>Deficit in scheme at 31 August 2005</b>	<u><b>(312)</b></u>	<u><b>(185)</b></u>

Following the full actuarial valuation at 1st September 2003 employer contributions were agreed at the rate of 15.50% of pensionable pay, increasing to 21.60% from September 2006. Active members pay on average at the rate of 6% of pensionable pay.