

**Hereworth School Trust Board**

**2011 Annual Report**

# HEREWORTH SCHOOL TRUST BOARD

## 2011 ANNUAL REPORT

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# HEREWORTH SCHOOL TRUST BOARD

## CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. Introduction

It is my pleasure to submit my first Hereworth School Trust Board annual report. The school once again had a very successful educational year and remains in high spirit gaining roll momentum toward the end of the year.

### 2. Roll

The school ended the year with a roll of 218 which was an improvement on the prior year (210). Much of the increase however was in the second half of the year. Boarder numbers grew to 30 (2010 – 22) reflecting the promotion of boarding over the past two years. The starting role for 2012 was 209, substantially higher than the past couple of years

### 3. Strategic Initiatives

The trust board employed a Foundation Development Manager, Linda Calder, in early 2011. She has been extremely active improving the school website, database and 'friendraising' throughout the school community. The other key initiative has been a series of evenings throughout the school's catchment area where Ross Scrymgeour has spoken about 'boys education' based on his Masters studies and his Hereworth experience. These events were very well attended and have resulted in a growth in enrolments for 2012.

### 4. Staff

The school continues to be well led by headmaster Ross Scrymgeour. Ross completed his second five year term at the end of the year and has agreed to a further term of three years. School performances across a range of academic, sporting and cultural endeavours continue to be at a high level with both national and regional recognition being achieved. Our thanks go to all members of staff.

### 5. Financial Affairs

The trust board has again had to report a consolidated loss (excluding project fundraising) of \$103,895 for the financial year ended 31 December 2011 (2010 \$98,795). The trust board was budgeting for a much larger deficit due to the opening roll for the financial year being below a break even point. Relatively therefore the result is a substantial improvement. As noted above it is very pleasing to report the outlook for 2012 is for a more positive result although there remains significant uncertainty around the cost of insurance as a result of the Canterbury earthquakes. The school again acknowledges the receipt of a significant annual donation of \$100,000 from Richard Izard. The consolidated reserves of the trust board remain in excess of \$6 million.

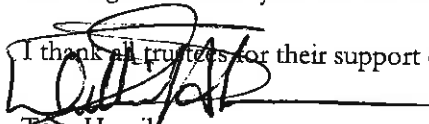
### 6. Support Groups

The trust board continues to receive financial and general support from the Hereworth Parents Association and the Hereworth Old Boys Association. The Old Boys have been instrumental in establishing new boarding scholarships in 2012. I thank these organisations for the significant assistance they provide to the school.

### 7. Governance

There were two changes to the board in early 2011 as Simon Beamish and Doug Abraham retired after significant periods on the board. My thanks go to both for their strong contribution and in particular to Simon for his period as chairman and the strategic oversight he provided. They were replaced by Claire Hague and Brian Dawson who have both been good contributors to the board. Unfortunately, Claire has had to tender her resignation since year end due to increased work commitments.

I thank all trustees for their support during the year.

  
Tom Hamilton  
12 March 2012

**HEREWORTH SCHOOL TRUST BOARD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

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# HEREWORTH SCHOOL TRUST BOARD DIRECTORY

For the year ended 31 December 2011

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<b>Nature of Business</b>	Independent boys preparatory school
<b>Place of Business</b>	Te Mata Road Havelock North
<b>Trustees</b>	T Hamilton (Chairman) B Dawson (appointed 01/04/2011) C Hague (appointed 01/04/2011) W de Lautour D Todd S Signal A Thomas S Beamish (resigned 01/04/2011) D Abraham (resigned 01/04/2011)
<b>Head Master</b>	R Scrymgeour
<b>Chartered Accountants/ Secretaries</b>	Staples Rodway Hawkes Bay Ltd 205 Hastings Street South Hastings
<b>Auditors</b>	Hawkes Bay Audit 405 King Street North Hastings
<b>Solicitors</b>	Sainsbury Logan & Williams 61 Tennyson Street Napier
<b>Bankers</b>	Bank of New Zealand Heretaunga Street Hastings

**HEREWORTH SCHOOL TRUST BOARD**  
**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

**For the year ended 31 December 2011**

	Note	Group		Parent	
		2011 \$	2010 \$	2011 \$	2010 \$
Revenue	1	3,268,193	3,088,551	3,255,210	3,066,291
Expenditure	2	3,372,088	3,187,346	3,351,646	3,165,107
Net Surplus (Loss) Before Fundraising		(103,895)	(98,795)	(96,436)	(98,816)
Project Fundraising		100,000	100,000	100,000	100,000
<b>Net Surplus (Loss)</b>		<b>(3,895)</b>	<b>1,205</b>	<b>3,564</b>	<b>1,184</b>

**CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY**

**For the year ended 31 December 2011**

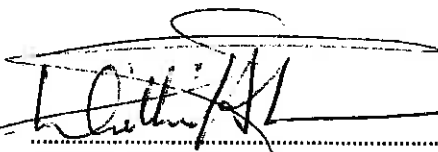
	Group		Parent	
	2011 \$	2010 \$	2011 \$	2010 \$
Equity at the Start of the Year	6,204,332	6,203,127	5,425,200	5,424,015
Net Surplus (Loss)	(3,895)	1,205	3,564	1,184
Total Recognised Revenue and Expenditure	(3,895)	1,205	3,564	1,184
<b>Equity at the End of the Year</b>	<b>6,200,437</b>	<b>6,204,332</b>	<b>5,428,763</b>	<b>5,425,200</b>

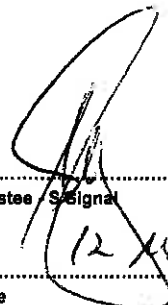


**HEREWORTH SCHOOL TRUST BOARD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As At 31 December 2011**

	Note	Group		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>EQUITY</b>					
Accumulated Surpluses	3	3,918,756	3,922,651	3,147,082	3,143,518
Reserves	4	1,371,954	1,371,954	1,371,954	1,371,954
Trustees Special Funds	5	909,727	909,727	909,727	909,727
		<u>6,200,437</u>	<u>6,204,332</u>	<u>5,428,763</u>	<u>5,425,199</u>
<b>CURRENT LIABILITIES</b>					
Bank Overdraft			-		36
Payables & Accruals	6	128,158	95,103	124,092	88,557
Income in Advance		98,597	53,187	98,597	53,186
Employee Entitlements		128,832	124,224	128,832	124,224
Hereworth Old Boys Association Trust Funds	7	175,183	176,896	-	-
Current Portion of Term Debt	8	440,547	89,986	440,547	89,986
		<u>972,682</u>	<u>540,714</u>	<u>793,433</u>	<u>357,307</u>
<b>NON CURRENT LIABILITIES</b>					
Term Debt	8	137,602	593,303	137,602	593,303
		<u>1,110,284</u>	<u>1,134,017</u>	<u>931,035</u>	<u>950,610</u>
<b>Total Equity and Liabilities</b>		<u><b>7,310,720</b></u>	<u><b>7,338,349</b></u>	<u><b>6,359,797</b></u>	<u><b>6,375,810</b></u>
<b>Represented by:</b>					
<b>CURRENT ASSETS</b>					
Bank & Short Term Deposits		329,545	110,665	272,694	-
Receivables and Prepayments	9	50,757	81,159	34,898	67,842
Accrued Trust Income	10	119,208	82,533	272,575	227,177
Inventories		17,636	20,146	17,636	20,146
		<u>517,144</u>	<u>294,503</u>	<u>597,803</u>	<u>315,165</u>
<b>NON CURRENT ASSETS</b>					
Investments	11	1,031,582	983,201	-	-
Property Plant and Equipment	12	5,761,994	6,060,645	5,761,994	6,060,645
		<u>6,793,576</u>	<u>7,043,846</u>	<u>5,761,994</u>	<u>6,060,645</u>
<b>Total Assets</b>		<u><b>7,310,720</b></u>	<u><b>7,338,349</b></u>	<u><b>6,359,797</b></u>	<u><b>6,375,810</b></u>

  
 Chairman - T Hamilton  
 12 March 2012  
 Date

  
 Trustee / Signa  
 12 March 2012  
 Date

HEREWORTH  
 SCHOOL TRUST BOARD  
 12 March 2012

# HEREWORTH SCHOOL TRUST BOARD

## STATEMENT OF ACCOUNTING POLICIES

**For the year ended 31 December 2011**

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This reporting entity is the Hereworth School Trust Board (the Trust Board) including the Hereworth Foundation. Both entities are incorporated under the Charitable Trusts Act 1957, and are Charities registered under the Charities Act 2005. The financial statements have been prepared in accordance with generally accepted accounting practice.

### Measurement Base

The measurement base adopted is historical cost.

### Differential Reporting

This entity has qualified for limited reporting requirements under the framework for differential reporting because it is not publicly accountable and is not large as defined by the framework for differential reporting owners. The entity has applied all available differential reporting exemptions.

### Consolidation Principles

The general principles of consolidation using the purchase method, have been applied whereby all inter entity transactions have been eliminated.

### Operating Revenue

Operating revenue includes all fees and charges for services provided, portfolio investment earnings and the entities share of property partnership profits. Donations are recorded on a cash receipts basis unless they are conditional upon being matched to certain expenditure. Undistributed trust income, where the trust board is the sole beneficiary, is accrued.

### Depreciation

Depreciation is calculated on the straight line basis against fixed assets based on the following estimated useful lives:

Site Improvements	10-15 years
Buildings	50 years
Building Fit Out	12 years
Plant & Equipment	10 - 20 years
Office Equipment	10 years
Computer Equipment	5 years
Motor Vehicles	5 - 10 years

### Taxation

As a charitable entity the trust does not pay income tax

### Fixed Assets

Fixed assets are valued at cost less accumulated depreciation. In respect of land, cost is deemed to be the 1995 government value which was the carrying value in place at the time the Trust Board discontinued the modified historical cost basis of accounting. Land is not depreciated.

### Investments

Investments are recorded at cost.

### Foreign Currencies

Transactions denominated in foreign currencies are converted at the exchange rate current at the transaction date. Foreign currency receivables and payables are converted at exchange rates current at balance date. Foreign exchange gains or losses are included as income or expenses respectively in the Statement of Financial Performance.

### Accounts Receivable

Receivables are valued at expected realisable value

### Inventories

Stock is valued at the lower of cost and net realisable value. In determining cost, the 'first in first out' basis of stock movement has been adopted.

### Goods and Services Tax (GST)

These financial statements have been prepared on a GST exclusive basis except debtors and creditors. The Trust figures are GST inclusive as the Trust is not registered for GST.

### Changes in Accounting Policies

There have been no changes in accounting policies during the year. All policies have been applied on bases consistent with those used in prior years.



**HEREWORTH SCHOOL TRUST BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

	Group		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>(1) Operating Revenue</b>				
Fees	2,583,771	2,433,834	2,583,771	2,433,834
Donations & Trust Income	162,919	174,372	237,954	246,521
Government Grants	245,363	223,905	245,363	223,905
Rent & Facility Hire	141,966	127,432	94,597	82,786
Interest Received	41,617	42,325	7,992	3,997
Dividends	14,873	11,607	-	-
Profit (Loss) on Disposal of Investments	-7,849	-172	-	-
Sundry Income	85,533	75,248	85,533	75,248
	<u>3,268,193</u>	<u>3,088,551</u>	<u>3,255,210</u>	<u>3,066,291</u>
<b>(2) Operating Expenditure</b>				
Audit Fees	9,034	6,850	9,034	6,850
Depreciation				
- Site Improvements	19,104	18,856	19,104	18,856
- Buildings	157,027	156,011	157,027	156,011
- Building Fit Out	65,250	65,329	65,250	65,329
- Plant & Equipment	25,014	29,656	25,014	29,656
- Furniture & Fittings	17,304	20,704	17,304	20,704
- Motor Vehicles	136	136	136	136
- Computer Equipment	54,480	54,907	54,480	54,907
Interest	40,769	45,405	40,769	45,405
Personnel Costs				
- Educational	1,282,469	1,231,969	1,282,469	1,231,969
- Other	624,751	566,433	624,751	566,433
Other Operating Costs	1,076,751	991,089	1,056,309	968,851
	<u>3,372,088</u>	<u>3,187,346</u>	<u>3,351,646</u>	<u>3,165,108</u>
<b>(3) Accumulated Surpluses</b>				
Opening Balance	3,922,651	3,921,446	3,143,518	3,142,334
Net Surplus/Deficit	-3,895	1,205	3,564	1,184
	<u>3,918,756</u>	<u>3,922,651</u>	<u>3,147,082</u>	<u>3,143,518</u>
<b>(4) Reserves</b>				
Property Revaluation Reserve	1,371,954	1,371,954	1,371,954	1,371,954
	<u>1,371,954</u>	<u>1,371,954</u>	<u>1,371,954</u>	<u>1,371,954</u>
<b>(5) Trustees Special Funds</b>				
Capital Replacement Fund	850,313	850,313	850,313	850,313
HE Sturge Bequest	21,733	21,733	21,733	21,733
JN Williams Memorial Fund	37,681	37,681	37,681	37,681
	<u>909,727</u>	<u>909,727</u>	<u>909,727</u>	<u>909,727</u>



**HEREWORTH SCHOOL TRUST BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

	Group		Parent	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>(6) Payables &amp; Accruals</b>				
Accounts Payable	128,158	95,103	124,092	88,557
	<u>128,158</u>	<u>95,103</u>	<u>124,092</u>	<u>88,557</u>
<b>(7) Hereworth Old Boys Association</b>				
Opening Balance	176,896	163,164	-	-
Share of Income for Year	-1,713	13,732	-	-
	<u>175,183</u>	<u>176,896</u>	<u>-</u>	<u>-</u>
<b>(8) Term Debt</b>				
			<b>Parent and Group</b>	
			2011	2010
			\$	\$
	<i>Current</i>	<i>Non Current</i>	<i>Total</i>	<i>Total</i>
<b>2011</b>				
BNZ Housing Loan	5,547	137,602	143,149	-
BNZ First Term Loan	350,000		350,000	-
Toogood Trust Loan	85,000		85,000	-
	<u>440,547</u>	<u>137,602</u>	<u>578,149</u>	<u>-</u>
<b>2010</b>				
BNZ Housing Loan	4,986	143,303	-	148,289
BNZ First Term Loan	-	450,000	-	450,000
Toogood Trust Loan	85,000	-	-	85,000
	<u>89,986</u>	<u>593,303</u>	<u>-</u>	<u>683,289</u>

*Toogood Trust Loan*  
Original Loan \$85,000  
Repayable on demand, secured by second mortgage.  
Interest rate 8.2% (2% below current overdraft interest rate)  
Interest only repayments made quarterly

*BNZ Housing Loan*  
Original loan \$175,000  
Term 25 years due 13/11/2027  
Interest rate 5.99%  
Repayable monthly instalments of principal and interest \$1,164.21

*BNZ First Term Loan*  
Original loan \$500,000  
Term 3 years due 02/06/2012  
Interest Rate 5.71%  
Interest only repayments made monthly

All BNZ indebtedness is secured over the Hereworth School property

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**HEREWORTH SCHOOL TRUST BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2011

	Group		Parent	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>(9) Receivables &amp; Prepayments</b>				
Receivables	28,076	73,925	16,428	64,792
Less Provision for Doubtful Debts	(9,000)	(45,995)	(9,000)	(45,995)
GST Receivable	17,528	13,184	17,528	13,184
Accrued Interest	4,211	4,184	-	-
Prepayments	9,942	35,861	9,942	35,861
	<u>50,757</u>	<u>81,159</u>	<u>34,898</u>	<u>67,842</u>
<b>(10) Accrued Trust Income</b>				
Toogood Trust	119,206	82,533	272,575	227,177
	<u>119,206</u>	<u>82,533</u>	<u>272,575</u>	<u>227,177</u>
<b>(11) Investments (Trust Only)</b>				
<b>2011</b>	<i>Mkt Value</i>	<i>Book Value</i>		
Property - Rainbow House	600,000	273,843		
Equities - New Zealand	108,316	132,191		
Equities - Australia	206,493	206,621		
Bonds - New Zealand	419,485	418,927		
	<u>1,334,294</u>	<u>1,031,582</u>		
<b>Investments</b>	<i>Mkt Value</i>	<i>Book Value</i>		
<b>2010</b>				
Property - Rainbow House	600,000	273,843		
Equities - New Zealand	71,600	78,665		
Equities - Australia	206,412	166,962		
Equities - Global	16,371	14,804		
Bonds - New Zealand	439,743	448,927		
	<u>1,334,126</u>	<u>983,201</u>		

The market valuation for investment property has been provided from a valuation dated March 2011 by Telfer Young. The investment property book value valuation is based on the rateable value dated August 2010.

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**HEREWORTH SCHOOL TRUST BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

	Parent and Group		2010 \$
	2011 \$		
<b>(12) Property Plant and Equipment</b>			
<u>2011</u>	<u>Cost/Vain.</u>	<u>Accum. Depr.</u>	<u>Book Value</u>
Land	1,336,828	-	1,336,828
Site Improvements	316,608	224,585	92,023
Buildings	5,179,249	1,542,338	3,636,911
Building Fitout	983,861	537,121	446,740
	<u>7,816,546</u>	<u>2,304,043</u>	<u>5,512,502</u>
Furniture & Fittings	245,426	187,640	57,786
Plant & Equipment	410,216	333,694	76,522
Computer Equipment	484,731	370,389	114,342
Motor Vehicles	34,032	33,191	841
	<u>8,990,950</u>	<u>3,228,956</u>	<u>5,761,994</u>

	<u>Cost/Vain.</u>	<u>Accum. Depr.</u>	<u>Book Value</u>
<u>2010</u>			
Land	1,336,828	-	1,336,828
Site Improvements	313,904	205,481	108,423
Buildings	5,179,249	1,385,311	3,793,938
Building Fitout	981,636	471,871	509,765
	<u>7,811,617</u>	<u>2,062,663</u>	<u>5,748,954</u>
Furniture & Fittings	241,531	170,336	71,195
Plant & Equipment	405,676	308,679	96,997
Computer Equipment	458,430	315,909	142,521
Motor Vehicles	34,033	33,055	978
	<u>8,951,287</u>	<u>2,890,642</u>	<u>6,060,645</u>

*The latest Government Valuation (August 2010) of land and buildings are:*

Land	5,445,000
Buildings	5,785,000
Capital Value	<u>11,230,000</u>

**(13) Related Party Transactions**

S Signal is a Trustee as well as a Director of Staples Rodway which provides accounting services to the school.

S Beamish is a Trustee of Toogood Trust which provides finance and income to the school.

Some of the Trustees are parents of students at the school, fees charged to these parents are at normal commercial rates.

**(14) Contingent Liabilities and Capital Commitments**

There are no contingent liabilities at balance date (2010 \$NIL)

There are no capital commitments at balance date (2010 \$NIL)

**(15) Events Subsequent to Balance Date**

There were no known events subsequent to balance date.

**HAWKES**  
*Chartered Accountants*  
**By Audit**

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Hereworth School Trust Board and Group

### **Report on the Financial Statements**

We have audited the financial statements of Hereworth School Trust Board and Group (the Trusts) on pages 3 to 9 which comprise the Consolidated Statement of Financial Position as at 31 December 2011 and the Consolidated Statement of Financial Performance, Consolidated Statement of Movements in Equity for the year then ended, and a statement of accounting policies and other explanatory information.

### ***Trustees' Responsibilities for the Financial Statements***

The Trustees are responsible for the preparation of financial statements that give a true and fair view of the matters to which they relate and in accordance with generally accepted accounting practice in New Zealand and such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

It is our responsibility to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trusts preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trusts internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Trusts.

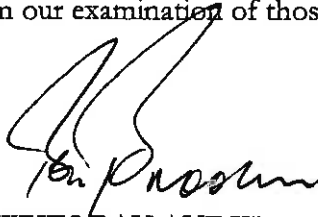
***Opinion***

In our opinion, the financial statements on pages 3 to 9 give a true and fair view of the financial position of the Trusts as at 31 December 2011, and of its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.

**Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by the Trusts as far as appears from our examination of those records.

A handwritten signature in black ink, appearing to read 'Ian Prosser', is written over the text of the paragraph above.

HAWKES BAY AUDIT  
Hastings, New Zealand.  
13 March 2012