

ST. CATHERINE'S BRITISH SCHOOL  
ANNUAL REPORT  
FOR THE YEAR ENDED 31<sup>st</sup> AUGUST 2011





# ST CATHERINE'S BRITISH EMBASSY SCHOOL

(A company limited by guarantee)

## DIRECTORS' REPORT FOR THE YEAR ENDED 31st AUGUST 2011

### Status and Administration

St Catherine's British Embassy School ("the School") was founded in 1956. The School is a non-profit company limited by guarantee, registered number 00860288 and is also a registered charity, number 313909.

### Directors

The Directors of the School, who are also the charity trustees and members of the Board of Governors, who served since 1st September 2010 through to the date of this report, were:

|                              |                      |                       |                                                                 |
|------------------------------|----------------------|-----------------------|-----------------------------------------------------------------|
| Taki, Stavros                | Chairman<br>25/08/09 | Appointed<br>05/06/08 | Retired 30/09/09 on Board Dissolution,<br>Re-Appointed 01/10/09 |
| Dheere, Maurice Jean         | Hon. Treasurer       | Appointed<br>21/06/01 | Retired 30/09/09 on Board Dissolution,<br>Re-Appointed 01/10/09 |
| Westgarth, Nicholas          |                      | Appointed<br>26/08/09 | Retired 30/09/09 on Board Dissolution,<br>Re-Appointed 1/10/09  |
| Loverdos-Platis, Anna-Maria  |                      | Appointed<br>01/10/09 |                                                                 |
| Nicola-Tsigos, Loukia        |                      | Appointed<br>01/10/09 |                                                                 |
| Mirasyesi-Bernitsa, Domna    |                      | Appointed<br>01/10/09 |                                                                 |
| Wurzner, Hanno               |                      | Appointed<br>01/10/09 | Resigned 1/08/2011                                              |
| Vardinoyannis, Yannis        |                      | Appointed<br>21/01/10 |                                                                 |
| Verney, Susanna              |                      | Appointed<br>21/01/10 | Resigned 22/03/2012                                             |
| Arapoglou, Evita             |                      | Appointed<br>21/01/10 | Resigned 12/02/2012                                             |
| Richard William Lewis Groves |                      | Appointed<br>4/10/11  |                                                                 |
| Roger Victor Peel            |                      | Appointed<br>4/10/11  |                                                                 |
| Geert Van Iwaarden           |                      | Appointed<br>4/10/11  |                                                                 |

For a number of years, Governors were appointed by an "Appointing Body" comprising the Ambassadors of Britain, Australia and Canada. This changed in April 2011 due to the fact that the Governments of Australia and Canada informed the School that their replacement incoming Ambassadors would not be permitted to perform this role. This left the British Ambassador as the only remaining member of the group, but the School's Articles of Association did not allow the British Ambassador to operate alone.

The need to restructure was therefore forced upon the School and as a result, the Board has put in place temporary measures to allow for the appointment of Governors. Under these temporary measures, the

Board of Governors together with the British Ambassador appointed three new members to the Board in October 2011 thus broadening the nationalities represented on the Board and strengthening the range of skills within the Governing Body. The reorganization is on-going and the School has employed the legal firm of Farrers, who are world leaders in UK charity law, to assist us in this process of constitutional review. The new Articles of Association will be reviewed by the Charity Commission before they are adopted. The new Articles of Association will serve the School well and ensure that it remains faithful to the guidelines set out under the Charity Commission.

**Key Personnel & Advisors:-**

|                             |                                                                                                                                                                                                                 |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Headmaster:</b>          | Peter Armstrong, BEd (Hons) MA (appointed Head 01/03/10)                                                                                                                                                        |
| <b>Company Secretary:</b>   | Joint Company Secretary: Mrs Annette Hadjis<br>Joint Company Secretary: Trusec Ltd (appointed 18/5/09 and resigned 26/11/11)<br>New Joint Company Secretary: Tyrolese (Secretarial) Limited (appointed 2/11/11) |
| <b>Business Manager:</b>    | Mr Konstandinos S. Theodosiou (appointed 11/4/11)                                                                                                                                                               |
| <b>Accountant:</b>          | Mr Anastasios Koutsoukos (appointed 27/06/11)                                                                                                                                                                   |
| <b>School's address:</b>    | Leoforos Venizelou 77<br>Lykovrissi GR141 23<br>Athens<br>Greece                                                                                                                                                |
| <b>Website:</b>             | <a href="http://www.stcatherines.gr">www.stcatherines.gr</a>                                                                                                                                                    |
| <b>Registered Office:</b>   | 66 Lincoln's Inn Fields<br>LONDON WC2A 3LH<br>ENGLAND                                                                                                                                                           |
| <b>Bankers:</b>             | HSBC Bank<br>Kifissias Avenue,<br>Kifissia GR145 62<br>Greece                                                                                                                                                   |
| <b>Solicitors (U.K.):</b>   | Farrer & Co LLP<br>66 Lincoln's Inn Fields<br>LONDON WC2A 3LH<br>ENGLAND                                                                                                                                        |
| <b>Solicitors (Greece):</b> | C. & S. Dimitriou & Associates<br>28 Didotou Street<br>ATHENS 106 80<br>GREECE<br><br>Pantazis-Kanellopoulos & Partners<br>67 Akti Miaouli,<br>PIREAEUS, 185 37<br>GREECE                                       |

**Auditors:** Ernst & Young LLP  
1 More London Place  
London, SE1 2AF  
ENGLAND

### **Mission Statement**

St Catherine's British Embassy School endeavours to foster a love of learning. We strive to provide an environment that respects all cultures, promotes excellence and encourages all to reach their full potential. Our goal is to create lifelong learners and responsible global citizens.

### **Objectives**

To provide for and promote the moral, cultural, intellectual social, physical and aesthetic development and the teaching and instruction of pupils according to the National Curriculum for England and Wales, IGCSE and International Baccalaureate, with the overall objective of preparing pupils for the opportunities, responsibilities and experiences of adult life in national and international society.

### **Charitable Activities**

- 1) Bursaries to pupils;
- 2) Scholarship Fund for underprivileged pupils entering higher education;
- 3) Emergency funds for pupils with critical disabilities;
- 4) The School supported and contributed to the following overseas and local charities:
  - Estia Girls Orphanage
  - Smile of the Child Foundation
  - Make a Wish Foundation
  - New Zealand Earthquake
  - Pamacharistos
  - Charitas
  - Filozoikos Sylogos (Animal Welfare, Greece)
  - Japan Earthquake
  - Muscular Dystrophy
  - Skyros (Horse Welfare)
  - Anima
  - Cecily's Fund
  - Consulat General De Cote
  - Helping Hands Foundation
  - UNHCR
  - La Sainte Union (Cameroon Project)

### **Activities**

During the 2010/2011 academic year the School continued to offer a complete curriculum for girls and boys from the age of three up to eighteen. The School's principal funding source continued to be Application, Registration, Development Fund, nursery and main school fees.

On 12<sup>th</sup> January 2011, the School received the report of its inspection by the Independent Schools Inspectorate (I.S.I.). As a result, the School has now been granted full membership of the Council of British International Schools (COBIS). The report can be found on [www.stcatherines.gr](http://www.stcatherines.gr). Having recently also joined the "Headmasters and Headmistresses" Conference (HMC) and the Association of Governing Bodies of Independent Schools (AGBIS) the School now has the three leading UK regulatory bodies to advise and assist.

### **Governance**

The Directors ratify specific school policies; some, such as Health & Safety and Child Protection are reviewed and endorsed on an annual basis, others are reviewed periodically. The day to day management of the School is delegated to the Headmaster.

### **Directors' Induction and Training**

Upon appointment a Director receives a detailed file with the School's constitution, its corporate documentation and its by-laws. The Board of Governors in consultation with its advisors are constantly looking for ways to broaden the skills and experience of the School's Governing Body.

The Directors do not receive any remuneration or financial assistance. Directors' expenses as they relate in the capacity to carry out their duties and responsibilities may be re-covered from the School. The amount of Directors' expenses in the financial year ended 31 August 2011 amounted to €22, being reimbursement of taxi fares, to enable the Director concerned, to attend meetings. The School expects this amount to increase next year since the Board of Governors has taken the decision to encourage the membership of Governors who are resident in the UK, adding considerable experience and skills to the Board. The Directors are indemnified by the School in accordance with its Memorandum and Articles of Association.

### **Policy**

The School is a day school based in Athens, Greece which follows the National Curriculum for England and Wales, the International General Certificate of Secondary Education (Grades 10 and 11) and the International Baccalaureate Diploma Course for Grades 12 and 13. Classes are conducted in the English language, although Greek language, history and culture lessons also feature prominently in the School's programme.

### **Principal Risks and Uncertainties**

The principal financial risks of the School relate to a significant reduction in the student numbers, to high inflation and significant economic downturn due to austerity measures in Greece and the risk of currency conversion. The most significant overhead relates to staff costs. Staff pay awards and School fee increases are set by the Board each year together with the approval of the budget and therefore the School has some control over the payroll overhead and its revenue. The School does not have significant hard currency exposure.

The financial obligations and covenants associated with the loan obtained from HSBC Bank Plc in July 2009 impose additional risk factors and constraints for the School. A reduction in revenues, increase in overheads or reduction in the values of the School's fixed properties may result in the School's failure to meet its obligations which may be a default under the terms and conditions of the loan agreement. Increases in interest rates may also adversely affect the School's ability to meet its obligations. These defaults may result in the bankruptcy or insolvency of the School. In addition the loan covenants may restrict the School's business and financing activities.

The principal risks to which the School is exposed, as identified by the Directors, are reviewed systematically from time to time in order to mitigate those risks. A recent example of risk mitigation was when the Directors took into consideration the current economic climate in Greece and decided not to raise tuition fees for the academic year 2010-11 and similarly, staff pay awards were kept at the same levels.

### **Review**

The School has been successfully implementing its strategy of growth and continuous improvement within its stated plans. Recent occupancy data is summarised as follows:

| <u>Academic Year</u> | <u>approx. no. of pupils</u> |
|----------------------|------------------------------|
| 2008/2009            | 890                          |
| 2009/2010            | 938                          |
| 2010/2011            | 1,030                        |
| 2011/2012            | 1,100                        |
| 2012/2013 (expected) | 1,140                        |

Another example of risk mitigation, on this occasion including a qualitative aspect, is that for the next academic year 2012/13 the Directors took the decision to reduce the number of classes in the nursery and lower year groups in order to allow for the accommodation of organic growth in the higher year groups. This

decision to arrest the on-going growth will allow greater freedom for the School as it unfolds its strategic campus development plan.

The School's bursary scheme in 2010-2011 supported 69 pupils (in various percentages) of which 39 were staff children (also in various percentages).

### **Financial Results**

The financial performance for the year 2010-11 was above the budget agreed by the Board.

Total Incoming Resources for the year 2010-2011 were €10,880,430 compared to €9,849,122 for 2009-2010 representing an increase of €1,031,308 or 10.5% compared to the year 2009-2010. Pupil numbers increased by 9.8% in 2010-11 compared to 2009-10.

Total Resources Used for the year 2010-2011 were €9,449,689 compared to €8,920,424 for 2009-2010 representing an increase of €529,265 or 5.9% compared to the year 2009-2010.

Bank interest for the year 2010-2011 was €487,569 compared to €460,755 for the year 2009-2010. The small increase was due to the impact of the interest rate swap rates.

Net Incoming Resources for the year 2010-2011 amounted to €1,430,741 compared to €928,698 for 2009-2010 representing an increase of €502,043.

Net Movement in Funds was a decrease of €1,068,342 for the year 2010-2011. This was due to the devaluation of properties by €2,807,084 as well as an actuarial loss of €231,999. The balance carried forward decreased to €11,967,865.

### **Reserves**

The School's restricted reserves relate to funds held for specific purposes. At present these are €5,339,683 held under the Land Revaluation Reserve and €146,742 held under the School Reserve.

The School's unrestricted funds are re-invested back into the School through additions and improvements to its facilities and expenditure in relation to new technology as well as new furniture and fittings.

### **Resources**

The School's assets are sufficient to meet its obligations.

The results are set out in the attached Statement of Financial Activities, Balance Sheet and Statement of Cash Flows.

The School's Business Manager produces management reports that measure the actual performance of the School compared to the budget as well as interim financial statements. The Financial Statements and management reports are reviewed by the Board and the Headmaster.

### **Development Plans**

In December 2010 the School successfully completed the internal fit-out of the Annex building (re-named the Warren-Tutte Building) which is now in full operation. The building is leased by the School for a period of four years with options to renew after four and eight years. The building was procured by the School to meet the business plan requirements until the Macsolar property can be fully developed.

Three other areas of the School were totally refurbished including replacement of infrastructure. These were:

- The year one teaching area comprising five classrooms and shared teaching areas
- The music and ICT areas (comprising four classrooms)
- The outdoor 'play based learning' area

On January 2011 the School received approval for the Single Implementation Act, agreeing the terms of the re-zoning of the property into the new town plan, in relation to the Macsolar land acquired in 2009.

The acquisition of the Macsolar property is designed to relieve the space constraints created from the pupil growth which resulted from the successful implementation of the School's business plan.

The Board of Governors together with the Headmaster and the Senior Management Team of the School are currently reviewing different development options for the Macsolar property. Eleven firms of architects were invited to submit a concept plan for the development of this site to accommodate the four senior year groups of the School plus a learning resource centre and library, as well as a theatre. This group has now been reduced to three firms of architects who will be invited to compete for the design contract. The successful architect will also be commissioned to present a master plan which will include the development of the current site. It is envisaged that the development of both sites (current and Macsolar) will be completed in tandem and within a phased program. The length of this program will be determined by the School's available funds. Once the project plan is approved, the School will proceed with the implementation and payment of the cost of re-zoning of Macsolar. The School is concerned about the current economic climate and does not wish to undertake inappropriate risks and it is therefore favouring a staged development plan in order to prudently manage the associated risks and exposure. This may mean that the completion date will be extended. In addition, construction budgets and specifications will be kept to the lowest levels appropriate given the needs of the School.

The School is carefully considering the funding needs of its capital expenditure programme primarily through its own internally generated funds, donations, and if required and considered prudent and is available, through additional bank borrowing.

#### **Approval of the Directors' Report and Financial Statements**

A resolution approving this Directors' Report and the School's Financial Statements for the year ended 31<sup>st</sup> August 2011 will be put forward at the Board meeting to be held on 3<sup>rd</sup> May 2012.

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Approved by the Board of Directors at its meeting on 3rd May 2012 and signed on its behalf by:



Stavros Taki  
Chairman



Maurice J Dheere  
Hon. Treasurer

**ST. CATHERINE'S BRITISH EMBASSY SCHOOL**  
**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the School and of the profit or loss of the School for that period. In preparing those accounts the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to assume that the School will continue in business.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. CATHERINE'S BRITISH EMBASSY  
SCHOOL**

We have audited the financial statements of St. Catherine's British Embassy School for the year ended 31st August 2011, which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the School members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the School's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the School and the School's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the School's Directors are responsible for the preparation of the financial statements and the annual report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the information gives a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we also report to you if, in our opinion, the School has not kept adequate accounting records, if the School's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Directors' remuneration specified by law is not made.

We read the Directors' Report, and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

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

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

## Opinion

In our opinion:

- The financial statements give a true and fair view of the state of affairs of the School as at 31st August 2011 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- The financial statements have been prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report is consistent with the financial statements.



JI Gordon (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Statutory Auditor  
London  
3 May 2012

**ST. CATHERINE'S BRITISH EMBASSY SCHOOL**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31st AUGUST 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

|                                                                          |              | <b>31-Aug-11</b>   | <b>31-Aug-10</b>  |
|--------------------------------------------------------------------------|--------------|--------------------|-------------------|
|                                                                          | <b>Notes</b> |                    |                   |
| <b>Incoming Resources</b>                                                |              |                    |                   |
| Fees Receivable                                                          |              | 10,631,631         | 9,724,636         |
| Other Income                                                             |              | 236,926            | 106,373           |
| Bank Interest                                                            |              | 11,873             | 18,113            |
| <b>Total Incoming Resources</b>                                          |              | <b>10,880,430</b>  | <b>9,849,122</b>  |
| <b>Resources Used</b>                                                    |              |                    |                   |
| Direct Charitable Expenditure:                                           |              |                    |                   |
| Staff Costs                                                              | 2            | 6,896,872          | 6,245,009         |
| Educational Consumables                                                  |              | 183,621            | 179,190           |
| Maintenance & Utilities                                                  |              | 527,370            | 514,355           |
| General Administration Expenses                                          |              | 576,950            | 800,589           |
|                                                                          |              | <b>8,184,813</b>   | <b>7,739,143</b>  |
| Other Expenditure:                                                       |              |                    |                   |
| Interest                                                                 |              | 487,569            | 460,755           |
| Depreciation                                                             | 4            | 552,146            | 523,155           |
| Bad Debts                                                                |              | 120,000            | 114,413           |
| Real Estate Property Tax & Other Taxes                                   | 3            | 105,161            | 82,958            |
|                                                                          |              | <b>1,264,876</b>   | <b>1,181,281</b>  |
| <b>Total Resources Used</b>                                              |              | <b>9,449,689</b>   | <b>8,920,424</b>  |
| <b>Net Incoming Resources before other recognised gains &amp; losses</b> |              | <b>1,430,741</b>   | <b>928,698</b>    |
| Valuation Adjustment                                                     |              | (2,807,084)        | -                 |
| Retirement Indemnities                                                   |              | (231,999)          | 139,423           |
| Net Movement In Funds                                                    |              | <b>(1,608,342)</b> | <b>1,068,121</b>  |
| Balance Brought Forward at 1st September                                 |              | <b>13,576,207</b>  | <b>12,508,086</b> |
| <b>Balance Carried Forward at 31st August</b>                            |              | <b>11,967,865</b>  | <b>13,576,207</b> |

**ST. CATHERINE'S BRITISH EMBASSY SCHOOL****BALANCE SHEET AS AT 31st AUGUST 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

|                                              | Notes | 31-Aug-11   | 31-Aug-10    |
|----------------------------------------------|-------|-------------|--------------|
| <b>Fixed Assets</b>                          |       |             |              |
| <b>Tangible Fixed Assets</b>                 |       |             |              |
| School's Land, Buildings and Equipment       | 4     | 21,420,449  | 23,770,385   |
| <b>Current Assets</b>                        |       |             |              |
| Debtors                                      | 5     | 313,556     | 374,689      |
| Cash and Banks                               |       | 3,003,417   | 2,211,778    |
|                                              |       | 3,316,973   | 2,586,467    |
| <b>Current Liabilities</b>                   |       |             |              |
| Creditors Due Within 1 Year                  | 6     | (3,477,530) | (2,644,239)  |
| <b>Net Current Liabilities</b>               |       | (160,557)   | (57,772)     |
| <b>Total Assets Less Current Liabilities</b> |       | 21,259,892  | 23,712,613   |
| <b>Long Term Liabilities</b>                 |       |             |              |
| Bank Loans                                   | 7     | (8,450,000) | (9,600,000)  |
| Retirement Benefits                          | 8     | (842,026)   | (536,405)    |
|                                              |       | (9,292,026) | (10,136,405) |
| <b>Total Net Assets</b>                      |       | 11,967,866  | 13,576,208   |
| <b>Restricted Funds</b>                      | 9     | 5,486,425   | 8,293,509    |
| <b>Unrestricted Funds</b>                    | 9     | 6,481,441   | 5,282,699    |
| <b>Total Funds</b>                           |       | 11,967,866  | 13,576,208   |

Approved by the Board of Directors at its meeting on 3rd May 2012 and signed on its behalf by:



Stavros Taki  
Chairman



Maurice J. Dheere  
Hon. Treasurer

**ST. CATHERINE'S BRITISH EMBASSY SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31st AUGUST 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

|                                                                                              | <b>31-Aug-11</b>        | <b>31-Aug-10</b>        |
|----------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Net Cash Inflow From Operating Activities</b>                                             | 3,081,790               | 1,909,668               |
| Interest Received                                                                            | 11,873                  | 18,113                  |
| Interest Paid                                                                                | <u>(487,569)</u>        | <u>(460,755)</u>        |
| <b>Returns On Investments And Servicing Of Finance</b>                                       | (475,696)               | (442,642)               |
| <b>Taxation (Real Estate Property Tax)</b>                                                   | (105,161)               | (82,958)                |
| <b>Capital Expenditure And Financial Investment</b>                                          | (1,009,294)             | (335,218)               |
| <b>Financing</b>                                                                             |                         |                         |
| Repayment of loan                                                                            | (700,000)               | (700,000)               |
| <b>Increase In Cash</b>                                                                      | <u>791,639</u>          | <u>348,850</u>          |
| <b>Cash and cash equivalents at the beginning of the year</b>                                | 2,211,778               | 1,862,928               |
| <b>Cash and cash equivalents at the end of the period</b>                                    | <u><u>3,003,417</u></u> | <u><u>2,211,778</u></u> |
| <b>Reconciliation of net incoming resources to net cash inflow from operating activities</b> |                         |                         |
| Net incoming resources                                                                       | 1,430,741               | 928,698                 |
| Interest                                                                                     | 475,696                 | 442,642                 |
| Real estate property tax & Other sundry duties                                               | 105,161                 | 82,958                  |
| Depreciation                                                                                 | 552,146                 | 523,155                 |
| Bad debt provision                                                                           | 120,000                 | 114,413                 |
| Increase / (Decrease) in provision for retirement indemnities                                | 73,622                  | (171,888)               |
| (Increase) in debtors                                                                        | (58,867)                | (348,435)               |
| Increase in creditors (excluding loan)                                                       | 383,291                 | 338,125                 |
| <b>Net Cash Inflow From Operating Activities</b>                                             | <u><u>3,081,790</u></u> | <u><u>1,909,668</u></u> |

# ST CATHERINE'S BRITISH EMBASSY SCHOOL

## Notes to the Accounts as at 31st August 2011

(All amounts in tables and notes are presented in € unless otherwise stated)

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### 1. ACCOUNTING POLICIES

#### a) Basis of Preparation

The accounts have been prepared on a going concern basis and, except for the revaluation of land, under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice, Accounting and Reporting by Charities 2005.

#### b) Tangible Fixed Assets

Land is stated at its revalued amount, while the remainder of the tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets in use, other than freehold land, at rates and bases calculated to write-off the cost of the assets over their expected useful lives by the straight-line method. The depreciation rates are 5% for buildings and estate, 10% for general improvements, 10% for furniture and equipment items, and 33 1/3% for computers and software. Leasehold improvements are depreciated over the lease term.

#### c) Fees

The School's revenue comprises non-refundable application fees and main school and nursery fees, net of bursaries and other discounts. Fee income is recognised over the period to which it relates. Development funds are treated as income in the year they are received.

#### d) Expenditure

Expenditure is generally inclusive of irrecoverable V.A.T. and is reflected in the accompanying accounts by nature. Purchases made in Europe which give rise to a Greek VAT obligation are reflected separately in educational consumables under direct charitable expenditure.

#### e) Pension scheme

The School continued to operate a defined contribution scheme in the UK, which provides life and retirement benefits to certain of its employees. The scheme is managed by a life assurance company and its assets are held separately for each individual member.

All staff are also members of the Greek State Social Security and pension arrangements.

#### f) Reserve for Staff Retirement Indemnities

The School's staff retirement obligations under the Greek State Social Security and pension arrangements are calculated in accordance with the provisions of FRS 17 "Retirement Benefits", at the discounted value of the future retirement benefits accrued. Retirement obligations are calculated on the basis of financial and actuarial assumptions and are determined using the projected unit credit actuarial valuation method (Project Unit Credit Method). The pension expense for the period is included in staff costs and consists of the present value of benefits earned in the year, interest cost on the benefit obligation and any past service cost. Actuarial gains and losses are recognised in full in other recognised income and expense in the period in which they occur.

## ST CATHERINE'S BRITISH EMBASSY SCHOOL

### Notes to the Accounts as at 31st August 2011

(All amounts in tables and notes are presented in € unless otherwise stated)

#### g) Foreign currencies

The accounts are expressed in Euros. The exchange rate at 31st August 2011 was £1 / €1.130 (2010: £1 / €1.212).

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Differences on translations are reflected in the statement of financial activities.

#### h) Taxation

The School is a not-for-profit organisation and is therefore exempt from income tax. Irrespective of the School's exempt income tax status, it is subject to Real Estate Property Tax.

#### i) Leases

Rentals payable under operating leases are charged in the statement of financial activities on a straight line basis over the lease term.

#### j) Funds

The School's restricted funds are held for specific purposes. They consist of €5,339,683 held under the Land Revaluation Reserve and €146,742 held under the School Reserves.

The School's unrestricted funds are re-invested back into the School through additions and improvements to its facilities and expenditure in relation to new technology as well as new furniture and fittings.

#### k) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

#### l) Interest rate swaps

The interest differentials on interest swaps are recognised by accruing the net interest payable. Interest rate swaps are not re-valued to fair value or shown on the balance sheet at the year-end.

## 2. STAFF COSTS

|                       | <b>2010-2011</b> | <b>2009-2010</b> |
|-----------------------|------------------|------------------|
|                       | <b>€</b>         | <b>€</b>         |
| Wages & salaries      | 5,088,212        | 4,489,636        |
| Social security costs | 1,198,548        | 1,037,831        |
| Pension contributions | 185,762          | 230,270          |
| Other costs           | 424,350          | 487,272          |
|                       | <u>6,896,872</u> | <u>6,245,009</u> |

**ST CATHERINE'S BRITISH EMBASSY SCHOOL****Notes to the Accounts as at 31st August 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

The Directors received no remuneration or reimbursement of expenses during the year except for amounts directly related to attending the governors meetings such as taxis, airfares, meals and hotel costs. There is no employee whose emoluments exceeded €75,000.

The average monthly number of full time employees during the year is shown below. In addition the School uses the services of part-time employed personnel, in order to cover short-term needs.

|                          | <b>2010-2011</b> | <b>2009-2010</b> |
|--------------------------|------------------|------------------|
|                          | <hr/>            | <hr/>            |
| Full-time teaching staff | 61               | 63               |
| Part-time teaching staff | 16               | 17               |
| Teaching assistants      | 25               | 15               |
| Administration staff     | 20               | 13               |
| Caretaker staff          | 17               | 16               |
| Management               | 10               | 10               |
|                          | <hr/>            | <hr/>            |
|                          | 149              | 134              |

**3. REAL ESTATE PROPERTY TAX & OTHER TAXES**

In the current fiscal year, the School paid various sundry duties and taxes amounting to €105,161 comprising mainly real estate property tax amounting to €59,795 (€82,958 in 2009-2010) and VAT payable to the Greek tax authorities on purchases made within the European Union amounting to €36,971. In September 2011 the Greek Tax authority requested the payment of VAT on purchases made within the European Union for calendar years 2005 to 2010. There was no previous requirement to make these payments. In order to make these payments the School was required to change its tax status as regards VAT on imports within the EU. The €36,971 VAT accrued in the current year under review relates to the prior years as well as the current year. In the previous financial year the School, being under the obligation to submit annual real estate fee tax for immovable property, took advantage of the tax amnesty law 3763/2009 in October 2009 and settled the real estate tax returns filed for the years 1997-2007, accepting a deemed tax determination amounting to €16,000, without undergoing a tax audit.

**ST CATHERINE'S BRITISH EMBASSY SCHOOL****Notes to the Accounts as at 31st August 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

**4. TANGIBLE FIXED ASSETS**

|                             | <b>Freehold<br/>Land</b> | <b>Freehold<br/>&amp; Leased<br/>Buildings</b> | <b>Furniture &amp;<br/>Equipment</b> | <b>Improve-<br/>ments</b> | <b>TOTAL</b> |
|-----------------------------|--------------------------|------------------------------------------------|--------------------------------------|---------------------------|--------------|
| <u>Cost or revaluation:</u> |                          |                                                |                                      |                           |              |
| At 1st September 2010       | 19,659,669               | 5,520,428                                      | 1,885,982                            | 648,685                   | 27,714,764   |
| Additions                   | 9,415                    | 739,638                                        | 259,072                              | 1,169                     | 1,009,294    |
| Devaluation                 | (2,807,084)              | 0                                              | 0                                    | 0                         | (2,807,084)  |
| At 31st August 2011         | 16,862,000               | 6,260,066                                      | 2,145,054                            | 649,854                   | 25,916,974   |
| <u>Depreciation:</u>        |                          |                                                |                                      |                           |              |
| At 1st September 2010       | 0                        | 2,176,812                                      | 1,298,623                            | 468,944                   | 3,944,379    |
| Charge for the year         | 0                        | 308,846                                        | 177,289                              | 66,011                    | 552,146      |
| At 31st August 2011         | 0                        | 2,485,658                                      | 1,475,912                            | 534,955                   | 4,496,525    |
| <u>Net book value:</u>      |                          |                                                |                                      |                           |              |
| At 31st August 2011         | 16,862,000               | 3,774,408                                      | 669,142                              | 114,899                   | 21,420,449   |
| At 31st August 2010         | 19,659,669               | 3,343,616                                      | 587,359                              | 179,741                   | 23,770,385   |

On 25th May 2009 the School acquired land inclusive of a factory building within close proximity of its current premises from Macsolar ABEE Company. The total acquisition costs amounted to €11,364,000. The School obtained a loan from HSBC Bank plc dated 29th June 2009 for an amount of €11,000,000 covering the balance of the purchase obligation (Note 7). The School's intention is to demolish the existing building and, accordingly, the acquisition cost has been assigned to the freehold land. The School's plan is to construct a new building for its educational purposes, which is expected to be financed by a combination of excess operating cash flow, additional financing and donations.

The additions of €1,009,294 consist of €9,415 for the Macsolar land, €739,638 related mainly to the fitting up of the Warren-Tutte Building, €259,072 for furniture and equipment for the School as a whole as well as the Warren-Tutte Building and €1,169 for sundry improvements.

In July 2011 a valuation of our freehold land was conducted by an external valuer, Proprius MEPE. The basis of valuation was the market value of each property in their current condition, assuming vacant possession and not considering any business aspect. The School's land was valued at €16,862,000. This resulted in a devaluation of €2,807,084 which reduced the revaluation reserve of €8,146,767 that had been created in previous years.

Had the School's land been carried at historical cost, its carrying amount would have amounted to €11,522,317.

**ST CATHERINE'S BRITISH EMBASSY SCHOOL****Notes to the Accounts as at 31st August 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

**5. DEBTORS**

|                                                                                                  | <b>2010-2011</b> | <b>2009-2010</b> |
|--------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                  | <b>€</b>         | <b>€</b>         |
| Fees, net of provision for doubtful accounts of €265,632 as at 31st August 2011 (2010: €145,632) | 102,115          | 85,803           |
| Guarantees                                                                                       | 41,233           | 39,325           |
| Other debtors                                                                                    | 3,425            | 4,210            |
| Prepaid expenses (a)                                                                             | 166,783          | 245,351          |
|                                                                                                  | <u>313,556</u>   | <u>374,689</u>   |

- (a) The amount of prepaid expenses includes advances to suppliers relating to construction activity of various projects, as well as purchases of books and educational material, which will be used in the following school year.

**6. CREDITORS: Due within one year**

|                                       | <b>2010-2011</b> | <b>2009-2010</b> |
|---------------------------------------|------------------|------------------|
|                                       | <b>€</b>         | <b>€</b>         |
| Current portion of long-term loan (a) | 1,150,000        | 700,000          |
| Trade creditors                       | 252,431          | 26,507           |
| Other trade payables                  | 0                | 99,582           |
| Reservation deposits (b)              | 1,445,887        | 1,441,280        |
| Sundry creditors                      | 128,077          | 101,915          |
| Taxes & social security               | 300,757          | 231,885          |
| Accruals                              | 200,378          | 43,070           |
|                                       | <u>3,477,530</u> | <u>2,644,239</u> |

- (a) On 29th June 2009 the School obtained a loan from HSBC Bank plc of €11,000,000 to meet the balance of the purchase of the Macsolar land and a building within close proximity of School's current premises (see Note 7).
- (b) The School also received part of the annual fees in advance (€1,445,887) for the next school year.

**ST CATHERINE'S BRITISH EMBASSY SCHOOL****Notes to the Accounts as at 31st August 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

**7. LONG TERM LIABILITIES – BANK LOAN**

On 29th June 2009, the School obtained a loan of €11,000,000 from HSBC Bank Plc, Greece. The loan is repayable in 14 instalments beginning on 31st January 2010 and ending on 31st July 2016, as follows:

|                              | <b>2010-2011</b> | <b>2009-2010</b>  |
|------------------------------|------------------|-------------------|
|                              | <b>€</b>         | <b>€</b>          |
| Due within one year          | 1,150,000        | 700,000           |
| Due within two to five years | 8,450,000        | 4,600,000         |
| Due over five years          | 0                | 5,000,000         |
| Due after more than one year | 8,450,000        | 9,600,000         |
| Due within one year (note 6) | 1,150,000        | 700,000           |
|                              | <u>9,600,000</u> | <u>10,300,000</u> |

The loan bears interest at three month Euribor plus a margin.

The loan is secured by a first preferred mortgage on the School's immovable property. In addition the insurance policies on the School's immovable property have been assigned as collateral for this loan facility. Furthermore, the loan agreement includes the following terms:

- 60% of any annual excess cash flow will be firstly applied against the final loan payments;
- The market value of the School's mortgage immovable property is equal or exceeds 51.1% of the outstanding loan balance; and
- the School enters into an interest rate swap agreement. The terms and the conditions of the swap are:

|                                    |                   |
|------------------------------------|-------------------|
| Trade date                         | 9th December 2009 |
| Start date                         | 1st February 2010 |
| Maturity date                      | 30 January 2015   |
| Notional amount                    | €5,325,000        |
| Counter party A pays St. Catherine | 2.57%             |
| Counter party B pays HSBC          | 3 month Euribor   |

The fair value of the interest rate swap at 31<sup>st</sup> August 2011 was a €143,444 liability (31<sup>st</sup> August 2010 was a €227,908 liability).

Excess cash flow is determined as the annual net cash inflow, i.e. increase in cash. The bank has waived the use of the above accelerated payment clause, in connection with cash available as of 31<sup>st</sup> August 2011. Furthermore the bank has confirmed the School's compliance with the terms and conditions of the loan agreement as of 31<sup>st</sup> August 2011.

**8. PROVISION FOR RETIREMENT INDEMNITIES**

Under Greek labour law, employees are entitled to termination payments in the event of dismissal or retirement, with the amount of payment varying in relation to the employee's compensation, length of service and manner (dismissed or retired) of termination, which if due to retirement is 40% of the amount payable upon dismissal. Employees who resign or are

**ST CATHERINE'S BRITISH EMBASSY SCHOOL****Notes to the Accounts as at 31st August 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

dismissed with cause are not entitled to termination payments. The number of employees who will eventually be dismissed or retire in subsequent years is not known.

An actuarial valuation of the retirement indemnities liability was performed during the year by independent actuaries. The movement and components of the retirement indemnities liability for the year ended 31st August 2010 is as follows:

| <b>Net liability recognised in the Balance Sheet</b>                                         | <b>2010-2011</b> | <b>2009-2010</b> |
|----------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                              | <b>€</b>         | <b>€</b>         |
| Present value of defined benefit obligation                                                  | 842,026          | 536,405          |
| Net liability                                                                                | 842,026          | 536,405          |
| <b>Actuarial assumptions</b>                                                                 | <b>2010-2011</b> | <b>2009-2010</b> |
|                                                                                              | <b>%</b>         | <b>%</b>         |
| Rate of salary increases                                                                     | 3.0%             | 3.0%             |
| Discount rate                                                                                | 3.4%             | 3.6%             |
| Average price inflation                                                                      | 2.0%             | 2.0%             |
| <b>Net expense recognised in the Statement of Financial Activities</b>                       | <b>2010-2011</b> | <b>2009-2010</b> |
|                                                                                              | <b>€</b>         | <b>€</b>         |
| Service cost component                                                                       | 66,795           | 83,614           |
| Interest cost component                                                                      | 19,329           | 40,691           |
| Expected return on plan assets                                                               | -                | -                |
| Termination benefits                                                                         | (6,318)          | 95,563           |
|                                                                                              | 79,805           | 219,868          |
| <b>Other recognised gains and losses recognised in the Statement of Financial Activities</b> | <b>2010-2011</b> | <b>2009-2010</b> |
|                                                                                              | <b>€</b>         | <b>€</b>         |
| Actuarial losses/(gains)                                                                     | 231,999          | (139,423)        |
|                                                                                              | 231,999          | (139,423)        |
| <b>Change in the present value of the defined benefit obligation</b>                         | <b>2010-2011</b> | <b>2009-2010</b> |
|                                                                                              | <b>€</b>         | <b>€</b>         |
| Present value of defined benefit obligation as at 1 <sup>st</sup> September                  | 536,405          | 847,723          |
| Service cost component                                                                       | 66,795           | 83,614           |
| Interest cost component                                                                      | 19,329           | 40,691           |
| Termination benefits                                                                         | (5,805)          | 95,564           |
| Less: Benefits paid                                                                          | (6,697)          | (391,250)        |
| Actuarial (gains)/losses                                                                     | 231,999          | (139,937)        |
| Present value of defined benefit obligation as at 31st August                                | 842,026          | 536,405          |

The cumulative actuarial losses/(gains) taken to the statement of other recognised gains and losses at 31st August 2011 were losses of €128,420 (2010: €(103,579) gains).

**ST CATHERINE'S BRITISH EMBASSY SCHOOL****Notes to the Accounts as at 31st August 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

**9. RESTRICTED AND UNRESTRICTED FUNDS****Restricted Funds**

|                          | <b>2010-2011</b> | <b>2009-2010</b> |
|--------------------------|------------------|------------------|
|                          | <b>€</b>         | <b>€</b>         |
| Land Revaluation Reserve | 5,339,683        | 8,146,767        |
| School Reserves          | 146,742          | 146,742          |
|                          | <u>5,486,425</u> | <u>8,293,509</u> |

The Land Valuation Reserve reflects the revaluation of the School's freehold land.

**Unrestricted Funds**

The School's funds are held to finance the freehold property and to cover normal fluctuations in working capital.

**10. RELATED PARTY TRANSACTIONS**

There are no related party transactions.

**11. CONTRACTS AND COMMITMENTS**

The Annex building was leased by the School for a period of four years from 1 September 2010 with an option to renew after four and eight years. The Annex building leasehold agreement commenced on 1st November 2010. Additionally, the School has an agreement with Tossitsa Foundation for the use of a field across the road from the main School grounds, which was renewed as from 1 August 2011. A third property is also leased which expires 1<sup>st</sup> April 2013. The lease commitments of the School for these leases are summarised below as follows:

|                          | <b>2010-2011</b> | <b>2009-2010</b> |
|--------------------------|------------------|------------------|
|                          | <b>€</b>         | <b>€</b>         |
| Expiring within one year | 43,352           | -                |
| 1 to 2 years             | 92,936           | 43,170           |
| 2 to 3 years             | 90,388           | 57,560           |
| 3 to 4 years             | 31,192           | -                |
|                          | <u>257,868</u>   | <u>100,730</u>   |

**12. CONTINGENT LIABILITIES**

During May 2000, the School's tax status was clarified with the tax authorities and the School was granted a Greek tax registration number. According to Greek tax legislation, tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the tax payer and a final assessment is issued. As the School has never been audited by the tax authorities since inception, its liability for taxes, fines, duties and any other dues or actions that may be levied or taken against it by the said authorities is not considered finalised.

**ST CATHERINE'S BRITISH EMBASSY SCHOOL****Notes to the Accounts as at 31st August 2011**

(All amounts in tables and notes are presented in € unless otherwise stated)

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Given the clarification of the School's income tax status described above, the School's principal activities are not subject to income taxes; as a result, the Directors believe that the possibility of realisation of such contingent tax liabilities is remote.

Greek tax law 3842/2010 imposed, among others a special tax of 15% to various categories (entities or individuals) of real estate owners in Greece, simultaneously providing for certain exceptions. The School, as a not for profit organization, is exempted from the above mentioned tax. The law specified that a formal procedure of submitting an exception application and a zero tax return to the tax authorities had to be followed. The School did not file an exception application with the tax authorities, for the calendar year 2010 but it directly submitted a zero tax return. Management believes that, because the School is exempted of the above mentioned tax non strict implementation of the above formalities will not result in any additional tax burden.