

**MERCHISTON CASTLE SCHOOL
(COMPANY LIMITED BY GUARANTEE)**

REPORT AND ACCOUNTS

for the year ended 31 July 2000

Registration Number : SC 14265



MERCHISTON CASTLE SCHOOL

Year ended 31 July 2000

Honorary President	The Hon Lord Robertson TD QC BA LLB
Chairman	H C Abram WS
Deputy Chairman	P C M Roger CA
Governors	A C W Boyle MA J A Aitchison NDA G A B Anderson OBE I M Riddell BA LLB A E Corstorphine W M Wilson CA A G Mickel Dr R E M Irving MA DPhil M N Donaldson MSc R P Lawson BA P S Hodge QC C M A Lugton MA Dr J McClure MA DPhil FRSA FSA (Scot)
Secretary	D G Smith BCom CA
Auditors	Geoghegan & Co, CA
Solicitor	J H Macfie WS
Registered Office	294 Colinton Road Edinburgh, EH13 0PU

Membership

The Company is limited by guarantee and therefore has no share capital. There are 269 members (1999: 298) who are obliged to guarantee payment of £1 in the event of the Company going into liquidation.

A list of members is available from the registered office at the address shown above.

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MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT

for the year ended 31 July 2000

The Governors present their report on the affairs of the Company together with the accounts and auditors' report.

Activities

The principal activity of the Company is that of an independent school for boys.

Results

The results for the year are set out on pages 4 to 12.

Governors

The present Governors are as listed.

Dr J McClure was appointed a Governor on 8 November 1999. Dr J H F MacPherson and G R C Scott resigned as Governors on 1 July 2000 and N O Kilpatrick resigned as Governor on 13 November 2000.

By Order of the Board



D G Smith
Secretary

Merchiston Castle School
Edinburgh

12 January 2001

MERCHISTON CASTLE SCHOOL

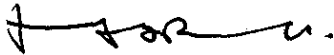
Statement of Responsibilities of the Governors

The Governors are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. The Governors have overall responsibility but have delegated to the Finance Committee in conjunction with the Secretary of the Company, the preparation of the accounts and require them to:

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

The Governors have also delegated, to the Secretary, the responsibility to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and a responsibility for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



H C Abram
Chairman

12 January 2001

REPORT OF THE AUDITORS TO THE MEMBERS OF MERCHISTON CASTLE SCHOOL

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention, as modified by the revaluation of investments and on the basis of the accounting policies set out on page 7.

Respective Responsibilities of Governors and Auditors

As described on page 2 the Company's Governors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 July 2000 and of its deficit and cashflows for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Geoghegan & Co



Chartered Accountants and
Registered Auditors

6 St Colme Street
EDINBURGH
EH3 6AD

12 January 2001

MERCHISTON CASTLE SCHOOL

REVENUE ACCOUNT

for the year ended 31 July 2000

	Notes	2000	1999
Turnover from continuing operations	2	3,831,849	3,638,788
Other operating income		<u>72,647</u>	<u>45,204</u>
Total income		<u>3,904,496</u>	<u>3,683,992</u>
Staff costs	3	2,211,953	2,049,896
Other external charges	4	<u>1,884,632</u>	<u>1,799,892</u>
		<u>4,096,585</u>	<u>3,849,788</u>
Operating (Deficit)		<u>(192,089)</u>	<u>(165,796)</u>
Interest received		3,050	8,414
Income from investments		38,860	39,408
Gain on sale of investments		-	6,894
Interest payable		<u>(27,405)</u>	<u>(9,109)</u>
		<u>14,505</u>	<u>45,607</u>
(Deficit) on Ordinary Activities for Year		<u>£(177,584)</u>	<u>£(120,189)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2000

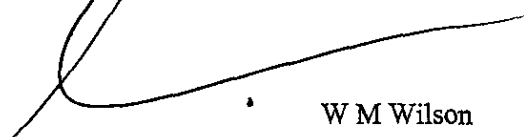
(Deficit) on ordinary activities for year		(177,584)	(120,189)
Net proceeds of 1994 Campaign Fund	12	19,258	39,227
Bursary & Prize Fund income		5,666	4,683
Donations and bequests		-	3,000
Unrealised gains/(losses) on investment assets		<u>21,503</u>	<u>(9,149)</u>
Total Recognised (Losses) relating to the Year		<u>£(131,157)</u>	<u>£ (82,428)</u>

MERCHISTON CASTLE SCHOOL

BALANCE SHEET as at 31 July 2000

	Notes	2000	1999
Fixed Assets			
Tangible assets	6	3,896,922	3,590,666
Investments	7	<u>547,880</u>	<u>926,737</u>
		<u>4,444,802</u>	<u>4,517,403</u>
Current Assets			
Debtors	8	232,833	260,154
Cash at bank and in hand		4,870	1,097
Cash at bank - Campaign Fund	12	<u>4,539</u>	<u>3,517</u>
		242,242	264,768
Creditors: Amounts falling due within one year	9	<u>898,186</u>	<u>864,942</u>
Net Current (Liabilities)		<u>(655,944)</u>	<u>(600,174)</u>
Total Assets less Current Liabilities		3,788,858	3,917,229
Creditors: Amounts falling due after more than one year	10	<u>154,654</u>	<u>151,868</u>
Net Assets		<u>£3,634,204</u>	<u>£3,765,361</u>
Capital and Reserves			
Revenue reserve	11	1,351,297	1,528,881
Other reserves	11	<u>2,282,907</u>	<u>2,236,480</u>
		<u>£3,634,204</u>	<u>£3,765,361</u>

These accounts were approved by the Governors on 13 November 2000 and are signed on their behalf by:

 H C Abram Chairman
 W M Wilson Governor

12 January 2001

MERCHISTON CASTLE SCHOOL

STATEMENT OF CASHFLOWS for the year ended 31 July 2000

	Notes	2000	1999
Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities			
Operating (loss)		(192,089)	(165,796)
Campaign fund surplus		19,258	39,227
Bursary fund income from investments		3,275	4,683
Depreciation		152,983	144,390
Decrease in debtors		27,321	55,576
Increase/(decrease) in creditors		25,473	36,845
Net Cash Inflow from Operating Activities		<u>£ 36,221</u>	<u>£ 114,925</u>
CASHFLOW STATEMENT			
Net Cash Inflow from Operating Activities		<u>36,221</u>	<u>114,925</u>
Returns on Investment and Servicing of Finance			
Interest received		3,050	8,414
Interest paid		(27,405)	(9,109)
Dividends received		38,860	39,408
Donations		2,391	3,000
		<u>16,896</u>	<u>41,713</u>
Capital Expenditure			
Payments to acquire tangible fixed assets		(459,239)	(328,998)
Receipts from sale of tangible fixed assets		-	14,557
Payments to acquire investments		(13,624)	(188,279)
Receipts from sale of investments		413,984	155,590
		<u>(58,879)</u>	<u>(347,130)</u>
Financing			
Hire purchase advance less repayments		<u>12,632</u>	<u>(16,810)</u>
Increase/(Decrease) in Cash	16	<u>£ 6,870</u>	<u>£(207,302)</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS

for the year ended 31 July 2000

1 Accounting Policies

Accounting Convention

The accounts are prepared in accordance with the Statement of Recommended Practice for Charities, the provisions of the Law Reform (Miscellaneous Provisions)(Scotland) Act 1990 and the Charity Accounts (Scotland) Regulations 1992. They are drawn up on the historical cost accounting basis except that investments held as fixed assets are carried at market value.

Depreciation

No depreciation is provided on land or on heritable buildings since in the opinion of the Governors their residual value is higher than cost and their useful life is long.

Depreciation is provided on other tangible fixed assets at rates calculated to write off the balance of cost over their remaining estimated useful lives as follows:

Property improvements	5% per annum - straight line
Furniture and equipment	10% - 25% per annum - straight line
Plant, machinery and motor vehicles	20% per annum - straight line

Pension Scheme

The Company contributes to the defined benefit scheme for teachers, which is operated by the Scottish Public Pensions Agency. A money purchase scheme is in operation for non-teaching staff, and contributions are charged when they become payable.

Leasing

Rentals paid under operating leases are charged to the revenue account as they are incurred.

2 Turnover

Turnover comprises fees charged less rebates and scholarships granted.

3 Employee Information

	2000	1999
Staff costs comprise:		
Wages and salaries	1,909,244	1,794,284
Social security costs	154,038	144,703
Other pension costs	148,671	110,909
	<u>£2,211,953</u>	<u>£2,049,896</u>
No Governor received any remuneration for his services.		
The average number of persons employed was:		
Teaching	54	54
Administration	22	22
	<u>76</u>	<u>76</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Cont'd) for the year ended 31 July 2000

4	Other External Charges	2000	1999
		£	£
	This is stated after including:		
	Depreciation	152,983	144,390
	Auditors' remuneration	5,170	5,052
	Operating lease payments	479	479

5 Taxation

The Company is registered as a charity and is exempt from liability to taxation in accordance with the provisions of Sections 505 and 506 of the Income and Corporation Taxes Act 1988.

6 Tangible Fixed Assets

	Heritable Land and Buildings	Property Improve- ments	Furniture and Equipment	Plant, Machinery and Motor Vehicles	Total
Cost					
At 31 July 1999	2,998,975	153,455	818,140	144,336	4,114,906
Additions	306,634	-	128,618	23,987	459,239
Disposals	-	-	(135,817)	-	(135,817)
At 31 July 2000	3,305,609	153,455	810,941	168,323	4,438,328
Depreciation					
At 31 July 1999	-	51,320	403,959	68,961	524,240
Charge for year	-	7,672	115,597	29,714	152,983
Disposals	-	-	(135,817)	-	(135,817)
At 31 July 2000	-	58,992	383,739	98,675	541,406
Net Book Value					
At 31 July 2000	£3,305,609	£ 94,463	£ 427,202	£ 69,648	£3,896,922
At 31 July 1999	£2,998,975	£ 102,135	£ 414,181	£ 75,375	£3,590,666

Included in fixed assets are assets with a net book value of £39,270 (1999 - £18,682) which are subject to hire purchase agreements.

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Cont'd) for the year ended 31 July 2000

7	Investments Held as Fixed Assets	UK Listed	Unlisted	Total
	Restated value at 31 July 1999	923,237	3,500	926,737
	Additions	12,999	625	13,624
	Revaluation gains	21,503	-	21,503
	Cash withdrawn	(413,984)	-	(413,984)
	Balance at 31 July 2000	<u>£ 543,755</u>	<u>£ 4,125</u>	<u>£ 547,880</u>

Listed on the Stock Exchange	529,443
Cash	<u>14,312</u>

All income arising from the above investments has been credited to the Revenue Account except for those held within the Bursary Fund (Note 11) which have been credited directly to that fund.

8	Debtors	2000	1999
	Fees and outlays in arrears	100,220	113,612
	Other debtors	132,613	94,594
	Prepayment of gas and electricity	-	51,948
		<u>£ 232,833</u>	<u>£ 260,154</u>

All debtors are due to be received within one year and are net of an appropriate provision for possible non recovery.

9	Creditors: Amounts falling due within one year	2000	1999
	Bank overdraft	494,578	496,653
	Fees received in advance	122,661	51,613
	Taxes and social security costs	48,744	46,872
	Trade creditors	91,723	107,667
	Other creditors	64,511	58,319
	Accruals	67,236	44,120
	Hire purchase creditor	8,733	7,750
	Loan from Merchiston Enterprises Limited (note 8)	-	51,948
		<u>£ 898,186</u>	<u>£ 864,942</u>

10	Creditors: Amounts falling due after more than one year	2000	1999
	Other creditors	143,005	151,868
	Hire purchase creditor	11,649	-
		<u>£ 154,654</u>	<u>£ 151,868</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Cont'd) for the year ended 31 July 2000

11 Capital and Reserves

	Total	Revenue Reserve	Other Reserves
At 31 July 1999	3,765,361	1,528,881	2,236,480
1994 Campaign (note 12)	19,258	-	19,258
Prize Fund	625	-	625
Bursary fund income	5,041	-	5,041
Donations	-	-	-
Profits on revaluation	21,503	-	21,503
Deficit for the period	(177,584)	(177,584)	-
At 31 July 2000	<u>£ 3,634,204</u>	<u>£ 1,351,297</u>	<u>£ 2,282,907</u>

Movement on Other Reserves

	Balance 31.07.99	Net Incoming Resources	Unrealised (Loss)/Gain	Balance 31.07.00
<i>Designated</i>				
- Scholarship	643,728	-	(2,535)	641,193
- Prize funds	16,600	625	-	17,225
- Bursary fund	203,360	5,041	19,942	228,343
- Stephen bequest	60,280	-	4,096	64,376
- Campaign fund	492,725	19,258	-	511,983
- General reserve	819,787	-	-	819,787
	<u>£ 2,236,480</u>	<u>£ 24,924</u>	<u>£ 21,503</u>	<u>£ 2,282,907</u>

In the opinion of the Governors, the Other Reserves represent designated unrestricted funds.

12 1994 Campaign Fund

	Cumulative	2000	1999
<i>Income</i>			
Donations and tax refunds	543,158	19,169	38,797
Interest	20,241	139	430
	<u>563,399</u>	<u>19,308</u>	<u>39,227</u>
Expenditure	51,416	50	-
Net proceeds	<u>£ 511,983</u>	<u>£ 19,258</u>	<u>£ 39,227</u>
Represented by: Bank	4,539		
Funds transferred to school	<u>507,444</u>		
	<u>£ 511,983</u>		

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Cont'd) for the year ended 31 July 2000

13 Statement of Financial Activities	2000	1999
Incoming Resources		
Fees receivable	3,831,849	3,638,788
Investment income	47,576	52,505
Donations	21,663	45,562
Sundry other income	70,242	41,869
	<u>3,971,330</u>	<u>3,778,724</u>
Resources Expended		
Direct charitable expenditure		
Teaching and welfare	3,313,672	3,165,772
Premises and support cost	669,895	591,191
	<u>3,983,567</u>	<u>3,756,963</u>
Other Expenditure		
Fund raising and advertising	101,642	81,139
Finance and other costs	38,781	20,795
	<u>140,423</u>	<u>101,934</u>
Total Resources Expended	<u>4,123,990</u>	<u>3,858,897</u>
Net incoming resources	(152,660)	(80,173)
Gain/(losses) on investments		
Realised	-	6,894
Unrealised	21,503	(9,149)
Net Movement in Funds	<u>£ (131,157)</u>	<u>£ (82,428)</u>
14 Capital Commitments		
Amount authorised and contracted for	<u>£ 150,000</u>	<u>£ 250,000</u>
15 Operating Lease Commitments		
Annual payments under non-cancellable operating leases are as follows :		
<i>Leases which expire</i>		
Within one year	-	-
Within two to five years	<u>£ 2,381</u>	<u>£ 2,381</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Cont'd) for the year ended 31 July 2000

16 Analysis of the Balances of Cash and Cash Equivalents

	2000	1999	Change in Period
Cash at bank and in hand	4,871	1,097	3,774
Bank overdraft	(494,578)	(496,652)	2,074
Cash at bank - Campaign fund	<u>4,539</u>	<u>3,517</u>	<u>1,022</u>
	<u>£ (485,168)</u>	<u>£ (492,038)</u>	<u>£ 6,870</u>