# MERCHISTON CASTLE SCHOOL
# (COMPANY LIMITED BY GUARANTEE)

## REPORT AND ACCOUNTS

**for the year ended 31 July 2011**

**Company Registration Number : SC 014265**

TUESDAY

*S0O2IZTL*

SCT 13/12/2011 #436

COMPANIES HOUSE

**MERCHISTON CASTLE SCHOOL**

**REFERENCE AND ADMINISTRATIVE INFORMATION**
**Year ended 31 July 2011**

| | |
|---|---|
| Chairman | J M Gourlay BCom CA |
| Deputy Chairman | The Hon Lord Hodge |
| Governors | A E Corstorphine (resigned 12/07/2011)<br>C M A Lugton MA<br>W M Biggart BA (resigned 28/03/2011)<br>D J Biggar OBE (resigned 12/07/2011)<br>R W L Legget MBA CA<br>H P G Maule MA<br>G R T Baird<br>Professor L A M Waterhouse BA MSW<br>G F Barnet LLB<br>P K Young BSc MRICS<br>S C G Kuenssberg CBE BA Dip Ad Ed FRSA<br>R M Ridley MA Cert Ed<br>S P Abram FICS<br>J L Broadfoot BA Med<br>B M McCorkell MA Cantab<br>I H McAteer LLB (appointed 11/05/11)<br>R W Nutton MB BS(Hons) MD FRCS (Eng) FRCS (appointed 15/06/11)<br>D R Whiteford OBE BSC DipAg FRSA ARAGS (appointed 04/10/11)<br>R S Elliot (appointed 04/10/11) |
| Merchistonian Club President | W A McDonald BA |
| Headmaster | A R Hunter BA |
| Secretary | D G Smith BCom CA (Bursar) |
| Auditors | Geoghegans, CA |
| Solicitors | Tods Murray LLP<br>Veale Wasbrough Vizards |
| Bankers | Lloyds Banking Group |
| Insurance Brokers | Marsh Brokers Limited |
| Investment Managers | Speirs & Jeffrey Stockbrokers |
| Registered Office | 294 Colinton Road, Edinburgh, EH13 0PU |
| Website: | www.merchiston.co.uk |
| OSCR Charity Number | SC016580 |

**MERCHISTON CASTLE SCHOOL**

**CONTENTS**
**Year ended 31 July 2011**


| | Page |
|---|---|
| Governors' Report | 1 – 9 |
| Independent Auditors' Report | 10 - 11 |
| Consolidated Income and Expenditure Account | 12 |
| Consolidated Balance Sheet | 13 |
| Balance Sheet | 14 |
| Consolidated Statement of Financial Activities | 15 |
| Consolidated Statement of Cash Flows | 16 |
| Notes to the Accounts | 17 – 25 |

MERCHISTON CASTLE SCHOOL

# GOVERNORS' REPORT
**For the year ended 31 July 2011**

The Governors, who are also charitable Trustees and Directors of the Company for the purposes of the Companies Acts, present their Report on the affairs of the Company together with the accounts and auditors' report for the year ended 31 July 2011. This Report is also the Directors' Report for purposes of the Companies Acts.

## STRUCTURE, GOVERNANCE AND MANAGEMENT

### Governing Document
Merchiston Castle School is a Company limited by guarantee, governed by its Articles of Association dated 1926 as subsequently amended.

There are 264 members who are obliged to guarantee payment of £1 in the event that the Company was to go into liquidation. A list of members is available from the registered office.

### Board of Governors
The Board consists of a maximum of eighteen Governors, of whom at least one third must be former pupils of the School. Three Governors have sons who are pupils at the School and a further eight Governors have had sons at School. The present Governors are as listed and have held office during the whole of the period from 1 August 2010 to the date of this Report unless otherwise stated. Sandy Costorphine, Willie Biggart and Donald Biggar retired from the Board and we thank them most warmly for their contributions over a long number of years. We are delighted to welcome Ian McAteer, Richard Nutton, Rob Elliot and David Whiteford as new Governors.

### Responsibilities of 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 for the preparation of the accounts but have delegated this function to the Finance and General Purposes Committee in conjunction with the Secretary/Bursar. The Governors are required 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/Bursar 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.

### Statement of Disclosure to the Auditor
The Governors make this statement of disclosure to the auditor:

(a) so far as the Governors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the Governors have taken all the steps which they ought to have taken as Governors in order to make themselves aware of any audit information and to establish that the Company's auditors are aware of that information.

**Recruitment, Appointment, Induction and Training of Governors**
Governors are identified and chosen by the Nominations Committee and are proposed to the full Governors' meeting. Candidates are selected based on eligibility, personal competence and professional skills which can benefit the Company, as well as local availability. New Governors are inducted into the workings of the Company at briefing sessions held with the Chairman, the Headmaster and the Secretary/Bursar. These sessions cover educational and business matters and include a familiarisation tour of the School's facilities. Governors are issued with extensive background material together with the Independent Schools Council's Guidelines for Governors.

Governors are encouraged to attend training sessions organised for the education sector. During the year, Governors attended meetings organised by the Scottish Council of Independent Schools and the Association of Governing Bodies of Independent Schools.

**Organisational Management**
The full Board of Governors meets four times during the year. Certain aspects of the Company's business is delegated to the following sub-committees on which the Headmaster, Bursar and other senior staff also sit as appropriate:
Finance & General Purposes (which meets five times during the year) – JM Gourlay (Chairman), Lord Hodge, CMA Lugton, GF Barnet, GRT Baird, SP Abram, BM McCorkell, IH McAteer, RS Elliot.
Education & Pastoral (which meets three times during the year) – CMA Lugton (Chairman), Professor Waterhouse, Sally Kuenssberg, RM Ridley, JL Broadfoot, RW Nutton.
Health & Safety – PK Young.
Development – BM McCorkell, GRT Baird.
Nominations – JM Gourlay, Lord Hodge.
Risk Management – JM Gourlay, PK Young.

Strategy meetings are held, often at a location away from the School.

The Headmaster is appointed by the Governors to manage the day to day operations of the School. In order to facilitate effective operations, the Headmaster and the Secretary/Bursar have delegated authority within terms approved by the Governors for operational matters including educational, finance and employment matters.

**Group Structure and Relationships**
The School has a trading company (Merchiston Enterprises Limited) which is also a company limited by guarantee. Merchiston Enterprises uses the facilities owned by the School for letting and promotional events in order to benefit the School.

Merchiston benefits from the generosity of a thriving network of friends and former pupils whose close interest and support we greatly appreciate and gladly acknowledge.

**Risk Management**
A regular review of the risks facing the Company and of the controls in place to mitigate these risks is undertaken by both the Risk Management Committee and the full Board.

The key controls used by the Company include:
- formal agendas for all committee meetings.
- detailed terms of reference for committees.
- comprehensive strategic planning, budgeting and management accounting.

## Risk Management (Continued)

- established organisational structure and lines of reporting.
- formal written policies; and
- clear authorisation and approval levels.

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

## OBJECTS, AIMS, OBJECTIVES AND PRINCIPAL ACTIVITIES

### Charitable Objects

The Charity's principal object, as set out in its Articles of Association, is the advancement of education.

### Objectives, Aims and Intended Impact

The School's mission statement is: "leading young people in the pursuit of personal excellence through a well-rounded education". We develop this statement with the following aims:

> To give each boy in his way the capacity and confidence to live in an uncertain world, and to make that life as rich as possible; more specifically, to encourage him to work hard and to take a pride in achievement, to think independently, to face up to challenges, to accept responsibility, to show concern for others and to develop wider skills and interests.

Our main objective is always to motivate pupils to try their hardest and to strive to achieve the highest levels possible in all areas – academic, cultural, sporting and simply living together as part of a community. They are encouraged to make the most of their talents, and to look after one another in a caring environment, to ensure that the school years are a happy time for all involved. The ethos of Merchiston is concerned with people and relationships, and particular importance is attached to the development of personal character and moral values in our pupils. In the pursuit of excellence, it is important to develop a partnership which involves the boys, parents and staff working together. Thus, we can all give encouragement and confidence to our pupils and prepare them for the challenges ahead in an extremely competitive world in which they will have to demonstrate commitment, flexibility, teamwork and vision.

We seek to ensure, therefore, that each boy who comes to Merchiston realises his full potential, learns new skills and leaves as a courteous, confident, employable and well-rounded individual, with a secure foundation for the journey of life ahead. In this respect, the School fully endorses the key focus of the Scottish Executive policy document "A Curriculum for Excellence" in promoting and developing the following key capacities in young people in helping them to become:

- successful learners.
- confident individuals.
- responsible citizens.
- effective contributors to society.

**Objectives for the Year**

During the academic year 2010/2011, the focus has been on: (a) the continued achievement of high academic performance; (b) maintaining an experienced and high quality group of committed teachers; (c) further developing wider sporting, cultural and social skills in our pupils; (d) further improving the pastoral care which is provided for all boys, whether boarding or day pupils; (e) further widening access to the School and its facilities. We continued to monitor academic standards against external public examinations and independent value-added criteria. There was an extensive programme of staff training.

The principal financial objectives are that we should achieve the budgeted number of pupils and therefore produce an annual surplus which is adequate to meet the future needs of the School in terms of investment and maintenance of the property. The budgeted surplus is arrived at after due and careful consideration and pays particular attention to treating both our fee-paying parents and our staff fairly.

**Strategies to Achieve the Year's Objectives**

Continued academic achievement is an ongoing process and is the result of: (a) regular review of the academic syllabus in order to provide a broad range of subjects; (b) commitment of adequate resources to academic departments and to a wide range of co-curricular activities.

Strategies employed included sharing good teaching practice, the encouragement of individual learning, a programme of staff training, further development of ICT and promoting the academic success and high reputation of the School.

The School Improvement Plan is an important tool in auditing the School's performance in a number of different areas and in helping to focus on key issues. This Plan considers the Scottish Executive's emphasis on Standards and Quality in Scottish schools and sets out the Merchiston action/development themes which are:

- academic.
- pastoral care.
- music/drama/sport.
- leadership/management/quality assurance/staff development.
- public relations/marketing/admissions/fundraising/friendraising.
- outreach.
- business and facilities development (academic, pastoral, leisure and sport, general).
- business plan, financial plan, strategic plan.

The overall strategy has been formulated into a business plan prepared by the Headmaster and the Bursar which has been reviewed and endorsed by the Governors.

**Principal Activities Employed in Pursuit of these Objectives**

The School continues to provide a high level of education for boys. The policy of having a high ratio of teachers to pupils is an important factor which has contributed to the School's reputation for excellence.

Foreign travel has an important role to play in helping to provide a broad education and in developing the minds of young people. To this end, there were again a large number of trips to many parts of the world involving pupils and staff. These included a Geography trip to Iceland and a ski trip to Austria. Trips closer to home included Stratford-upon-Avon, York, Rua Fiola and a CCF summer camp at Catterick Garrison. Sports teams also toured various parts of the United Kingdom. We are indebted to all the members of staff who give of their time to organise and lead such trips.

In order to fully support the academic and pastoral programme, we have continued our drive to ensure excellence in our buildings and facilities. We are committed to an ongoing rolling programme

**Principal activities employed in pursuit of these objectives (Continued)**

of refurbishment in the boarding houses. We have made significant improvements to Evans Day House and have added a new Science Laboratory and a School Shop. We opened the Harvey Hub which is a new teaching and mentoring facility and we are currently constructing six classrooms out of the former Rogerson East boarding house.

**Grant-Making Policy**
Given the high cost of independent education, especially in a boarding environment, the School has a policy of giving assistance to those boys whose financial circumstances might otherwise prevent them enjoying the benefits of an education at Merchiston. A variety of scholarships and bursaries are available for this purpose and these are now being awarded almost entirely on a means-tested basis. In circumstances where a boy's position at School is at risk for financial reasons, often as the result of a sudden and dramatic change in circumstances, the School will go to considerable lengths to ensure educational stability for those affected.

## ACHIEVEMENTS AND PERFORMANCE

**Operational Performance of the School**
We started the year with a record 480 pupils (309 boarders and 171 day boys). This decreased to 473 (303 boarders and 170 day boys) by the summer term which is still extremely pleasing and is a great credit to the continuing high reputation of the School and the considerable efforts of the Headmaster and all staff involved in the recruitment process.

The A-level examination results were our best ever with a 100% pass rate, 84% of which achieved grades A*/A/B. 86% of those boys who applied to university gained entrance to their first choice of university, with 91% gaining entry to their first or second choice of university. Five boys gained places at Oxford and Cambridge Universities. The pass rate for our GCSE results was 98%, 60% of which achieved A* or A grades, the second best results ever. In terms of the value which the School has added to its pupils, these results show that our boys have again exceeded the original predictions of performance which were made. As a result the School is confident that it has achieved its objectives in terms of academic performance.

In the performing arts, noteworthy performances involving many of our pupils included the productions of "Grease" and "Pygmalion", both with the girls from St George's School The Pringle House production was "The Wizard of Oz". Mention should also be made of the Chapel Choir, the Close Harmony Group, the Orchestra, the Jazz Band and the Pipe Band who all continued to perform to a very high standard. The Pipe Band now boasts full junior and senior bands.

Some of the competitions in which boys achieved outstanding success included the following:

- Finalists in the Construction Challenge.
- Gold and Silver CREST awards (Creativity in Science and Technology).
- Three boys were awarded Arkwright Scholarships.
- Two boys reached the Scottish Schools Junior Debating finals.
- Three boys placed in the top twelve in the UK Technology, Design and Innovation Awards.
- Awards in the Young Engineer for Britain.

The School had many notable sporting achievements at both team and individual level:

- Rugby
  - The First XV had an exceptional year playing 14 matches (W12, D1 L1). The team also reached the semi-final of the Scottish Schools' Cup.
  - Two boys were awarded Scottish U18 caps.
  - Seven boys selected for the Edinburgh or Glasgow U17/U18 squads.
  - The sevens team reached the semi-final of the Rosslyn Park Tournament.

## GOVERNORS' REPORT (Continued)
**For the year ended 31 July 2011**

### Operational Performance of the School (Continued)

- Cricket - One boy was awarded a full senior cap, the first by a Merchiston pupil since 1894. Another boy was selected for the Scotland U19 squad.
  - The First XI won the Lothian School's cup for the sixth time in ten years.
- Athletics - Won the U17 British Schools' 400m and U17 Scottish Athlete of the Year.
  - Senior relay team success at the Scottish Schools' Championships.
  - Individual gold and silver medals at the Scottish Schools' Championships.
  - Junior cross country team won the Scottish Prep Schools' Championships.
- Swimming - Three gold medals at the Edinburgh Schools' Championships.
  - One boy broke four school records which had stood for ten years.
- Tennis - Reached the finals of the Scottish Cup .
  - Reached the national finals of the Glenvil Cup.
  -

Other notable sporting achievements included a boy winning the Scottish U15 table tennis championships, the junior clay pigeon shooting team regaining their Scottish honours and a boy winning the Scottish Schools' Ski Championships.

In addition to these successes, it is important to recognise the contribution to sports activity at all levels which has been made by nearly all boys in the School. The achievements in sporting activities are therefore much wider than demonstrated by the success of the leading teams.

The Governors wish to acknowledge with special thanks the commitment and contribution made to the School over the past year by the Headmaster and his wife. It is also appropriate to record our thanks to our hard working and talented staff whose efforts and dedication are apparent for all to see in the continuing high levels of performance in the classroom and in all other aspects of School life. We also wish to thank parents, friends of the School, Merchistonians and all other helpers who do so much to support the School. Furthermore, we wish to thank the Bursar and his financial team for the care and attention paid to this important part of the School's operation. We also wish to thank the Bursar and the Master of Works for the vision, passion and attention to detail which they bring to the management of the School's properties as we strive to improve the facilities for our pupils and staff. The success of the School is the result of a team effort by an enormous number of people.

### Fundraising Performance
A total of £88,424 was raised for the Bursary fund which continued to raise funds for financial assistance. This has been well supported with a total of £88,424 raised. We wish to thank those whose contributions have enabled a number of boys to attend Merchiston. In addition, £19,432 was raised from the Appeal for funds to assist with the construction of the Sixth Form House, which the boys first occupied in January 2009. There has been good progress in encouraging supporters of the School to leave a legacy in their will. The success of the Appeal and the other regular work is a great credit to the staff of the Development Office and all who have assisted them.

### Investment Performance
During the year, our investment portfolio increased in value by 19.1%. This compares with an increase of 11.7% by the Balanced Portfolio Index operated by APCIMS (Association of Private Client Investment Managers) which we use as a benchmark.

**Office of the Scottish Charity Regulator (OSCR)**
Merchiston was one of the first charities to be reviewed and the results of these reviews were published in October 2008. OSCR concluded that Merchiston did not provide enough public benefit due to the fees and charges that were in place and the absence of sufficient mitigation of the impact of these fees. In summary, this meant that we did not as yet provide enough means-tested bursaries.

In October 2008 OSCR issued a Direction requiring a plan to be prepared within twelve months showing how we would increase the facilitated access arrangements. We are required to implement that plan within three years from the date of the Direction. At the end of October 2009 we submitted our plan and were pleased to receive the news that OSCR had accepted our proposals.

We were delighted to receive confirmation from OSCR in November 2011 that we have in fact passed the charity test. We would like to thank all the staff who were involved in the process and who have helped the School achieve this successful outcome.

## PUBLIC BENEFIT

**Curricular Activity**
Details of the education provided and the examination results obtained are covered elsewhere in this Report. In addition, we provide markers, examiners, moderators and/or team leaders for SQA, Edexcel, OCR and the International Baccalaureate. We hosted students from Moray House School of Education for their teaching placements. We participate in the Scotland-China Education Network and have links with a school in China (Zhuhai No 1 Middle School in Guangdong Province).

**Co-curricular Activities**
In addition to outstanding academic success and developing the capacity in young people to become successful learners, the School ethos of all round personal development places great emphasis on participation and active involvement in co-curricular activities. We believe that sport and co-curricular activities are just as important as academic pursuits. In summary: (a) sport – 387 boys represented the School in 16 different sports with 8 pupils gaining international honours in 5 different sports; (b) music – 300 boys participated in School choirs, orchestras, ensembles, bands etc.; (c) drama – 60 boys took part in the drama productions; (d) the School ran 20 clubs and societies; (e) outdoor education – pupils took part in a large number of outdoor pursuits and 200 pupils took part in the Duke of Edinburgh's Award Scheme.

**Bursaries and Access**
During the year 121 boys received assistance with payment of fees to the value of £1,237,036 (2010 – 122 boys received £997,657). We also obtained support from four Trusts for three boys. The School's ability to continue to widen access to its education and to support pupils who might not otherwise be able to continue at School because of a sudden change in circumstances continues to be boosted by an extremely generous commitment from Lord Laidlaw of Rothiemay. The Laidlaw Scholarships are awarded to boys with talent who would otherwise be unable to enjoy the benefits of an education at Merchiston.

**Charitable Fundraising**
Over £20,000 was raised by the School for charity. Merchiston acted as a fundraising partner for Braidburn School and raised nearly £3,000. We also helped secure a £5,000 grant from a local Charitable Trust to help build an outdoor play area for the children. Over £6,000 was raised by the Pringle Sponsored Walk, that vast majority of which was donated to Signpost International. Considerable efforts were made during the year to continue our support of various charities including Cancer Research, UNICEF and Place2Be. We support a pupil at a local secondary school by sponsoring his involvement in the Arkwright Scholarship Scheme.

**Outreach**
83 pupils in the Lower Sixth took part in Community Service throughout the year. Others helped local community groups with environmental clean-ups, regeneration of community garden areas and other similar projects. Senior pupils act as mentors to children at local primary schools.

We continued to send donations and equipment to St Luke's Leprosarium and a Boys' Orphanage in India.

**Events at School for the Local Community**
The Colinton and Merchiston choir continues to practise in School and perform concerts. We regularly participate in the Edinburgh "Doors Open" initiative.

**Use of facilities by the Local Community**
A local primary school uses a classroom for French lessons. The local Reel Club meets every month. Our swimming pool is used by local groups and by the City of Edinburgh Council who aim to ensure that every pupil has learned to swim by the end of P7. Our sports hall is used by local tennis and cricket clubs. Our sports pitches are used by a local primary school and for its annual sports day. We lend lighting and sound equipment to local churches. The Rotary Club hosts an annual music competition.

**Participation by Other Schools**
Events which we run and which other schools are invited to attend include: (a) Maths Fun Day; (b) Primary Schools' Science and Technology Day; (c) annual Science lecture by a leading academic; (d) an annual Music evening with local schools; (e) swimming galas; (f) rugby seven-a-sides (g) the Merchiston Community Boys' Choir. In total we receive more than 25,000 "child visits" every year.

**Links with Other Schools**
The School has close links with a number of local schools, especially primary schools. Over 50 boys from local schools participate in a community choir. In addition a partnership has been formed with the Excelsior Academy in Newcastle. There are regular exchanges and meetings of staff and pupils and we now have one boy attending school in the Lower Sixth Form.

## FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The School's surplus for the year was £431,488 (2010 - £361,146). The underlying normal operating surplus was in line with the budget for the year. At the year end there was net debt of £593,683 (2010 - £1,595,196). This level of debt arises following the completion of the new Sixth Form House and will be extinguished as soon as possible. Funds will however continue to be made available for the refurbishment of other areas of the School. Capital expenditure during the year was £466,518 (2010 – £537,681). The commercial letting of the School's facilities produced a surplus of £141,162 (2010 - £96,421) which will be reinvested in facilities around the School.

**Investment Policy and Objectives**
Our investments are managed to achieve a balanced portfolio focused on overall return and long term growth in both income and capital.

**Reserves Policy**
The School's total reserves stood at £12,370,984 (2010 - £11,895,004) at the year end, with the need for day to day working capital being met by bank borrowings in the absence of free reserves. The Governors are committed to a programme of cost control whilst at the same time being conscious of the need to ensure that our buildings and facilities meet the requirements of a first rate independent all boys boarding school.

**GOVERNORS' REPORT (Continued)**
**For the year ended 31 July 2011**

## FUTURE PLANS

(1) We will continue to fully implement the plan agreed with OSCR with a view to passing the charity test.
(2) We plan to achieve a steady reduction in the level of bank borrowings. This will be carried out over time and in an orderly and controlled manner, consistent with the School's needs for investment and refurbishment. Adequate facilities have been agreed with the School's bankers.
(3) We are committed to further promote and market our Bursary Fund.
(4) The School will continue to implement existing strategies in relation to improvement in educational delivery and facilities. The key objectives of the planning strategy are to maintain pupil numbers together with an enhancement of facilities.
(5) We will strive for continued positive reports from HMIe and SCSWIS (Social Care and Social Work Improvement Scotland) who are the principal bodies which regulate us.
(6) We are committed to ensuring that there are sufficient funds available in order to allow for the proper maintenance of the magnificent Merchiston buildings and estate which are our unique inheritance.
(7) We will further develop plans to improve leisure facilities within the School. These plans include a new swimming pool and a new sports hall, together with an Astroturf. A decision to proceed with the construction of these facilities will only be made when adequate funding is in place.

On behalf of the Board of Governors
JM Gourlay, Chairman
07 November 2011

## INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS AND GOVERNORS OF MERCHISTON CASTLE SCHOOL

We have audited the financial statements of Merchiston Castle School for the year ended 31 July 2011 which comprise the Consolidated Statement of Financial Activities, the Consolidated Income and Expenditure Account, the Consolidated and parent company Balance Sheets, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made exclusively to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's Governors, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Governors and Auditors

As described in the statement of Governors' Responsibilities on page 1 the Governors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view.

We have been appointed auditors under the Companies Act 2006 and under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 July 2011 and of the group's 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; and
- the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## INDEPENDENT AUDITORS' REPORT (Continued)
## TO THE MEMBERS AND GOVERNORS OF MERCHISTON CASTLE SCHOOL

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Governors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received by branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**David Walker (Senior Statutory Auditor)**
**For and on behalf of Geoghegans, CA**

07 November 2011

Chartered Accountants
Statutory Auditor

6 St Colme Street
Edinburgh
EH3 6AD

MERCHISTON CASTLE SCHOOL

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
**for the year ended 31 July 2011**

| | Notes | 2011 | 2010 |
|---|---|---|---|
| **Income** | | | |
| School fees | 2 | 8,690,862 | 8,257,895 |
| Donations | | 159,993 | 171,544 |
| Investment income | | 16,334 | 10,620 |
| Rental and other income | | 508,391 | 352,800 |
| Total income | | 9,375,580 | 8,792,859 |
| **Expenditure** | | | |
| Staff costs | 4 | 5,371,093 | 5,147,137 |
| Other | 6 | 3,543,527 | 3,231,209 |
| Interest and charges | | 28,534 | 53,367 |
| Total expenditure | | 8,943,154 | 8,431,713 |
| Operating surplus for the year | | 432,426 | 361,146 |
| Realised loss on sale of investments | | 938 | - |
| **Surplus for year** | | £ 431,488 | £ 361,146 |

## STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
**for the year ended 31 July 2011**

| | | |
|---|---|---|
| Surplus for the year | 431,488 | 361,146 |
| Unrealised gain on investments | 44,492 | 35,857 |
| **Total gains and losses recognised in year** | £ 475,980 | £ 397,003 |

MERCHISTON CASTLE SCHOOL

## CONSOLIDATED BALANCE SHEET
**as at 31 July 2011**

| | Notes | 2011 | 2010 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 9 | 13,896,108 | 14,122,988 |
| Investments | 10 | 355,118 | 290,376 |
| | | 14,251,226 | 14,413,364 |
| **Current Assets** | | | |
| Stock | 11 | 73,543 | 132,687 |
| Debtors | 12 | 557,355 | 690,503 |
| Cash at bank and in hand | 17 | 85,336 | 158,729 |
| | | 716,234 | 981,919 |
| **Creditors:** Amounts falling due within one year | 13 | (2,002,330) | (2,943,090) |
| **Net Current Liabilities** | | (1,286,096) | (1,961,171) |
| **Total Assets less Current Liabilities** | | 12,965,130 | 12,452,193 |
| **Creditors:** Amounts falling due after more than one year | 14. | (594,146) | (557,189) |
| **Net Assets** | | £12,370,984 | £11,895,004 |
| **Reserves** | 15 | £12,370,984 | £11,895,004 |

These accounts were approved by the Governors and authorised for issue on 07 November 2011.

**J M Gourlay** Chairman

**G F Barnet** Governor

Company Registration Number : SC 14265

MERCHISTON CASTLE SCHOOL

**BALANCE SHEET**
**as at 31 July 2011**

| | | 2011 | 2010 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 9 | 13,983,407 | 14,209,392 |
| Investments | 10 | 355,118 | 290,376 |
| | | 14,338,525 | 14,499,768 |
| **Current Assets** | | | |
| Stock | 11 | 24,017 | 33,844 |
| Debtors | 12 | 570,423 | 769,600 |
| Cash at bank and in hand | | 81,587 | 123,129 |
| | | 676,027 | 926,573 |
| **Creditors:** Amounts falling due within one year | 13 | (1,988,135) | (2,912,739) |
| **Net Current Liabilities** | | (1,312,108) | (1,986,166) |
| **Total Assets less Current Liabilities** | | 13,026,417 | 12,513,602 |
| **Creditors:** Amounts falling due after more than one year | 14 | (594,146) | (557,189) |
| **Net Assets** | | £12,432,271 | £11,956,413 |
| **Reserves** | 15 | £12,432,271 | £11,956,413 |

These accounts were approved by the Governors and authorised for issue on 07 November 2011.

**J M Gourlay** Chairman

**G F Barnet** Governor

Company Registration Number: SC 14265

MERCHISTON CASTLE SCHOOL

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
**for the year ended 31 July 2011**

| | Notes | Unrestricted Funds | Restricted Funds | Total Funds | 2010 |
|---|---|---|---|---|---|
| **Incoming Resources** | | | | | |
| **Income from Charitable Activities** | | | | | |
| School fees | 2 | 8,690,862 | - | 8,690,862 | 8,257,895 |
| **Incoming Resources from Generated Funds** | | | | | |
| Activities for generating funds: | | | | | |
| Trading: Merchiston Enterprises Ltd | | 181,171 | - | 181,171 | 228,392 |
| Investment income | 3 | 16,159 | 175 | 16,334 | 10,620 |
| Donations | | 36,120 | 123,873 | 159,993 | 171,545 |
| Other income | | 327,220 | - | 327,220 | 124,407 |
| **Total incoming resources** | | 9,251,532 | 124,048 | 9,375,580 | 8,792,859 |
| **Resources Expended** | | | | | |
| **Costs of generating funds** | | | | | |
| Trading – Merchiston Enterprises Ltd | 8 | 144,948 | - | 144,948 | 131,972 |
| Fundraising expenses | 8 | 116,711 | - | 116,711 | 167,714 |
| | | 261,659 | - | 261,659 | 299,686 |
| **Charitable Activities** | | | | | |
| Schools and grantmaking | 3,8 | 8,576,054 | 94,379 | 8,670,433 | 8,120,277 |
| Governance Costs | 3,8 | 12,000 | - | 12,000 | 11,750 |
| **Total resources expended** | 6, 8 | 8,849,713 | 94,379 | 8,944,092 | 8,431,713 |
| **Net Incoming Resources** | | 401,819 | 29,669 | 431,488 | 361,146 |
| **Investment Gain** | | 44,492 | - | 44,492 | 35,857 |
| **Net movement in Funds** | | 446,311 | 29,669 | 475,980 | 397,003 |
| **Fund balances at 1 August 2010** | | 11,760,873 | 134,131 | 11,895,004 | 11,498,001 |
| **Transfer to unrestricted funds** | | 19,432 | (19,432) | - | - |
| **Fund balances at 31 July 2011** | | £12,226,616 | £144,368 | £12,370,984 | £11,895,004 |

MERCHISTON CASTLE SCHOOL

## CONSOLIDATED STATEMENT OF CASHFLOWS
**for the year ended 31 July 2011**

| | | 2011 | 2010 |
|---|---|---|---|
| **Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities** | | | |
| Operating surplus | | 431,488 | 361,146 |
| Non operating cashflows eliminated: | | | |
| Investment income | | (16,334) | (10,620) |
| Gain on disposal of fixed assets | | - | (6,500) |
| Depreciation | | 693,398 | 581,815 |
| Interest element of hire purchase agreements | | - | 2,549 |
| Decrease/(Increase) in debtors | | 133,148 | (33,381) |
| Decrease/(Increase) in stock | | 59,144 | (51,570) |
| Increase in long term creditors | | 36,957 | 147,372 |
| Increase/(Decrease) in creditors | | 133,659 | (117,282) |
| **Net Cash Inflow from Operating Activities** | | £1,471,460 | £873,529 |
| **Returns on Investment and Servicing of Finance** | | | |
| Investment income receipts | | 16,334 | 10,620 |
| Interest element of hire purchase agreements | | - | (2,549) |
| | | 16,334 | 8,071 |
| **Capital Expenditure and Financial Investment** | | | |
| Payments to acquire tangible fixed assets | | (466,518) | (537,681) |
| Proceeds on disposal of tangible fixed assets | | - | 9,150 |
| Payments to acquire investments | | (59,280) | (17,857) |
| Receipts from sale of investments | | 39,517 | - |
| | | (486,281) | (546,388) |
| Net cash inflow before financing | 17 | 1,001,513 | 335,212 |
| **Financing** | | | |
| Repayment of capital element of hire purchase agreements | | - | (19,967) |
| **Increase in Cash** | | £1,001,513 | £ 315,245 |
| **Reconciliation of net cash flow to movement in net funds** | | | |
| Increase in cash in year | | 1,001,513 | 315,245 |
| Cash used to repay capital element of hire purchase | | - | 19,967 |
| **Movement in net funds** | 17 | 1,001,513 | 335,212 |
| **Net debt at 1 August 2010** | | £ (1,595,196) | (1,930,408) |
| **Net debt at 31 July 2011** | 17 | £ (593,683) | £ (1,595,196) |

## NOTES TO THE ACCOUNTS
**for the year ended 31 July 2011**

### 1 Accounting Policies

***Basis of accounts preparation***
These accounts are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with applicable accounting standards, the Companies Act 2006 and the Statement of Recommended Practice on Accounting and Reporting by Charities (the Charities SORP 2005).

The accounts consolidate those of the Charity and its connected trading undertaking, Merchiston Enterprises Limited.

***Group financial statements***
These financial statements consolidate the results of the charity, Merchiston Castle School and Merchiston Enterprises Limited on a line by line basis. No income and expenditure account is presented for the company as permitted by section 408 of the Companies Act 2006.

***Incoming resources***
All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Donations, legacies and similar incoming resources are included in full in the Statement of Financial Activities when received unless they relate specifically to another accounting period.
- Incoming resources from activities for generating funds are accounted for when earned. This includes income from the School's trade which includes the rental and hire of the School buildings and facilities.
- Investment income is included when receivable and is generated from dividends and interest.
- Incoming resources from charitable activities are accounted for when earned and include income generated from school fees and other optional activity income. These are included net of bursaries and scholarships granted by the school.

***Resources expended***
Expenditure is recognised on an accruals basis when a liability is incurred and it is reported as part of the expenditure to which it relates. The Company is not registered for VAT and accordingly expenditure is shown gross of irrecoverable VAT. The following specific policies are applied to particular categories of expenditure:

- Charitable activities' expenditure comprises those costs incurred by the charity in the delivery of the charitable activities carried out which meet the objectives of the charity.
- Costs of generating funds include the costs relating to renting the buildings and facilities.
- Governance costs comprise the costs of running the charity, including strategic planning for its future development, also internal and external audit, any legal advice for the School Governors and all the costs of complying with constitutional and statutory requirements, such as the costs of Board and Committee meetings and of preparing statutory accounts and satisfying public accountability.

***Repairs and renewals***
Repairs and renewals are charged to revenue as incurred.

***Stocks***
Stocks are valued at the lower of cost and net realisable value.

**NOTES TO THE ACCOUNTS (Continued)**
**for the year ended 31 July 2011**

1 **Accounting Policies (continued)**

***Depreciation***
Depreciation is calculated at the following rates so as to write off the assets over their estimated useful lives.

| | |
|---|---|
| Land | Nil |
| Buildings | 2% on a straight line basis |
| Property improvements | 5%-10% on a straight line basis |
| Furniture and equipment | 10% - 25% on a straight line basis |
| Plant, machinery and motor vehicles | 10% - 20% on a straight line basis |

***Investments***
Investments are included at market value at the year end.

***Leasing and hire purchase commitments***
Rentals paid under operating leases are charged to the income and expenditure account as they are incurred.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases and hire purchase agreements are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the income and expenditure account over the periods of the lease and hire purchase agreements and represent a constant proportion of the balance of the capital repayments outstanding.

***Pension Scheme***
The Company contributes to the Scottish Teachers' Pension Scheme, which is a defined benefit scheme and is unfunded, contributory and a voluntary membership scheme. In addition, a defined contribution scheme is in operation for non-teaching staff. Contributions to both schemes are charged when they become payable.

***Fund Accounting***
Unrestricted funds are available for use at the discretion of the members in furtherance of the general objectives of the charity.

Restricted funds are subjected to restrictions on their expenditure imposed by the donor or through the terms of an appeal.

**NOTES TO THE ACCOUNTS (Continued)**
**for the year ended 31 July 2011**

| 2 | **School Fees** | 2011 | 2010 |
|---|---|---|---|
| | The School's fee income comprised: | | |
| | Gross fees | 9,927,898 | 9,255,552 |
| | Less: Bursaries, scholarships and allowances | (1,237,036) | (997,657) |
| | | £ 8,690,862 | £ 8,257,895 |

3 **Income from the Connected Undertaking's Trading Activities**

Merchiston Enterprises Limited (ME Limited) is a company limited by guarantee, which promotes the interests and welfare of Merchiston Castle School. Its trading results for the year, as extracted from the audited accounts, are summarised below, together with the School's own results for the year to distinguish them from the group results in the consolidated Statement of Financial Activities:

| | **ME Limited** | | **Company** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Turnover and fee income | 190,344 | 566,720 | 8,690,862 | 8,257,895 |
| Total costs: subsidiary | (154,221) | (548,531) | - | - |
| Gross profit | 36,123 | 18,189 | 8,690,862 | 8,257,895 |
| Other Income | - | - | 327,320 | 205,989 |
| Investment income receivable | - | - | 16,334 | 10,620 |
| Net income for year | 36,123 | 18,189 | 9,034,516 | 8,474,504 |
| Donations (given)/received | (36,000) | (18,000) | 195,993 | 189,544 |
| Gross incoming resources: Charity | 123 | 189 | 9,230,509 | 8,664,048 |
| Costs of Charitable Activities | - | - | (8,670,433) | (8,120,277) |
| Governance costs of the Charity | - | - | (12,000) | (11,750) |
| Costs of Generating Funds: Charity | - | - | (116,711) | (167,714) |
| Retained operating surplus | £ 123 | £189 | £ 431,365 | £ 364,307 |

NOTES TO THE ACCOUNTS (Continued)
for the year ended 31 July 2011

4 **Employee Information**

| | 2011 | 2010 |
|---|---|---|
| Staff costs comprise: | | |
| Wages and salaries | 4,465,280 | 4,308,423 |
| Social security costs | 390,836 | 347,756 |
| Pension and other costs | 514,977 | 490,958 |
| | £ 5,371,093 | £ 5,147,137 |

| | | |
|---|---|---|
| The average monthly number of persons employed was: | | |
| Teaching and Support | 149 | 143 |
| Administration | 42 | 37 |
| | 191 | 180 |

The earnings of two employees of the Company (including taxable benefits) were in excess of £60,000, one between £100,000 and £110,000 and the other between £80,000 and £90,000.
One of the above employees was accruing benefits under a defined benefit pension scheme while the other was accruing benefits under a defined contribution scheme.

5 **Pension Costs**

Teaching staff are members of the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the Company is unable to identify its share of the underlying assets and liabilities of the scheme. An actuarial valuation was carried out at 31 March 2005. The results of this valuation were rolled forward to give a liability of £24.37 billion at 31 March 2010.

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme's actuary at a level to meet the cost of the pensions as they accrue. The pension charge in relation to the scheme represents contributions payable by the Company to the fund and amounted to £356,310 (2010 - £345,053).

6 **Other External Charges**

| This is stated after including: | 2011 | 2010 |
|---|---|---|
| Depreciation | 693,398 | 581,815 |
| Auditors' remuneration | 12,000 | 11,750 |

7 **Taxation**

As a charity, Merchiston Castle School is exempt from tax on income and gains to the extent that these are applied to its charitable objects. No tax charges have arisen in the Charity.

NOTES TO THE ACCOUNTS (Continued)
for the year ended 31 July 2011

8 **Analysis of Total Resources Expended**

| | Staff Costs | Other Costs | Depreciation | 2011 Total |
|---|---|---|---|---|
| **Costs of generating funds:** | | | | |
| Fundraising for voluntary resources | 70,311 | 46,400 | - | 116,711 |
| Trading costs of the subsidiary | - | 144,053 | 895 | 144,948 |
| **Total for Group** | 70,311 | 190,453 | 895 | 261,659 |
| **Charitable activities** | | | | |
| Teaching | 3,194,650 | 225,154 | - | 3,419,804 |
| Welfare | 1,794,811 | 808,634 | - | 2,603,445 |
| Premises | 255,894 | 1,006,651 | 692,503 | 1,955,048 |
| Support | 55,427 | 636,709 | - | 692,136 |
| | 5,300,782 | 2,677,148 | 692,503 | 8,670,433 |
| **Governance costs** | - | 12,000 | - | 12,000 |
| **Total** | 5,300,782 | 2,689,148 | 692,503 | 8,682,433 |
| **Total Resources Expended - Group** | 5,371,093 | 2,879,601 | 693,398 | 8,944,092 |
| **Total Resources Expended - Charity** | 5,371,093 | 2,735,548 | 692,503 | 8,799,144 |

## NOTES TO THE ACCOUNTS (Continued)
**for the year ended 31 July 2011**

### 9 Tangible Fixed Assets

**Group**

| | Land and Buildings | Property Improve-ments | Furniture and Equipment | Plant, Machinery and Motor Vehicles | Total |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| At 31 July 2010 | 13,183,035 | 1,851,346 | 993,066 | 411,775 | 16,439,222 |
| Additions | 32,995 | 360,935 | 72,588 | - | 466,518 |
| Disposals | - | - | - | - | - |
| At 31 July 2011 | 13,216,030 | 2,212,281 | 1,065,654 | 411,775 | 16,905,740 |
| ***Depreciation*** | | | | | |
| At 31 July 2010 | 274,435 | 1,297,712 | 568,012 | 176,075 | 2,316,234 |
| Charge for year | 265,108 | 198,191 | 183,925 | 46,174 | 693,398 |
| Disposals | - | - | - | - | - |
| At 31 July 2011 | 539,543 | 1,495,903 | 751,937 | 222,249 | 3,009,632 |
| ***Net Book Value*** | | | | | |
| At 31 July 2011 | £12,676,487 | £716,378 | £313,717 | £189,526 | £13,896,108 |
| At 31 July 2010 | £12,908,600 | £553,634 | £425,054 | £235,700 | £14,122,988 |

**Company**

| | Land and Buildings | Property Improve-ments | Furniture and Equipment | Plant, Machinery and Motor Vehicles | Total |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| At 31 July 2010 | 13,271,603 | 1,851,346 | 988,587 | 411,775 | 16,523,311 |
| Additions | 32,995 | 360,935 | 72,588 | - | 466,518 |
| Disposals | - | - | - | - | - |
| At 31 July 2011 | 13,304,598 | 2,212,281 | 1,061,175 | 411,775 | 16,989,829 |
| ***Depreciation*** | | | | | |
| At 31 July 2010 | 274,435 | 1,297,712 | 565,697 | 176,075 | 2,313,919 |
| Charge for year | 265,108 | 198,191 | 183,030 | 46,174 | 692,503 |
| Disposals | - | - | - | - | - |
| At 31 July 2011 | 539,543 | 1,495,903 | 748,727 | 222,249 | 3,006,422 |
| ***Net Book Value*** | | | | | |
| At 31 July 2011 | £12,765,055 | £716,378 | £312,448 | £189,526 | £13,983,407 |
| At 31 July 2010 | £12,997,168 | £553,634 | £422,890 | £235,700 | £14,209,392 |

The net book value of tangible fixed assets includes £nil (2010 - £21,410) in respect of assets held under hire purchase contracts. The depreciation charged in respect of such assets amounted to £21,410 (2010 - £21,410) for the year.

**NOTES TO THE ACCOUNTS (Continued)**
**for the year ended 31 July 2011**

10 **Investments Held as Fixed Assets**

| | UK Listed | UK Unlisted | Cash for Investment | Total |
|---|---|---|---|---|
| Balance at 31 July 2010 | 282,975 | 3,500 | 3,901 | 290,376 |
| Additions | 59,280 | - | 59,705 | 118,985 |
| Disposals | (39,455) | - | (59,280) | (98,735) |
| Gain on revaluation | 44,492 | - | - | 44,492 |
| Balance at 31 July 2011 | £347,292 | £3,500 | £4,326 | £355,118 |
| Historical cost | £294,908 | | | |

Investments whose individual market value exceeds 5% of the total are as follows:

| | |
|---|---|
| Scottish Investment Trust | £37,961 |
| Scottish Securities Trust of Scotland | £22,431 |
| Scottish Mortgage Trust | £25,220 |
| Dunedin Growth Income | £30,038 |
| Merchants Trust | £24,856 |
| Treasury 2.5% 2024 | £36,654 |
| Treasury 2.5% 2020 | £41,577 |
| Temple Bar | £19,958 |
| City of London | £19,558 |
| Lowland Investment Trust | £20,773 |
| Scottish American Investment Co. | £20,166 |

11 **Stock**

| | 2011 Group | 2010 Group | 2011 Company | 2010 Company |
|---|---|---|---|---|
| Stock | 73,543 | 132,687 | 24,017 | 33,844 |
| | £73,543 | £132,687 | £24,017 | £33,844 |

12 **Debtors**

| | 2011 Group | 2010 Group | 2011 Company | 2010 Company |
|---|---|---|---|---|
| Fees and outlays in arrears | 286,032 | 425,982 | 276,722 | 326,081 |
| Other debtors | 271,323 | 264,521 | 293,701 | 443,519 |
| | £557,355 | £690,503 | £570,423 | £769,600 |

**NOTES TO THE ACCOUNTS (Continued)**
**for the year ended 31 July 2011**

13 **Creditors:** Amounts falling due within one year

| | 2011 Group | 2010 Group | 2011 Company | 2010 Company |
|---|---|---|---|---|
| Bank overdraft | 683,345 | 1,757,826 | 683,345 | 1,757,826 |
| Fees received in advance | 693,161 | 483,189 | 693,161 | 483,189 |
| Taxes and social security costs | 127,000 | 111,547 | 127,000 | 111,547 |
| Trade creditors | 108,402 | 222,917 | 103,147 | 201,960 |
| Other creditors | 214,188 | 202,254 | 208,248 | 195,060 |
| Accruals | 176,234 | 165,357 | 173,234 | 163,157 |
| | £2,002,330 | £2,943,090 | £1,988,135 | £2,912,739 |

The bank overdraft is secured by way of a bond and floating charge over the assets of the company.

14 **Creditors:** Amounts falling due after more than one year

| | 2011 | 2010 |
|---|---|---|
| Other creditors | 594,146 | 557,189 |
| | £ 594,146 | £ 557,189 |

15 **Capital and Reserves**

| **Group** | Restricted Reserves | Unrestricted Reserves | Total Reserves |
|---|---|---|---|
| Balance at 31 July 2010 | 134,131 | 11,760,873 | 11,895,004 |
| Surplus for the year | 29,669 | 446,311 | 475,980 |
| Transfer to unrestricted reserves | (19,432) | 19,432 | - |
| Balance at 31 July 2011 | £144,368 | £12,226,616 | £12,370,984 |

| **Company** | Restricted Reserves | Unrestricted Reserves | Total Reserves |
|---|---|---|---|
| Balance as at 31 July 2010 | 134,131 | 11,822,282 | 11,956,413 |
| Surplus for the year | 29,669 | 446,189 | 475,858 |
| Transfer to unrestricted reserves | (19,432) | 19,432 | - |
| Balance as at 31 July 2011 | £144,368 | £12,287,903 | £12,432,271 |

NOTES TO THE ACCOUNTS (Continued)
for the year ended 31 July 2011

16 **Analysis of group net assets between funds**

The restricted fund balance represented by current assets at 31 July 2011 was £144,368 (2010 - £134,131). Unrestricted funds are free to be used in accordance with the charitable objectives of the School.

Restricted funds represent those assets which have been historically held to fund bursaries. The restricted fund that assisted with the School's project of building a new Sixth Form Boarding House has been released to unrestricted reserves as the project is now complete. A transfer is made each year from the unrestricted funds. The transfer in the current year was £19,432.

Sufficient resources are held in an appropriate form to enable all funds to be applied in accordance with the restrictions imposed on them

| 17 **Analysis of changes in net funds** | At 1 August 2010 | Cash Flow | At 31 July 2011 |
|---|---|---|---|
| Cash at bank and in hand | 158,729 | (73,393) | 85,336 |
| Cash held under investments | 3,901 | 425 | 4,326 |
| Bank overdraft | (1,757,826) | 1,074,481 | (683,345) |
| Net Debt | £(1,595,196) | £1,001,513 | £(593,683) |

18 **Capital Commitments**

| | | |
|---|---|---|
| Amount authorised and contracted for | £260,000 | £234,000 |

19 **Related Party Transactions**

The Company has a connected undertaking, Merchiston Enterprises Limited (a company limited by guarantee) which utilises the facilities owned by the Company (at an agreed rental) for letting and promotional events to benefit the School. During the year, Merchiston Enterprises was charged rent of £100 (2010 - £81,581) for use of the facilities and a donation of £36,000 (2010 - £18,000) was received. The amount due by Merchiston Enterprises at 31 July 2011 was £41,209 (2010 - £206,267).

In addition, one Governor was reimbursed for expenses incurred. The total amount reimbursed during the year was £998 (2010 - £1,727).