

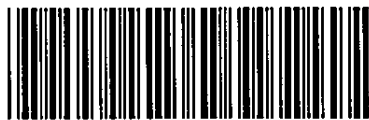
**MERCHISTON CASTLE SCHOOL
(COMPANY LIMITED BY GUARANTEE)**

REPORT AND ACCOUNTS

For the year ended 31 July 2012

Company Registration Number: SC014265

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MERCHISTON CASTLE SCHOOL

REFERENCE AND ADMINISTRATIVE INFORMATION

Year ended 31 July 2012

Chairman	J M Gourlay BCom CA
Vice Chairman	C M A Lugton MA (appointed Vice Chairman 01/08/12) The Hon Lord Hodge (resigned 01/08/12)
Governors	R W L Legget MBA CA H P G Maule MA G R T Baird Professor L A M Waterhouse BA MSW G F Barnet LLB (resigned 01/08/12) P K Young BSc MRICS S C G Kuenssberg CBE BA Dip Ad Ed FRSA R M Ridley MA Cert Ed S P Abram FICS J L Broadfoot BA Med B M McCorkell MA Cantab I H McAteer LLB R W Nutton MB BS MD FRCS (Eng) FRCS D R Whiteford OBE BSC DipAg FRSA ARAGS (appointed 03/10/11) R S Elliott (appointed 03/10/11) P W Yellowlees BA CA (appointed 01/08/12)
Merchistonian Club President	W A McDonald BA
Headmaster	A R Hunter BA
Secretary	A G Clayton BA MBA (Bursar) (appointed 01/12/11) D G Smith BCom CA (Bursar) (resigned 01/12/11)
Auditors	Geoghegans, CA
Solicitors	Tods Murray LLP Veale Wasbrough Vizards
Bankers	Lloyds Banking Group
Insurance Brokers	Marsh Brokers Limited
Investment Managers	Speirs & Jeffrey Stockbrokers
Registered Office and Principal Address	294 Colinton Road, Edinburgh, EH13 0PU
Website:	www.merchiston.co.uk
Scottish Charity Number	SC016580

MERCHISTON CASTLE SCHOOL

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MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT

For the year ended 31 July 2012

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 2012. 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. Two Governors have sons who are pupils at the School and a further nine Governors have had sons at the School. The present Governors are as listed and have held office during the whole of the period from 1 August 2011 to the date of this Report unless otherwise stated. The Hon Lord Hodge and Graham Barnet retired from the Board after fourteen years and six years of service and we thank them most warmly for their contribution. We are delighted to welcome Peter Yellowlees as a new Governor, who was appointed on 1 August 2012.

Governors' Responsibilities Statement

The Governors (who are also directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Governors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the group and the charitable company for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Governors are responsible for keeping proper and adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT (Continued) **For the year ended 31 July 2012**

Governors' responsibilities statement (continued)

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 charitable company and a responsibility for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Disclosure to the Auditors

The Governors make this statement of disclosure to the auditor:

- so far as the Governors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- 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 auditor is 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 are 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), CMA Lugton, GRT Baird, SP Abram, BM McCorkell, IH McAteer, RS Elliot, PW Yellowlees (Finance Convener).

Education & Pastoral (which meets three times during the year) – CMA Lugton (Chairman), Professor LAM Waterhouse, SCG Kuenssberg, RM Ridley, JL Broadfoot, RW Nutton.

Health & Safety – PK Young.

Development – BM McCorkell, GRT Baird.

Nominations – JM Gourlay, CMA Lugton, GRT Baird, BM McCorkell.

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.

MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT (Continued)

For the year ended 31 July 2012

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.
- 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.

MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT (Continued)

For the year ended 31 July 2012

Objectives, Aims and Intended Impact (continued)

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 2011/2012, 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/friend raising.
- 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.

MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT (Continued) For the year ended 31 July 2012

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 Rugby tour to Canada 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 on going rolling programme of refurbishment in the boarding houses. Additional boarding accommodation has been provided in Harvey whilst much needed office space has been created for some of the Administration staff. A new path has been built linking the Junior School and Senior School and an oil-fired boiler has been replaced with a more efficient gas system.

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 468 pupils (292 boarders and 176 day boys). This increased to 473 (297 boarders and 176 day boys) by the summer term which is 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*-C grade pass-rate for A-level examinations was at 96%, for the second year running-the School's best-ever tally at these grades, 21% of which achieved A* grade performance. 68% 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. Four boys gained places at Cambridge University for the next academic year to read Engineering and Natural Sciences. The A*-C grade pass rate for our GCSE results was 97%, 65% of which achieved A* or A grades. The School's combined A*, A, and B grade pass rate was 90% which is Merchiston's best ever set of GCSE results at these three top grades. 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.

MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT (Continued) For the year ended 31 July 2012

Operational Performance of the School (continued)

In the performing arts, noteworthy performances involving many of our pupils included the productions of *Of Mice and Men*, both here in December and at the Edinburgh Fringe Festival in August, *A Midsummer Night's Dream* at St George's School for Girls and a double bill from Merchiston Juniors' pupils in *Hansel and Gretel* and *Sir Spence and a Dragon Called Horace*. 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:

- Nationwide finalist of the Historical Associations Big Debate
- Four boys reached the UK finals of the Bank of England 2.0 Economics competition
- Three boys were awarded Arkwright Scholarships.
- Winner of the Braids Rotary Young Musician of the Year Award
- First Runner-up in the Gabbitas Young Photographer of the Year competition
- Finalists in the Construction Challenge

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

Rugby

- The First VII won the Merchiston Sevens for the first time since 2008 and before then in 1993 and reached the 2nd day at Rosslyn Park.
- The D1 and D2's had a very successful season, losing only three matches between them and winning the Loretto and Ardvreck Sevens.
- One boy was awarded a Scottish U18 cap for games against England and Wales.

Athletics

- The athletics team were invited for the first time to the North of England HMC Championships and won two Gold Medals.
- Individual gold, silver and bronze medals won in the Scottish Schools and a gold medal won in the Scottish Schools Indoor Athletics Championships, setting a new school record of 1.96m in the high jump.

Golf

- The golf academy was launched in September and has been successful with the U15 team winning the Scottish Open Championships.
- One boy won the U16 Scottish Golf Championship and was selected for the Scotland U18 Golf Squad.

Tennis

- The U15 team won the Scottish Schools Cup in September and both the U15 and the U13 team have qualified for the finals again this year.

Other notable sporting achievements include the senior Fives team winning the Edinburgh Schools Championships for the seventh year running, the junior clay pigeon shooting team winning the Scottish Schools Championships, two boys being chosen to represent Scotland in table tennis and Merchiston having three cricket internationalists.

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.

MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT (Continued)

For the year ended 31 July 2012

Operational Performance of the School (Continued)

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 £25,735 was raised for the Bursary fund which continued to raise funds for financial assistance. We wish to thank those whose contributions have enabled a number of boys to attend Merchiston. In addition, £4,511 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 4.54%. This compares with an increase of 3.67% by the Balanced Portfolio Index operated by APCIMS (Association of Private Client Investment Managers) which we use as a benchmark. Our trading subsidiary, Merchiston Enterprises Ltd, achieved a surplus on ordinary activities of £65,519 (2011 - £36,188), which was used to make a charitable donation of £61,500 (2011 - £36,000) to the School.

Office of the Scottish Charity Regulator (OSCR)

In November 2011, we received confirmation from OSCR that the school 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

The Curriculum

Details of the education provided and the examination results obtained are covered elsewhere in this Report. In addition, we provide markers, examiners, moderators and paper setters for SQA, Edexcel, AQA, OCR and the International Baccalaureate. We hosted students from Moray House School of Education for their teaching placements.

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 – 395 boys represented the School in 20 different sports with 9 pupils gaining international honours in 7 different sports; (b) music – 300 boys participated in School choirs, orchestras, ensembles, bands etc.; (c) drama – 70 boys along with 10 girls from St Georges took part in senior and junior 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.

MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT (Continued)

For the year ended 31 July 2012

Means Tested Assistance & Access

During the year 169 boys (2011 – 191 boys) received assistance with the payment of fees; this includes one boy receiving support from the MacRobert Trust. 5 pupils were in receipt of an Education Maintenance Allowance. 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 Giving & Fundraising

Over £18,000 was raised by the School for charity. Merchiston donated the profit from the sale of the School Christmas Card to Braidburn Special School as well as our collection of Tesco Vouchers for Schools and £800 was raised for the Gurkha Welfare estate. The full listing of Merchiston's charitable donations is published on the website. Considerable efforts were made during the year to continue our support of various charities including Macmillan Cancer Support and Place2Be. We support a pupil at a local secondary school on an annual basis by sponsoring their involvement in the Arkwright Scholarship Scheme.

Koinonia (Teamwork in the Community)

83 pupils in the Lower Sixth took part in Koinonia throughout the year. Others helped local community groups with environmental clean-ups, conservation work with the Edinburgh City Countryside Rangers 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.

Use of facilities by the Local Community

The Colinton and Merchiston choir continues to practise in School and perform concerts. The local Reel Club and the Board of Young Enterprise Scotland 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, football and cricket clubs. Our sports pitches are used by a local primary school for its annual sports days. We lend lighting and sound equipment to local churches and schools. The Rotary Club hosts an annual music competition.

Use of our facilities by School Age Children

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) sporting fixtures and festivals (g) the Merchiston Community Boys' Choir. In total we receive more than 30,000 "child visits" every year.

Links with Other Schools

The School has close links with a number of local schools, especially primary schools. Just under 40 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 scholar attending school in the Lower Sixth Form and one attending school in the Upper Sixth Form.

MERCHISTON CASTLE SCHOOL

GOVERNORS' REPORT (Continued)

For the year ended 31 July 2012

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The group's surplus for the year was £451,580 (2011 - £431,488). The underlying normal operating surplus was higher than the figure which was budgeted at the start of the year. At the year end, there were net current liabilities of £543,847 (2011 - £1,312,108) and net funds of £489,795 (2011 - net debt £593,683). The group has sufficient availability by way of bank borrowings to ensure that the School can continue to operate effectively and the Governors' are committed to improve the group's liquidity position.

Funds continue to be made available for the refurbishment of other areas of the School with capital expenditure during the year being £348,132 (2011 - £466,518). The commercial letting of the School's facilities produced a surplus of £206,574 (2011 - £141,162) which will be reinvested in facilities around the School.

Investment Policy and Objectives

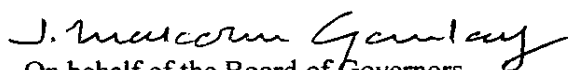
Our investment portfolio is managed to achieve a balanced portfolio focused on overall return and long term growth in both income and capital. The principal activity of Merchiston Enterprises Limited continues to be to promote the interests and welfare of the School.

Reserves Policy

The Group's total reserves stood at £12,826,665 (2011 - £12,370,984) 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.

FUTURE PLANS

- (1) We will continue to fully implement the plan agreed with OSCR in order to maintain our charitable status.
- (2) We plan to review the level of bank borrowings 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 HMle 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 Astro turf. 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

12 November 2012

MERCHISTON CASTLE SCHOOL

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 2012 which comprise the consolidated and parent charitable company Statement of Financial Activities, the consolidated Income and Expenditure Account, the consolidated and parent charitable 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 (as amended). 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 explained more fully in the Governors' Responsibilities Statement set out on page 1, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law 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 the 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. In addition, we read all the financial and non-financial information in the Governors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

MERCHISTON CASTLE SCHOOL

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

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 charitable company's affairs as at 31 July 2012 and of the group's and the parent charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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).

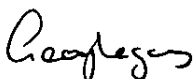
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' Annual 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 from 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 disclosure of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



**Iain Binnie (Senior Statutory Auditor)
For and on behalf of Geoghegans, CA**

12 November 2012

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 2012

	Notes	2012 £	2011 £
Income			
School fees	2	9,177,871	8,690,862
Donations		91,380	159,993
Investment income		18,883	16,334
Rental and other income		<u>790,877</u>	<u>508,391</u>
Total income		<u>10,079,011</u>	<u>9,375,580</u>
Expenditure			
Staff costs	4	5,687,364	5,371,093
Other external charges	6	3,916,146	3,543,527
Interest and charges		<u>23,921</u>	<u>28,534</u>
Total expenditure		<u>9,627,431</u>	<u>8,943,154</u>
Operating surplus for the year		451,580	432,426
Realised loss on sale of investments		<u>-</u>	<u>938</u>
Surplus for year		<u>451,580</u>	<u>431,488</u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2012

	£	£
Surplus for the year	451,580	431,488
Unrealised gain on investments	<u>4,101</u>	<u>44,492</u>
Total gains and losses recognised in year	<u>455,681</u>	<u>475,980</u>

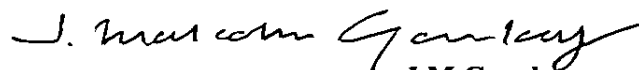
MERCHISTON CASTLE SCHOOL

CONSOLIDATED BALANCE SHEET

As at 31 July 2012

	Notes	2012 £	2011 £
Fixed Assets			
Tangible assets	9	13,552,760	13,896,108
Investments	10	<u>370,806</u>	<u>355,118</u>
		<u>13,923,566</u>	<u>14,251,226</u>
Current Assets			
Stock	11	123,943	97,560
Debtors	12	484,749	533,338
Cash at bank and in hand	17	<u>478,810</u>	<u>85,336</u>
		1,087,502	716,234
Creditors: Amounts falling due within one year	13	<u>(1,604,358)</u>	<u>(2,002,330)</u>
Net Current Liabilities		<u>(516,856)</u>	<u>(1,286,096)</u>
Total Assets less Current Liabilities		13,406,710	12,965,130
Creditors: Amounts falling due after more than one year	14	<u>(580,045)</u>	<u>(594,146)</u>
Net Assets		<u><u>12,826,665</u></u>	<u><u>12,370,984</u></u>
		£	£
Reserves			
Unrestricted Funds	15	12,623,595	12,174,231
Revaluation Reserve	15	56,486	52,385
Restricted Funds	15	<u>146,584</u>	<u>144,368</u>
		<u><u>12,826,665</u></u>	<u><u>12,370,984</u></u>

These accounts were approved by the Governors and authorised for issue on 12 November 2012.


J M Gourlay

Chairman



P W Yellowlees

Governor

Company Registration Number: SC014265

MERCHISTON CASTLE SCHOOL

CHARITY BALANCE SHEET

As at 31 July 2012

	Notes	2012 £	2011 £
Fixed Assets			
Tangible assets	9	13,637,115	13,983,407
Investments	10	<u>370,806</u>	<u>355,118</u>
		<u>14,007,921</u>	<u>14,338,525</u>
Current Assets			
Stock	11	25,331	24,017
Debtors	12	693,976	570,423
Cash at bank and in hand		<u>247,988</u>	<u>81,587</u>
		967,295	676,027
Creditors: Amounts falling due within one year	13	<u>(1,511,142)</u>	<u>(1,988,135)</u>
Net Current Liabilities		<u>(543,847)</u>	<u>(1,312,108)</u>
Total Assets less Current Liabilities		13,464,074	13,026,417
Creditors: Amounts falling due after more than one year	14	<u>(580,045)</u>	<u>(594,146)</u>
Net Assets		<u>12,884,029</u>	<u>12,432,271</u>
		£	£
Reserves			
Unrestricted Funds	15	12,680,959	12,235,518
Revaluation Reserve	15	56,486	52,385
Restricted Funds	15	<u>146,584</u>	<u>144,368</u>
		<u>12,884,029</u>	<u>12,432,271</u>

These accounts were approved by the Governors and authorised for issue on 12 November 2012.

J. Malcolm Gourlay J M Gourlay

Chairman

P. Yellowlees

P W Yellowlees

Governor

Company Registration Number: SC014265

MERCHISTON CASTLE SCHOOL

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES For the year ended 31 July 2012

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds £	2011 £
Incoming Resources					
Income from Charitable Activities					
School fees	2	9,177,871	-	9,177,871	8,690,862
Incoming Resources from Generated Funds					
Activities for generating funds:					
Trading: Merchiston Enterprises Ltd		465,298	-	465,298	181,171
Investment income		18,713	170	18,883	16,334
Donations		56,411	34,969	91,380	159,993
Other income		325,579	-	325,579	327,220
Total incoming resources		<u>10,043,872</u>	<u>35,139</u>	<u>10,079,011</u>	<u>9,375,580</u>
Resources Expended					
Costs of generating funds					
Trading – Merchiston Enterprises Ltd	8	399,775	-	399,775	144,948
Fundraising expenses	8	122,068	-	122,068	116,711
		<u>521,843</u>	<u>-</u>	<u>521,843</u>	<u>261,659</u>
Charitable Activities					
Schools and grant making	8	9,065,176	28,412	9,093,588	8,670,433
Governance Costs	8	12,000	-	12,000	12,000
Total resources expended	8	<u>9,599,019</u>	<u>28,412</u>	<u>9,627,431</u>	<u>8,944,092</u>
Net Incoming Resources		444,853	6,727	451,580	431,488
Investment Gain		<u>4,101</u>	<u>-</u>	<u>4,101</u>	<u>44,492</u>
Net movement in Funds		448,954	6,727	455,681	475,980
Fund balances at 1 August 2011		12,226,616	144,368	12,370,984	11,895,004
Transfer to unrestricted funds	16	4,511	(4,511)	-	-
Fund balances at 31 July 2012		<u>12,680,081</u>	<u>146,584</u>	<u>12,826,665</u>	<u>12,370,984</u>

MERCHISTON CASTLE SCHOOL

CHARITY STATEMENT OF FINANCIAL ACTIVITIES For the year ended 31 July 2012

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds £	2011 £
Incoming Resources					
Income from Charitable Activities					
School fees	2	9,177,871	-	9,177,871	8,690,862
Incoming Resources from Generated Funds					
Activities for generating funds:					
Investment income		80,213	170	80,383	52,334
Donations		56,411	34,969	91,380	159,993
Other income		325,679	-	325,679	327,320
Total incoming resources		<u>9,640,174</u>	<u>35,139</u>	<u>9,675,313</u>	<u>9,230,509</u>
Resources Expended					
Costs of generating funds					
Fundraising expenses	8	<u>122,068</u>	<u>-</u>	<u>122,068</u>	<u>116,711</u>
		122,068	-	122,068	116,711
Charitable Activities					
Schools and grant making	8	9,065,176	28,412	9,093,588	8,670,433
Governance Costs	8	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Total resources expended	8	<u>9,199,244</u>	<u>28,412</u>	<u>9,227,656</u>	<u>8,799,144</u>
Net Incoming Resources		440,930	6,727	447,657	431,365
Investment Gain		<u>4,101</u>	<u>-</u>	<u>4,101</u>	<u>44,492</u>
Net movement in Funds		445,031	6,727	451,758	475,857
Fund balances at 1 August 2011		12,287,903	144,368	12,432,271	11,956,414
Transfer to unrestricted funds	16	<u>4,511</u>	<u>(4,511)</u>	<u>-</u>	<u>-</u>
Fund balances at 31 July 2012		<u>12,737,445</u>	<u>146,584</u>	<u>12,884,029</u>	<u>12,432,271</u>

MERCHISTON CASTLE SCHOOL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2012

	Notes	2012 £	2011 £
Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities			
Operating surplus		451,580	431,488
Non operating cash flows eliminated:			
Investment income		(18,883)	(16,334)
Depreciation	6	691,480	693,398
Decrease in debtors		72,606	133,148
(Increase)/decrease in stock		(50,400)	59,144
(Decrease)/increase in long term creditors		(14,101)	36,957
Decrease in creditors		285,373	133,659
Net Cash Inflow from Operating Activities		1,417,655	1,471,460
Returns on Investment and Servicing of Finance			
Investment income receipts		18,883	16,334
		18,883	16,334
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets	9	(348,132)	(466,518)
Payments to acquire investments	10	(4,928)	(59,280)
Receipts from sale of investments		-	39,517
		(353,060)	(486,281)
Increase in Cash	17	1,083,478	1,001,513
Reconciliation of net cash flow to movement in net funds			
		£	£
Increase in cash in year		1,083,478	1,001,513
Movement in net funds	17	1,083,478	1,001,513
Net debt at 1 August 2011	17	(593,683)	(1,595,196)
Net funds/(debt) at 31 July 2012	17	489,795	(593,683)

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS For the year ended 31 July 2012

1 Accounting Policies

Basis of accounts preparation

The financial statements 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, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice on Accounting and Reporting by Charities (the Charities SORP 2005).

Group financial statements

These financial statements consolidate the results of 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.
- Other income is recognised when receivable and includes the rental and hire of the School buildings and facilities for educational purposes and income from the School Shop.

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 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.

Costs are allocated and apportioned between activities based on the nature of the cost incurred.

Repairs and renewals

Repairs and renewals are charged to revenue as incurred.

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Continued) For the year ended 31 July 2012

1 Accounting Policies (continued)

Stocks

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

Fixed assets and depreciation

Fixed assets are stated at cost. Expenditure below £400 is not capitalised.

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

Land	Nil
Assets under construction	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.

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Continued) For the year ended 31 July 2012

2 School Fees	2012	2011
	£	£
The School's fee income comprised:		
Gross fees	10,281,136	9,927,898
Less: Bursaries, scholarships and allowances	<u>(1,103,265)</u>	<u>(1,237,036)</u>
	<u>9,177,871</u>	<u>8,690,862</u>

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:

	2012	2011
	£	£
Turnover and fee income	474,198	190,344
Total costs: subsidiary	<u>(408,775)</u>	<u>(154,221)</u>
Gross profit	65,423	36,123
Donations given	<u>(61,500)</u>	<u>(36,000)</u>
Retained operating surplus	<u>3,923</u>	<u>123</u>

4 Employee Information	2012	2011
	£	£
Staff costs comprise:		
Wages and salaries	4,799,601	4,465,280
Social security costs	387,208	390,836
Pension and other costs	<u>500,555</u>	<u>514,977</u>
	<u>5,687,364</u>	<u>5,371,093</u>

The average monthly number of persons employed on a full time equivalent basis was:

	No.	No.
Teaching and Support	152	147
Administration	<u>40</u>	<u>39</u>
	<u>192</u>	<u>186</u>

The earnings of two employees of the Company (including taxable benefits) were in excess of £60,000, one between £110,000 and £120,000 and the other between £60,000 and £70,000. 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.

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Continued) For the year ended 31 July 2012

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 £21.97 billion at 31 March 2011.

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 £370,734 (2011 - £356,310).

6 Other External Charges

	2012 £	2011 £
This is stated after including:		
Depreciation	691,480	693,398
Auditors' remuneration	<u>12,000</u>	<u>12,000</u>

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.

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 July 2012

8 Analysis of Total Resources Expended

	Staff Costs £	Other Costs £	Depreciation £	2012 Total £	2011 Total £
Costs of generating funds:					
Fundraising for voluntary resources	105,275	16,793	-	122,068	116,711
Trading costs of the subsidiary	102,130	295,789	1,856	399,775	144,948
Total for Group	<u>207,405</u>	<u>312,582</u>	<u>1,856</u>	<u>521,843</u>	<u>261,659</u>
Charitable activities:					
Teaching	3,366,747	268,326	-	3,635,073	3,419,804
Welfare	1,789,257	740,849	-	2,530,106	2,603,445
Premises	268,690	1,285,035	689,624	2,243,349	1,955,048
Support	55,265	629,795	-	685,060	692,136
	<u>5,479,959</u>	<u>2,924,005</u>	<u>689,624</u>	<u>9,093,588</u>	<u>8,670,433</u>
 Governance costs	 -	 12,000	 -	 12,000	 12,000
Total for Group	<u>5,479,959</u>	<u>2,936,005</u>	<u>689,624</u>	<u>9,105,588</u>	<u>8,682,433</u>
 Total Resources Expended - Group	 <u>5,687,364</u>	 <u>3,248,587</u>	 <u>691,480</u>	 <u>9,627,431</u>	 <u>8,944,092</u>
 Total Resources Expended - Charity	 <u>5,585,234</u>	 <u>2,952,798</u>	 <u>689,624</u>	 <u>9,227,656</u>	 <u>8,799,144</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Continued) For the year ended 31 July 2012

9 Tangible Fixed Assets

Group

	Land and Buildings £	Assets Under Construction £	Property Improve- ments £	Furniture and Equipment £	Plant, Machinery and Motor Vehicles £	Total £
Cost						
At 31 July 2011	13,183,035	32,995	2,212,281	1,065,654	411,775	16,905,740
Additions	-	33,844	85,018	116,828	112,442	348,132
At 31 July 2012	13,183,035	66,839	2,297,299	1,182,482	524,217	17,253,872
Depreciation						
At 31 July 2011	539,543	-	1,495,903	751,937	222,249	3,009,632
Charge for year	265,108	-	191,120	166,588	68,664	691,480
At 31 July 2012	804,651	-	1,687,023	918,525	290,913	3,701,112
Net Book Value						
At 31 July 2012	12,378,384	66,839	610,276	263,957	233,304	13,552,760
At 31 July 2011	12,643,492	32,995	716,378	313,717	189,526	13,896,108

Company

	Land and Buildings £	Assets Under Construction £	Property Improve- ments £	Furniture and Equipment £	Plant, Machinery and Motor Vehicles £	Total £
Cost						
At 31 July 2011	13,271,603	32,995	2,212,281	1,061,175	411,775	16,989,829
Additions	-	33,844	85,018	112,028	112,442	343,332
At 31 July 2012	13,271,603	66,839	2,297,299	1,173,203	524,217	17,333,161
Depreciation						
At 31 July 2011	539,543	-	1,495,903	748,727	222,249	3,006,422
Charge for year	265,108	-	191,120	164,732	68,664	689,624
At 31 July 2012	804,651	-	1,687,023	913,459	290,913	3,696,046
Net Book Value						
At 31 July 2012	12,466,952	66,839	610,276	259,744	233,304	13,637,115
At 31 July 2011	12,732,060	32,995	716,378	312,448	189,526	13,983,407

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 July 2012

10 Investments Held as Fixed Assets

	UK Listed £	UK Unlisted £	Cash for Investment £	Total £
Balance at 31 July 2011	347,292	3,500	4,326	355,118
Additions	4,928	-	11,587	16,515
Disposals	-	-	(4,928)	(4,928)
Gain on revaluation	4,101	-	-	4,101
Balance at 31 July 2012	<u>356,321</u>	<u>3,500</u>	<u>10,985</u>	<u>370,806</u>
Historical cost	<u>299,836</u>			

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

Scottish Investment Trust	£36,259
Scottish Securities Trust of Scotland	£31,277
Scottish Mortgage Trust	£22,977
Dunedin Growth Income	£30,139
Merchants Trust	£22,756
Treasury 2.5% Index-Linked 2024	£40,229
Treasury 2.5% Index-Linked 2020	£44,231
Temple Bar	£20,559
City of London	£20,352
Lowland Investment Trust	£20,424
Scottish American Investment Co.	£18,403

11	Stock	2012 Group £	2011 Group £	2012 Company £	2011 Company £
	Stock	<u>123,943</u>	<u>97,560</u>	<u>25,331</u>	<u>24,017</u>
		<u>123,943</u>	<u>97,560</u>	<u>25,331</u>	<u>24,017</u>
12	Debtors	2012 Group £	2011 Group £	2012 Company £	2011 Company £
	Fees and outlays in arrears	235,012	286,032	232,923	276,722
	Other debtors	<u>249,737</u>	<u>247,306</u>	<u>461,053</u>	<u>293,701</u>
		<u>484,749</u>	<u>533,338</u>	<u>693,976</u>	<u>570,423</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Continued) For the year ended 31 July 2012

13 Creditors: Amounts falling due within one year

	2012 Group £	2011 Group £	2012 Company £	2011 Company £
Bank overdraft	-	683,345	-	683,345
Deferred Income	770,538	693,161	770,538	693,161
Taxes and social security costs	133,673	129,894	124,327	127,000
Trade creditors	179,540	108,402	169,949	103,147
Other creditors	236,371	211,294	234,863	208,248
Accruals	284,236	176,234	211,465	173,234
	<u>1,604,358</u>	<u>2,002,330</u>	<u>1,511,142</u>	<u>1,988,135</u>

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

Deferred income comprises school fees paid in advance by parents as follows:

	2012 Group £	2012 Company £
Balance as at 31 July 2011	693,161	693,161
Amount released to income resources	(516,463)	(516,463)
Amount deferred in the year	<u>593,840</u>	<u>593,840</u>
Balance as at 31 July 2012	<u>770,538</u>	<u>770,538</u>

14 Creditors: Amounts falling due after more than one year

	2012 £	2011 £
Other creditors	<u>580,045</u>	<u>594,146</u>
	<u>580,045</u>	<u>594,146</u>

15 Capital and Reserves

Group	Restricted Reserves £	Unrestricted Reserves £	Revaluation Reserve £	Total Reserves £
Balance as at 31 July 2011	144,368	12,174,231	52,385	12,370,984
Surplus for the year	6,727	444,853	4,101	455,681
Transfer to unrestricted reserves	<u>(4,511)</u>	<u>4,511</u>	<u>-</u>	<u>-</u>
Balance as at 31 July 2012	<u>146,584</u>	<u>12,623,595</u>	<u>56,486</u>	<u>12,826,665</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 July 2012

15 Capital and Reserves (Continued)

Company	Restricted Reserves £	Unrestricted Reserves £	Revaluation Reserve £	Total Reserves £
Balance as at 31 July 2011	144,368	12,235,518	52,385	12,432,271
Surplus for the year	6,727	440,930	4,101	451,758
Transfer to unrestricted reserves	(4,511)	4,511	-	-
Balance as at 31 July 2012	<u>146,584</u>	<u>12,680,959</u>	<u>56,486</u>	<u>12,884,029</u>

16 Analysis of group net assets between funds

The restricted fund balance represented by current assets at 31 July 2012 was £146,584 (2011 - £144,368). 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 to the unrestricted funds. The transfer in the current year was £4,511.

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	As at 31 July 2011 £	Cash Flow £	As at 31 July 2012 £
Cash at bank and in hand	85,336	393,474	478,810
Cash held under investments	4,326	6,659	10,985
Bank overdraft	(683,345)	683,345	-
Net (debt)/funds	<u>(593,683)</u>	<u>1,083,478</u>	<u>489,795</u>

18 Capital Commitments	2012 £	2011 £
Amount authorised and contracted for	<u>153,543</u>	<u>260,000</u>

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 (2011 - £100) for use of the facilities and a donation of £61,500 (2011 - £36,000) was received. The amount due by Merchiston Enterprises at 31 July 2012 was £215,989 (2011 - £41,209).

The Governors received no remuneration during the year (2011 - Nil), but two Governors were reimbursed for travel and subsistence expenses totalling £955 (2011 - one governor £998).