

THE GOVERNORS OF THE FETTES TRUST
REPORT and FINANCIAL STATEMENTS
For the year ended 31 August 2018

This and the forty two pages following form the Financial Statements of The Governors of the Fettes Trust for the year ended 31 August 2018 as approved by the Board of Governors.

I M Osborne
Chairman of the Board of Governors

14 March 2019

THE GOVERNORS OF THE FETTES TRUST

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THE GOVERNORS OF THE FETTES TRUST

ADMINISTRATIVE AND LEGAL INFORMATION

Governors

The following persons served as Governors during the period from 1 September 2017 to the date of approval of these Financial Statements:

Name	Appointed by
I M Osborne (Chairman from 1 July 2018)	Co-opted
The Hon Lord Tyre CBE (Chairman to 30 June 2018)	Senators of Her Majesty's College of Justice
B A I Dingwall CBE (OF) (Deputy Chairman)	Co-opted
E M Young (OF)	Old Fettesian Association
The Hon Lady Wise (from 1 July 2018)	Senators of Her Majesty's College of Justice
H W D Bruce-Watt WS (OF)	Society of Writers to Her Majesty's Signet
Professor K A Whaler OBE	University Court of the University of Edinburgh
A W D McLean QC	Faculty of Advocates
A A McCreath	The Master's Court of the Company of Merchants of The City of Edinburgh
Councillor G Barrie (from 28 September 2017)	The City of Edinburgh Council
Professor A E Thomas OBE (from 1 December 2017)	Royal College of Physicians of Edinburgh
Professor I W Campbell (to 30 November 2017)	Royal College of Physicians of Edinburgh
A G H Davidson (to 30 June 2018)	Edinburgh Chamber of Commerce
B R Aird	Co-opted
Mrs D C Atkins (to 26 September 2018)	Co-opted
Mrs T C Castell MBE	Co-opted
Rev N N Gardner	Co-opted from among Ministers of Religion
Mrs I A Keith	Co-opted
J C Lang (OF)	Co-opted
Ms L S Paterson	Co-opted
W Sinclair	Co-opted

(OF designates Old Fettesians)

The Standing Committees of the Board of Governors during the same period included the following Governors:-

The Executive Committee

E M Young (Convener)
B R Aird
H W D Bruce-Watt WS
A G H Davidson (to 30 June 2018)
A A McCreath
IM Osborne (from 1 July 2018)
W Sinclair
The Hon Lord Tyre CBE (to 30 June 2018)

The Preparatory School Committee

H W D Bruce-Watt WS (Convener)
D C Atkins (to 26 September 2018)
Professor A E Thomas OBE (from 17 September 2018)
I M Osborne
The Hon Lord Tyre CBE (to 30 June 2018)
E M Young

The Risk Management Committee

T C Castell MBE (Convener from 1 December 2017)
Professor I W Campbell (Convener to 30 November 2017)
A W D McLean QC
I M Osborne (to 30 June 2018)
Ms L S Paterson (from 26 February 2018)

THE GOVERNORS OF THE FETTES TRUST

ADMINISTRATIVE AND LEGAL INFORMATION *(cont'd)*

Buildings Committee

W Sinclair (Convener)
A G H Davidson (to 30 June 2018)
A A McCreath
A E H Salvesen CBE (by Invitation)
E M Young

Clerk to The Governors of the Fettes Trust

C K Oliver OBE WS

Headmaster

G E O Stanford

Bursar

P J F Worlledge ACA

Registered Address

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Place of Business

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Auditor

Johnston Carmichael LLP
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EH3 7PE

Bankers

Bank of Scotland
43 Comely Bank
Edinburgh
EH4 1AF

Solicitors

Anderson Strathern LLP
1 Rutland Court
Edinburgh
EH3 8EY

Investment Managers

Speirs & Jeffrey
George House
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G2 1EH

Scottish Charity Number

SC017489

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT

For the year ended 31 August 2018

REFERENCE AND ADMINISTRATIVE INFORMATION

The governing body, The Governors of the Fettes Trust ("the Trust"), is a body corporate originally established under the Educational Endowments (Scotland) Act, 1882 and continued as a body corporate by various Schemes under the Education (Scotland) Acts (as amended) culminating in The Fettes College Scheme 2008 ("the Fettes Scheme") under and in terms of the Charities and Trustee Investment (Scotland) Act 2005.

The Trust is a registered Scottish charity (No. SC017489). The governing body is obliged under the Fettes Scheme to maintain and develop Fettes College ("Fettes" or "the School") as a school for boarding and day pupils. Details of the Governors, who are Trustees for the purpose of charity law, senior managers, advisers and the principal address of the Trust are listed on pages 2 and 3 of this report.

This report and the attached financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102 ("SORP (FRS 102)") and with current statutory requirements.

As part of its ongoing review of governance, the Governors of the Fettes Trust have been reviewing the existing structure of the Trust, with a view to taking steps to modernise and thus better fulfil its charitable purposes. As a result of that review, the Governors have resolved to alter the legal form of the Trust from the existing body corporate, to a charitable Company Limited by Guarantee ("CLG"). The Governors of the Fettes Trust are of the view that a charitable CLG will provide the Trust with a more robust and flexible structure going forward. The intention is that there will be no departure from the Trust's existing charitable purposes as a consequence of this change. The CLG will continue to use the Trust's funds and assets for the provision and advancement of education. The Fettes Scheme will form the basis of the new CLG's Articles of Association, with some updates incorporated therein.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Board comprises nine elected governors and not more than eleven co-opted governors. The elected governors consist of one person elected by each of the:

- a) Senators of Her Majesty's College of Justice;
- b) The City of Edinburgh Council, as the Local Education Authority;
- c) University Court of the University of Edinburgh;
- d) Faculty of Advocates;
- e) Society of Writers to Her Majesty's Signet;
- f) Royal College of Physicians of Edinburgh;
- g) The Master's Court of the Company of Merchants of The City of Edinburgh;
- h) Edinburgh Chamber of Commerce; and
- i) Old Fettesian Association from among former pupils of Fettes College.

Governors are elected or co-opted as appropriate to provide a range of skills required to enable the Trust to fulfil its object of providing education to young people.

New Governors are inducted by briefings from the Clerk to the Governors, by initial meetings with senior management and subsequent regular visits to Fettes which includes both the Senior School for pupils between the ages of 13 and 18 and the Preparatory School for pupils between the ages of 7 and 13 ("the Prep School"). Governors are encouraged to take a specific interest in, and reporting responsibility for, one or more of the School's activities or facilities (in which they might have a particular interest or expertise). Governors are expected to attend all Board meetings and may also attend external courses relevant to the School and its operation or to its compliance with current regulatory requirements. The Governors conduct a process of self-assessment from time to time and this informs the Board as a whole as to any gaps in knowledge, skills or experience deemed necessary for the proper operation of the Board of Governors. Steps are then taken to remedy this through the co-option process of recruiting new Governors.

Governor appointments and retirements are now arranged to coincide with the last meeting of the Academic year.

Organisational Management

The Governors have overall responsibility for ensuring that Fettes provides the best possible education for its pupils, for determining the aims and objectives of the School in that context and for determining the policies and strategies that will best support and protect those aims and objectives. The Board meets four times a year to consider reports on the performance of the School and issues affecting it, from senior management, from individual Governors and sub-committees and from its advisers. The Chairman of the Board during the year was The Hon Lord Tyre CBE.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT (*cont'd*)

For the year ended 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (*cont'd*)

Organisational Management (*cont'd*)

In addition, an Executive Committee of Governors comprising a subset of the Board meets up to ten times a year. The Executive Committee reports to the Board and is responsible, *inter alia*, for overseeing the financial and operational activities of the School and the Trust's trading subsidiaries and for supporting and assisting, where necessary, the management of the School and, in particular, the Headmaster, the Bursar and the Head of the Prep School. The Executive Committee consists of a Convener and at least four other Governors elected from the members of the Board.

The Preparatory School Committee consists of a Convener and at least three other Governors elected from time to time from among members of the Board. It has the power to co-opt other members from within or outside the Board and meets four times a year to consider and monitor the workings of the Prep School and to safeguard its interests within the overall strategy and objectives agreed by the main Board and Executive Committee for the School as a whole.

In addition to the Board and the two other Committees above, the Board elects a Convener and three other Governors to the Risk Management Committee. The Risk Management Committee meets termly to recognise and consider risks possibly affecting either the School or the Trust and to assist the Board with the procedures necessary to control and manage risks, governance issues and other matters delegated to it from time to time by the Board.

The powers and responsibilities of the Committees referred to above are set out in the document "The Structure of Governance" adopted by the Governors.

The day to day management of the School is undertaken by the Headmaster and the other members of the Senior Management Team, which includes the Head of the Preparatory School, the Deputy Headmaster and the Bursar, all of whom regularly attend and report to the main Board and other Committees, together with other School managers as required. The Clerk to the Governors attends and minutes the Board meetings and Executive and Risk Management Committee meetings.

Group Structure and Relationships

The Trust owns a trading subsidiary, Fettes Enterprises Limited ("Fettes Enterprises") which in turn has two wholly owned trading subsidiaries, Fettes Centre for Language & Culture Limited and Fettes International Limited. The activities and trading performance of these subsidiaries are discussed below. The chairman and board of directors of the trading subsidiaries comprise at least three Governors elected by the Board who form a majority on the board of directors in each case.

The Fettes Foundation is a separately registered charity (number SC028350), the aims of which are to support the education, health and well-being of pupils at Fettes by raising funds for investment in facilities and bursaries or by providing other direct financial aid to the School and its pupils. The Fettes Foundation is operationally independent and has its own Board of Trustees, some of whom are also Governors.

Risk Management

The Board is responsible for the management of risks faced by the Trust and its subsidiaries. Detailed consideration of risk is delegated to the Risk Management Committee, the Senior Management Team and the boards of the trading subsidiaries, with the Bursar acting as the co-ordinator between the groups. Risks are identified and assessed and controls established. Whilst these controls are reviewed throughout the year, a formal review of the Trust's risk management processes is conducted on an annual basis. The key controls used by the charity include:

- formal agendas for, and minuting of, all Board and Committee activity;
- detailed terms of reference for the Committees;
- comprehensive strategic planning, budgeting and management accounting;
- established organisational structure and lines of reporting;
- formal written policies; and
- clear authorisation and approval levels for all expenditure.

Through the risk management processes established by the Trust, the Governors are satisfied that the major risks are identified and have been adequately assessed and mitigated, where necessary. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed. The key risks facing a school like Fettes are typically financial, regulatory or performance based which can in turn be broken down into pupil numbers, cost control, compliance and quality of staffing amongst others. The Governors place huge emphasis on ensuring steps are taken by management to market the School to potential parents appropriately, to recruit and train exceptional staff and to ensure compliance is uppermost in all the School's operations.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT *(cont'd)*

Risk Management *(cont'd)*

The current economic and political climate in the UK raises the possibility of targeted pupil numbers not being achieved and, whilst Governors have seen no sign of any downturn in pupil numbers, the School continues to monitor levels of enquiries and registrations from existing and new sources of pupils and will react as necessary to direct focussed effort when and wherever required.

The security of the School's pupils and staff is of the utmost importance and the Governors have taken and continue to take significant steps to ensure the campus and buildings are secure and safe; to that end a Head of Security assumes responsibility for the day to day monitoring needs of the Fettes campus.

The health and safety of everyone at Fettes, including visitors, is of paramount importance to the Governors, and a full-time Health and Safety Officer is employed to ensure that activities are carried out in a safe manner.

The care and welfare of students at Fettes is equally paramount to the Governors and their approach to this responsibility is covered in more detail later in this report. Underpinning the importance Governors attach to this matter is the recent appointment of two Governors with specific responsibility for Safeguarding, one of whom works closely with the pastoral team and Deputy Head in the Senior School and the other with the Prep School in discharging the School's responsibilities.

OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES

Charitable Objects

The charitable purpose of the School is the advancement of education. It provides public benefit, improves community engagement and enables School staff to take active roles in charitable endeavours.

Strategic Aims

The ongoing aim is to maintain educational standards and facilities, as well as the general assets of the Trust, and to develop new facilities and services to meet current and future demands as they arise. This has required the Governors to determine a new business strategy to deliver those facilities and services which will meet the challenges and demands of an increasingly complex regulatory, political and socio-economic world, and that exercise is currently underway.

Objectives for the Year

The Trust's objectives for the year were to:

- maintain the educational standards offered to the pupils and assist them in achieving their potential within a caring and happy environment;
- recruit new pupils and maintain the level of the pupil roll achieved in recent times without compromising the basic boarding school ethos of Fettes;
- fully expend available funds for bursaries for those from less financially well off backgrounds;
- promote the School and its activities to a wider audience and engage with its local community as far as practicable;
- maintain the environment and infrastructure of the School, its landmark building, its grounds and facilities;
- continue to implement the College Improvement Plan for the School to meet its future needs and challenges;
- meet all statutory obligations placed upon the Trust and its activities; and
- exercise due diligence in the management of the Trust's finances whilst meeting the objectives.

The Governors believe these objectives have been achieved successfully during the year.

Public Benefit

Fettes provides high levels of access and support to local communities, which benefits a variety of children's groups, educational institutions and individuals. Focussing on long-term and regular engagement, the School is home to clubs including the Nigel Short Chess Society and Captivate Drama. Both clubs offer learning and entertainment to more than 50 children from across Edinburgh on a weekly basis for no fee. Captivate Drama Theatre utilises the Fettes Theatre, technical equipment, staging and costumes for their annual performances, also free of charge. Strong links with the FetLor Youth club continue in a number of ways. For example, Fettes staff and pupils run a weekly Art Club for P6 and P7 children on the FetLor site.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2018

OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES *(cont'd)*

Public Benefit *(cont'd)*

Annual educational events also increase the level of public engagement amongst local primary and secondary schools. Examples of these are the Maths Masterclass, involving hundreds of children throughout the year, from over twenty different schools. Careers Day and Orchestra Day further add to this community-wide engagement by bringing together local school children to develop their talents and learn new skills. Weekly language tuition is offered freely to a number of local pupils and the Fettes 4th Form Language Leaders visit local primary schools to assist with language learning.

The School also seeks to promote public benefit by offering the use of its many sporting facilities to local groups and schools. The sports pitches are utilised several times each week by a number of beneficiaries including Lacrosse Scotland, Scottish Cricket, Scottish Hockey and the Scottish Rugby Union. Facilities are actively offered to local schools free of charge.

In July 2018, Fettes College hosted SuperTroop, a new Edinburgh-based charity that supports up to 16 children aged 6 to 18 with physical and learning disabilities to have a holiday with their peers, possibly for the first time ever. The week was led by volunteers to include 20 experienced helpers, group leaders, senior helpers and 21 Fettes pupils.

Community Engagement

Each year a group of L6th formers participate in a mentoring scheme run by the Mental Health charity Place2Be. Last year a group of 25 students were trained in mentoring and aspects of child protection before they were partnered with a younger child at an Edinburgh primary school. The schools involved see the programme as a very valuable tool in role modelling for their pupils and our own students develop their communication skills and gain great insights into the local Edinburgh community. Last year the group worked with two primary schools and hosted a visit to Fettes for one of the groups to take part in art and sporting activities.

The art department works with the charity Artlink, which offers art workshops and other opportunities to individuals with disabilities of all kinds. During the school holidays, the department hosted groups for a series of workshops making use of the darkroom and the printmaking facilities.

Fettes also continues to participate in the annual Youth and Philanthropy Initiative, which encourages students to champion local, grass-roots charities, and enables the winning team to donate £3,000 to their chosen organisation. Students are encouraged to establish a long-term relationship with the charity so that, among other things, they see the results of their fundraising.

Throughout the 6th Form, service is an integral part of the International Baccalaureate and all pupils enrolled in it are actively involved in a range of outreach community projects at home and abroad. This includes, among others, volunteering for: Sick Kids Foundation; The British Heart Foundation, Shelter Scotland, Poppy Scotland, and the Vanessa Grant Trust in Kenya.

There is an annual overseas CAS (Creativity, Activity, Service) trip for Lower 6th, which is open to the entire 6th Form. This year the pupils travelled to north eastern India where they visited the Jhamtse Gatsal Children's Community, located in the state of Arunachal Pradesh. They contributed to a building of a perimeter wall and gained a life-changing experience of that organisation and its local culture.

Many staff members of the Fettes community give their time and expertise free of charge for both academic and sporting pursuits within the wider community. This includes teaching or lecturing to pupils from other schools, weekly sports coaching at local clubs and sporting charities, counselling young adults, and engaging with local and overseas charities. Several staff members are trustees for international educational charities and sponsor children in schools abroad. Careers education, including university and further education advice, is offered to local state-maintained schools and 6th Formers from several local schools are invited to Careers and Further Education Fairs and talks given by third parties throughout the year.

Fundraising

The Senior and Prep schools were again actively involved in raising funds for a wide range of charities in ever more imaginative ways, including sponsored events, 'Own Clothes Days' and personal challenges. The beneficiaries this year included over 20 individual charities, including Combat Stress Scotland; Teapot Trust; Jhamtse Gatsal Children's Community in India (see above) and the Edinburgh City Mission. In all, over £26,000 was raised in donations for these charities during the year. Additionally, the Sleep out for the Rock Trust in November raised almost £8000, and the Charity Run, which took place in April, raised funds for a variety of causes, each house selecting its own charity. The School also participated in the Rotary Shoebox Scheme, packing shoeboxes with Christmas gifts for disadvantaged children and their families in Eastern Europe.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2018

OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES *(cont'd)*

Fundraising *(cont'd)*

Aside from the efforts of the pupils, Westwoods staff and membership have also involved themselves in fundraising activities, including a coffee morning for MacMillan Cancer Support, a bake sale for Children in Need and the Swimtag Swimming Challenge, which raised £7850 for Chest, Heart and Stroke.

RECORD OF ACHIEVEMENTS AND PERFORMANCE

Pupil numbers and inclusion

During the year, the School offered primary and secondary education to boys and girls between the ages of 7 and 18. The School educated 757 pupils (2017: 761) of whom 432 were boarders (2017: 445) and 325 were day pupils (2017: 316). The ratio of boys to girls averaged 52:48 (2017: 52:48) and the ratio of academic staff to pupils was at a healthy 1:7 during the year (2017: 1:7). The pupil population was drawn mainly from Scotland (72%), the remainder of the UK (7%), Continental Europe (7%) and from twenty other overseas countries (14%), represented by both foreign nationals and UK citizens living abroad.

Bursaries, scholarships and other remissions totalling £2,387,528 (2017: £2,505,943) were granted in the year representing 11.8% (2017: 12.7%) of gross fees. Means tested bursaries amounted to 73% (2017: 74%), non-means tested scholarships to 9% (2017: 7%) and other remissions, including sibling remissions, to 18% (2017: 19%) of the total.

77 pupils (2017: 86) or 10% (2017: 11%) of the School roll received means tested bursary assistance during the year, amounting to £1,745,166 (2017: £1,860,099). 48 pupils or 62% of means tested award holders received awards to a value in excess of 60% of the relevant fee, and 32 of these received awards to a value at least 80% of the relevant fee, including 12 on a 100% remission.

The proportion of bursary and scholarship remissions financed by restricted funds was 10% with the remaining 90% funded from unrestricted, general funds. The policy of the Governors is that bursaries are awarded to anyone who satisfies the standard entrance criteria, but availability is necessarily limited because of the restricted funds available and the not inconsiderable burden laid on the general funds by such awards.

Academic achievements

The School continues to achieve strong academic results and takes pride in the range of subjects studied by its pupils (including the classical, science and language subjects that are in decline nationally). This was the eleventh year of IB results and with an average score of 38.0 points and with 17 of the 44 pupils scoring 40+ points and 34 scoring 36+ points out of 45, these were very good results indeed. One pupil achieved 45 points. The A*-B pass rate for those taking A Levels in 2018, the key indicator of success, was a creditable 65%. This was the eighth year of the A* grade at A Level and 13% of all results were A*, the grade which aims to provide stretch and challenge for the most able pupils. The GCSE results were outstanding. It was an unusual year with some subjects moving to the new 9-1 grades with others retaining A*-G. 44% of results on the old scale were A* and 22% on the new grades were 9s. 70% of all grades were A*/A or 9-7. The pass rate of 98% was very pleasing with 3 pupils achieving straight A*s or 9s and 28 having nothing lower than an A or 7.

Of more significance are the value added results which give an indication of how well pupils are taught rather than just their ability. The School has been a regular participant in the ALIS Project which is administered by Durham University and which measures added value scores for a large proportion of schools in the UK. This year's A Level and IB results placed Fettes high in the results of all schools taking part in the scheme. The value-added results for GCSE were excellent, although there is no overall school ranking.

Members of the academic staff continued to undertake voluntary work in a number of associations promoting and developing their particular subjects. The School has also given free tuition to pupils from maintained schools where a particular subject such as German is not offered and organises an Oxbridge interview evening for pupils from local schools. Pupils from local schools are also invited to the Lower Sixth Form Careers Day and other events organised by departments. The School regularly acts as a centre for pupils outside the School wishing to be entered for exams administered by the English examination boards. The School is also the only SAT/ACT testing centre in Central Scotland and is used extensively, typically six times a year, by up to 60 outside pupils who wish to gain admission to American universities.

Take-up by pupils of the International Baccalaureate continues to be strong, with over 40% of the Sixth Form opting to take the IB. Many pupils seek to join the Sixth Form to study the IB because Fettes is one of only two schools in Scotland to offer this rigorous and highly respected programme and the only one to offer both A Levels and IB.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2018

RECORD OF ACHIEVEMENTS AND PERFORMANCE *(cont'd)*

Academic achievements *(cont'd)*

The Governors continue to believe that the combination of IB and A Levels offers the best possible set of options for senior pupil study and that the School's results demonstrate that it is clearly fulfilling its academic goals.

Other achievements

The numerous pupil societies continued to thrive at Fettes during the year, providing a lively and informed environment for pupils to develop their debating skills, their interest in politics, science, the arts and humanities, Christian fellowship and a host of individual and group activities.

Outside Service continues to provide a platform for pupils and staff to support the local community, including assisting in local care homes, missions, hospitals, conservation trusts and schools, providing support for the elderly, the infirm and the less fortunate.

The School's inclusive and ecumenical Christian tradition is nowhere better exemplified than in the strength of attendance by pupils, including many of different faiths, at Chapel services throughout the year and the numerous contributions from pupils, staff and outside speakers that enliven the proceedings and bring the whole School community together on a daily basis.

Sport

Sport is central to all that Fettes has to offer and whilst individual success is a cause for celebration, Fettes holds the concept of sport for all at its core. This is no better demonstrated than in the School's achieved desire to field 2 or 3 teams at all age levels in all major sports with strong participation in a host of other less mainstream sports, including netball, sailing, squash, golf and shooting, to name but a few. Personal success is of course celebrated, and this year Fettes supported several pupils who competed individually in their chosen sport at National level and others who represented the East District or Scotland at various age levels in Lacrosse, cricket, hockey and rugby.

Despite individual achievements teamwork remains an important life lesson and particular highlights included the Rugby Club winning the SRU Eclipse whole school Conference, the Boys 1st XI team winning the Caritas 7's Trophy and winning the Coach Logic Scottish Schools league. For the girls our Lacrosse 1st XII scoring 90 goals in a remarkable unbeaten season, winning 10 out of 11 games, with the SIPR team once again having a successful year winning the Kings of the Bens for the fastest youth team. Our Junior cricket teams had a great year winning 40 out of 42 fixtures (with a draw a weather effected game), which is a real demonstration of the strength in depth and quality that is coming through the coaching system at Fettes.

Overall, the Governors consider the significant breadth of sport at Fettes to be a strength of the School and one they continue to support and encourage.

Art

2017-18 saw the Art Department develop yet further within the new Salvesen Art School. The ambitious projects by both pupils and staff have ensured that we retain our high standards in terms of both results and in the quality of work being produced.

Aside from the continuing relationship with Artlink and the holiday 'Art experience' courses, the department's artist in residence also organised and curated exhibitions of work by young artists from Vienna and London.

Drama

The Drama Department maintains a high profile both within the School and beyond. It holds five major co-curricular productions per year as well as up to twenty shows as part of the assessment for the various qualifications offered. In addition, pupils are encouraged to work with professional companies, with several appearing in film, theatre and television work gained through the School. The Department collaborates with the Music Department regularly on musical theatre and the year's output included Naturalistic Theatre, Middleton, Shakespeare, Shaffer, Epic Theatre and Physical Theatre. Theatre continues to be a significant route for tertiary education, with Fettesians going on to study both Drama and Technical Theatre.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT (*cont'd*)

For the year ended 31 August 2018

RECORD OF ACHIEVEMENTS AND PERFORMANCE (*cont'd*)

Other achievements (*cont'd*)

Music

Our large and dedicated team of Instrumental Instructors continues to nurture our pupils, collectively giving more than four hundred individual lessons each week. Concomitant with that, Chamber Music is thriving, and we currently provide more than a dozen chamber ensembles alongside the Orchestras, Choirs and training in Music Theory. We have had several sessions of ABRSM and Trinity College Examinations, with some outstanding results being returned, especially at the higher grades in both practical and theory examinations. The Concert Choir, numbering around 130, has performed Will Todd's 'Mass in Blue' and Haydn's St Nicholas Mass and the Orchestras have performed a wide-ranging repertoire, including Tchaikovsky's 'Swan Lake' and 'Finlandia' by Sibelius.

The breadth of musical opportunity that we offer is probably unrivalled anywhere in Scotland. The Chapel Choir has continued to lead by example, rehearsing three times each week, serving the musical needs of the Chapel and other external events. We continue to receive frequent enquiries from current cathedral choristers who are researching their next steps. Our regular series of lunchtime concerts has continued to provide important opportunities for outreach and the standards of our competitions has remained as high as ever.

Combined Cadet Force

The CCF at Fettes offers pupils the opportunity to experience, in a controlled and safe environment, some of the rigours, discipline and enjoyment of British Army training. The Contingent is led by experienced and enthusiastic staff members but with increased emphasis on pupil involvement and responsibility. Specifically, Senior Cadets arrange internal promotional courses for junior Cadets throughout the year and interview their successors for the SNCO HQ positions. Meanwhile, they demonstrate their command ability by planning and implementing both the in-school CCF overnight exercise and field day, a complex full day of exercises, and weekly Platoon training, all of which provide deep-rooted leadership experience.

Reluctantly the Royal Navy section closed at the beginning on 2018 due to a low number of Cadets choosing to join the section, the lack of a designated member of staff to command the section and reduced support from the Royal Navy higher command.

In July there are centralised summer camps for the Army section offering a concentrated week of key developmental areas of the CCF syllabus: shooting, overnight exercises, adventurous training and a challenging setting for junior leadership. The summer camps are voluntary and between 30-40 Cadets are likely to attend Barry Buddon in July 2019.

Piping and Drumming

Pipes and Drums remain a central part of life at Fettes and the department is very healthy with around 100 pupils taking piping or drumming lessons each week from 4 instructors

The 1912 concert each year celebrates the inauguration of the Fettes Pipes and Drums Society in that year and, this year, brought a refreshed programme and flow, introducing new instruments to the Pipe Band idiom. The concert showcased in an imaginative way all the work which the staff and pupils put into the band's development and raised the standard yet further for future pipers and drummers to aspire to. The Band's trip to Monaco for the Saint Devote rugby 7s tournament was the highlight of the year; invited and hosted by the Royal Family, the Band entertained the crowds at the National Stadium in a very professional manner and learnt much from the experience.

Competitive success was most welcome in the Spring Term. Fettes entered two bands in the Scottish Schools Pipe Band Championships, securing 1st place in the Junior A category having previously placed 4th, 3rd and 2nd in consecutive years. The Pipe Band's sights are firmly set on retaining this title in 2019. The B Band took a respectable 3rd place, the first time Fettes has been placed in both categories. Another measure of a successful year was the CCF Scottish Schools Competition where the A Pipe Band won the Junior Category and again improved their Senior performance to take 5th overall.

The Pipe Band looks to 2019 with enthusiasm; more competitive success, an overseas tour on the horizon and uniform updates and improvement.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2018

RECORD OF ACHIEVEMENTS AND PERFORMANCE *(cont'd)*

Care and welfare of pupils

Fettes College continues to take great pride in the high standard of pastoral care that it offers to all of its pupils. The care and welfare of the pupils is of fundamental importance and GIRFEC (Getting It Right For Every Child) principles are embedded into all areas of School life. The Pastoral Leadership Teams in both the Senior School and the Prep School work closely with the designated Safeguarding Governors to ensure that current legislation is adhered to and best practice is followed in all areas of boarding school life.

The Care Inspectorate has introduced new Care Standards which will be used in any future inspection and, as part of the School's Framework for Consultation this term, senior pupils were asked to lead a pastoral self-evaluation and to consult in their Houses on particular strands. Given that the student body led this consultation, the positive results were pleasing, and the Governors are now considering any areas for further development arising from this pupil feedback.

The Governors are immensely grateful to the Pastoral team for the extensive work they have undertaken to develop a new Pastoral Manager module on the school's MIS which ensures sensitive pupil information can be recorded, accessed and managed, both securely and centrally. This is a significant step forward in the school's ability to support its pupils appropriately and in a streamlined way and, furthermore, staff have been trained in using this system and are aware of updated GDPR guidelines on the recording of pupil information.

The Pastoral team is also currently working with a SCIS group to establish better links to support services in universities and will review the new "Life after Fettes" programme for the U6th, to prepare them for a successful transition to university.

The School's Tutorial Programme continues to be a fundamentally important part of the care of the pupils and all the strands are developed to ensure that their needs are looked after. The PSE programme is extensive and formulated through consultation with the pupils.

The Governors of Fettes College place a high priority on safeguarding young people, "taking corporate parenting responsibilities very seriously". In so doing, the Governors and staff acknowledge that the wellbeing of all pupils at Fettes is fundamentally important and believe the work being undertaken throughout the school supports that aim.

Business plans and related developments

The Trust is a charity and is non-profit making. All surpluses are applied to ongoing investments or the repayment of loans for the benefit of the Trust's primary purpose. Its trading subsidiaries are run commercially with the objective that their profits should be donated to the Trust for the benefit of the School.

The Governors continue to place the security of the pupils and staff uppermost and have, in recent years improved campus perimeter security, upgraded CCTV systems and, the constructed a purpose-built gatehouse at the new main entrance to the School at the West gate. There has also been an increase in security personnel on site whose role is to welcome and guide visitors whilst ensuring any matters of concern are dealt with efficiently and effectively. During the year, the Governors commissioned a report by Police Scotland, the conclusion of which was that security at Fettes College has dramatically improved and surpassed the recommendations since the last report of this scale carried out in 2013, with many of the improvements being considered "best practice". The trading subsidiaries, Fettes Enterprises and Fettes Centre for Language & Culture Limited, showed strong performances across the range of their activities (health and recreational services, retail, events management, residential lets and EFL courses). These activities have widened access by the public to the facilities at Fettes and raised the profile of the School in its local community and overseas. By using School assets in parallel with School activities during term time or which would otherwise be unused during the holidays, these subsidiaries make a valuable contribution to the School.

During the year, the Governors entered into an arrangement with Bright Scholar Education Group, renowned as one of China's top private education providers, to create a purpose-built school in Southern China that bears the Fettes name and adopts the ethos and aims of Fettes College, Edinburgh. It is anticipated that the school will cater for 2,500 pupils aged 2-18 and open in 2020. Fettes International Limited was formed during the year as part of the Governors' plans to develop Fettes Guangzhou and it is anticipated that this entity, wholly owned by the Trust's subsidiary, Fettes Enterprises Limited, will oversee the strategic direction and operation of the school in China.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2018

RECORD OF ACHIEVEMENTS AND PERFORMANCE *(cont'd)*

Business plans and related developments *(cont'd)*

Bright Scholar originally approached the Governors because of the reputation Fettes has for providing a world-class, all-round education to its pupils, something they wish to emulate. Bright Scholar currently runs 51 independent schools in China and so their expertise and understanding of the importance of education is undisputed. The Governors of the Fettes Trust believe that this partnership will be transformational with significant financial changes resulting from the Fettes China project. Profits from the collaboration will significantly grow the Endowment Fund year-on-year, thus ensuring the financial future of Fettes (including substantial bursarial support for future generations). This project will be pivotal in ensuring that the philanthropic vision of Sir William Fettes continues.

The Governors have continued to support and strengthen relations between the School and its former pupils, parents and other supporters. The Old Fettesian Association is thriving, and the Trust continues to develop its links with the Association. The Governors are particularly grateful to The Fettes Foundation, a separately registered charity which raises substantial sums to help with new facilities at the School and donates funds for bursaries, renewal of facilities and numerous other activities.

FINANCIAL REVIEW

Results for the year

The total income of the Trust for the year to 31 August 2018 amounted to £18,927,581 compared with £18,617,718 in 2017. This included £590,479 of donation and similar income (2017: £914,935), over which the Trust has no direct control. Incoming resources from core charitable activities, primarily fee income, amounted to £17,935,595 (2017: £17,236,919), whilst investment income was £259,469 (2017: £238,582) and income under gift aid from subsidiaries was £139,206 (2017: £227,280).

Investment income from bank interest, investments in a portfolio of listed equities and bonds and from income arising from a secured loan to the trading subsidiary, Fettes Enterprises, form the Combined Investment Fund. Income arising from the Combined Investment Fund is generally restricted to providing bursaries and scholarships to pupils attending the School (note 3).

Total expenditure amounted to £18,367,514 (2017: £17,563,084), and the largest component of costs remained staffing which at £10,964,346 (2017: £10,533,552) constituted 60% (2017: 60%) of the total.

Net income for the year before investment gains was £560,067 (2017: £1,054,634).

The Combined Investment Fund's investment policy is considered and monitored annually by the Governors and a sub-committee comprising a Governor, the Bursar and the Finance Manager meets quarterly with the Investment Manager to discuss factors, both internal and external, which should be brought to the attention of or may be of interest to the wider Board of Governors. At present, the investment policy is to maximise total return in pursuit of both income and capital growth. In light of ongoing economic uncertainty, the Governors recently took the decision to reaffirm their approach to risk as defined by a portfolio focussed to a greater degree on equities with a proportion invested in fixed interest. Whilst the investment horizon contemplated by the Governors is long term, a reference point for performance has nevertheless been adopted, namely 80% FTSE All Share index and 20% British Government Fixed Interest index, and the CIF's performance over the last year has substantially outperformed the chosen reference point.

The Trust invests any monies not immediately required for current purposes in a combination of immediate cash and interest-bearing cash funds. The investment of restricted funds in equities and bonds is managed on behalf of the Trust by Speirs & Jeffrey.

During the year the Combined Investment Fund increased in value by £161,299 (2017: £432,478) from gains on investments and increased by £183,848 (2017: £300,493) from new donations. The total fund increased to £7,908,751 (2017: £7,563,604), an increase of 4.6% (2017: 11%) in the year and generated income after expenses of £189,284 (2017: £149,838) or 2.5% (2017: 2.2%). The total yield was 4.6% (2017: 8.5%), which reflected favourable market conditions during the year.

Fettes Enterprises continued to manage the Westwoods sports centre, retail, events management and letting divisions. These divisions and Fettes Enterprises' wholly owned trading subsidiary, Fettes Centre for Language & Culture Limited, continued to trade successfully during the year with a net deficit of £36,487 (2017: £20,183), after allowing for Gift Aid payments totalling £139,206 (2017: £227,280) to the Trust (note 23).

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2018

FINANCIAL REVIEW *(cont'd)*

Results for the year *(cont'd)*

The consolidated statement of financial activities and the consolidated balance sheet on pages 21 and 22 of the accounts bring together the activities of the Trust and Fettes Enterprises along with its subsidiary Fettes Centre for Language & Culture Limited, all of the subsidiaries being audited by the Trust's auditor.

Reserves policy

The reserves of the Trust are held for the furtherance of its charitable objects as described above. Through their budgeting and financial planning processes, the Governors seek to ensure that the School's operating commitments are met in full and that sufficient cash is generated to permit continuing investment in facilities to support the educational objectives of the Trust.

At 31 August 2018 the Trust's Unrestricted Fund reserve amounted to £14,031,322 (2017: £13,654,991) (note 17) and is represented in the main by the fixed assets of the School and its investment in the Westwoods sports centre.

The funds of the Combined Investment Fund are restricted by the provisions of the donors' gifts and the purpose of each of these funds is described in Note 3. At 31 August 2018 this Permanent Endowment Fund reserve amounted to £7,908,751 (2017: £7,563,604) (note 14) and is represented by listed investments and investment in the Westwoods sports centre.

The Group holds three broad categories of funds: endowment funds, where the capital element of the funds is generally held in perpetuity and the income is used for the purposes laid out by the donor; restricted funds, where the capital and interest are used for the purposes laid out by the donor; and unrestricted funds, which are used to fulfil the aims and objectives of the School.

The Group's policy on all restricted funds (endowed or otherwise) is to keep a separate record of donations, grants and other sources of fund-raising where restrictions are imposed that are narrower than the School's overall objectives.

All endowed funds are held within the Combined Investment Fund. The Fettes Foundation runs general and specific fund-raising programmes for the benefit of the Trust, and separate endowed and restricted funds are set up as appropriate following these appeals. The focus is on raising funds, not only for specific capital projects (each project will have its own target), but also to increase the level of funds held within the Combined Investment Fund available for bursaries for those who would benefit from a Fettes education but whose parents or guardians cannot afford the full School fees.

Incoming resources have been used during the year for their intended purpose as detailed in these Financial Statements.

The Governors consider that access to liquidity is a priority, and that the School can, with reasonable accuracy, predict its income level for at least a period of a year. Fees are received in advance of each term and used to fund the expenses of that term, the repayment of loans and capital expenditure. The Governors have set a minimum desirable level for liquid assets (defined as cash at bank and in hand and bonds with a maturity of less than one year but excluding fees received in advance) of £1m. Liquid assets at 31 August 2018 were £1,833,618 (2017: £2,188,860).

The Governors believe that the level of reserves, restricted and unrestricted, is adequate to cover the purposes for which they are intended. The Group's reserves policy is reviewed annually, and the Governors consider it appropriate for the financial statements to be prepared on a going concern basis.

FUTURE PLANS

The School continues to go from strength to strength and demand for places remains strong. The main priorities for the coming year include ensuring the School provides appropriate facilities for the all-round education of its many pupils.

Specifically, following the significant investment in teaching facilities in recent years, the Governors are determined that Fettes should be the employer of choice for aspiring teachers and, to that end, are turning their attention to continued staff welfare and facilities. Against the backdrop of an extraordinarily busy and exciting environment, Governors wish to ensure that staff are provided with facilities which can offer time away from their work spaces and that policies are put in place to ensure all staff at Fettes are given the best opportunity to balance their work and daily lives. Specifically, the construction of a new Staff Common Room, for quiet work or unwinding for short periods, was completed during the year.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2018

FUTURE PLANS *(cont'd)*

Furthermore, it remains one of the Governors' core aims to maintain the levels of financial assistance available to students otherwise unable to attend the School; and consideration is being given to the many ways in which the School's endowment fund, so important to the long-term provision of such assistance, can be enhanced.

The Governors continue to place significant emphasis on delivering the financial targets of the Trust. Meeting financial targets will require careful management of fees and costs, the continued promotion of excellence in education and of the School and its activities generally to the parental body and to the local, national and international community.

The Governors are keenly aware of the challenges presented by the continued uncertain political and economic outlook and will monitor the situation carefully, taking appropriate contingency action in the event that economic conditions so dictate. The Governors are particularly aware of the proposed changes to the level of employer's contributions to the Scottish Teachers Pension Scheme and removal of the mandatory charitable business rates relief. Both of these changes, if implemented, will impose a significant burden on the finances of the School and the Governors must consider what measures can and must be taken to mitigate such an impact: such measures might include, but not be limited to, maximising fee income, reducing other costs and controlling bursary expenditure. The Governors continue to believe strongly in the public benefit provided by the School and regard it as of importance that the Trust maintains its status as a not for profit charity.

Key management personnel

Key management personnel include the Headmaster, Deputy Headmaster, Assistant Headmaster, Prep Headmaster and Bursar. The Governors set the pay at rates which they believe are competitive within the Independent Schools sector and make use of benchmarking reporting to achieve this.

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The Governors 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).

The law applicable to charities in Scotland requires the Governors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Trust and of the incoming resources and application of resources of the Trust for that period. In preparing the financial statements the Governors are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice (FRS 102);
- 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of The Fettes College Scheme 2008. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors are responsible for the maintenance and integrity of the charity and the financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**On behalf of
The Governors of the Fettes Trust**

I M Osborne
Chairman of the Board of Governors

14 March 2019

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE GOVERNORS OF THE FETTES TRUST

Opinion

We have audited the financial statements of The Governors of the Fettes Trust (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 August 2018 which comprise the Group and Parent Charity Statement of Financial Activities, the Group and Parent Charity Balance Sheets, the Group and Parent Charity Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 August 2018 and of the group's and parent charity's incoming resources and application of resources, including the group's and parent charity's 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 Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE GOVERNORS OF THE FETTES TRUST

Other information

The governors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- the information given in the Governors' Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; and
- we have not received all the information and explanations we require for our audit;

Responsibilities of governors

As explained more fully in the Statement of Governors' Responsibilities, the governors are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governors are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governors either intend to liquidate the group or the parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE GOVERNORS OF THE FETTES TRUST

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the governors.
- Conclude on the appropriateness of the governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent charity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely 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 charity's governors those matters 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 charity and the charity's governors as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

April 2019

Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

Johnston Carmichael LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

THE GOVERNORS OF THE FETTES TRUST

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 August 2018

	Notes	Un- restricted	Permanent endowment	Restricted	2018 Total	2017 Total as restated
		£	£	£	£	£
Income and endowments from:						
Donations and legacies	4	150,059	183,848	256,572	590,479	914,935
Other trading activities	4/23	2	-	-	2	2
Investments	4/10	186,854	-	211,821	398,675	465,862
Charitable activities	4/5	17,935,595	-	-	17,935,595	17,236,919
Other	4	2,830	-	-	2,830	-
Total income and endowments		18,275,340	183,848	468,393	18,927,581	18,617,718
Expenditure on:						
Investment management costs	6	-	-	20,377	20,377	19,333
Charitable activities	6/7	18,054,252	-	292,885	18,347,137	17,542,240
Other	6	-	-	-	-	1,511
Total expenditure		18,054,252	-	313,262	18,367,514	17,563,084
Net income before net gains/(losses) on investments						
		221,088	183,848	155,131	560,067	1,054,634
Net gains on investments		-	161,299	-	161,299	432,478
Net income before transfers						
		221,088	345,147	155,131	721,366	1,487,112
Transfers between funds	17	155,243	-	(155,243)	-	-
Net movement in funds						
		376,331	345,147	(112)	721,366	1,487,112
Reconciliation of funds						
Fund balances at 1 September 2017		13,654,991	7,563,604	6,574	21,225,169	19,738,057
Fund balances at 31 August 2018		14,031,322	7,908,751	6,462	21,946,535	21,225,169

The notes on pages 24 to 42 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

BALANCE SHEET

As at 31 August 2018

	Notes	2018 £	2017 £ as restated
Fixed assets			
Tangible fixed assets	9	24,187,852	24,603,787
Investments	10	10,105,637	9,782,373
		-----	-----
		34,293,489	34,386,160
		-----	-----
Current assets			
Debtors	11	1,586,203	1,494,685
Bank and cash		6,707,234	6,933,610
		-----	-----
		8,293,437	8,428,295
		-----	-----
Creditors: amounts falling due within one year	12	8,234,855	7,996,122
		-----	-----
Net current assets		58,582	432,173
		-----	-----
Total assets less current liabilities		34,352,071	34,818,333
		-----	-----
Creditors: amounts falling due after more than one year	13	12,405,536	13,593,164
		-----	-----
		21,946,535	21,225,169
		=====	=====
Funds			
Restricted funds		6,462	6,574
Permanent endowment funds		7,908,751	7,563,604
Unrestricted funds		14,031,322	13,654,991
		-----	-----
	17	21,946,535	21,225,169
		=====	=====

On behalf of The Governors of the Fettes Trust

I M Osborne
Chairman of the Board of Governors

14 March 2019

The notes on pages 24 to 42 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

STATEMENT OF CASHFLOWS

For the year ended 31 August 2018

	Notes	£	2018 £	£	2017 £
Net cash inflow from operating activities	18		2,209,187		2,069,162
Investing activities					
Investment income		400,675		446,862	
Receipts from the sale of assets		21,780		3,420	
Payments to acquire fixed assets		(1,211,135)		(1,107,846)	
Net cash to investment managers		(163,965)		(247,984)	
		-----		-----	
Net cash outflow from investing activities			(952,645)		(905,548)
			-----		-----
			1,256,542		1,163,614
Financing activities					
Hire purchase repayments		(153,065)		(153,066)	
Loan repayments		(820,350)		(788,217)	
Bank loan/hire purchase interest		(424,093)		(552,965)	
Commutation payments (refunded)/received		(85,410)		187,900	
		-----		-----	
Net cash outflow from financing activities			(1,482,918)		(1,306,348)
			-----		-----
Decrease in cash and cash equivalents			(226,376)		(142,734)
			-----		-----
Cash and cash equivalents at start of reporting period			6,933,610		7,076,344
			-----		-----
Cash and cash equivalents at end of reporting period			6,707,234		6,933,610
			=====		=====

Cash and cash equivalents was all cash at bank.

The notes on pages 24 to 42 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 August 2018

	Notes	Un- restricted *	Permanent endowment	Restricted	2018 Total	2017 Total
		£	£	£	£	£
Income and endowments from:						
Donations and legacies	4	150,059	183,848	256,572	590,479	914,935
Other trading activities	4	2,005,934	-	-	2,005,934	2,185,692
Investments	4/10	50,481	-	175,157	225,638	189,377
Charitable activities	4/5	17,935,595	-	-	17,935,595	17,236,919
Other	4	2,830	-	-	2,830	-
		-----	-----	-----	-----	-----
Total income and endowments		20,144,899	183,848	431,729	20,760,476	20,526,923
		-----	-----	-----	-----	-----
Expenditure on:						
Trading activities	6	2,009,143	-	-	2,009,143	2,056,142
Investment management costs	6	-	-	20,377	20,377	19,333
Charitable activities	6/7	17,931,491	-	292,885	18,224,376	17,416,766
Other	6	-	-	-	-	1,511
		-----	-----	-----	-----	-----
Total expenditure		19,940,634	-	313,262	20,253,896	19,493,752
		-----	-----	-----	-----	-----
Net income before net gains/(losses)						
On investments		204,265	183,848	118,467	506,580	1,033,171
Net gains on investments		-	161,299	-	161,299	432,478
		-----	-----	-----	-----	-----
Net income before transfers		204,265	345,147	118,467	667,879	1,465,649
Transfers between funds	17	118,579	-	(118,579)	-	-
		-----	-----	-----	-----	-----
Net movement in funds		322,844	345,147	(112)	667,879	1,465,649
		-----	-----	-----	-----	-----
Reconciliation of funds						
Fund balances at 1 September 2017		13,163,050	7,563,604	6,574	20,733,228	19,267,579
		-----	-----	-----	-----	-----
Fund balances at 31 August 2018		13,485,894	7,908,751	6,462	21,401,107	20,733,228
		=====	=====	=====	=====	=====

* Including retained equity in non-charitable subsidiaries

The notes on pages 24 to 42 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

CONSOLIDATED BALANCE SHEET

As at 31 August 2018

	Notes	2018 £	2017 £
Fixed assets			
Tangible fixed assets	9	27,923,859	28,460,711
Investments	10	5,392,996	5,067,732
		-----	-----
		33,316,855	33,528,443
		-----	-----
Current assets			
Stock		198,782	219,828
Debtors	11	1,526,956	1,317,150
Bank and cash		7,025,721	7,246,111
		-----	-----
		8,751,459	8,783,089
Creditors: amounts falling due within one year	12	8,260,559	7,983,412
		-----	-----
Net current assets		490,900	799,677
		-----	-----
Total assets less current liabilities		33,807,755	34,328,120
		-----	-----
Creditors: amounts falling due after more than one year	13	12,406,648	13,594,892
		-----	-----
		21,401,107	20,733,228
		=====	=====
Funds			
Restricted funds		6,462	6,574
Permanent endowment funds		7,908,751	7,563,604
Unrestricted funds		13,485,894	13,163,050
		-----	-----
	17	21,401,107	20,733,228
		=====	=====

On behalf of the Governors of the Fettes Trust

I M Osborne
Chairman of the Board of Governors

14 March 2019

The notes on pages 24 to 42 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 August 2018

	Notes	£	2018 £	£	2017 £
Net cash inflow from operating activities	18		2,414,427		2,225,509
Investing activities					
Investment income		225,638		189,377	
Receipts from the sale of assets		23,390		11,325	
Payments to acquire fixed assets		(1,236,962)		(1,168,027)	
Net cash to investment managers		(163,965)		(247,984)	
		-----		-----	
Net cash outflow from investing activities			(1,151,899)		(1,215,309)
			-----		-----
			1,262,528		1,010,200
Financing activities					
Hire purchase repayments		(153,065)		(153,066)	
Loan repayments		(820,350)		(788,217)	
Bank loan/hire purchase interest		(424,093)		(552,965)	
Commutation payments (refunded)/received		(85,410)		187,900	
		-----		-----	
Net cash outflow from financing activities			(1,482,918)		(1,306,348)
			-----		-----
Decrease in cash and cash equivalents			(220,390)		(296,148)
			-----		-----
Cash and cash equivalents at start of reporting period			7,246,111		7,542,259
			-----		-----
Cash and cash equivalents at end of reporting period			7,025,721		7,246,111
			=====		=====

Cash and cash equivalents was all cash at bank.

The notes on pages 24 to 42 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 August 2018

1. Accounting policies

Charity information

The Trust is a registered Scottish Charity (No. SC017489). The governing body, The Governors of the Fettes Trust ("the Trust"), is a body corporate originally established under the Educational Endowments (Scotland) Act, 1882 and continued as a body corporate by various Schemes under the Education (Scotland) Acts (as amended) culminating in The Fettes College Scheme 2008 ("the Fettes Scheme") under and in terms of the Charities and Trustee Investment (Scotland) Act 2005. The registered office is Fettes College, Carrington Road, Edinburgh, EH4 1QX.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified for fair value as appropriate, and are in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) ("SORP (FRS 102)"). The financial statements have also been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006 and the Charities and Trustee Investment (Scotland) Act 2005.

The Trust is a Public Benefit Entity, as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the Trust. Monetary amounts in these financial statements are rounded to the nearest pound.

Consolidation

The consolidated financial statements consolidate the financial statements for the year ended 31 August 2018 of the Trust, its wholly owned subsidiary, Fettes Enterprises Limited, and that company's wholly owned subsidiary Fettes Centre for Language & Culture Limited. The financial statements of the subsidiaries have been prepared to 31 August 2018.

The financial statements of Fettes College Limited, a subsidiary of the Trust are not consolidated as that company has been dormant throughout its financial years ended 31 August 2018 and 2017 and is immaterial.

The financial statements of The Fettes Foundation are not consolidated as it is a separate charity not directly under the control of the Trust.

Going concern

At the time of approving the financial statements, the Trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for at least the next 12 months. Thus the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

Pension arrangements

The Trust participates in the Scottish Teachers' Superannuation Scheme which provides benefits based on final pensionable pay. The scheme is a multi-employer defined benefit scheme which, in common with other Government pension schemes, is unfunded in that there is no earmarked fund of assets underlying the scheme. The Trust is unable to identify its share of the underlying liabilities of the scheme and therefore accounts for the contributions to the scheme as if it were a defined contribution scheme. Non-teaching staff are entitled to join a separate defined contribution scheme, the assets of which are held separately from those of the Trust. Pension costs are charged to the statement of financial activities in the year to which they relate (see note 19).

Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the Trust is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

1. Accounting policies (cont'd)

Fixed assets and depreciation

Fixed assets are initially recorded at cost. Major improvements works are capitalised. Expenditure on individual assets costing less than £5,000 may be expensed. Depreciation is not provided on land but is provided on all other fixed assets and expenditure incurred on the school buildings at rates calculated to write off the cost less estimated residual value evenly over the life of each asset as follows:

Expenditure incurred on buildings	- 2% to 5%
Vehicles, plant and machinery	- 10 and 20%
Boarding house furniture and fittings, sports facilities, pianos	- 10%
Kitchen equipment	- 15%
Computer equipment	- 20%

Assets in the course of construction are not depreciated until they have been completed and are available for use.

Impairment of fixed assets

At each reporting date, the Trust reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income and expenditure for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

Financial instruments

The Trust has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the Trust's balance sheet when the Trust becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including derivative financial instruments, investments in equity instruments which are not subsidiaries, associates, or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in income and expenditure.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (*cont'd*)

For the year ended 31 August 2018

1. Accounting policies (*cont'd*)

Impairment of financial assets

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in income and expenditure.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in income and expenditure.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Trust's contractual obligations expire or are discharged or cancelled.

Operating leases

Rentals payable under plant and machinery operating leases are charged to expenditure on a straight line basis over the lease term.

Income from charitable activities

Income from charitable activities comprise school fees and ancillary income receivable in the period. School fees are stated after deducting bursaries, scholarships, and sibling and forces remissions.

Deferred income

Fees received for which entitlement falls in future periods are deferred and are recognised as income in the period to which they relate. Deposits held in respect of pupils are presented as either current or non-current liabilities on the basis of an estimate of the timing of the settlement of the obligation.

Investments and investment income

Unlisted investments are stated at cost. Listed investments are stated at fair value which is based on market value at the reporting date. Gains or losses on sale of investments and unrealised gains or losses on the revaluation of investments are credited or charged to the Statement of Financial Activities. Deposit interest and other investment income is shown gross of recoverable tax and is accrued where applicable.

Donations and legacies

Income from donations and legacies is recognised when the Trust's entitlement to the receipt is probable. Donations subject to specific wishes of the donors are allocated to the relevant restricted funds or to endowment funds where the amount is required to be held as permanent capital. Donations receivable for the general purposes of the Trust are credited to unrestricted funds.

For legacies, income is recognised when the Trust has entitlement and the amount can be reliably measured. This is generally the earlier of the Trust being notified of an impending distribution or the legacy being received. On occasion legacies will be notified to the Trust however it is not possible to measure the amount expected to be distributed. On these occasions, the legacy is recognised when the amount becomes reliably measurable.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 August 2018

1. Accounting policies *(cont'd)*

Income from trading activities

Income from trading activities represents subsidiary income from joining and membership fees and charges for the provision of services to members and their guests including hall letting, catering and sales of goods. Membership fees are apportioned across the period to which they relate and the unexpired portion of fees at the balance sheet date is included in deferred income. Turnover also represents sales from the Fettes Shop and fees receivable arising from the activities of Fettes the Venue.

It also includes amounts earned during the period in respect of the provision of language and cultural courses.

Expenditure

The Trust is not registered for VAT purposes and Trust expenditure is therefore inclusive of VAT where appropriate. Fettes Enterprises Limited is registered for VAT. The activities of FCLC are exempt from VAT and therefore that company is not registered for VAT.

Expenditure is included in the Statement of Financial Activities on an accruals basis and is allocated as:

- Raising funds - those associated with generating income;
- Charitable activities includes expenditure associated with meeting the Trust's primary objectives and includes the direct costs, the support costs relating to these activities and governance costs which comprise the costs of complying with constitutional and statutory requirements such as the cost of external audit, legal advice and tax advice, and the provision of the governance infrastructure.

All costs have been directly attributed to one of the functional categories of expenditure in the Statement of Financial Activities.

Tax

The Trust is recognised as a charity by HMRC and no charge for taxation arises on its charitable activities.

Change in accounting policies

As explained in note 24, the Trust has changed its accounting policy for recognising gift aid donation income from Fettes Enterprises Limited, its trading subsidiary.

2. Critical accounting estimates and judgements

In the application of the Trust's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following judgements or estimation uncertainties have a significant effect on amounts recognised in the financial statements:

Depreciation rates

Depreciation is calculated to fully write off the cost of assets over their estimated useful life. Management estimate the useful life of each asset. Details of the depreciation charged in the period are in note 9.

Bad debt provision

Management judges the recoverability of debtors and makes a provision where the debt is not expected to be recovered. Full provision has been made for such debts and the bad debt provision at the year-end was £83,472 (2017: £46,261).

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

2. Critical accounting estimates and judgements (cont'd)

Discounting of loan stock

Management has recognised non-current assets, which constitute a financing transaction, at the present value of future cash flows, discounted at 1% over base rate, being the market rate of interest for an equivalent debt instrument. Determining the market rate of interest is a judgement made by management. The carrying value of the loan stock at the year-end was £1,542,000 (2017: £1,544,000).

3. Trust funds

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the Trust. Restricted funds are subject to specific conditions by donors as to how they may be used. The uses of the restricted funds are set out in note 17.

Fund	Purpose
Combined Investment Fund	
Dr A B Flett's Bequest Fund	}
Fullarton Conn Memorial Scholarship Fund	}
Captain H S H Wallace's Fund	}
Knox-Cunningham Bequest Scholarship Fund	} To fund bursaries and scholarships tenable at Fettes College.
Mitchell Watson Scholarship Fund	}
Agnes M Pagan Scholarship Fund	}
Chenevix-Trench Memorial Scholarship Fund	}
Crawford Music Scholarship Fund	}
Todd Scholarship Fund	}
Joannides Scholarship Fund	}
Peter Crombie Foundation Bequest Fund	}
Lloyds Fettesian Scholarship	}
Robin Adam Bursary	}
V A McLean Legacy	}
The Late Dr AC Hay's Open Scholarship Fund	}
The Palgrave-Brown All Rounder Award	}
Foundation Endowment	}
The Camerons Acknowledgement	}
The Spens Bursary	}
Leaving Awards Fund	To fund scholarships tenable at Universities and Further Education Establishments and, at the discretion of the Governors, to fund Foundation Awards, Open Scholarships and Continuation Scholarships.
Prize Fund	To fund the award of prizes at the discretion of the Governors.
Dr Ashcroft's Fund	To be used at the discretion of the Governors.
Children of Officers Scholarship Fund	To be used to fund scholarships or otherwise at the discretion of the Governors.
Falconer Fund	To contribute towards the upkeep of the library.
Selwyn Lloyd Memorial Library Fund	To contribute towards the upkeep of the library.
Whiteside Cottage Endowment Fund	To contribute towards the cost of outward bound projects.
Foundation Supplementation Fund	To supplement the General Fund in the award of Foundation Scholarships.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

4. Income and endowments

	2018		2017	
	Trust £	Group £	Trust £	Group £
			as restated	
Donations	590,479	590,479	914,935	914,935
Trading activities (group is subsidiary income)	2	2,005,934	2	2,185,692
Investment income (interest, dividends and gift aid)	398,675	225,638	465,862	189,377
Charitable activities	17,935,595	17,935,595	17,236,919	17,236,919
Other	2,830	2,830	-	-
	-----	-----	-----	-----
	18,927,851	20,760,476	18,617,718	20,526,923
	=====	=====	=====	=====

Trust:

All amounts included above were attributable to unrestricted funds except for £183,848 (2017 - £300,493) of donations which related to a permanent endowment and £256,572 (2017: £214,347) of donations which was restricted. Within investment income £211,821 (2017: £171,261) was restricted.

Group:

All amounts included above were attributable to unrestricted funds except for £183,848 (2017: £300,493) of donations which related to a permanent endowment and £256,572 (2017: £214,347) of donations which was restricted. Within investment income £175,157 (2017: £140,248) was restricted.

5. Income from charitable activities

Trust and Group	2018 £	2017 £
School fees	20,305,571	19,722,036
<u>Less:</u> Bursaries, scholarships and other remissions	(2,387,528)	(2,505,943)
	-----	-----
Net fee income	17,918,043	17,216,093
Other ancillary activities	17,552	20,826
	-----	-----
	17,935,595	17,236,919
	=====	=====

All income related to unrestricted funds (2017: all)

6. Analysis of total expenditure

	2018		2017	
	Trust £	Group £	Trust £	Group £
Trading activities (subsidiary expenditure)	-	2,009,143	-	2,056,142
Investment management costs	20,377	20,377	19,333	19,333
Charitable activities (note 7)	18,347,137	18,224,376	17,542,240	17,416,766
Other	-	-	1,511	1,511
	-----	-----	-----	-----
	18,367,514	20,253,896	17,563,084	19,493,752
	=====	=====	=====	=====

Trust and group:

All amounts included above were attributable to unrestricted funds except for £20,377 (2017: £19,333) of investment management costs and £292,885 (2017: £255,974) of charitable activities which were restricted.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

7. Expenditure on charitable activities

	2018		2017	
	Trust £	Group £	Trust £	Group £
Teaching	8,794,989	8,689,480	8,560,339	8,456,600
Welfare	2,976,229	2,958,977	2,868,321	2,846,586
Premises	3,439,088	3,439,088	3,012,510	3,012,510
Support cost of schooling	1,377,207	1,377,207	1,250,656	1,250,656
Depreciation net of loss/(gain) on sale of assets	1,320,926	1,320,926	1,297,449	1,297,449
Bank interest	438,698	438,698	552,965	552,965
	-----	-----	-----	-----
	18,347,137	18,224,376	17,542,240	17,416,766
	=====	=====	=====	=====

Support costs of schooling largely represent administration costs of £900,310 (2017: £813,138) and sales and marketing costs of £295,701 (2017: £318,913).

	2018		2017	
	Trust £	Group £	Trust £	Group £
Auditor's remuneration				
Audit	17,865	24,145	17,411	23,495
Tax	-	1,775	-	1,724
Other services	-	-	-	-
	-----	-----	-----	-----
	17,865	25,920	17,411	25,219
	=====	=====	=====	=====

8. Staff costs

	2018		2017	
	Trust £	Group £	Trust £	Group £
Wages and salaries	8,987,330	9,798,086	8,648,068	9,452,712
Social security costs	953,466	1,009,067	893,861	948,606
Pension costs	1,023,550	1,062,312	991,623	1,027,407
	-----	-----	-----	-----
	10,964,346	11,869,465	10,533,552	11,428,725
	=====	=====	=====	=====

The average monthly number of employees (including those employed on an occasional basis) during the year was:-

		2018	2018	2017	2017
Trust	- average number		293		285
	- full time equivalents	254		244	
Subsidiaries	- average number		55		54
	- full time equivalents	33		33	
		-----	-----	-----	-----
		287	348	277	339
		=====	=====	=====	=====

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 August 2018

8. Staff costs *(cont'd)*

The total staff costs relating to key management personnel were as follows:

2018		2017	
Trust	Group	Trust	Group
£	£	£	£
596,647	596,647	646,251	646,251
-----	-----	-----	-----

The number of employees whose salaries were above £60,000 for the year were:-

	2018	2017
Between £60,000 and £70,000	9	7
Between £70,000 and £80,000	2	3
Between £80,000 and £90,000	1	-
Between £100,000 and £110,000	1	1
Between £120,000 and £130,000	1	-
Between £160,000 and £170,000	-	1

Total pension contributions for the fourteen staff members earning £60,000 or more were £164,085. One of these schemes is the multi-employer defined benefit scheme which is treated as a defined contribution scheme (note 19).

No Governor received any remuneration in the year (2017: £Nil). Three Governors received reimbursement of travel expenses of £9,580 in the year in relation to an ongoing significant development project (2017: £29,424).

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

9. Tangible fixed assets

	College Premises & Equipment £	Preparatory School Premises & Equipment £	Residential Premises & Equipment £	Vehicles and machinery £	Trust Total £	Subsidiary Premises & Equipment £	Group Total £
Cost							
At 1 September 2017	13,197,032	5,169,831	22,372,525	361,629	41,101,017	5,851,560	46,952,577
Additions	466,381	5,880	252,425	202,085	926,771	25,827	952,598
Disposals	-	-	-	(104,767)	(104,767)	(17,810)	(122,577)
At 31 August 2018	13,633,416	5,175,709	22,624,949	458,947	41,923,021	5,859,577	47,782,598
Depreciation							
At 1 September 2017	5,787,223	2,553,162	7,885,499	271,346	16,497,230	1,994,636	18,491,866
Charge for period	661,480	110,100	507,532	48,881	1,327,993	146,743	1,474,736
Disposals	-	-	-	(90,054)	(90,054)	(17,809)	(107,863)
At 31 August 2018	6,448,706	2,663,260	8,393,030	230,173	17,735,169	2,123,570	19,858,739
Net book value							
At 31 August 2018	7,214,710	2,512,449	14,231,919	228,774	24,187,852	3,736,007	27,923,859
At 31 August 2017	7,409,809	2,616,669	14,487,206	90,283	24,603,787	3,856,924	28,460,711

The Governors have granted a standard security over the site of the sports club built by Fettes Enterprises Limited to the group's bankers. At the year-end the carrying value was £3,716,900 (2017: £3,835,123).

Included within the Trust and consolidated net book value is £Nil (2017: £160,267) relating to assets in the course of construction and £251,125 (2017: £359,622) relating to assets held under hire purchase agreements.

The Governors have considered the market value of land and buildings held and are satisfied that the market values are significantly in excess of the carrying values shown above.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

10. Investments

	2018		2017	
	Trust £	Group £	Trust £	Group £
Market value at 1 September 2017	9,737,719	5,023,078	8,757,913	4,062,272
Additions	257,470	257,470	1,367,892	1,367,892
Disposals	(83,491)	(83,491)	(806,681)	(806,681)
Change in unrealised gains	165,805	167,805	418,595	399,595
	-----	-----	-----	-----
Cash awaiting investment	10,077,503	5,364,862	9,737,719	5,023,078
	28,134	28,134	44,654	44,654
	-----	-----	-----	-----
Market value at 31 August 2018	10,105,637	5,392,996	9,782,373	5,067,732
	=====	=====	=====	=====

	2018		2017	
	Trust £	Group £	Trust £	Group £
Loan to subsidiary – secured	2,480,639	-	2,480,639	-
Loan to subsidiary – unsecured	1,542,000	-	1,544,000	-
Listed investments	5,392,896	5,392,896	5,067,632	5,067,632
Unlisted investments	690,102	100	690,102	100
	-----	-----	-----	-----
	10,105,637	5,392,996	9,782,373	5,067,732
	=====	=====	=====	=====

Investments in individual entities held at 31 August 2018 which are over 5% of total investments consisted solely of investments in and loans to subsidiaries.

Income from investments

	2018		2017	
	Trust £	Group £	Trust £	Group £
Bank interest	49,648	50,481	48,321	49,129
Listed investments	175,157	175,157	140,248	140,248
Loans to subsidiary – secured	36,664	-	31,013	-
Loans to subsidiary – unsecured	(2,000)	-	19,000	-
Gift aid from subsidiaries	139,206	-	227,280	-
	-----	-----	-----	-----
	398,675	225,638	465,862	189,377
	=====	=====	=====	=====

Fettes College Limited

The Trust holds the whole issued share capital of £100 of Fettes College Limited (formerly Fettes (2006) Limited), a company incorporated in Scotland. The company had no net assets as at 31 August 2018.

The financial statements of Fettes College Limited are made up to 31 August and the company has been dormant during the year. Fettes College Limited is being retained as a dormant company for the foreseeable future.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

10. Investments (cont'd)

Fettes Enterprises Limited

The Trust owns the whole issued share capital of £2 of Fettes Enterprises Limited (the "company"), a company incorporated in Scotland. The financial statements of the company are made up to 31 August and the company's principal activities are the management of Westwoods Health Club, Fettes the Venue and the Fettes Shop. The company has a wholly owned subsidiary, Fettes Centre for Language & Culture Limited, a company incorporated in Scotland, which provides English language and Scottish culture courses. The company also has a dormant subsidiary, Fettes International Limited, incorporated on 18 June 2018.

The company had turnover of £1,690,394 (2017: £1,724,203), a loss of £29,584 (2017: £22,182), and net assets of £131,847 (2017: £178,431) and the ongoing support of the company is, in the view of the Governors, justified by its results and the satisfactory long-term trading outlook for it as a business. In addition the company provides excellent indoor sporting facilities for the School. The wholly-owned subsidiary had turnover of £438,300 (2017: £586,962), a loss of £6,903 (2017: profit of £1,999), and net assets of £88,048 (2017: £94,951).

The company has issued secured debenture loan notes of £2,480,639 (2017: £2,480,639) to the Combined Investment Fund and unsecured loans of £1,542,000 (2017: £1,544,000) are due to the Trust General Fund. The company has granted second ranking standard security to the Trust. The Combined Investment Fund loan is repayable by June 2021 unless otherwise agreed and bears interest at 1% over base rate. The loan for £1,542,000 (representing loan notes donated by the Fettes Foundation) is interest free and is repayable by June 2021 unless otherwise agreed. This loan is included in the financial statements at the present value of future cash flows discounted at the market rate of interest for a similar debt product.

A cross guarantee has been granted to the Bank of Scotland involving the Trust and the company.

11. Debtors

	2018		2017	
	Trust £	Group £	Trust £	Group £
Trade debtors	193,034	205,857	144,604	174,511
Due from subsidiaries and associated undertakings	125,002	-	238,414	-
Sundry debtors and prepayments	1,268,167	1,321,099	1,111,667	1,142,639
	=====	=====	=====	=====
	1,586,203	1,526,956	1,494,685	1,317,150
	=====	=====	=====	=====

12. Creditors due within one year

	2018		2017	
	Trust £	Group £	Trust £	Group £
			as restated	
Bank loans and hire purchase (see note 14)	995,422	995,422	1,028,395	1,028,395
Due to subsidiaries and associated undertakings	322,993	-	310,325	-
Trade creditors	420,459	504,792	240,514	295,426
Taxes and social security costs	246,975	329,403	229,640	297,331
Other creditors	751,574	755,038	696,412	700,115
Accruals	620,030	745,233	746,086	856,527
Deferred income (see note 15)	4,877,402	4,930,671	4,744,750	4,805,618
	=====	=====	=====	=====
	8,234,855	8,260,559	7,996,122	7,983,412
	=====	=====	=====	=====

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

13. Creditors due in more than one year

	2018		2017	
	Trust £	Group £	Trust £	Group £
Bank loans and hire purchase (see note 14)	10,656,617	10,656,617	11,597,059	11,597,059
Other creditors	1,528,736	1,528,736	1,529,559	1,529,559
Deferred income (see note 15)	220,183	221,295	466,546	468,274
	-----	-----	-----	-----
	12,405,536	12,406,648	13,593,164	13,594,892
	=====	=====	=====	=====

14. Bank loans and hire purchase

	2018		2017	
	Trust £	Group £	Trust £	Group £
Due within one year	995,422	995,422	1,028,395	1,028,395
Due in one to two years	949,657	949,657	988,478	988,478
Due in two to five years	3,044,640	3,044,640	2,962,129	2,962,129
Due in over five years	6,662,320	6,662,320	7,646,452	7,646,452
	-----	-----	-----	-----
	11,652,039	11,652,039	12,625,454	12,625,454
	=====	=====	=====	=====

Bank loans to the Trust from Bank of Scotland bear interest at 1% or 1.84% over either the Bank of Scotland base rate or rates which have been fixed over periods ranging from five to fifteen years. They are repayable in either monthly instalments over ten years and seventeen years or monthly instalments over fifteen years after a five year interest only period which expired in 2012.

The Bank of Scotland holds a bond and floating charge over the assets of Fettes Enterprises Limited and holds standard securities over the sports centre site and various residential properties. The bank holds a Letter of Negative Pledge from the Governors, undertaking not to grant to third parties, unless permitted by the bank, further security over the assets of the Trust. In addition a cross-guarantee between the Trust and Fettes Enterprises Limited exists.

Included within debtors are loan arrangement fees of £55,809 (2017: £61,692).

As a hedge against rising interest rates, the Trust has entered into an interest rate cap with a cap rate of 1% (BoE base rate) on a notional amount of £4m from 31/01/2018 to 31/01/2022 and a notional amount of £2m from 31/01/2022 to 30/01/2026.

15. Deferred income

	2018		2017	
	Trust £	Group £	Trust £	Group £
Balance at 1 September 2017	5,211,296	5,273,892	5,341,420	5,400,706
Income deferred in year	4,711,712	4,764,365	4,586,501	4,646,623
Amounts released from previous year	(4,825,423)	(4,886,291)	(4,716,625)	(4,773,437)
	-----	-----	-----	-----
Balance at 31 August 2018	5,097,585	5,151,966	5,211,296	5,273,892
	=====	=====	=====	=====

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

16. Financial instruments

Categories of financial assets and financial liabilities

The following table sets out the Trust's classification and carrying amount for each type of non-derivative financial asset and liability.

Trust:

At 31 August 2018

	Fair value through income and expenditure £	Amortised cost Loans and receivables £	Non-derivative financial liabilities £	Total £
<u>Assets</u>				
Investments	9,415,637	690,000		10,105,637
Cash and cash equivalents		6,707,234		6,707,234
Trade and other debtors	166,735	318,036		484,771
<u>Liabilities</u>				
Loans			(11,652,039)	(11,652,039)
Trade and other creditors			(3,023,762)	(3,023,762)
	<u>9,582,372</u>	<u>7,715,270</u>	<u>(14,675,801)</u>	<u>2,621,841</u>

At 31 August 2017

	Fair value through income and expenditure £	Amortised cost Loans and receivables £	Non-derivative financial liabilities £	Total £
<u>Assets</u>				
Investments	9,092,373	690,000	-	9,782,373
Cash and cash equivalents	-	6,933,610	-	6,933,610
Trade and other debtors	181,340	383,018	-	564,358
<u>Liabilities</u>				
Loans	-	-	(12,625,454)	(12,625,454)
Trade and other creditors	-	-	(2,776,811)	(2,776,811)
	<u>9,273,713</u>	<u>8,006,628</u>	<u>(15,402,265)</u>	<u>1,878,076</u>

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

16. Financial instruments (cont'd)

Group

At 31 August 2018

	Fair value through income and expenditure £	Amortised cost Loans and receivables £	Non-derivative financial liabilities £	Total £
<u>Assets</u>				
Investments	5,392,996			5,392,996
Cash and cash equivalents		7,029,507		7,029,507
Trade and other debtors	166,735	205,857		372,592
<u>Liabilities</u>				
Loans			(11,652,039)	(11,652,039)
Trade and other creditors			(2,788,566)	(2,788,566)
	<u>5,559,731</u>	<u>7,235,364</u>	<u>(14,440,605)</u>	<u>(1,645,510)</u>

At 31 August 2017

	Fair value through income and expenditure £	Amortised cost Loans and receivables £	Non-derivative financial liabilities £	Total £
<u>Assets</u>				
Investments	5,067,732	-	-	5,067,732
Cash and cash equivalents	-	7,246,111	-	7,246,111
Trade and other debtors	181,340	174,511	-	355,851
<u>Liabilities</u>				
Loans	-	-	(12,625,454)	(12,625,454)
Trade and other creditors	-	-	(2,525,100)	(2,525,100)
	<u>5,249,072</u>	<u>7,420,622</u>	<u>(15,150,554)</u>	<u>(2,480,860)</u>

Fair Value

Listed investments are held at fair value through income and expenditure. Fair value is determined by reference to quoted market prices in active markets and is not subject to any valuation techniques.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 August 2018

16. Financial instruments (cont'd)

Financial risk management

The Trust has exposure to the following risks arising from financial instruments measured at fair value through income and expenditure:

Credit risk

Credit risk is the risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations. The Trust's exposure to this risk is mainly due to the element of its investment portfolio that is invested in fixed interest instruments.

The Trust's policy for fixed interest investments, outwith the Group, is to ensure that they are actively managed by external professional investment managers, who report quarterly to the Executive Committee.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, will affect the Trust's income or the value of its investment holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Trust's policy is to ensure that its investment portfolio is diversified and actively managed by external professional investment managers, who report quarterly to the Executive Committee.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

17. i) Trust funds and analysis of assets and liabilities between funds

	Unrestricted			Permanent Endowment Combined Investment Fund £	Bursaries/ Scholarships £	Other £	Restricted		TOTAL £
	Fees in Advance £	General Fund £	Total Unrestricted £				Capital £	Total Restricted £	
Opening balances at 1 September 2017	(11,167)	13,666,158	13,654,991	7,563,604	-	6,574	-	6,574	21,225,169
Income	10,875	18,264,465	18,275,340	183,848	204,281	108,869	155,243	468,393	18,927,581
Expenditure	(425)	(18,053,827)	(18,054,252)	-	(204,281)	(108,981)	-	(313,262)	(18,367,514)
Gains on investments	-	-	-	161,299	-	-	-	-	161,299
Transfers	-	155,243	155,243	-	-	-	(155,243)	(155,243)	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Closing balances at 31 August 2018	(717)	14,032,039	14,031,322	7,908,751	-	6,462	-	6,462	21,946,535
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Represented by:									
Fixed assets									
Tangible fixed assets (note 9)	-	24,187,852	24,187,852	-	-	-	-	-	24,187,852
Investments (note 10)	-	2,232,102	2,232,102	7,873,535	-	-	-	-	10,105,637
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-	26,419,954	26,419,594	7,873,535	-	-	-	-	34,293,489
Net current assets/(liabilities)	219,466	(202,562)	16,904	35,216	-	6,462	-	6,462	58,582
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total assets less current liabilities	219,466	26,217,392	26,436,858	7,908,751	-	6,462	-	6,462	34,352,071
Creditors: amounts falling due after more than one year	(220,183)	(12,185,353)	(12,405,536)	-	-	-	-	-	(12,405,536)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	(717)	14,032,039	14,031,322	7,908,751	-	6,462	-	6,462	21,946,535
	=====	=====	=====	=====	=====	=====	=====	=====	=====

Notes

- (a) Fees paid to the College, funded by the Fees in Advance Scheme and which are included in fee income in the General Fund, were £338,582 (2017: £383,363); a corresponding reduction is reflected in liabilities in the balance sheet of the Fees in Advance Scheme.
- (b) Individual elements of the permanent endowment funds are detailed at note 3. Of the restricted funds, the bursaries and scholarships fund represents amounts received towards student awards; the other fund represents amounts awarded to fund pupil trips and similar activities; and the capital fund represents amounts received to fund specific capital projects.
- (c) Transfers from restricted capital funds to unrestricted general funds represent donations whose restriction has been fulfilled by being spent on the relevant capital project.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

17. ii) Group funds and analysis of assets and liabilities between funds

	Unrestricted		Permanent Endowment Combined Investment	Restricted			TOTAL		
	Unrestricted Funds	Retained Equity in Subsidiaries		Total Unrestricted Funds	Bursaries/ Scholarships	Other		Total Capital Restricted	
	£	£	£	£	£	£	£		
Opening balances at 1 September 2017	12,965,671	197,379	13,163,050	7,563,604	-	6,574	-	6,574	20,733,228
Income	18,138,133	2,006,766	20,144,899	183,848	167,617	108,869	155,243	431,729	20,760,476
Expenditure	(17,931,491)	(2,009,143)	(19,940,634)	-	(204,281)	(108,981)	-	(313,262)	(20,253,896)
Gains on investments	-	-	-	161,299	-	-	-	-	161,299
Transfers	171,689	(39,904)	118,579	-	36,664	-	(155,243)	(118,579)	-
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Closing balances at 31 August 2018	13,344,002	141,892	13,485,894	7,908,751	-	6,462	-	6,462	21,401,107
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Represented by:									
Fixed assets									
Tangible fixed assets (note 9)	25,443,220	-	25,443,220	2,480,639	-	-	-	-	27,923,859
Investments (note 10)	100	-	100	5,392,896	-	-	-	-	5,392,996
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Net current assets	306,218	143,004	449,222	35,216	-	6,462	-	6,462	490,900
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Total assets less current liabilities	25,749,538	143,004	25,892,542	7,908,751	-	6,462	-	6,462	33,807,755
Creditors: amounts falling due after more than one year	(12,405,536)	(1,112)	(12,406,648)	-	-	-	-	-	(12,406,648)
	=====	=====	=====	=====	=====	=====	=====	=====	=====
	13,344,002	141,892	13,485,894	7,908,751	-	6,462	-	6,462	21,401,107
	=====	=====	=====	=====	=====	=====	=====	=====	=====

Notes

- Fees paid to the College, funded by the Fees in Advance Scheme and which are included in fee income in the General Fund, were £338,582 (2017: £383,363); a corresponding reduction is reflected in liabilities in the balance sheet of the Fees in Advance Scheme.
- Individual elements of the permanent endowment funds are detailed at note 3. Of the restricted funds, the bursaries and scholarships fund represents amounts received towards student awards; the other fund represents amounts awarded to fund pupil trips and similar activities; and the capital fund represents amounts received to fund specific capital projects.
- Transfers from restricted capital funds to unrestricted general funds represent donations whose restriction has been fulfilled by being spent on the relevant capital project. Transfers from unrestricted retained equity in subsidiaries to restricted bursaries/scholarships funds are made to reflect the intercompany interest on the CIF loan stock that is otherwise eliminated on consolidation.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

18. Reconciliation of net income to net cash flow from operating activities

	2018		2017	
	Trust £	Group £	Trust £	Group £
Net income for year	560,067	506,580	1,054,634	1,033,171
Depreciation charges	1,327,993	1,474,736	1,291,983	1,438,964
(Gain)/loss on disposal of fixed assets	(7,067)	(8,676)	5,466	8,200
Transfer to/(from) bad debt provision	37,226	37,226	(33,927)	(33,927)
Decrease/(increase) in stock	-	21,046	-	(3,843)
(Increase) in debtors	(128,744)	(246,032)	(175,042)	(61,733)
Increase/(decrease) in creditors	394,294	431,092	(161,055)	(518,911)
Investment income receivable	(398,675)	(225,638)	(465,862)	(189,377)
Bank loan interest payable	424,093	424,093	552,965	552,965
	-----	-----	-----	-----
	2,209,187	2,414,427	2,069,162	2,225,509
	=====	=====	=====	=====

19. Pensions

The Scottish Teachers Superannuation Scheme is a multi-employer defined benefit scheme which, in common with other Government pension schemes, is unfunded in that there is no earmarked fund of assets underlying the scheme. The Trust is unable to identify its share of the underlying liabilities of the scheme and therefore accounts for the contributions to the scheme as if it were a defined contribution scheme.

The latest full actuarial valuation of the scheme was carried out as at 31 March 2012 and the employers' contribution rate has been set at 17.2% of pensionable salaries from 1 September 2015 to 31 March 2019 (14.9% from 1 April 2009 to 31 August 2015). The employers' contribution rate has been set at 22.4% from 1 April 2019. Employees' contributions are stepped, according to the level of their pensionable pay, and the rates vary from 7.2% to 11.9% of pensionable pay.

The pension cost for teaching staff for the period was £820,688 (2017: £794,368) and has been charged to the statement of financial activities. Employee and employer contributions for August 2018 due to be paid to the scheme after the year end amounted to £109,770 (2017: £105,009) and this was paid over on 5 September 2018. In addition, employee AVC contributions for August 2018 amounting to £2,943 (2017: £1,019), were paid over on 4 September 2018.

The pension cost for the period for non-teaching staff was £202,862 (2017: £197,255) for the Trust and has been charged to the statement of financial activities being contributions to a group stakeholder pension scheme and other personal pension plans. Employee or employer contributions for August 2018 of £21,109 (2017: £21,012) were due to be paid to the group stakeholder pension scheme after the year end and this was paid over on 12 September 2018.

20. Operating leases

At the reporting date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2018		2017	
	Trust £	Group £	Trust £	Group £
Within one year	545,113	556,001	494,318	524,279
Between two and five years	2,006,811	2,032,820	1,923,429	1,959,647
Over five years	4,238,400	4,238,400	4,718,400	4,718,400
	-----	-----	-----	-----
	6,790,324	6,827,221	7,136,147	7,202,326
	=====	=====	=====	=====

21. Commitments

The Trust had capital commitments at 31 August 2018 of £Nil (2017: £262,559). Fettes Enterprises Limited and Fettes Centre for Language & Culture Limited had capital commitments at 31 August 2018 of £Nil (2017: £Nil).

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2018

22. Contingent liability

The Trust has granted a guarantee to Bank of Scotland for a loan advanced by the bank to The Fettes Foundation. At the year end the maximum liability under this guarantee was £1,983,333 (2017: £2,233,433).

23. Related party disclosures

Where any of the Governors are parents of pupils at the School they have arms-length transactions in relation to payment of school fees.

During the year Fettes Enterprises Limited charged the Trust for the use of the company's sports facilities and this amounted to £63,475 (2017: £60,596) and sold goods to the Trust amounting to £69,805 (2017: £74,823), all figures including VAT. Fettes Enterprises Limited is leasing land from the Trust for 25 years at £1 per annum. The lease agreement obliged Fettes Enterprises Limited to develop a sports facility. During the year Fettes Enterprises Limited has also made a Gift Aid payment to the Trust of £17,000 (2017: £1,280) and £322,993 (2017: £310,325) was due by the Trust at the year end.

Fettes Centre for Language & Culture Limited has accrued Gift Aid payments to the Trust of £122,206 (2017: £226,000) and £125,002 (2017: £238,414) was due to the Trust at the year end.

24. Prior period adjustment

In line with clarification issued by the Financial Reporting Council (FRC) and related amendments to FRS 102, the group has revised its accounting treatment for gift aid distributions by Fettes Enterprises Limited (FEL) to the Trust. These are accounted for as FEL reserve movements and Trust income in the period they are formally approved, rather than in the period to which they relate, and the Trust and FEL have restated opening reserves and comparative figures accordingly. This has resulted in a decrease of £1,280 to Trust reserves at 1 September 2016, a decrease of £15,720 to the Trust's income for the comparative period, and a decrease of £17,000 to the Trust's reserves at 31 August 2017. There has been no impact on group results or group reserves.

Reconciliation of funds

	2017		2016	
	Trust £	Group £	Trust £	Group £
Funds as reported previously	21,242,169	20,733,228	19,739,337	19,267,579
Adjustments arising from change in accounting treatment of gift aid distributions	(17,000)	-	(1,280)	-
Funds as reported now	21,225,169	20,733,228	19,738,057	19,267,579

Reconciliation of net income

	2017	
	Trust £	Group £
Net income as reported previously	1,502,832	1,465,649
Adjustments arising from change in accounting treatment of gift aid distributions	(15,720)	-
Net income as reported now	1,487,112	1,465,649