

THE GOVERNORS OF THE FETTES TRUST
REPORT and FINANCIAL STATEMENTS
For the year ended 31 August 2019

This and the forty one pages following form the Financial Statements of The Governors of the Fettes Trust for the year ended 31 August 2019 as approved by the Board of Governors.

I M Osborne
Chairman of the Board of Governors

04 February 2020

THE GOVERNORS OF THE FETTES TRUST

INDEX

Page	
2 – 3	Administrative and Legal Information
4 – 14	Governors' Report
15 – 17	Auditor's Report
18	Statement of Financial Activities
19	Balance Sheet
20	Statement of Cash Flows
21	Consolidated Statement of Financial Activities
22	Consolidated Balance Sheet
23	Consolidated Statement of Cash Flows
24 – 41	Notes to the Financial Statements

THE GOVERNORS OF THE FETTES TRUST

ADMINISTRATIVE AND LEGAL INFORMATION

Governors

The following persons served as Governors during the period from 1 September 2018 to the date of approval of these Financial Statements:

Name	Appointed by
I M Osborne	Co-opted
B A I Dingwall CBE (OF) (Deputy Chairman)	Co-opted
E M Young (OF)	Old Fettesian Association
The Hon Lady Wise	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 (to 30 June 2019)	University Court of the University of Edinburgh
A W D McLean QC	Faculty of Advocates
A A McCreath (to 30 th June 2019)	The Master's Court of the Company of Merchants of The City of Edinburgh
Councillor G Barrie	The City of Edinburgh Council
Professor A E Thomas OBE	Royal College of Physicians of Edinburgh
B R Aird	Co-opted
Mrs D C Atkins (to 26 September 2018)	Co-opted
Mrs T C Castell MBE (to 30 th June 2019)	Co-opted
Rev N N Gardner (to 30 th June 2019)	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
Peter Hunter (from 27 th September 2018)	Co-opted
Ms E McAreevey (from 6 th December 2018)	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 A McCreath (to 30th June 2019)
Mrs I A Keith (from 25th September 2019)
I M Osborne
W Sinclair
Lady Wise (from 25th September 2019)

The Preparatory School Committee

H W D Bruce-Watt WS (Convener)
Mrs D C Atkins (to 26 September 2018)
I M Osborne
E M Young
Professor Angela E Thomas

The Risk Management Committee

Mrs T C Castell MBE (Convener until 30th June 2019)
A W D McLean QC (Convener)
Ms L S Paterson

THE GOVERNORS OF THE FETTES TRUST

ADMINISTRATIVE AND LEGAL INFORMATION *(cont'd)*

Buildings Committee

W Sinclair (Convener)
A A McCreath (to 30th June 2019)
A E H Salvesen CBE (by Invitation)
E M Young

Clerk to The Governors of the Fettes Trust

C K Oliver OBE WS

Head

Mrs H F Harrison (from 29th June 2019)
Mr G E O Stanford (until 29th June 2019)

Bursar

P J F Worlledge ACA

Registered Address

Fettes College
Carrington Road
Edinburgh
EH4 1QX

Place of Business

Fettes College
Carrington Road
Edinburgh
EH4 1QX

Auditor

Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

Bankers

Bank of Scotland
43 Comely Bank
Edinburgh
EH4 1AF

Solicitors

Anderson Strathern LLP
1 Rutland Court
Edinburgh
EH3 8EY

Investment Managers

Rathbone Brothers plc
George House
50 George Square
Glasgow
G2 1EH

Scottish Charity Number

SC017489

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT

For the year ended 31 August 2019

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.

At the end of the year, the Headmaster of Fettes, Mr Geoffrey Stanford, stood down from post after two years. He was succeeded by Mrs Helen Harrison, formerly Deputy Headmaster at the School for twelve years.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Board comprises up to nine elected governors and not more than eleven co-opted governors. The elected governors consist of up to 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 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 Michael Osborne.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT (*cont'd*)

For the year ended 31 August 2019

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 Head, 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 two other Governors to the Risk Management Committee and a further Convener and one other Governor to the Safeguarding 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 Safeguarding Committee meets the pastoral leadership team termly to consider best practice, any specific wellbeing or safeguarding cases of note and other possible areas of concern or improvement around the School's overall approach to safeguarding.

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 Head and the other members of the Senior Management Team, which includes the Head of the Preparatory School, the Deputy Head (Academic), the Deputy Head (Pastoral) 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 board of directors of the trading subsidiaries comprise at least two Governors elected by the Board.

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 2019

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 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 benefit 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 also utilises the Fettes Theatre, technical equipment, staging and costumes for their annual performances, free of charge. Strong links with the FetLor Youth club continue in a number of ways, one example being the Challenge Programme, an extensive training programme culminating in a significant expedition involving children from both Fettes and FetLor and designed to foster closer relations, teamwork and resilience.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2019

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, Classics Day & 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 by a number of beneficiaries including Lacrosse Scotland, Scottish Cricket, Scottish Hockey and local sports clubs. Facilities are actively offered to local schools free of charge.

In July 2019 Fettes College hosted SuperTroop, an 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, with some returning holiday makers from the previous year and some new ones. The week was led entirely by volunteers, including 20 Fettes pupils, some for the second year running and some for the first time.

Community Engagement

The School continues to develop its relationship with Craigoyston Primary school through the Place2Be mentoring programme. In this Fettes recognises the benefits not only to the younger pupils involved but the importance of this experience for its own students. The 25 Lower 6th participants are trained by the charity to carry out the mentoring role and the younger children are delighted with their older role models. There is no doubt that our students offer support and positive reinforcement to them as they approach their transition from primary to secondary school. The participants once again hosted the group on a visit to Fettes where they worked with their partners in a variety of art and sporting activities.

The Art Department continues to work with Artlink, the charity which offers Art-based opportunities for young people and adults with disabilities of all kinds. Fettes hosted two 3-day workshops in both the Easter and Summer holidays, led by the School's Artist in Residence

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.

At the core of the School's commitment to Service stand the United Nations Sustainability Goals (UNSDG) which are variously adopted by the boarding houses to tackle. Examples of the work undertaken, both on and offsite, include: the Welcoming which supports refugees who arrive in Edinburgh; Kinship Care in Fife who support children in care getting them school equipment to start school with dignity in August; Vintage Vibes which tackles isolation and loneliness; Cyrenians Fareshare foodbank in Leith organising food stock for homeless shelters; Corstorphine Hill Community Garden and Newhaven Garden Project tackling environmental situations; the Sick Kids Foundation; the British Heart Foundation; Shelter Scotland; Poppy Scotland and the Vanessa Grant Trust in Kenya. The School Service Prefects assume responsibility for coordinating these school-wide initiatives and ensuring that Service is student led and sustainable.

Throughout the 6th Form, Service is an integral part of the International Baccalaureate and all pupils enrolled in it are actively involved in CAS (Creativity, Activity, Service) and, specifically, a range of outreach community projects at home and abroad. This includes, among others, volunteering on the wards in Western General Hospital, helping at the Sick Kids Foundation, working with Rock Trust, Social Bite, Shelter Scotland, Street Soccer Scotland, With Kids, and various international organisations.

There is, in addition, an annual overseas CAS trip which is open to the entire Sixth Form. This year the pupils travelled to Borneo for a three-week expedition with World Expedition where they engaged in marine conservation work as well as a construction project while working and living with a local community in a remote village. While in country they also visited the Sepilok Orangutan Sanctuary and the Bornean Sun Bear Conservation Centre to learn about conservation issues. In addition, the students participating in this trip fundraised £2,306.70 for the Borneo charities they worked alongside.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2019

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

Fundraising

There have been numerous fundraising events, taking various forms over the last year. Both the Senior and Prep Schools have been very active in this regard; there are own clothes days, charity runs, ceilidhs, carol singing, coffee mornings, bake sales, retiring collections (taken up after several of our Chapel services), abseiling and sleep-outs. The school is also actively involved in the Poppy Appeal for Poppy Scotland.

The most significant single fundraising event this year was, as is normally the case, the Charity Run held in March. Each boarding house and the Prep School selects its own charity for this important event. The outstanding fundraising performers in this year's Charity Run were the Prep School, with over £7,000 raised for My Name's Doddie; other beneficiaries included £5,900 for the Simpsons Special Care Baby Unit at the Royal Infirmary, £2,450 for The Welcoming and £2,400 for Down's Syndrome Scotland.

Other fundraising highlights included the £4000 raised for the Rock Trust at the sleep-out in November, a further £4,300 at the Rock Trust Abseil Event in June and £8,500 for Clown Doctors at the Prep School Parents' Fundraising Evening. In addition to these and many other cash sums, a huge amount of produce was gathered for the Harvest Thanksgiving in September. This was sent to the Basics Banks (food banks) of Edinburgh City Mission. In total, just over £55,000 was raised for the various charities which we have supported during the course of the year.

Aside from and in addition to the efforts of the pupils, Westwoods staff and members have also involved themselves in fundraising activities and in 2019 raised a total of over £3,700.

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 766 pupils (2018: 757) of whom 414 were boarders (2018: 432) and 352 were day pupils (2018: 325). The ratio of boys to girls averaged 51:49 (2018: 52:48) and the ratio of academic staff to pupils was at a healthy 1:7 during the year (2018: 1:7). The pupil population was drawn mainly from Scotland (73%), the remainder of the UK (6%), 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 £2,448,331 (2018: £2,387,528) were granted in the year representing 11.7% (2018: 11.8%) of gross fees. Means tested bursaries amounted to 69% (2018: 73%), non-means tested scholarships to 9% (2018: 9%) and other remissions, including sibling remissions, to 22% (2018: 18%) of the total.

70 pupils (2018: 77) or 9% (2018: 10%) of the School roll received means tested bursary assistance during the year, amounting to £1,698,019 (2018: £1,745,166). 46 pupils or 6% of means tested award holders received awards to a value in excess of 60% of the relevant fee, and 34 of these received awards to a value at least 80% of the relevant fee, including 19 on a 100% remission.

The proportion of bursary and scholarship remissions financed by restricted funds was 10.4% with the remaining 89.6% 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 twelfth year of IB results and with an average score of 37.0 points and with 12 of the 40 pupils scoring 40+ points and 26 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 2019, the key indicator of success, was an impressive 76%. This was the ninth year of the A* grade at A Level and 16% of all results were A*, the grade which aims to provide stretch and challenge for the most able pupils. The GCSE results were excellent. It was the first year when all subjects were using the new 9-1 grades. 24% were 9s and 50% were 9 or 8. 72% of all grades were 9-7 (the equivalent of A*-A in previous years). The pass rate of 98% was very pleasing with 4 pupils achieving straight 9s and 36 having nothing lower than a 7.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2019

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

Academic achievements *(cont'd)*

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 or Russian 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 outside pupils who wish to gain admission to American universities can choose to sit these tests at Fettes.

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.

As already mentioned, 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 of Scotland at various age levels in Lacrosse, Cricket, Hockey and Rugby.

Despite individual achievements, teamwork remains an important life lesson and team sports at all levels and ages, whether mainstream or otherwise, achieved in their own particular sphere significant successes over the year with much for them to be proud of.

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

The Art department continued to develop within the superb facility it now inhabits. The teaching is further enhanced by a programme of visits and workshops offered to exam classes. Exam results were good and the end of year exhibition was impressive. The School's Artist in Residence concluded his tenure having very actively demonstrated the nature of what it means to be a practising artist in the 21st Century. His works, in collaboration with other artists, both inside and out of Fettes, offered real insights to the School's aspiring art students.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT (*cont'd*)

For the year ended 31 August 2019

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

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, multi-cast Narrative theatre, Kander and Ebb's *Cabaret*, Frantic Assembly, 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.

Music

The School's Instrumental team has grown again over the past year and Fettes now benefits from 32 instructors teaching around four hundred and fifty lessons each week. The Chamber Music programme also continues to thrive in parallel, as do the Orchestras, Choirs, Jazz Ensemble and Concert Band. Fettes has, once again, hosted several sessions of ABRSM and Trinity graded practical music exams with some outstanding results returned, including success in two piano diplomas. The Concert Choir, numbering over 130, performed Will Todd's 'Mass in Blue' and Haydn's St Nicholas Mass in the Spring Term and the ensembles have performed a wide range of repertoire on a variety of platforms. The Chapel Choir continues to lead by example and remains a busy group, rehearsing three times each week and singing in Chapel on Sundays, as well as at outside events, including Choral Evensong in Durham Cathedral. The Chapel Choir will tour in Italy for a week in the Summer of 2020. The School continues to receive frequent enquiries from former cathedral choristers who are researching their next step in education and the regular series of lunchtime concerts continues to provide important opportunities for musical outreach and engagement with the community whilst solo music competitions remain at a very high standard, impressing the various adjudicators who have come to hear them.

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.

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 around 30 Cadets are likely to attend Barry Buddon in July 2020.

The CCF offers a number of external courses targeting Cadet development in Leadership, Adventurous Training and more in-depth Cadet military training. These courses are at no cost to the Cadets and a number of students have used them this year to complete their Gold DofE Residential commitment.

Piping and Drumming

Pipes and Drums remain a central part of life at Fettes and the department remains strong with over 100 pupils taking piping or drumming lessons each week from 4 instructors. It is very important that the School maintains a high calibre of instruction so as to encourage and enthuse pupils by example and, in that vein, Fettes is fortunate to count among its staff 2 members of the twice World Championship winning band, Inverary and District Pipe Band, in which they participate alongside their school commitments.

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 that the staff and pupils put into the band's development and raised the standard yet further for future pipers and drummers to aspire to.

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 for the second year in a row. Another measure of a successful year was the CCF Scottish Schools Competition where the A Pipe Band retained the Junior Category and again improved their Senior performance to take 5th overall. While competitive playing is not the main aim of the piping and drumming structure, it gives a good marker as to the standard being produced and is an opportunity for constructive feedback from experienced Pipe Band judges.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2019

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

Piping and Drumming *(cont'd)*

The Pipe Band looks to 2020 with enthusiasm, most particularly the opportunity to perform in and around Guangzhou at the invitation of Bright Scholar, Fettes' Guangzhou partners.

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.

As part of the School's Framework for Consultation this term, independent safeguarding experts were asked to lead an external Safeguarding Audit and to consult fully with pupils, parents and staff on all aspects of our pastoral care and safeguarding practices. A detailed report will be produced from this consultation and the Pastoral Leadership teams will report to the Governors on any areas for further development arising from this feedback.

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. In recognition of our sector leading pastoral initiatives, the school received two awards in October 2019 as the Independent School of the Year for Student Wellbeing and for Healthy Eating.

Fettes College has recently been awarded Accredited status as the leading school in Scotland using AS (Affective Social) Tracking. This allows us to monitor the emotional wellbeing and progress of our pupils throughout the school, which then helps to guide our pastoral interactions with pupils and to identify any additional support which they may require. As the next stage of development, we are now testing their USteer programme, which would enable us to offer personalised guidance to the Upper Sixth, preparing our pupils for life after Fettes.

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 constructed a purpose-built gatehouse at the new main entrance to the School at the West gate. In addition, this year, the Governors completed a wholesale refurbishment and modernisation of the heating system in the main college building to improve temperature control and benefit from the inherent efficiencies of a LTHW, zoned heating system. The trading subsidiaries, Fettes Enterprises and Fettes Centre for Language & Culture Limited, showed pleasing 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, good progress has been made towards the fulfilment of the plan to open Fettes Guangzhou, a purpose-built school in Southern China that bears the Fettes name and adopts the ethos and aims of Fettes College, Edinburgh. Specifically, designs have been finalised and construction has commenced; the inaugural Headmaster of Fettes Guangzhou, Marco Longmore, formerly Rector of Edinburgh Academy and, most recently, Headmaster of Brighton College, Dubai, has been appointed and recruitment of the individual school heads, the senior leadership team and some House staff is well under way. It is anticipated that the school will cater for 2,500 pupils aged 2-18 and the programme remains on track to open in 2020. Fettes International Limited, 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 2019

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 benefits resulting from Fettes Guangzhou. 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 donate 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 2019 amounted to £20,763,351 compared with £18,927,581 in 2018. This included £1,888,284 of donation and similar income (2018: £590,479), over which the Trust has no direct control. Incoming resources from core charitable activities, primarily fee income, amounted to £18,515,252 (2018: £17,935,595), whilst investment income was £309,154 (2018: £259,469) and income under gift aid from subsidiaries was £50,659 (2018: £139,206).

Investments in a portfolio of listed equities and bonds and a secured loan to the trading subsidiary, Fettes Enterprises, together 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 £19,109,575 (2018: £18,367,514), and the largest component of costs remained staffing which at £11,739,200 (2018: £10,964,346) constituted 61% (2018: 60%) of the total.

Net income for the year before investment gains was £1,653,776 (2018: £560,067).

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 Rathbones.

During the year the Combined Investment Fund decreased in value by £170,571 from losses on investments (2018: increased £161,199) and increased by £1,684,000 (2018: £183,848) from new donations. The total fund increased to £9,422,180 (2018: £7,908,751), an increase of 19.1% (2018: 4.6%) in the year and generated income after expenses of £199,932 (2018: £189,284) or 2.5% (2018: 2.5%). The total yield was 0.4% (2018: 4.6%).

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 before tax of £6,973 (2018: £36,487), after allowing for Gift Aid payments totalling £50,659 (2018: £139,206) to the Trust (note 23).

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT (*cont'd*)

For the year ended 31 August 2019

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 subsidiaries Fettes Centre for Language & Culture Limited and Fettes International 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 2019 the Trust's Unrestricted Fund reserve amounted to £14,001,178 (2018: £14,031,322) (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 2019 the funds represented £8,145,001 (2018: £7,908,751) of Permanent Endowment Fund reserves and £1,277,180 of Restricted Fund reserves (2018: Nil) (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 2019 were £1,809,874 (2018: £1,833,618).

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 this year to extending the improvement of teaching facilities to Science. Whilst the draft masterplan envisages several new facilities and ventures, one of which is a newly constructed STEM building, there is an immediate need for improved provision within the existing science teaching facilities and the Governors have determined to make this a priority alongside the rolling programme of boarding house and pupil welfare improvements.

THE GOVERNORS OF THE FETTES TRUST

GOVERNORS' REPORT *(cont'd)*

For the year ended 31 August 2019

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, notwithstanding its significant increase in value this year, 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 recent changes to the level of employer's contributions to the Scottish Teachers Pension Scheme and proposed removal of the mandatory charitable business rates relief later this year. Both of these changes have and 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, reviewing alternatives to the teachers' pension scheme, 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 Head, Deputy Head (Academic), Deputy Head (Pastoral), 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
04 February 2020

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE GOVERNORS OF THE FETTES TRUST
FOR THE YEAR ENDED 31 AUGUST 2019**

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 2019 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 2019 and of the group's and parent charity's income and receipt of endowment and expenditure, including the group's, 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
- 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
Chartered Accountants
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 2019

	Notes	Un- restricted £	Permanent endowment £	Restricted £	2019 Total £	2018 Total £
Income and endowments from:						
Donations and legacies	4	150,000	400,000	1,338,284	1,888,284	590,479
Other trading activities	4/23	2	-	-	2	2
Investments	4/10	136,372	-	223,441	359,813	398,675
Charitable activities	4/5	18,515,252	-	-	18,515,252	17,935,595
Other	4	-	-	-	-	2,830
		-----	-----	-----	-----	-----
Total income and endowments		18,801,626	400,000	1,561,725	20,763,351	18,927,581
		-----	-----	-----	-----	-----
Expenditure on:						
Investment management costs	6	-	-	20,669	20,669	20,377
Charitable activities	6/7	18,817,469	-	257,136	19,074,605	18,347,137
Other	6	14,301	-	-	14,301	-
		-----	-----	-----	-----	-----
Total expenditure		18,831,770	-	277,805	19,109,575	18,367,514
		-----	-----	-----	-----	-----
Net income before net gains/(losses) on investments		(30,144)	400,000	1,283,920	1,653,776	560,067
Net (losses) / gains on investments		-	(163,750)	(6,820)	(170,570)	161,299
		-----	-----	-----	-----	-----
Net income before transfers		(30,144)	236,250	1,277,100	1,483,206	721,366
Transfers between funds	17	-	-	-	-	-
		-----	-----	-----	-----	-----
Net movement in funds		(30,144)	236,250	1,277,100	1,483,206	721,366
		-----	-----	-----	-----	-----
Reconciliation of funds						
Fund balances at 1 September 2018		14,031,322	7,908,751	6,462	21,946,535	21,225,169
		-----	-----	-----	-----	-----
Fund balances at 31 August 2019		14,001,178	8,145,001	1,283,562	23,429,741	21,946,535
		=====	=====	=====	=====	=====

The notes on pages 24 to 41 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

BALANCE SHEET

As at 31 August 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible fixed assets	9	23,579,873	24,187,852
Investments	10	11,645,219	10,105,637
		-----	-----
		35,225,092	34,293,489
		-----	-----
Current assets			
Debtors	11	1,603,229	1,586,203
Bank and cash		5,402,264	6,707,234
		-----	-----
		7,005,493	8,293,437
Creditors: amounts falling due within one year	12	(7,104,166)	(8,234,855)
		-----	-----
Net current assets / (liabilities)		(98,673)	58,582
		-----	-----
Total assets less current liabilities		35,126,419	34,352,071
Creditors: amounts falling due after more than one year	13	(11,696,678)	(12,405,536)
		-----	-----
		23,429,741	21,946,535
		=====	=====
Funds			
Restricted funds		1,283,562	6,462
Permanent endowment funds		8,145,001	7,908,751
Unrestricted funds		14,001,178	14,031,322
		-----	-----
	17	23,429,741	21,946,535
		=====	=====

On behalf of The Governors of the Fettes Trust

I M Osborne
Chairman of the Board of Governors

04 February 2020

The notes on pages 24 to 41 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

STATEMENT OF CASHFLOWS

For the year ended 31 August 2019

	Notes	£	2019 £	£	2018 £
Net cash inflow from operating activities	18		1,219,282		2,209,187
Investing activities					
Investment income		332,813		400,675	
Receipts from the sale of assets		-		21,780	
Payments to acquire fixed assets		(650,643)		(1,211,135)	
Net cash to investment managers		(1,683,152)		(163,965)	
		-----		-----	
Net cash outflow from investing activities			(2,000,982)		(952,645)
			-----		-----
			(781,700)		1,256,542
Financing activities					
Hire purchase repayments		(52,806)		(153,065)	
Loan repayments		(944,250)		(820,350)	
Bank loan/hire purchase interest		(346,501)		(424,093)	
Commutation payments received/(refunded)		820,287		(85,410)	
		-----		-----	
Net cash outflow from financing activities			(523,270)		(1,482,918)
			-----		-----
Decrease in cash and cash equivalents			(1,304,970)		(226,376)
			-----		-----
Cash and cash equivalents at start of reporting period			6,707,234		6,933,610
			-----		-----
Cash and cash equivalents at end of reporting period			5,402,264		6,707,234
			=====		=====

Cash and cash equivalents was all cash at bank.

The notes on pages 24 to 41 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

GROUP STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 August 2019

	Notes	Un- restricted *	Permanent endowment	Restricted	2019 Total	2018 Total
		£	£	£	£	£
Income and endowments from:						
Donations and legacies	4	150,000	400,000	1,338,284	1,888,284	590,479
Other trading activities	4	2,156,540	-	-	2,156,540	2,005,934
Investments	4/10	60,057	-	180,030	240,087	225,638
Charitable activities	4/5	18,515,252	-	-	18,515,252	17,935,595
Other	4	-	-	-	-	2,830
		-----	-----	-----	-----	-----
Total income and endowments		20,881,849	400,000	1,518,314	22,800,163	20,760,476
		-----	-----	-----	-----	-----
Expenditure on:						
Trading activities	6	2,100,911	-	-	2,100,911	2,009,143
Investment management costs	6	-	-	20,669	20,669	20,377
Charitable activities	6/7	18,700,424	-	257,136	18,957,560	18,224,376
Other	6	41,207	-	-	41,207	-
		-----	-----	-----	-----	-----
Total expenditure		20,842,542	-	277,805	21,120,347	20,253,896
		-----	-----	-----	-----	-----
Net income before net gains/(losses) on investments						
		39,307	400,000	1,240,509	1,679,816	506,580
Net losses/(gains) on investments						
		-	(163,750)	(6,820)	(170,570)	161,299
		-----	-----	-----	-----	-----
Net income before transfers						
		39,307	236,250	1,233,689	1,509,246	667,879
Transfers between funds						
	17	(43,411)	-	43,411	-	-
		-----	-----	-----	-----	-----
Net movement in funds						
		(4,104)	236,250	1,277,100	1,509,246	667,879
		-----	-----	-----	-----	-----
Reconciliation of funds						
Fund balances at 1 September 2018						
		13,485,894	7,908,751	6,462	21,401,107	20,733,228
		-----	-----	-----	-----	-----
Fund balances at 31 August 2019						
		13,481,790	8,145,001	1,283,562	22,910,353	21,401,107
		=====	=====	=====	=====	=====

* Including retained equity in non-charitable subsidiaries

The notes on pages 24 to 41 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

GROUP BALANCE SHEET

As at 31 August 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible fixed assets	9	27,196,161	27,923,859
Investments	10	6,905,578	5,392,996
		-----	-----
		34,101,739	33,316,855
		-----	-----
Current assets			
Stock		211,397	198,782
Debtors	11	1,620,858	1,526,956
Bank and cash		5,556,294	7,025,721
		-----	-----
		7,388,549	8,751,459
		-----	-----
Creditors: amounts falling due within one year	12	6,882,926	8,260,559
		-----	-----
Net current assets		505,623	490,900
		-----	-----
Total assets less current liabilities		34,607,362	33,807,755
		-----	-----
Creditors: amounts falling due after more than one year	13	11,697,009	12,406,648
		-----	-----
		22,910,353	21,401,107
		=====	=====
Funds			
Restricted funds		1,283,562	6,462
Permanent endowment funds		8,145,001	7,908,751
Unrestricted funds		13,481,790	13,485,894
		-----	-----
	17	22,910,353	21,401,107
		=====	=====

On behalf of the Governors of the Fettes Trust

I M Osborne
Chairman of the Board of Governors

04 February 2020

The notes on pages 24 to 41 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 August 2019

	Notes	£	2019 £	£	2018 £
Net cash inflow from operating activities	18		1,179,586		2,414,427
Investing activities					
Investment income		240,087		225,638	
Receipts from the sale of assets		-		23,390	
Payments to acquire fixed assets		(682,678)		(1,236,962)	
Net cash to investment managers		(1,683,152)		(163,965)	
		-----		-----	
Net cash outflow from investing activities			(2,125,743)		(1,151,899)
			-----		-----
			(946,157)		1,262,528
Financing activities					
Hire purchase repayments		(52,806)		(153,065)	
Loan repayments		(944,250)		(820,350)	
Bank loan/hire purchase interest		(346,501)		(424,093)	
Commutation payments received/(refunded)		820,287		(85,410)	
		-----		-----	
Net cash outflow from financing activities			(523,270)		(1,482,918)
			-----		-----
Decrease in cash and cash equivalents			(1,469,427)		(220,390)
Cash and cash equivalents at start of reporting period			7,025,721		7,246,111
			-----		-----
Cash and cash equivalents at end of reporting period			5,556,294		7,025,721
			=====		=====

Cash and cash equivalents was all cash at bank.

The notes on pages 24 to 41 form part of these financial statements

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 August 2019

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 2019 of the Trust, its wholly owned subsidiary, Fettes Enterprises Limited, and that company's wholly owned subsidiaries Fettes Centre for Language & Culture Limited and Fettes International Limited. The financial statements of the subsidiaries have been prepared to 31 August 2019.

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 2019 and 2018 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 2019

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 2019

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 by the Trust when the 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 2019

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 and reimbursement of expenditure relating to the set-up of a school in China.

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. Fettes International Limited is in the process of registering.

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.

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 £108,468 (2018: £83,472).

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2019

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 £1,569,000 (2018: £1,542,000).

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	}
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.
Kick Start Fund	To be used to fund bursaries for deserving local partner primary school pupils from low income families

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2019

4. Income and endowments

	2019		2018	
	Trust £	Group £	Trust £	Group £
Donations	1,888,284	1,888,284	590,479	590,479
Trading activities (group is subsidiary income)	2	2,156,540	2	2,005,934
Investment income (interest, dividends and gift aid)	359,813	240,087	398,675	225,638
Charitable activities	18,515,252	18,515,252	17,935,595	17,935,595
Other	-	-	2,830	2,830
	-----	-----	-----	-----
	20,763,351	22,800,163	18,927,581	20,760,476
	=====	=====	=====	=====

Trust:

All amounts included above were attributable to unrestricted funds except for £400,000 (2018 - £183,848) of donations which related to a permanent endowment and £1,561,725 (2018: £256,572) of donations which were restricted. Within investment income £223,411 (2018: £211,821) was restricted.

Group:

All amounts included above were attributable to unrestricted funds except for £400,000 (2018: £183,848) of donations which related to a permanent endowment and £1,338,284 (2018: £256,572) of donations which were restricted. Within investment income £180,030 (2018: £175,157) was restricted.

5. Income from charitable activities

Trust and Group	2019 £	2018 £
School fees	20,935,194	20,305,571
<u>Less:</u> Bursaries, scholarships and other remissions	(2,448,331)	(2,387,528)
	-----	-----
Net fee income	18,486,863	17,918,043
Other ancillary activities	28,389	17,552
	-----	-----
	18,515,252	17,935,595
	=====	=====

All income related to unrestricted funds (2018: all)

6. Analysis of total expenditure

	2019		2018	
	Trust £	Group £	Trust £	Group £
Trading activities (subsidiary expenditure)	-	2,100,911	-	2,009,143
Investment management costs	20,669	20,669	20,377	20,377
Charitable activities (note 7)	19,074,605	18,957,560	18,347,137	18,224,376
Other	14,301	41,207	-	-
	-----	-----	-----	-----
	19,109,575	21,120,347	18,367,514	20,253,896
	=====	=====	=====	=====

Trust and group:

All amounts included above were attributable to unrestricted funds except for £20,669 (2018: £20,377) of investment management costs and £257,136 (2018: £292,885) 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 2019

7. Expenditure on charitable activities

	2019		2018	
	Trust £	Group £	Trust £	Group £
Teaching	9,273,319	9,174,202	8,794,989	8,689,480
Welfare	3,146,704	3,128,776	2,976,229	2,958,977
Premises	3,458,732	3,458,732	3,439,088	3,439,088
Support cost of schooling	1,458,203	1,458,203	1,377,207	1,377,207
Depreciation net of loss/(gain) on sale of assets	1,303,850	1,303,850	1,320,926	1,320,926
Bank interest	433,797	433,797	438,698	438,698
	-----	-----	-----	-----
	19,074,605	18,957,560	18,347,137	18,224,376
	=====	=====	=====	=====

Support costs of schooling largely represent administration costs of £939,552 (2018: £900,310) and sales and marketing costs of £399,448 (2018: £295,701).

	2019		2018	
	Trust £	Group £	Trust £	Group £
Auditor's remuneration				
Audit	14,250	21,250	17,865	24,145
Tax	-	3,250	-	1,775
Other services	3,500	4,750	-	-
	-----	-----	-----	-----
	17,750	29,250	17,865	25,920
	=====	=====	=====	=====

8. Staff costs

	2019		2018	
	Trust £	Group £	Trust £	Group £
Wages and salaries	9,574,352	10,428,129	8,987,330	9,798,086
Social security costs	1,028,869	1,085,802	953,466	1,009,067
Pension costs	1,135,978	1,172,287	1,023,550	1,062,312
	-----	-----	-----	-----
	11,739,199	12,686,218	10,964,346	11,869,465
	=====	=====	=====	=====

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

		2019	2018
Trust	- average number	294	293
Subsidiaries	- average number	59	55
		-----	-----
		353	348
		=====	=====

THE GOVERNORS OF THE FETTES TRUST

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

For the year ended 31 August 2019

8. Staff costs *(cont'd)*

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

	2019	2018
Between £60,000 and £70,000	11	9
Between £70,000 and £80,000	-	2
Between £80,000 and £90,000	2	1
Between £90,000 and £100,000	1	-
Between £100,000 and £110,000	1	1
Between £120,000 and £130,000	-	1
Between £350,000 and £360,000	1	-

Total pension contributions for the sixteen staff members earning £60,000 or more were £193,244. One of these schemes is the multi-employer defined benefit scheme which is treated as a defined contribution scheme (note 19). The total value of termination payments made to staff in the year were £262,800 (2018: £nil).

No Governor received any remuneration in the year (2018: £Nil). Three Governors received reimbursement of travel expenses of £16,832 in the year in relation to an ongoing significant development project (2018: £9,580) and one Governor received reimbursement for training costs of £164 (2018: £9,580).

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2019

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 2018	13,663,416	5,175,709	22,624,949	458,947	41,923,021	5,859,577	47,782,598
Additions	694,401	1,470	-	-	695,871	32,035	727,906
Disposals	-	-	-	-	-	-	-
At 31 August 2019	14,357,817	5,177,179	22,624,949	458,947	42,618,892	5,891,612	48,510,504
Depreciation							
At 1 September 2018	6,448,706	2,663,260	8,393,030	230,173	17,735,169	2,123,570	19,858,739
Charge for period	660,630	75,943	505,069	62,208	1,303,850	151,754	1,455,604
Disposals	-	-	-	-	-	-	-
At 31 August 2019	7,109,336	2,739,203	8,898,099	292,381	19,039,019	2,275,324	21,314,343
Net book value							
At 31 August 2019	7,248,481	2,437,976	13,726,850	166,566	23,579,873	3,616,288	27,196,161
At 31 August 2018	7,214,710	2,512,449	14,231,919	228,774	24,187,852	3,736,007	27,923,859

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 £3,598,677 (2018: £3,716,900).

Included within the Trust and consolidated net book value is £nil (2018: £251,125) 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 2019

10. Investments

	2019		2018	
	Trust £	Group £	Trust £	Group £
Market value at 1 September 2018	10,077,503	5,364,862	9,737,719	5,023,078
Additions	1,359,773	1,359,773	257,470	257,470
Disposals	(683,817)	(683,817)	(83,491)	(83,491)
Change in unrealised gains	(40,898)	(67,898)	165,805	167,805
	-----	-----	-----	-----
Cash awaiting investment	10,712,561	5,972,920	10,077,503	5,364,862
	932,658	932,658	28,134	28,134
	-----	-----	-----	-----
Market value at 31 August 2019	11,645,219	6,905,578	10,105,637	5,392,996
	=====	=====	=====	=====

	2019		2018	
	Trust £	Group £	Trust £	Group £
Loan to subsidiary – secured	2,480,639	-	2,480,639	-
Loan to subsidiary – unsecured	1,569,000	-	1,542,000	-
Listed investments	5,972,820	5,972,820	5,364,762	5,364,762
Cash awaiting investment	932,658	932,658	28,134	28,134
Unlisted investments	690,102	100	690,102	100
	-----	-----	-----	-----
	11,645,219	6,905,578	10,105,637	5,392,996
	=====	=====	=====	=====

Investments in individual entities held at 31 August 2019 which are over 5% of total investments consisted solely of investments in and loans to subsidiaries.

Income from investments

	2019		2018	
	Trust £	Group £	Trust £	Group £
Bank interest	58,713	60,057	49,648	50,481
Listed investments	180,030	180,030	175,157	175,157
Loans to subsidiary – secured	43,411	-	36,664	-
Loans to subsidiary – unsecured	27,000	-	(2,000)	-
Gift aid from subsidiaries	50,659	-	139,206	-
	-----	-----	-----	-----
	359,813	240,087	398,675	225,638
	=====	=====	=====	=====

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 2019.

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 2019

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 ("FCLC"), a company incorporated in Scotland, which provides English language and Scottish culture courses. The company also has a wholly owned subsidiary, Fettes International Limited ("FIL"), incorporated on 18 June 2018, which works in partnership with Bright Scholar to build and run Fettes China.

The company had turnover of £1,696,376 (2018: £1,690,394), a loss of £65,286 (2018: £29,584), and net assets of £66,559 (2018: £131,847) 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. FCLC had turnover of £533,221 (2018: £438,300), a profit before tax of £118,233 (2018: loss of £6,903), and net assets of £121,316 (2018: £88,048). FIL had turnover of £43,987 to match expenditure of £43,987.

The company has issued secured debenture loan notes of £2,480,639 (2018: £2,480,639) to the Combined Investment Fund and unsecured loans of £1,569,000 (2018: £1,542,000) 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 £1,569,000 (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 instrument.

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

11. Debtors

	2019		2018	
	Trust £	Group £	Trust £	Group £
Trade debtors	363,175	411,589	193,034	205,857
Due from subsidiaries and associated undertakings	67,506	-	125,002	-
Sundry debtors and prepayments	1,172,548	1,209,268	1,268,167	1,321,099
	=====	=====	=====	=====
	1,603,229	1,620,857	1,586,203	1,526,956
	=====	=====	=====	=====

12. Creditors due within one year

	2019		2018	
	Trust £	Group £	Trust £	Group £
Bank loans and hire purchase (see note 14)	953,092	953,092	995,422	995,422
Due to subsidiaries and associated undertakings	586,598	-	322,993	-
Trade creditors	493,906	576,265	420,459	504,792
Taxes and social security costs	258,262	358,299	246,975	329,403
Other creditors	821,948	826,425	751,574	755,038
Accruals	397,970	511,011	620,030	745,233
Deferred income (see note 15)	3,592,390	3,657,834	4,877,402	4,930,671
	=====	=====	=====	=====
	7,104,166	6,882,926	8,234,855	8,260,559
	=====	=====	=====	=====

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2019

13. Creditors due in more than one year

	2019		2018	
	Trust £	Group £	Trust £	Group £
Bank loans and hire purchase (see note 14)	9,701,891	9,701,891	10,656,617	10,656,617
Other creditors	1,395,321	1,395,321	1,528,736	1,528,736
Deferred income (see note 15)	599,466	599,797	220,183	221,295
	-----	-----	-----	-----
	11,696,678	11,697,009	12,405,536	12,406,648
	=====	=====	=====	=====

14. Bank loans and hire purchase

	2019		2018	
	Trust £	Group £	Trust £	Group £
Due within one year	953,092	953,092	995,422	995,422
Due in one to two years	981,655	981,655	949,657	949,657
Due in two to five years	3,184,117	3,184,117	3,044,640	3,044,640
Due in over five years	5,536,119	5,536,119	6,662,320	6,662,320
	-----	-----	-----	-----
	10,654,983	10,654,983	11,652,039	11,652,039
	=====	=====	=====	=====

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 £49,956 (2018: £55,809).

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

	2019		2018	
	Trust £	Group £	Trust £	Group £
Balance at 1 September 2018	5,097,585	5,151,966	5,211,296	5,273,892
Income deferred in year	4,000,746	4,065,409	4,711,712	4,764,365
Amounts released from previous year	(4,906,475)	(4,959,744)	(4,825,423)	(4,886,291)
	-----	-----	-----	-----
Balance at 31 August 2019	4,191,856	4,257,631	5,097,585	5,151,966
	=====	=====	=====	=====

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2019

16. Financial instruments

Categories of financial assets and financial liabilities

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

Group

At 31 August 2019

	Fair value through income and expenditure £	Amortised cost Loans and receivables £	Non-derivative financial liabilities £	Total £
<u>Assets</u>				
Investments	6,905,578	-	-	6,905,578
Cash and cash equivalents	-	5,556,294	-	5,556,294
Trade and other debtors	79,439	411,589	-	491,028
<u>Liabilities</u>				
Loans	-	-	(10,654,983)	(10,654,983)
Trade and other creditors	-	-	(3,171,089)	(3,171,089)
	6,985,017	5,967,883	13,826,072	(873,172)

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)
	5,559,731	7,235,364	(14,440,605)	(1,645,510)

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 2019

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 2019

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 2018	(717)	14,032,039	14,031,322	7,908,751	-	6,462	-	6,462	21,946,535
Income	10,336	18,791,290	18,801,626	400,000	1,498,938	62,787	-	1,561,725	20,763,351
Expenditure	(14,751)	(18,817,019)	(18,831,770)	-	(214,938)	(62,867)	-	(277,805)	(19,109,575)
Loss on investments	-	-	-	(163,750)	(6,820)	-	-	(6,820)	(170,570)
Transfers	-	-	-	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Closing balances at 31 August 2019	(5,132)	14,006,310	14,001,178	8,145,001	1,277,180	6,382	-	1,283,562	23,429,741
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Represented by:									
Fixed assets									
Tangible fixed assets (note 9)	-	23,579,873	23,579,873	-	-	-	-	-	23,579,873
Investments (note 10)	-	2,259,102	2,259,102	8,108,937	1,277,180	-	-	1,277,180	11,645,219
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Net current assets/(liabilities)	594,334	(735,453)	(141,119)	36,064	-	6,382	-	6,382	(98,673)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total assets less current liabilities	594,334	25,103,522	25,697,856	8,145,001	1,277,180	6,382	-	1,283,562	35,126,419
Creditors: amounts falling due after more than one year	(599,466)	(11,097,212)	(11,696,678)	-	-	-	-	-	(11,696,678)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	(5,132)	14,006,310	14,001,178	8,145,001	1,277,180	6,382	-	1,283,562	23,429,741
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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 £209,064 (2018: £338,582); 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.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2019

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

	Unrestricted		Total Unrestricted Funds	Permanent Endowment Combined Investment Fund	Bursaries/ Scholarships	Restricted			TOTAL
	Unrestricted Funds	Retained Equity in Subsidiaries				Other	Capital	Total Restricted	
	£	£	£	£	£	£	£	£	£
Opening balances at 1 September 2018	13,344,002	141,892	13,485,894	7,908,751	-	6,462	-	6,462	21,401,107
Income	18,723,966	2,113,896	20,837,862	400,000	1,455,527	62,787	-	1,518,314	22,756,176
Expenditure	(18,714,725)	(2,083,830)	(20,923,761)	-	(214,938)	(62,867)	-	(277,805)	(21,206,566)
Loss on investments	-	-	-	(163,750)	(6,820)	-	-	(6,820)	(170,570)
Transfers	(66,385)	22,974	(43,411)	-	43,411	-	-	43,411	-
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Closing balances at 31 August 2019	13,286,858	194,932	13,356,584	8,145,001	1,277,180	6,382	-	1,283,562	22,785,147
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Represented by:									
Fixed assets									
Tangible fixed assets (note 9)	24,715,522	-	24,715,522	2,480,639	-	-	-	-	27,196,161
Investments (note 10)	100	-	100	5,628,298	1,277,180	-	-	1,277,180	6,905,578
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Net current assets	24,715,622	-	24,715,622	8,108,937	1,277,180	-	-	1,277,180	34,101,739
	267,914	195,263	463,177	36,064	-	6,382	-	6,382	505,623
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total assets less current liabilities	24,983,536	195,263	25,178,798	8,145,001	1,277,180	6,382	-	1,283,562	34,607,361
Creditors: amounts falling due after more than one year	(11,696,678)	(331)	(11,697,009)	-	-	-	-	-	(11,697,009)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	13,286,858	194,932	13,481,790	8,145,001	1,277,180	6,382	-	1,283,562	22,910,353
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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 £209,064 (2018: £338,582); 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 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. Transfers from unrestricted funds to retained equity in subsidiaries relates to a consolidation adjustment for inter-company transactions.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2019

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

	2019		2018	
	Trust £	Group £	Trust £	Group £
Net income for year	1,653,776	1,679,816	560,067	506,580
Depreciation charges	1,303,850	1,455,604	1,327,993	1,474,736
(Gain)/loss on disposal of fixed assets	-	-	(7,067)	(8,676)
Transfer to/(from) bad debt provision	24,996	24,996	37,226	37,226
Decrease/(increase) in stock	-	(12,615)	-	21,046
Decrease/(Increase) in debtors	(42,022)	(118,897)	(128,744)	(246,032)
Increase/(decrease) in creditors	(1,708,006)	(1,955,732)	394,294	431,092
Investment income receivable	(359,813)	(240,087)	(398,675)	(225,638)
Bank loan interest payable	346,501	346,501	424,093	424,093
	-----	-----	-----	-----
	1,219,282	1,179,586	2,209,187	2,414,427
	=====	=====	=====	=====

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. An actuarial valuation was carried out at 31 March 2016. The results of this valuation were rolled forward to give a liability of £36.7 billion at 31 March 2019 (latest available).

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme's actuary at a level to meet the cost of pensions as they accrue.

Financial assumptions at 31 March 2019 (latest available):

Rate of return (discount rate) : 2.90%

Rate of return in excess of:

Earnings increases : -1.20%

Price increases : 0.24%

The cost recognised in the statement of financial activities is equal to the contributions payable to the scheme for the year. The employer made contributions of 17.2% and this is expected to increase to 23.0% from September 2019. Employee contributions range between 6.4% and 11.2%.

The pension cost for teaching staff for the period was £916,985 (2018: £820,688) and has been charged to the statement of financial activities. Employee and employer contributions for August 2019 due to be paid to the scheme after the year end amounted to £122,177 (2018: £109,770) and this was paid over on 5 September 2019. In addition, employee AVC contributions for August 2019 amounting to £9,681 (2018: £2,943), were paid over on 4 September 2019.

The pension cost for the period for non-teaching staff was £218,993 (2018: £202,862) 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 2019 of £31,306 (2018: £21,109) were due to be paid to the group stakeholder pension scheme after the year end and this was paid over on 19 September 2019.

THE GOVERNORS OF THE FETTES TRUST

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the year ended 31 August 2019

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

	2019		2018	
	Trust £	Group £	Trust £	Group £
Within one year	551,490	581,802	545,113	556,001
Between two and five years	1,961,762	2,007,557	2,006,811	2,032,820
Over five years	3,758,400	3,758,400	4,238,400	4,238,400
	-----	-----	-----	-----
	6,271,652	6,347,759	6,790,324	6,827,221
	=====	=====	=====	=====

21. Commitments

The Trust had capital commitments at 31 August 2019 of £45,000 (2018: £nil). Fettes Enterprises Limited and Fettes Centre for Language & Culture Limited and Fettes International Limited had capital commitments at 31 August 2019 of £Nil (2018: £Nil).

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 £1,883,333 (2018: £1,983,333).

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.

The total staff costs relating to key management personnel were £968,377 (2018: £596,647) for both the Trust and Group.

During the year Fettes Enterprises Limited charged the Trust for the use of the company's sports facilities and this amounted to £63,475 (2018: £63,475) and sold goods to the Trust amounting to £63,957 (2018: £69,805), 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 £nil (2018: £17,000) and £580,216 (2018: £322,993) was due by the Trust at the year end.

Fettes Centre for Language & Culture Limited has accrued Gift Aid payments to the Trust of £50,659 (2018: £122,206) and £67,506 (2018: £125,002) was due to the Trust at the year end.

Fettes International Limited is owed £6,382 by the Trust at the year end.