

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 July 2020

**Company Registration Number: SC014265
Scottish Charity Number: SC016580**

MERCHISTON CASTLE SCHOOL

REFERENCE AND ADMINISTRATIVE INFORMATION

Year ended 31 July 2020

Chairman	G T G Baird HND FRAGS
Vice Chairman	D C M Moore BSc PhD
Governors	G R T Baird S P Abram FICS I H McAteer LLB R W Nutton MB BS MD FRCS (Eng) FRCS R S Elliott D C M Moore BSc PhD P M Abrahams MA D E L Johnston QC MA PhD LLD FRSE A Fraser LLB DIPLP NP WS Doctor A Connan MBBS MRCGP FSRH MIPM G C M Hinton BA PGCE N F Mitchell BA CTA D R Whiteford OBE BSC DipAg FRSA ARAGS (resigned 31/7/20) W J J Clayton MA (resigned 11/6/20)
Merchistonian Club President	G Thain
Headmaster	J Anderson BA
Secretary / Bursar	P C Axon BEng
Auditors	Geoghegans, Chartered Accountants
Solicitors	Anderson Strathern LLP
Bankers	Lloyds Banking Group
Insurance Broker	Marsh Brokers Limited
Investment Manager	Rathbone Investment Management
Registered Office and Principal Address	294 Colinton Road, Edinburgh, EH13 0PU
Website:	www.merchiston.co.uk
Scottish Charity Number	SC016580

MERCHISTON CASTLE SCHOOL

CONTENTS

Year ended 31 July 2020

	Page
Annual Report (incorporating the Strategic Report and the Governors' Report)	1 - 13
Independent Auditor's Report	14 - 16
Group Income and Expenditure Account	17
Group Balance Sheet	18
Charitable Company Balance Sheet	19
Group Statement of Financial Activities	20
Charity Statement of Financial Activities	21
Statement of Cash Flows	22
Notes to the Financial Statements	23 – 39

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT)

For the year ended 31 July 2020

The Governors, who are trustees for the purposes of charity law and directors for the purposes of company law, present their Annual Report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 July 2020. This report is also the Strategic Report and the Directors' Report for purposes of the Companies Act.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

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

There are 194 (2019 – 203) members who are obliged to guarantee payment of £1 in the event that the Company was to go into liquidation. A list of members is available from the registered office.

Board of Governors

The Board consists of a maximum of eighteen Governors, of whom at least one third must be former pupils of the School. Eleven current Governors have had sons at the School. The present Governors are as listed and have held office during the whole of the period from 1 August 2019 to the date of this Report, unless otherwise stated.

Governors' Responsibilities Statement

The Governors (who are trustees for the purposes of charity law and directors of the Charitable Company for the purposes of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in operation.

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

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) For the year ended 31 July 2020

Governors' Responsibilities Statement (continued)

The Governors have overall responsibility for the preparation of the financial statements but have delegated this function to the Finance and General Purposes Committee in conjunction with the Secretary/Bursar.

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

Statement of Disclosure to the Auditors

The Governors make this statement of disclosure to the auditors:

- so far as the Governors are aware, there is no relevant audit information of which the Charitable Company's auditor is unaware; and
- the Governors have taken all the steps which they ought to have taken as Governors in order to make themselves aware of any relevant audit information and to establish that the Charitable Company's auditor is aware of that information.

Recruitment, Appointment, Induction and Training of Governors

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

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

All Governors receive Safeguarding training and updates on at least an annual basis from the School's Child Protection Co-Ordinator. The Prevent Duty in England, Scotland and Wales came into force on 1 July 2015. This covers Independent and Grant-aided Schools, with a duty "to prevent people from being drawn into terrorism" falling on governance of individual schools.

Organisational Management

The full Board of Governors meets three times during the year. Certain aspects of the Company's business are delegated to the following sub-committees on which the Headmaster, Company Secretary/Bursar and other senior staff sit as appropriate:

- **Finance & General Purposes** (meets four times during the year) – NF Mitchell (Chairman), GTG Baird, GRT Baird, SP Abram, RS Elliot.
- **Education** (meets three times during the year) – WJJ Clayton (Chairman), RW Nutton, PM Abrahams, Doctor A Connan, GCM Hinton.
- **Wellbeing & Compliance** – DEL Johnston (Chairman), PM Abrahams, Doctor A Connan, GCM Hinton.
- **Health & Safety** – RS Elliot.
- **Nominations** – GRT Baird, GTG Baird.
- **Strategy** – GTG Baird, NF Mitchell, IH McAteer.

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) **For the year ended 31 July 2020**

Organisational Management (continued)

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

Group Structure and Relationships

The School has a trading company (Merchiston Enterprises Limited) which is a company limited by guarantee. Merchiston Enterprises Limited uses facilities owned by the School for letting and promotional events, and runs the School Shop to the benefit of the Charity.

The School also has a trading company (Merchiston International Limited) which is a company limited by shares. Merchiston International Limited services international franchises to promote the Merchiston Castle School ethos and unique educational experience.

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

Risk Management

A regular review of the risks facing the Company and of the controls in place to mitigate these risks is undertaken by the appropriate sub-committees and the full Board.

The key controls used by the Company include:

- formal agendas and minutes of Board and committee meetings;
- detailed terms of reference for committees;
- comprehensive strategic planning, budgeting and management accounting;
- established organisational structure and lines of reporting;
- formal written policies; and
- clear authorisation and approval levels.

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

OBJECTS, AIMS, OBJECTIVES AND PRINCIPAL ACTIVITIES

Charitable Objects

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

Objectives, Aims and Intended Impact

Our Mission is: *“to provide a caring community for your son, which treats him as an individual, unearths and tends his talents, encourages him to pursue excellence in all he does, and enables him to flourish.*

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) For the year ended 31 July 2020

Objectives, Aims and Intended Impact (continued)

We aim to ensure that your son:

- *Acquires the confidence and leadership skills to succeed in a dynamic and global world, and to strive for the highest standards;*
- *Balances modesty and confidence;*
- *Becomes an enthusiastic and curious learner achieving excellence in all he does;*
- *Develops compassion, respect for others and integrity;*
- *Discovers and embraces all the opportunities on offer to develop his talents;*
- *Enjoys a sense of happiness and fulfilment;*
- *Learns tolerance and responsibility;*
- *Understands the needs of others within and beyond our community.”*

Our mission is to set the standard for an education that is tailored to meet the needs of every individual, that readies them to be balanced, adaptable and imaginative citizens, who will seize the opportunities to make their unique impact on the world.

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

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

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) **For the year ended 31 July 2020**

Strategic Objectives for the Year

Whilst objectives for the year were agreed in advance, the impact of the COVID-19 global pandemic required the School to plan and enact solutions to a fast-changing global health picture, to ensure positive outcomes for our students. In June 2019 a new School Development Plan was presented to the Board of Governors for approval. The key themes were as follows:

- Grow the pupil roll;
- Maintain excellence in the classroom and beyond;
- Secure the future of Merchiston Juniors in a declining market;
- Enhance the VI Form experience;
- Improve and enhance the School environment and facilities;
- Develop and maintain links with key stakeholders and community partners;
- Expand the Merchiston International School brand and maximise earning potential through Enterprise activities.

These informed the development of the School Improvement Plan for the academic year 2019/20:

- Curriculum 2020: review and reform the Whole School Curriculum and delivery of learning and teaching;
- Improve the responsibility and ownership throughout the School: by professional development of middle leadership;
- Learning and teaching group reform: ensure that learning and teaching groups have the capacity to drive School improvement as well as offering opportunities to share best practice;
- Review of School reporting: to include the effective use of tracking data and monitoring in curricular and co-curricular activities;
- Introduction of a new Pupils' Charter;
- Embed and work towards attaining Silver in the Rights Respecting School Award. To focus on wellbeing and mental health, anti-bullying and positive relationships and to build a school-based focus on sustainability;
- Continued improvement and embedding of strategies in skills for life, learning and work.

We continued to monitor academic standards against external public examinations and independent value-added criteria.

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

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) **For the year ended 31 July 2020**

Objectives for the Year (continued)

We continued to monitor academic standards against external public examinations and independent value-added criteria.

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

Strategies to Achieve the Year's Objectives

Continued academic achievement is an ongoing process and is the result of:

- regular review of the academic syllabus with a view to offering a broad range of subjects;
- commitment of appropriate resources to academic departments and co-curricular activities.

Strategies employed include a planned programme of extensive staff training, shared teaching practice, continuous professional development and further developments in digital learning, all of which came to fruition in launching the distance learning programme for the Summer Term.

The School Improvement Plan (updated September 2019) is an important tool used to audit the School's performance and priorities. The SIP reflects on feedback from the previous academic year and sets out the Merchiston development themes for the current academic year, which were:

- Learning and Teaching: driving individual achievement through standards and commitment;
- Rights Respecting School Award: focusing on Sustainability, Wellbeing and Diversity;
- Strategic Planning: implementing the School Development Plan.

Principal Activities Employed in Pursuit of these Objectives

The School continues to provide a high level of education for pupils. Boys leave Merchiston as well-rounded individuals, not only having achieved the highest level of personal academic success, but also with a sense of who they are and with respect for others, having learnt what it means to have true integrity and character.

Foreign travel has an important role to play in helping to provide a broad education and in developing the minds of young people. However COVID-19 curtailed many such opportunities in the 2019/20 academic year. That said, there was a Physics trip to CERN in Geneva and a Cecil Stagg Society academic trip to Florida. We remain indebted to all the members of staff who give of their time to organise and lead such trips.

In order to support fully the academic and pastoral programme, we have continued our drive to ensure excellence in our buildings and facilities. We have continued our on-going rolling programme of refurbishment, which has included refurbishment of the Dining Hall and Served and construction of a new indoor tennis facility.

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) **For the year ended 31 July 2020**

Policy on Means-Tested Assistance and Access

Merchiston Castle School offers financial assistance by means of a Bursary Fund designed to enable any child to have access to a Merchiston education, irrespective of financial circumstances. All Bursary awards are means-tested and require a financial statement from parents. A range of factors is considered in making the awards, and as a result, the number and size of Bursaries can vary considerably. Bursary awards may be up to 100% fee remission. Bursary awards are intended to facilitate access both for new pupils and also to assist existing pupils where there has been a significant change in financial circumstance which threatens the pupil's continued education at Merchiston. In addition, a COVID-19 Hardship Fund has been set up to provide financial assistance to families who have experienced a significant reduction in their family income, affecting their ability to pay school fees as a direct result of the COVID-19 pandemic.

Full details are published on the School's website:
www.merchiston.co.uk/admissions/financial-support

ACHIEVEMENTS AND PERFORMANCE

Care and welfare of pupils

The Pupil Support Leadership Team offers wide support to pupils, parents and staff. The PSLT, Housemasters and Prefects meet weekly as a group and on an individual basis to discuss pupil wellbeing, as appropriate.

The School continues to build on the positive relationship it has with the Care Inspectorate and Education Scotland, demonstrated by the School's positive inspection report in November 2019, as well as by a strong on-going engagement with our link inspector.

In addition to the PSLT, the Chaplain provides spiritual guidance and counselling and the on-site Medical Centre is staffed by a well-qualified and dedicated team which provides first class care for pupils' physical and mental health needs. Both the Chaplain and the Senior Medical Sister participate in the PLST weekly meetings to ensure a relevant sharing of information takes place. There is a fully qualified School Counsellor, who offers individual support sessions to pupils of all ages as relevant. Merchiston also runs a detailed Personal, Social and Health Education (PSHE) programme appropriate to each year group within the curriculum, including a Life Skills programme for Sixth Form pupils, which also involves presentations from external experts on a range of themes to ensure that pupils are well prepared for life beyond Merchiston.

Around every pupil there is a Housemaster, Housemother, Tutor and a team of prefects, whose roles are to safeguard each pupil's welfare whilst at School, offering support for any issues that he may be experiencing, in both his school and personal life.

Pupil Voice remains an important element of building a common sense of inclusion and caring for one another. Pupils attend staff and Governor meetings, as well as participating in a variety of pupil-led groups. Regular wellbeing surveys allow pupils to offer feedback on a diverse range of themes, with any concerns followed up, either on an individual basis or as themes for the year group. There is a commonly understood language around wellbeing and the eight GIRFEC indicators are embedded fully in all aspects of the pupils' experience at school.

In November 2019, the School hosted its inaugural Wellbeing Conference, inviting speakers and contributors from across the UK to address pupils (from Merchiston and with other local schools also invited), staff and parents. The focus of this conference was Mental Health, which continues to be a key focus of our wellbeing support.

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) **For the year ended 31 July 2020**

Care and welfare of pupils (continued)

COVID-19 and school closure in Summer Term 2020 presented many potential challenges to our pupils and staff in terms of wellbeing. In response, the School redoubled its efforts to ensure that pupil and staff wellbeing remained at the forefront of planning and decision making. Surveys were carried out to respond to this new situation and amendments made in light of this important feedback. In doing so, Merchiston continued to ensure that all pupils were able to benefit from a supportive and nurturing experience, despite the challenges of distance learning. This approach offered an opportunity for reflection in preparation for any future return to online learning.

In line with Merchiston's policy to engage fully with our Duty of Candour responsibilities, an annual report is available on the School website. In the year 01 April 2019 – 31 March 2020, there were no incidents involving the Duty of Candour.

Operational Performance of the School

The academic year ended with 408 pupils (277 boarders and 131 day pupils), which, given the current global crisis, is reflective of the continuing high reputation of the School and the considerable efforts of staff involved in recruitment and retention of pupils.

Face-to-face teaching was suspended from 20 March 2020, after which learning and teaching moved online to deliver a high-quality educational provision throughout the Summer Term. The timetable and routines were, as far as was practically possible, delivered or replicated online, which included teaching and learning, support for learning, tutorials, house meetings, music lessons and co-curricular activities. This proved to be incredibly successful and a positive reflection on the dedicated efforts of pupils, staff and their parents.

The A*-C grade pass-rate for A Level examinations was 97%, and an impressive 83% of grades were A*, A and B grades. 64% achieved at least one A or A* at A Level, and 15 pupils gained a clean sweep of A*/A grades. 3 As at A Level equates to 144 UCAS points; Merchiston's average being 141 points. 93% of pupils gained grades which enabled them to accept the offers at their first or second choice of university. 67% of successful applicants in 2020 gained places at UK Russell Group Universities, Bath, St Andrews and leading international institutions. 2 pupils gained places at Oxford University.

The 9-4 grade pass-rate for GCSE examinations was 98%, of which 44% of grades were at 9/8, and 64% of grades were at 9/8/7. We are delighted that 25 pupils achieved a clean sweep of A*/A grades.

In terms of the 'value' which the School has added, having measured results against the ALIS predictions made by Durham University, we are very pleased that the School continues to meet its objective of outstanding academic outcomes for the maximum number of pupils.

Each year, boys in the Lower Sixth Form have the opportunity to undertake a Cecil Stagg Society independent research project on a subject of their choosing. This has resulted in the production of some truly excellent pieces of research, and all projects that were completed to the required standard were awarded a Headmaster's Distinction.

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) For the year ended 31 July 2020

Operational Performance of the School (continued)

UVI pupils used time afforded by the cancellation of public examinations to complete successfully courses from a selection of university-based MOOCs.

In the Performing Arts, Merchiston students took to the stage in the Autumn Term with a production of *A Christmas Carol*. In the Lent and Summer Terms, drama was curtailed, but workshops and small plays continued as online productions.

The Chapel Choir, Close Harmony Group, Orchestra, Jazz Band and the Pipe Band all continued to perform online, despite the disruption of COVID-19.

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

- A team of Sixth Form pupils won the Edinburgh regional final of the UKMT Senior Team Maths Challenge, qualifying for the National Final in London.

2019/20 was another very successful year in the UK Mathematics Challenges and Olympiads. Results were as follows:

- Senior: 7 gold, 13 silver and 7 bronzes;
- Intermediate: 4 gold, 11 silver and 13 bronzes;
- Junior: 2 gold, 5 silver and 7 bronzes.

School sport has been significantly impacted by COVID-19 restrictions, which have been in place in varying degrees from February 2020. Despite this, sport continues to thrive, and participation in sport remains a cornerstone of Merchiston life.

Details of some of these achievements are noted below:

Tennis

- Number 1 Tennis School ranking in UK
- National School U18 Champions (2nd year running)
- U15 second place in UK National School Finals
- Scottish Schools U18 Champions
- Scottish Schools U15 Champions

Golf

- Number 1 Scottish ranking Golf School (ISGA) 2019-20
- Number 1 UK ranking Senior Golf School (ISGA) 2019-20
- Winners of the Alexander Quinn Invitational (WAGR event) in 2019 – Merchiston was the first school to ever win this competition (usually universities win it)
- Winners of the British Colleges and Schools' Southern Schools Open
- Fourth Place in the ISGA Schools Cup in October 2019

Rugby

- U18 Scottish Schools Shield Final Winner
- U16 Scottish Schools Cup Final Winner
- The 1st XV retained the Sesquicentenary Trophy against Edinburgh Academy and came third in the inaugural Tri Nations tournament held at Merchiston in October 2019

Hockey

- U15 Scottish Schools Plate Final Winner

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) **For the year ended 31 July 2020**

Fundraising Performance

A total of £6,960 was raised for the Bursary Fund, which continued to raise funds for financial assistance. In addition, £1,556 was raised for the Sports & Leisure Appeal, for funds to assist with extending and improving the leisure facilities available to the pupils. We wish to thank those whose contributions have enabled a number of pupils to attend Merchiston and helped us improve the School environment.

Investment Performance

During the year, the investment portfolio decreased in value by 5.0%, which compares with a decrease of 5.0% by the Balanced Portfolio Index operated by WMA (Wealth Management Association).

Our trading subsidiaries achieved the following financial results in the year: Merchiston Enterprises Limited achieved a surplus on ordinary activities of £24,428 (2019 - £23,728), which was used to donate £24,000 (2019 - £22,500) to the School; Merchiston International Limited reported a deficit on ordinary activities of £58,896 (2019 – surplus of £37,680) - no donation was made to the school (2019 - £37,200).

PUBLIC BENEFIT

The Curriculum and Co-curricular Activities

We provided 13 markers/examiners/moderators/paper-setters for the Assessment and Qualifications Alliance (AQA); Edexcel; Scottish Qualifications Authority (SQA); Oxford, Cambridge and RSA Examinations (OCR); and the International Baccalaureate, providing marking for 23 different papers in the summer of 2019.

Our Head of Science and Technology is on the British Physics Olympiad Committee and writes the Physics Challenge paper, set to approximately 4,000 GCSE Level students nationally. In addition, he is one of the main leaders at the experimental training camp at Oxford during the Easter break and helps to train the British Physics Olympiad team through mentoring during the Summer Term. In the Easter holiday of 2019, he was one of the leaders of a five-day training camp in Oxford for the British Physics Olympiad team.

Our Head of Mathematics is a Test Constructor and Candidate Proxy for the OCR AS Level and A Level Mathematics and Further Mathematics papers.

Our Mandarin specialist works with SQA as Principal Assessor, Deputy Principal Verifier and Visiting Assessor for Higher and Advanced Higher Chinese courses; she is also an Associate Tutor with the Edinburgh University PGDE programme and Governor at the Alba Cathy Chinese School in Edinburgh.

During the Summer Term, the School supported the local community by delivering food donations to community hubs, and supporting the distribution of food parcels to families.

The Senior Deputy Head teaches Module 6 of the HMC Pastoral Leadership Qualification.

The Headmaster is the Schools and Youth representative on the Scottish Rugby Union Council.

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued)

For the year ended 31 July 2020

Means Tested Assistance and Access

Merchiston Castle School is not a wealthy school in terms of endowments provided by previous generations of Merchistonians. However it is able to offer financial assistance by means of a Bursary Fund designed to enable any child to have access to a Merchiston education, irrespective of their financial circumstances. All Bursary awards are means-tested and require a financial statement from parents. A range of factors is considered in making the awards, and as a result, the number and size of Bursaries can vary considerably. Bursary awards may be up to 100% fee remission. Bursary awards are intended to facilitate access both for new pupils and also to assist existing pupils where there has been a significant change in financial circumstance which threatens the pupil's continued education at Merchiston.

Full details are published on the School's website:
www.merchiston.co.uk/admissions/financial-support

During the year, 137 pupils (2019 – 147 pupils) or 32.5% (2019 – 33.9%) of the School roll received a Bursary or other fee remission, which includes 2 pupils receiving support from the Royal National Children's SpringBoard Foundation. 2 pupils are in receipt of an Education Maintenance Allowance (EMA).

The value of means-tested Bursaries awarded in academic year 2019-20 amounted to £990.6k, which is 8.4% of gross fee income. Other forms of non-means-tested assistance were also awarded during the academic year, including sibling and staff discounts. In total these awards amounted to £425.1k (3.6% of gross fee income).

Pupil numbers

The average number of pupils in the School for the year was 422.

	Boarding	Day	TOTAL
Junior	36	51	87
Senior	248	87	335
TOTAL	284	138	422

Fees

The following termly fees were charged during 2019/20:

	Boarding	Day
J4, J5, and First Form	£7,220	£5,010
Second and Third Form	£8,390	£5,660
Senior	£11,730	£8,510

Charitable Giving and Fundraising

Over £6,900 was raised by the School for charity. The full listing of Merchiston's charitable donations is published on the website. Donations were made to the following charities:

ABF The Soldiers' Charity, Alzheimer Scotland, the Ann Conroy Trust, Braidburn School, Children's Hospices Across Scotland, Cyrenians, the Edinburgh Dog and Cat Home, Fresh Start, The George Crawford Legacy Trust, Radio Forth Mission Christmas, Save the Children, Spartans Community Football Academy, The Royal Regiment of Scotland Regimental Trust, WWF Scotland.

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) (Continued) **For the year ended 31 July 2020**

Koinonia (Teamwork in the Community)

Work in the local community took on a different guise during the COVID-19 lockdown. Pupils embarked upon a number of charitable fundraising initiatives, supporting local organisations such as Cyrenians, an Edinburgh-based charity for the homeless. The School supported the local community by delivering food donations to community hubs, and supporting the distribution of food parcels to families. Merchiston staff volunteered to support the local school specialising in teaching young people with additional support needs.

Use of facilities by the local community

The Colinton and Merchiston choir continues to practise in the School and perform concerts. The local Reel Club meets every month. The Friends of the Pentlands and the Colinton Amenity Association use the School's facilities for their meetings. Our swimming pool is used by local groups and by the City of Edinburgh Council, which aims to ensure that every pupil has learned to swim by the end of P7. Our sports pitches are used by a local primary school for its annual sports days. The Braid Hills Rotary Club hosts an annual music competition in the School. While all of this was temporarily 'put on hold' due to COVID-19, the School offered the use of Laidlaw House to NHS Lothian's front-line workers, and welcomed NHS Lothian onto the campus to allow highly vulnerable patients the space to exercise safely.

Use of our facilities by school-age children

Events which we run and which other schools are invited to attend include: Maths Fun Day, which was attended this year by over 100 P5 children from 30 local primary and junior schools; Primary Schools' Science and Technology Day, which welcomed over 300 pupils; sporting fixtures and festivals, including an additional rugby festival. Our Community Piping Initiative, *Sounds Like Friday*, continues to provide piping and drumming lessons to 7 local primary schools on a weekly basis.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The Group's operating deficit excluding donations and legacies for the year was £115,156 (2019 – surplus of £243,785). The Group's overall surplus for the year was £425,772 (2019 – £767,665). At the year end, there were net current assets of £4,661,786 (2019 – £4,336,167) and net liquid funds of £5,533,999 (2019 - £5,896,371). The Group has sufficient working capital by way of cash to ensure that the School can continue to operate effectively.

Funds continue to be made available for the refurbishment of other areas of the School, with capital expenditure during the year being £1,469,125 (2019 – £539,343). The commercial letting of the School's facilities produced a surplus of £47,027 (2019 - £286,542) which will be reinvested in School facilities.

Investment Policy and Objectives

Our investment portfolio is managed to achieve a balance, focused on overall return and long-term growth in both income and capital. The principal activity of Merchiston Enterprises Limited continues to be to promote the interests and welfare of the School. The principal activity of Merchiston International Limited is to promote the Merchiston Castle School ethos and unique educational experience abroad.

**MERCHISTON CASTLE SCHOOL
ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE
GOVERNORS' REPORT) (Continued)
For the year ended 31 July 2020**

Reserves Policy

The Group's total reserves stood at £17,782,145 (2019 - £17,356,373) at the year end, which are held for the furtherance of the Group's charitable aims. The Group's policies are to strengthen its reserves through strict budgeting and financial processes and that the need for day to day working capital is met by these reserves.

At the same time, the Board is committed to reinvest operational surpluses into School improvements to ensure our buildings, facilities and educational needs meet the requirements of a first-rate independent boys' boarding school.

The level of the Group's reserves will continue to be closely monitored.

FUTURE PLANS

The core emphasis of future plans is on the delivery of **excellence** and **sustainability** across all areas of the organisation. The COVID-19 pandemic will test the latter to the extreme, and to that end, the School has embarked upon a root and branch review of all aspects of the business, seeking new opportunities that might present post-COVID-19.

The key areas of focus remain as:

- **Educational excellence** – delivery of an exciting, stimulating and rewarding educational experience;
- **Financial sustainability** – ensuring that the School has a secure financial footing on which to thrive, mindful of the challenges that exist within independent education, particularly in Scotland and post-COVID-19;
- **Boarding facilities** – phased improvement of our current boarding houses to ensure delivery of first-class accommodation for boys of all ages.

Approved by the Board of Governors and signed on behalf of the Board by:

Philippa Axon
PHIPPAXON (Mrs, 2021 3354 011)

**PC Axon
Secretary**

15 March 2021

MERCHISTON CASTLE SCHOOL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND GOVERNORS OF MERCHISTON CASTLE SCHOOL

Opinion

We have audited the financial statements of Merchiston Castle School (the “charitable company”) for the year ended 31 July 2020 which comprise the group income and expenditure account, the group and parent charitable company statement of financial activities, the group and parent charitable company balance sheet, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their presentation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the financial statements:

- give a true and fair view of the state of the group and the charitable company’s affairs as at 31 July 2020 and of the group and charitable company’s incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 charitable company 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 charitable company’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.

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.

MERCHISTON CASTLE SCHOOL

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

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual Report has been prepared in accordance with legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report.

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

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

Responsibilities of the Governors

As explained more fully in the Governors' Responsibilities Statement, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 and the charitable company'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 and the charitable company or to cease operations, or have no realistic alternative but to do so.

MERCHISTON CASTLE SCHOOL

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

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 under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made exclusively to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's Governors, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the company's members and its Governors those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, the company's members as a body and its Governors as a body, for our audit work, for this report, or for the opinions we have formed.



Iain Binnie
Senior Statutory Auditor
For and on behalf of Geoghegans, Statutory Auditor

15 March 2021

*6 St Colme Street, Edinburgh, EH3 6AD
Geoghegans is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.*

MERCHISTON CASTLE SCHOOL

GROUP INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2020

	Notes	2020 £	2019 £
Income			
School fees	2	10,358,630	10,642,607
Donations and legacies	2	581,510	510,426
Investment income	2	47,769	45,158
Rental and other income	2	<u>184,705</u>	<u>744,577</u>
Total income		<u>11,172,614</u>	<u>11,942,768</u>
Expenditure			
Staff costs	4	6,533,543	6,570,899
Other external charges	6	4,166,797	4,611,122
Interest and charges	7	<u>5,880</u>	<u>6,537</u>
Total expenditure	9	<u>10,706,220</u>	<u>11,188,558</u>
Operating surplus for the year		466,394	754,210
Realised and unrealised (loss) / gain on investments	10	<u>(40,622)</u>	<u>13,455</u>
Retained surplus for the year		<u><u>425,772</u></u>	<u><u>767,665</u></u>

MERCHISTON CASTLE SCHOOL

GROUP BALANCE SHEET

As at 31 July 2020

	Notes	2020 £	2019 £
Fixed Assets			
Tangible assets	11	13,967,116	13,308,196
Investments	12	<u>480,344</u>	<u>520,966</u>
		<u>14,447,460</u>	<u>13,829,162</u>
Current Assets			
Stock	14	112,240	106,754
Debtors	15	414,297	1,033,096
Cash at bank and in hand		<u>5,533,999</u>	<u>5,896,581</u>
		6,060,536	7,036,431
Creditors: Amounts falling due within one year	16	<u>(1,398,750)</u>	<u>(2,700,264)</u>
Net Current Assets		<u>4,661,786</u>	<u>4,336,167</u>
Total Assets less Current Liabilities		19,109,246	18,165,329
Creditors: Amounts falling due after more than one year	17	<u>(1,327,101)</u>	<u>(808,956)</u>
Net Assets		<u><u>17,782,145</u></u>	<u><u>17,356,373</u></u>
		£	£
Reserves			
Unrestricted Funds	19	16,488,064	15,963,836
Revaluation Reserve	19	<u>134,564</u>	<u>175,186</u>
Total Unrestricted Funds		16,622,628	16,139,022
Restricted Funds	19	<u>1,159,517</u>	<u>1,217,351</u>
		<u>17,782,145</u>	<u>17,356,373</u>

These financial statements were approved by the Governors and authorised for issue on 15 March 2021.

Gareth Baird
Gareth Baird (Chairman), 2019-2021

G T G Baird

Chairman

Neil Mitchell
Neil Mitchell (Governor), 2019-2021

N F Mitchell

Governor

Company Registration Number: SC014265

MERCHISTON CASTLE SCHOOL

CHARITABLE COMPANY BALANCE SHEET

As at 31 July 2020

	Notes	2020 £	2019 £
Fixed Assets			
Tangible assets	11	14,055,684	13,396,764
Investments	12	<u>480,345</u>	<u>520,967</u>
		<u>14,536,029</u>	<u>13,917,731</u>
Current Assets			
Stock	14	21,170	12,837
Debtors	15	692,950	1,206,859
Cash at bank and in hand		<u>5,360,246</u>	<u>5,772,973</u>
		6,074,366	6,992,669
Creditors: Amounts falling due within one year	16	<u>(1,387,616)</u>	<u>(2,690,087)</u>
Net Current Assets		<u>4,686,750</u>	<u>4,302,582</u>
Total Assets less Current Liabilities		19,222,779	18,220,313
Creditors: Amounts falling due after more than one year	17	<u>(1,327,101)</u>	<u>(808,956)</u>
Net Assets		<u><u>17,895,678</u></u>	<u><u>17,411,357</u></u>
		£	£
Reserves			
Unrestricted Funds	19	16,601,597	16,018,820
Revaluation Reserve	19	<u>134,564</u>	<u>175,186</u>
Total Unrestricted Funds		16,736,161	16,194,006
Restricted Funds	19	<u>1,159,517</u>	<u>1,217,351</u>
		<u><u>17,895,678</u></u>	<u><u>17,411,357</u></u>

These financial statements were approved by the Governors and authorised for issue on 15 March 2021.

Gareth Baird
Chairman of the Governing Body

G T G Baird

Chairman

Neil Mitchell
Governor

N F Mitchell

Governor

Company Registration Number: SC014265

MERCHISTON CASTLE SCHOOL

GROUP STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 July 2020

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds £	2019 £
Income and endowments from:					
Donations, grants and legacies	2	432,132	149,378	581,510	510,426
Charitable activities	2	10,425,980	-	10,425,980	11,128,385
Other trading activities	2	117,355	-	117,355	258,799
Investments	2	47,769	-	47,769	45,158
Total incoming resources	2	<u>11,023,236</u>	<u>149,378</u>	<u>11,172,614</u>	<u>11,942,768</u>
Expenditure on:					
Raising funds	9	298,431	-	298,431	367,278
Charitable activities	9	<u>10,401,429</u>	<u>6,360</u>	<u>10,407,789</u>	<u>10,821,280</u>
Total resources expended	9	<u>10,699,860</u>	<u>6,360</u>	<u>10,706,220</u>	<u>11,188,558</u>
Net income before gains and losses		323,376	143,018	466,394	754,210
Net (loss) / gain on investments	10	<u>(40,622)</u>	<u>-</u>	<u>(40,622)</u>	<u>13,455</u>
Net incoming resources before transfers		<u>282,754</u>	<u>143,018</u>	<u>425,772</u>	<u>767,665</u>
Transfers between funds	19	<u>200,852</u>	<u>(200,852)</u>	<u>-</u>	<u>-</u>
Net movement in funds		483,606	(57,834)	425,772	767,665
Reconciliation of funds:					
Fund balances at 1 August 2019		<u>16,139,022</u>	<u>1,217,351</u>	<u>17,356,373</u>	<u>16,588,708</u>
Fund balances at 31 July 2020		<u>16,622,628</u>	<u>1,159,517</u>	<u>17,782,145</u>	<u>17,356,373</u>

The group Statement of Financial Activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing operations.

MERCHISTON CASTLE SCHOOL**CHARITY STATEMENT OF FINANCIAL ACTIVITIES****For the year ended 31 July 2020**

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds £	2019 £
Income and endowments from:					
Donations, grants and legacies	2	425,190	149,378	574,568	510,426
Charitable activities	2	10,426,080	-	10,426,080	11,136,932
Investments	2	71,731	-	71,731	104,858
Total incoming resources	2	<u>10,923,001</u>	<u>149,378</u>	<u>11,072,379</u>	<u>11,752,216</u>
Expenditure on:					
Raising funds	9	139,647	-	139,647	178,227
Charitable activities	9	<u>10,401,429</u>	<u>6,360</u>	<u>10,407,789</u>	<u>10,821,280</u>
Total resources expended	9	<u>10,541,076</u>	<u>6,360</u>	<u>10,547,436</u>	<u>10,999,507</u>
Net income before gains and losses		381,925	143,018	524,943	752,709
Net (loss) / gain on investments	10	<u>(40,622)</u>	<u>-</u>	<u>(40,622)</u>	<u>13,455</u>
Net incoming resources before transfers		<u>341,303</u>	<u>143,018</u>	<u>484,321</u>	<u>766,164</u>
Transfers between funds	19	<u>200,852</u>	<u>(200,852)</u>	<u>-</u>	<u>-</u>
Net movement in funds		542,155	(57,834)	484,321	766,164
Reconciliation of funds:					
Fund balances as 1 August 2019		<u>16,194,006</u>	<u>1,217,351</u>	<u>17,411,357</u>	<u>16,645,193</u>
Fund balances at 31 July 2020		<u>16,736,161</u>	<u>1,159,517</u>	<u>17,895,678</u>	<u>17,411,357</u>

The charity Statement of Financial Activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing operations.

MERCHISTON CASTLE SCHOOL

**STATEMENT OF CASH FLOWS AND CONSOLIDATED CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2020**

**RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM
OPERATING ACTIVITIES**

	Group 2020 £	Group 2019 £	Charity 2020 £	Charity 2019 £
Net movement in funds for the year (as per the SOFA)	425,772	767,665	484,321	766,164
Adjustments for:				
Loss / (gain) on investments	40,622	(13,455)	40,622	(13,455)
Investment income	(47,731)	(45,158)	(71,731)	(104,858)
Gain on disposal of fixed assets	(1,700)	(1,560)	(1,700)	(1,560)
Depreciation	810,204	684,717	810,204	684,717
(Increase) / decrease in stock	(5,486)	37,588	(8,333)	257
Decrease / (increase) in debtors	618,799	(436,474)	513,909	(443,457)
Decrease in creditors due within one year	(1,301,514)	(31,807)	(1,302,471)	(35,044)
Increase in creditors due after one year	518,145	77,719	518,145	77,719
Net cash inflow from operating activities	1,057,111	1,039,235	982,966	930,483

STATEMENT OF CASH FLOWS AND CONSOLIDATED CASH FLOWS

	Group 2020 £	Group 2019 £	Charity 2020 £	Charity 2019 £
Cash flows from operating activities:				
Net cash inflow from operating activities	1,057,111	1,039,235	982,966	930,483
Cash flows from investing activities:				
Investment income	47,731	45,158	71,731	104,858
Payments to acquire tangible fixed assets	(1,469,124)	(539,342)	(1,469,124)	(539,342)
Receipts from sale of assets	1,700	3,000	1,700	3,000
Receipts from sale of investments	-	10,079	-	10,079
Payments to acquire investments	-	(28,180)	-	(28,180)
Net cash flow used in investing activities	(1,419,693)	(509,285)	(1,395,693)	(449,585)
Change in cash and cash equivalents in the year	(362,582)	529,950	(412,727)	480,898
Cash and cash equivalents at the beginning of the year	5,896,581	5,366,631	5,772,973	5,284,746
Cash and cash equivalents at the end of the year	5,533,999	5,896,581	5,360,246	5,772,973

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

1 Accounting Policies

Company information

Merchiston Castle School is a private company limited by guarantee incorporated in Scotland. The registered office address is 294 Colinton Road, Colinton, Edinburgh, EH13 0PU.

Basis of financial statements preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with applicable accounting standards, the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice on Accounting and Reporting by Charities (the Charities SORP (FRS 102)).

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

The principal accounting policies adopted are set out below.

Going concern

At the time of approving the financial statements, the Governors are of the opinion that the group has adequate funds to continue in operational existence for the foreseeable future. Thus the Governors continue to adopt the going concern basis of accounting in preparing the financial statements. The Governors have considered Covid-19 during their assessment going concern status of the School. They believe that no material circumstances exist which impact the financial statements being prepared on a going concern basis.

Group financial statements

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

Incoming resources

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

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

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

1 Accounting Policies (continued)

Resources expended

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

- Expenditure on charitable activities comprises those costs incurred by the charity in the delivery of the charitable activities carried out which meet the objectives of the charity. Expenditure on charitable activities includes governance costs which comprise the costs of running the charity, including strategic planning for its future development, also external audit, any legal advice for the School Governors and all the costs of complying with constitutional and statutory requirements, such as the costs of Board and Committee meetings and of preparing statutory financial statements and satisfying public accountability.
- Costs of raising funds include the costs relating to the renting of buildings and facilities and all other direct costs associated to fundraising activities.

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is defined as the purchase cost of materials. Net realisable value is the amount which it is anticipated would be realised in the normal course of trade after making due allowance for discounts and selling expenses.

Fixed assets and depreciation

Fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Expenditure below £3,000 is not capitalised unless part of a larger project whilst expenditure above this amount will be assessed for capitalisation in line with the school's capitalisation policy.

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

Land	Nil
Assets under construction	Nil
Freehold land and buildings	2% - 10% on a straight line basis
Property improvements	5% - 10% on a straight line basis
Furniture and equipment	10% - 25% on a straight line basis
Plant, machinery and motor vehicles	10% - 20% on a straight line basis

Investments

Investments are included at market value at the year end. Net investment gains and losses for the year are shown in the income and expenditure account and statement of financial activities.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term liquid investments.

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

1 Accounting Policies (continued)

Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the Governors' 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.

Financial instruments

The charity 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 charities balance sheet when the charity 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.

Financial assets

Debtors with no stated interest rate and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income and expenditure account.

Financial liabilities

Creditors with no stated interest rate and payable within one year are recorded at transaction price.

All interest bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable. After initial recognition they are measured at amortised cost.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to the income and expenditure account as they are incurred.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases and hire purchase agreements are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the income and expenditure account over the periods of the lease and hire purchase agreements and represent a constant proportion of the balance of the capital repayments outstanding.

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

1 Accounting Policies (continued)

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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 company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Pension Scheme

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

Fund Accounting

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

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

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

2. Income

Group	Year ended 31 July 2020			Year ended 31 July 2019		
	Unrestricted funds £	Restricted funds £	2020 Total £	Unrestricted funds £	Restricted funds £	2019 Total £
Donations and grants	432,132	147,842	580,974	18,273	469,040	487,313
Fundraising	-	1,536	1,536	-	23,113	23,113
Donations, grants and legacies	432,132	149,378	581,510	18,273	492,153	510,426
Gross school fees	11,774,378	-	11,774,378	12,284,739	-	12,284,739
Less: Bursaries, scholarships and allowances	(1,415,748)	-	(1,415,748)	(1,642,132)	-	(1,642,132)
	10,358,630	-	10,358,630	10,642,607	-	10,642,607
Other – events/rents/fees	67,350	-	67,350	485,778	-	485,778
Charitable activities	10,425,980	-	10,425,980	11,128,385	-	11,128,385
Trading: Merchiston Enterprises Limited & Merchiston International Limited	117,355	-	117,355	258,799	-	258,799
Other trading activities	117,355	-	117,355	258,799	-	258,799
Investment income	47,769	-	47,769	45,158	-	45,158
Total income	11,023,236	149,378	11,172,614	11,450,615	492,153	11,942,768
Company	Year ended 31 July 2020			Year ended 31 July 2019		
	Unrestricted funds £	Restricted funds £	2020 Total £	Unrestricted funds £	Restricted funds £	2019 Total £
Donations and grants	425,190	147,842	573,032	18,273	469,040	487,313
Fundraising	-	1,536	1,536	-	23,113	23,113
Donations, grants and legacies	425,190	149,378	574,568	18,273	492,153	510,426
Gross school fees	11,774,378	-	11,774,378	12,284,739	-	12,284,739
Less: Bursaries, scholarships and allowances	(1,415,748)	-	(1,415,748)	(1,642,132)	-	(1,642,132)
	10,358,630	-	10,358,630	10,642,607	-	10,642,607
Other – events/rents/fees	67,450	-	67,450	494,325	-	494,325
Charitable activities	10,426,080	-	10,426,080	11,136,932	-	11,136,932
Investment income	71,731	-	71,731	104,858	-	104,858
Total income	10,923,001	149,378	11,072,389	11,260,063	492,153	11,752,216

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 July 2020

2 Income (continued)

Included within unrestricted donation and grant income is a government grant of £423,749 (2019: £nil) relating to the Coronavirus Job Retentions Scheme (CJRS).

3 Income from the Connected Undertaking's Trading Activities

Merchiston Enterprises Limited is a company limited by guarantee which promotes the interests and welfare of Merchiston Castle School. Its trading results for the year, as extracted from the audited financial statements for the year ended 31 July 2020, are summarised below:

	2020 £	2019 £
Turnover	121,597	158,799
Government grant – CJRS	3,999	-
Cost of sales and administrative expenses	<u>(101,168)</u>	<u>(135,071)</u>
Net profit before tax	24,428	23,728
Taxation	<u>(81)</u>	<u>(121)</u>
Surplus after tax	<u>24,347</u>	<u>23,607</u>

Merchiston International Limited is a company limited by shares which promotes the Merchiston Castle School ethos and unique educational experience abroad. Its trading results for the year, as extracted from the audited financial statements for the year ended 31 July 2020, are summarised below:

	2020 £	2019 £
Turnover	-	100,000
Government grant – CJRS	2,943	-
Bank interest	38	-
Cost of sales and administrative expenses	<u>(61,877)</u>	<u>(62,320)</u>
Net profit before tax	(58,896)	37,680
Taxation	<u>-</u>	<u>(86)</u>
(Deficit) / surplus after tax	<u>(58,896)</u>	<u>394</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

4	Employee Information	2020 £	2019 £
	Staff costs comprise:		
	Wages and salaries	5,166,221	5,332,037
	Social security costs	515,286	525,270
	Pension and other costs	852,036	713,592
		<u>6,533,543</u>	<u>6,570,899</u>

Included in the above values are termination and redundancy costs amounting to £52,953 (2019 - £47,210).

The average monthly number of persons employed by the group during the year was:

	2020 No.	2019 No.
Teaching and support	88	100
Catering and domestic	38	38
Administration	37	39
	<u>163</u>	<u>177</u>

The number of employees whose salaries were above £60,000 (including taxable benefits) for the year were:

	2020 No.	2019 No.
Between £60,000 and £70,000	3	4
Between £70,000 and £80,000	-	2
Between £80,000 and £90,000	3	1
Between £100,000 and £110,000	-	1
Between £120,000 and £130,000	1	-

None (2019 – one) of the above employees was accruing benefits under a defined benefit pension scheme, while the other seven (2019 – seven) were accruing benefits under a defined contribution scheme. Total pension contributions made in respect of these employees in the year totalled £109,295 (2019 - £93,775).

Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	2020 £	2019 £
Aggregate remuneration	<u>600,293</u>	<u>603,810</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 July 2020

5 Pension Costs

The School participates in the Scottish Teachers' Pension Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. The next valuation will be as at 31 March 2020 but has yet to be finalised and this will set contribution rates from 1 April 2022.

The School has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the School is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 April 2019 was 17.2% of pensionable pay, which increased to 23% from 1 September 2019. While the employee rate applied is a variable it is anticipated to provide an actuarial yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' Pension Scheme is known and its impact fully assessed in relation to any additional costs to the scheme.

The School's level of participation in the scheme is 0.16% based on the proportion of employer contributions paid in 2019-20. The pension charge in relation to the scheme represents contributions payable by the Company to the fund and amounted to £680,451 (2019 - £525,957).

6 Other External Charges

	2020	2019
	£	£
This is stated after charging / (crediting):		
Gain on sale of fixed assets	(1,700)	(1,560)
Depreciation	810,204	684,717
Auditors' remuneration (company £10,600)	14,600	14,600
	<u>14,600</u>	<u>14,600</u>

7 Interest Payable and Similar Charges

	2020	2019
	£	£
Interest and charges on bank facilities	5,880	6,537
	<u>5,880</u>	<u>6,537</u>

8 Taxation

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

The wholly owned trading subsidiaries are subject to corporation tax. However, payments from the taxable income of the companies are made through the gift aid provisions.

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

9. Analysis of Total Resources Expended

Group	Year ended 31 July 2020			Year ended 31 July 2019		
	Unrestricted funds £	Restricted funds £	2020 Total £	Unrestricted funds £	Restricted funds £	2019 Total £
Fundraising expenses	139,647	-	139,647	178,227	-	178,227
Trading – Merchiston Enterprises Limited & Merchiston International Limited	158,784	-	158,784	189,051	-	189,051
Raising funds	<u>298,431</u>	<u>-</u>	<u>298,431</u>	<u>367,278</u>	<u>-</u>	<u>367,278</u>
Staff costs	6,328,483	-	6,328,483	6,335,459	-	6,335,459
Governance costs	14,600	-	14,600	14,600	-	14,600
Other costs	3,248,142	6,360	3,254,502	3,712,467	74,037	3,786,504
Depreciation	810,204	-	810,204	684,717	-	684,717
Charitable activities	<u>10,401,429</u>	<u>6,360</u>	<u>10,407,789</u>	<u>10,747,243</u>	<u>74,037</u>	<u>10,821,280</u>
Total expenditure	<u>10,699,860</u>	<u>6,360</u>	<u>10,706,220</u>	<u>11,114,521</u>	<u>74,037</u>	<u>11,188,558</u>

Company	Year ended 31 July 2020			Year ended 31 July 2019		
	Unrestricted funds £	Restricted funds £	2020 Total £	Unrestricted funds £	Restricted funds £	2019 Total £
Fundraising expenses	139,647	-	139,647	178,227	-	178,227
Raising funds	<u>139,647</u>	<u>-</u>	<u>139,647</u>	<u>178,227</u>	<u>-</u>	<u>178,227</u>
Staff costs	6,328,482	-	6,328,482	6,335,459	-	6,335,459
Governance costs	14,600	-	14,600	14,600	-	14,600
Other costs	3,248,143	6,360	3,254,503	3,712,467	74,037	3,786,504
Depreciation	810,204	-	810,204	684,717	-	684,717
Charitable activities	<u>10,401,429</u>	<u>6,360</u>	<u>10,407,789</u>	<u>10,747,243</u>	<u>74,037</u>	<u>10,821,280</u>
Total expenditure	<u>10,541,076</u>	<u>6,360</u>	<u>10,547,436</u>	<u>10,925,470</u>	<u>74,037</u>	<u>10,999,507</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

9 Analysis of Total Resources Expended (continued)

	Staff Costs £	Other Costs £	Depreciation £	2020 Total £	2019 Total £
Raising funds:					
Trading costs of subsidiaries	73,095	85,689	-	158,784	189,051
Fundraising	<u>131,965</u>	<u>7,682</u>	<u>-</u>	<u>139,647</u>	<u>178,227</u>
Total for Group	<u>205,060</u>	<u>93,371</u>	<u>-</u>	<u>298,431</u>	<u>367,278</u>
Charitable activities:					
Teaching	4,663,299	220,796	-	4,884,095	4,882,247
Welfare	643,085	1,104,444	-	1,747,529	2,071,524
Premises	353,369	1,211,244	810,204	2,374,817	2,369,420
Support	668,730	718,018	-	1,386,748	1,483,489
Governance costs	<u>-</u>	<u>14,600</u>	<u>-</u>	<u>14,600</u>	<u>14,600</u>
Total for Group	<u>6,328,483</u>	<u>3,269,102</u>	<u>810,204</u>	<u>10,407,789</u>	<u>10,821,280</u>
Total Resources Expended - Group	<u>6,533,543</u>	<u>3,362,473</u>	<u>810,204</u>	<u>10,706,220</u>	<u>11,188,558</u>
Total Resources Expended - Charity	<u>6,460,448</u>	<u>3,276,784</u>	<u>810,204</u>	<u>10,547,436</u>	<u>10,999,507</u>

The difference between the total resources expended by the group and total resources expended by the charity relates solely to the trading costs of the charity's subsidiaries.

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

9 Analysis of Total Resources Expended (continued)

	Staff Costs £	Other Costs £	Depreciation £	2019 Total £	2018 Total £
Raising funds:					
Trading costs of subsidiaries	73,695	115,356	-	189,051	210,600
Fundraising	161,745	16,482	-	178,227	194,351
Total for Group	<u>235,440</u>	<u>131,838</u>	<u>-</u>	<u>367,278</u>	<u>404,951</u>
Charitable activities:					
Teaching	4,629,585	252,662	-	4,882,247	4,869,064
Welfare	677,727	1,393,797	-	2,071,524	2,167,151
Premises	390,467	1,294,236	684,717	2,369,420	1,461,825
Support	637,680	845,809	-	1,483,489	2,212,632
Governance costs	-	14,600	-	14,600	12,344
Total for Group	<u>6,335,459</u>	<u>3,801,104</u>	<u>684,717</u>	<u>10,821,280</u>	<u>10,723,016</u>
Total Resources Expended - Group	<u>6,570,899</u>	<u>3,932,942</u>	<u>684,717</u>	<u>11,188,558</u>	<u>11,127,967</u>
Total Resources Expended - Charity	<u>6,497,204</u>	<u>3,817,586</u>	<u>684,717</u>	<u>10,999,507</u>	<u>10,917,367</u>

The difference between the total resources expended by the group and total resources expended by the charity relates solely to the trading costs of the charity's subsidiaries.

10 Analysis of Investment Gains and Losses

	2020 £	2019 £
Fair value (losses) / gains on financial instruments		
Change in value of financial assets held at fair value	(40,622)	14,602
Other gains		
Gain on disposal of financial assets held at fair value	-	(1,147)
	<u>(40,622)</u>	<u>13,455</u>

All investment gains and losses recognised in the current and prior year have arisen within unrestricted funds.

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

11 Tangible Fixed Assets

Group

	Freehold Land and Buildings £	Assets Under Construction £	Property Improve- ments £	Furniture and Equipment £	Plant, Machinery and Motor Vehicles £	Total £
Cost						
At 31 July 2019	14,871,403	179,666	3,157,613	1,748,959	739,123	20,696,764
Additions	9,900	345,740	871,399	139,782	102,303	1,469,124
Disposals	-	-	-	(93,703)	(3,600)	(97,303)
Transfers	-	(168,019)	168,019	-	-	-
At 31 July 2020	<u>14,881,303</u>	<u>357,387</u>	<u>4,197,031</u>	<u>1,795,038</u>	<u>837,826</u>	<u>22,068,585</u>
Depreciation						
At 31 July 2019	2,922,455	-	2,456,202	1,425,648	584,263	7,388,568
Charge for year	350,740	-	231,245	177,122	51,097	810,204
Released on disposal	-	-	-	(93,703)	(3,600)	(97,303)
At 31 July 2020	<u>3,273,195</u>	<u>-</u>	<u>2,687,447</u>	<u>1,509,067</u>	<u>631,760</u>	<u>8,101,469</u>
Net Book Value						
At 31 July 2020	<u>11,608,108</u>	<u>357,387</u>	<u>1,509,584</u>	<u>285,971</u>	<u>206,066</u>	<u>13,967,116</u>
At 31 July 2019	<u>11,948,948</u>	<u>179,666</u>	<u>701,411</u>	<u>323,311</u>	<u>154,860</u>	<u>13,308,196</u>
Company						
	Freehold Land and Buildings £	Assets Under Construction £	Property Improve- ments £	Furniture and Equipment £	Plant, Machinery and Motor Vehicles £	Total £
Cost						
At 31 July 2019	14,959,971	179,666	3,157,613	1,744,480	739,123	20,780,853
Additions	9,900	345,740	871,399	139,782	102,303	1,469,124
Disposals	-	-	-	(93,703)	(3,600)	(97,303)
Transfers	-	(168,019)	168,019	-	-	-
At 31 July 2020	<u>14,969,871</u>	<u>357,387</u>	<u>4,197,031</u>	<u>1,790,559</u>	<u>837,826</u>	<u>22,152,674</u>
Depreciation						
At 31 July 2019	2,922,455	-	2,456,202	1,421,169	584,263	7,384,089
Charge for year	350,740	-	231,245	177,122	51,097	810,204
Released on disposal	-	-	-	(93,703)	(3,600)	(97,303)
At 31 July 2020	<u>3,273,195</u>	<u>-</u>	<u>2,687,447</u>	<u>1,504,588</u>	<u>631,760</u>	<u>8,096,990</u>
Net Book Value						
At 31 July 2020	<u>11,696,676</u>	<u>357,387</u>	<u>1,509,584</u>	<u>285,971</u>	<u>206,066</u>	<u>14,055,684</u>
At 31 July 2019	<u>12,037,516</u>	<u>179,666</u>	<u>701,411</u>	<u>323,311</u>	<u>154,860</u>	<u>13,396,764</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 July 2020

12 Investments Held as Fixed Assets

	UK Listed £	Cash for Investment £	Group Total £	Investment in subsidiary £	Company Total £
Balance at 31 July 2019	520,966	-	520,966	1	520,967
Loss on revaluation	(40,622)	-	(40,622)	-	(40,622)
Balance at 31 July 2020	<u>480,344</u>	<u>-</u>	<u>480,344</u>	<u>1</u>	<u>480,345</u>
Historical cost	<u>345,780</u>	<u>-</u>	<u>345,780</u>	<u>1</u>	<u>345,781</u>

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

Scottish Investment Trust	£27,702
Securities Trust of Scotland	£32,922
Scottish Mortgage Trust	£59,961
Finsbury Growth Income Trust	£33,700
Scottish American Investment Co.	£39,140
Henderson International Income Trust	£40,186
Pacific Assets Trust	£33,410
Threadneedle UK Corporate Bond	£35,134
Royal London Asset Management Global	£43,600
Alliance Trust	£29,138

13 Subsidiaries

Details of the company's subsidiaries at 31 July 2020 are as follows:

Name	Type	Registered Office Key	Class of Share Held	% Ownership	Net Assets / (Liabilities) (£)
Merchiston Enterprises Limited	Company limited by guarantee	1	N/A	100	33,202
Merchiston International Limited	Company limited by shares	1	Ordinary	100	(58,080)

Registered office addresses:

1. Merchiston Castle School, 294 Colinton Road, Edinburgh, EH13 0PU

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

14	Stock	2020 Group £	2019 Group £	2020 Company £	2019 Company £
	Stock	<u>112,240</u>	<u>106,754</u>	<u>21,170</u>	<u>12,837</u>
		<u>112,240</u>	<u>106,754</u>	<u>21,170</u>	<u>12,837</u>

15	Debtors	2020 Group £	2019 Group £	2020 Company £	2019 Company £
	Fees and outlays in arrears	70,123	176,409	70,123	176,409
	Prepayments and accrued income	321,118	372,581	321,118	372,518
	Amounts due from associated companies	8,491	11,303	291,075	285,130
	Other debtors	<u>14,565</u>	<u>472,803</u>	<u>10,634</u>	<u>372,802</u>
		<u>414,297</u>	<u>1,033,096</u>	<u>692,950</u>	<u>1,206,859</u>

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

	2020 Group £	2019 Group £	2020 Company £	2019 Company £
Trade creditors	157,516	432,982	151,957	430,073
Taxes and social security costs	81	142,783	-	141,747
Other creditors	162,626	152,073	162,030	151,477
Bank loans and overdrafts	12,500	-	12,500	-
Fees in advance	714,175	1,362,065	714,175	1,362,065
Accruals and deferred income	<u>351,852</u>	<u>610,361</u>	<u>346,954</u>	<u>604,725</u>
	<u>1,398,750</u>	<u>2,700,264</u>	<u>1,387,616</u>	<u>2,690,087</u>

Bank of Scotland plc holds a bond and floating charge over the assets of the company.

Fees paid in advance are as follows:

	2020 Group and Company £	2019 Group and Company £
Balance as at 31 July 2019	1,362,065	1,324,493
Amount released to incoming resources	(1,362,065)	(1,317,267)
Amount deferred in the year	<u>714,175</u>	<u>1,354,839</u>
Balance as at 31 July 2020	<u>714,175</u>	<u>1,362,065</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

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

	2020 Group and Company £	2019 Group and Company £
Other creditors	589,601	808,956
Bank loans and overdrafts	<u>737,500</u>	<u>-</u>
	<u>1,327,101</u>	<u>808,956</u>

Amounts included in other creditors above which fall due after five years are as follows:

Payable other than by instalments	<u>8,000</u>	<u>30,800</u>
-----------------------------------	--------------	---------------

18 **Bank loans and overdrafts**

	2020 Group and Company £	2019 Group and Company £
Bank loans	<u>750,000</u>	<u>-</u>

Analysis of bank loans

	2020 Group and Company £	2019 Group and Company £
Payable within one year	12,500	-
Payable within two to five years	587,500	-
Payable after five years	<u>150,000</u>	<u>-</u>
	<u>750,000</u>	<u>-</u>

The School received a bank loan during the year under the Coronavirus Business Interruption Loan Scheme from Bank of Scotland. The loan is to be repaid in 60 equal instalments commencing 13 months after the initial drawdown. The loan attracts interest at a rate of base rate plus 1.21% per annum.

At the year end Bank of Scotland held a bond and floating charge over the entire assets of Merchiston Castle School as security over the loan.

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

19 Capital and Reserves

Group	Unrestricted Reserves	Revaluation Reserve	Restricted Reserves	Total Reserves
	£	£	£	£
Balance as at 31 July 2019	15,963,836	175,186	1,217,351	17,356,373
Surplus / (deficit) for the year	323,376	(40,622)	143,018	425,772
Transfers	200,852	-	(200,852)	-
Balance as at 31 July 2020	<u>16,488,064</u>	<u>134,564</u>	<u>1,159,517</u>	<u>17,782,145</u>
Company				
	Unrestricted Reserves	Revaluation Reserve	Restricted Reserves	Total Reserves
	£	£	£	£
Balance as at 31 July 2019	16,018,820	175,186	1,217,351	17,411,357
Surplus / (deficit) for the year	381,925	(40,622)	143,018	484,321
Transfers	200,852	-	(200,852)	-
Balance as at 31 July 2020	<u>16,601,597</u>	<u>134,564</u>	<u>1,159,517</u>	<u>17,895,678</u>

20 Analysis of Group Net Assets between Funds

The restricted fund balance represented by current assets at 31 July 2020 was £1,159,517 (2019 - £1,217,351). Unrestricted funds are free to be used in accordance with the charitable objectives of the School. Restricted funds represent those assets which have been historically held to fund bursaries and the donation income received for the planning and construction of the new sport and leisure facilities. The transfer in the current year from restricted reserves to unrestricted reserves was £200,852 (2019 - £57,003).

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

21 Capital Commitments	2020	2019
	£	£
Amount authorised and contracted for	<u>100,698</u>	<u>508,272</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2020

22 Operating lease commitments

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

	2020	2019
	£	£
Within one year	6,192	6,192
Between two and five years	13,416	19,608
	<u>19,608</u>	<u>25,800</u>

23 Related Party Transactions

The charitable company has a connected undertaking, Merchiston Enterprises Limited (a company limited by guarantee) which utilises the facilities owned by the School (at an agreed rental) for letting and promotional events to benefit the School. During the year, Merchiston Enterprises Limited was charged rent of £100 (2019 - £100) for use of the facilities and made a distribution under gift aid to the School of £24,000 (2019 - £22,500) was received which is treated as a distribution from reserves. During the year, Merchiston Enterprises Limited was recharged £18,120 (2019 - £21,875) in relation to staff wages. The amount due to the school by Merchiston Enterprises Limited at 31 July 2020 was £125,690 (2019 - £175,998).

The charitable company also holds an investment in another subsidiary, Merchiston International Limited (a company limited by shares) which promotes the Merchiston ethos and education overseas. During the year, a distribution under gift aid of £nil (2019 - £37,200) was received from this company and wages of £48,692 (2019 - £52,546) were recharged to this company. The amount due by Merchiston International Limited to the School at 31 July 2020 was £156,893 (2019 - £97,829).

The Governors received no remuneration during the year (2019 - £nil), but one Governor was reimbursed for travel and subsistence expenses totalling £363 (2019 - two Governors £800). Where any of the Governors are parents of pupils at the school they have arms length transactions in relation to payment of school fees.

During the year the School incurred costs of £1,725 (2019 - £12,314) for services provided by a company of which a Governor of the School is also a Director. Included in trade creditors is a balance of £nil (2019 - £4,946) owed to this company. These services were for advertising costs incurred in the ordinary course of business.

During the year the School recharged wages of £8,334 (2019 - £12,500) to Merchistonian Club, a Club of which a Governor of the School is also a member of the Club's committee. The amount due by Merchistonian Club to the school at 31 July 2020 was £8,491 (2019 - £11,303).

During the previous year two members of key management personnel were provided with staff loans and the remaining balance of £611 (2019 - £2,928) is included in other debtors at the year end.

24 Control

In the opinion of the Governors there is no controlling party.