

Commentary on the Model Trustees' Annual Report and Accounts: Charity School Limited (FRS 102 version)

1. Applicable legislation

This example is for a company limited by guarantee, operating an independent day school. There are no subsidiary undertakings. The charity has opted to prepare its accounts using the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102) and follow the appropriate Charities SORP (FRS 102).

As a charity registered in Scotland, the charitable company also reports in accordance with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the UK Companies Act 2006.

The trustees may claim exemption from audit under section 477 of the Companies Act 2006 provided the audit exemption statement required by section 475(3) is made on the balance sheet. However an audit of the charity's accounts is still required under regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

In this example, the trustees have chosen to also have the charity's audit under the provisions of company law and therefore no audit exemption is provided on the balance sheet. The accounts are therefore audited under the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations (as amended).

Auditors can find further guidance on the format of charity audit reports on the Financial Reporting Council's website: <http://www.frc.org.uk/Our-Work/codes-standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditing-standards.aspx>

The attached Trustees' Annual Report is an example of how an independent school charity might operate. The narrative and financial data within it are for illustrative purposes only. These accounts have been prepared to provide schools with guidance particularly in the area of the Trustees' Annual Report. Whilst figures have been included to give the example more substance they do not reflect the more complex transactions of some schools.

2. Demonstrating public benefit in the Trustees' Annual Report

The Charities SORP (FRS 102) suggests a number of headings under which charities may structure the required content of the Trustees' Annual Report (TAR). These headings have been used in the following example for ease of reference.

We have developed the following guidance to help independent school charities to demonstrate in their TARs the public benefit they have provided during the financial year, in addition to meeting the requirements set out in the Charities SORP (FRS 102). Based on examples of existing good practice among independent school charities, the aim is to provide users of the accounts with a full understanding of how the charity demonstrates public benefit. This enhances the transparency of the accounts for the benefit of the charity's stakeholders and the public in general. It also enables OSCR to satisfy itself that the charity continues to meet the requirements of the charity test without needing to actively seek this information from the charity.

This guidance is intended to supplement the required content of the 'Objectives and activities' and 'Achievements and performance' headings outlined in the Charities SORP (FRS 102) and so should be read in conjunction with them. Whilst every effort has been made to ensure that the example accords with UK company law and charity law as it applies in Scotland, preparers should refer to the relevant regulations and the Charities SORP (FRS 102) when preparing a charity's accounts.

a. Key data

The TAR should provide details of the size and type of the school, including the following information:

- School roll during the school year (as an average if preferable).
- A break-down of the school roll by the main age groups (nursery, primary, secondary) and details of boarding pupil numbers if applicable.

b. Summary of activities

The TAR is a key way in which the charity trustees can demonstrate the public benefit the charity has provided in furtherance of its purposes. The report should therefore summarise the charity's main activities and achievements during the financial year.

For the majority of independent school charities, these activities will relate largely to the advancement of the education of the pupils of the schools. The TAR should therefore provide details of:

- The curriculum and any extra-curricular activities offered by the school.
- Any special projects or programmes undertaken in furtherance of the purposes throughout the year.
- The fees charged by the charity for these services.
- Details of the criteria the charity uses to assess success in the achievement of its purposes. This may take various forms, such as examination results or information about school leavers' activities going forward.
- An explanation of any entry criteria which apply to pupils wishing to attend the school.

In addition to activities which advance the education of their school pupils, many independent school charities also undertake activities for which there is little or no charge and which are aimed at beneficiaries outwith the school. These activities may be in furtherance of educational purposes, or in furtherance of other charitable purposes such as:

- the advancement of citizenship or community development
- the advancement of the arts, culture, heritage or science
- the advancement of public participation in sport
- the provision of recreational facilities or the organisation of recreational activities with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended.

The TAR should also summarise these types of activities, explaining who the target beneficiary groups are, how many such people benefit and how often the activities typically take place.

Where the trustees feel that there is significant activity taking place which does not further the charity's stated purposes, but which might provide public benefit in furtherance of other charitable purposes, they should consider reviewing the stated purposes to more properly reflect the scope of the charity's activities.

c. Financial assistance

Many independent school charities offer various forms of financial assistance for those paying fees to access the educational benefit they provide. This assistance may be awarded on the basis of financial need (means-tested assistance) or on the basis of other criteria, such as academic or sporting aptitude, whether a sibling also attends the school, or whether the person paying the fee is employed by the school (non means-tested assistance).

For both means-tested and non means-tested forms of assistance, the TAR should detail the following information:

- The charity's policy on offering means and non means-tested assistance, including the eligibility and assessment criteria, and any conditions of award for those in receipt of financial assistance.
- A brief description of how the charity publicises the availability of financial assistance.
- The sum the charity expended on means and non means-tested assistance.
- The number of pupils in receipt of both types of financial assistance.
- A break-down of recipients of financial assistance by the level of fee remission awarded to them.

Charity School Limited
(A company limited by guarantee)

Report and Financial Statements

Year ending 31 July 2016

Charity number: SC078057
Company number: SC79126X

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016

Chair's report

The trustees are pleased to present their annual directors' report together with the financial statements of the charity for the year ending 31 July 2016 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Francis Atkinson
Chair

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)

Reference and administrative details

Charity number: SC078057
Company number: SC79126X
Registered Office: Charity School Limited, School Road, Brachen, BZ4 4DS

Our advisers

Auditors	CEP & Co	23 High Street, Brachen, BZ4 4DJ
Bankers	Crufts Bank plc	10 High Street, Brachen, BZ4 4DJ
Solicitors	Backhouse & Co	15 Low Road, Brachen, BZ4 4DJ
Investment Advisers	Goodshires & Co	35 Pound Lane, Brachen, BZ4 4DJ

Directors and trustees

The directors of the charitable company (the charity) are its trustees for the purpose of charity law. The trustees and officers serving during the year and since the year end were as follows:

Key management personnel: Trustees and Directors

Chair: Francis Atkinson
Vice Chair: Steven Gold
Trustees: Annabel Gold
Charles West
Martin Young
Samuel Smith
Fraser Tough (appointed 1 September 2015)
Samuel Perkins (appointed 1 September 2015)
Kevin Brand (resigned 1 September 2015)
Janice Stevens (resigned 1 September 2015)

Key management personnel: Key Executives

Head: K Smith
Deputy Head: M Jones
Bursar: J Thomson

Objectives and activities

The charitable objects of the School are set out as follows in the Articles of Association dated August 2012:

- the advancement of education, including through the provision of a day school and by way of community educational activities;
- the advancement of public participation in sport;
- the provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; and
- the advancement of citizenship or community development in the community of Brachen.

The charity's main aim is to educate boys and girls between five and 18 years of age. In addition the charity also has the general aim of contributing to the wider community of Brachen by enabling them to participate in a range of sporting, recreational and educational activities.

The main strategy for meeting the aim is to continue to provide a high quality of education which will allow pupils the opportunity to attain the highest academic levels, and also to provide pupils with an all-round education benefitting from the School's varied extra-curricular programme. The charity will also continue to foster links with the local community, both by providing educational links with other schools in the area and also by providing the opportunity for members of the community to access the excellent sporting facilities of the School.

The School uses academic results to monitor its success and the academic performance of pupils in national examinations has remained a source of considerable satisfaction. In addition to academic success the charity considers other areas such as individual and team sporting achievements and successes in performing arts and music. The charity also monitors success through the extent to which parents are involved in school life, as the governors see parent involvement as key to the continued success of the School.

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)

The main activity undertaken continues to be the provision of education through the provision of the independent day school. This allows pupils access to a high standard of all round education. The school extended the range of subjects on offer allowing pupils wider choice and also facilitating entrance opportunities for further education. The School has continued to provide a wide range of extra-curricular activities.

In addition to the main school activity the School has continued to foster relationships with the community. The School makes available its sports facilities to a number of community groups including Brachen Beavers Amateur Swimming Club, Brachen Ju Jitsu and Brachen Karate Club. The School also allows Brachen High access to its sporting facilities for 3 hours a week. In addition to the use of sporting facilities the School also allows a local young parents group access to its IT facilities and a guidance teacher to assist with back to work skills.

The School monitors success of these activities by monitoring the number of community groups who use the School's facilities and also the number of attendees at these groups.

The School continues to foster links with Brachen High and in the last academic year six Brachen High students attended Higher courses at Charity School which were not available at Brachen High. In addition three students were provided with interview training for Oxbridge entrance.

It is a longer term objective of Charity School to further increase links with Brachen High. Charity School recognises the positive contribution which can be made through the provision of courses, revision assistance and university entrance preparation and we are committed to extending this provision.

Charity School Limited is a fee charging school. We recognise however that it is important to make education available to all and as such provide facilitated access to the School.

The Board of Governors provides financial support to pupils through a means-tested bursary scheme and a number of non means-tested fee remissions. The availability of financial support is publicised by way of the charity's website, in local media and in our application packs for entry to the School.

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)

Bursaries

Support in the form of bursaries is available for those wishing to attend the School but who otherwise are unable to pay the fees, or for those current pupils where a change in family circumstances would compromise their ability to remain at the School.

Those wishing to be considered for bursary support are required to complete a Bursary Application giving full details of their financial situation, supported by original documents. Bursary remission on fees is assessed according to the guardians' ability to pay full fees and the availability of bursary funds to the School. Bursary awards are subject to the annual testing of the guardians' means.

The value of means-tested bursaries awarded in academic year 2015-16 amounted to £330,979 which is 9.6% of the School's income (less any restricted funds which were not available for bursary provision). In total, there were 52 pupils in receipt of bursary provision, representing 15% of the school roll. The range of bursary awards is as follows:

0-20%	7 beneficiaries
21-40%	12 beneficiaries
41-60%	6 beneficiaries
61-80%	18 beneficiaries
81-100%	9 beneficiaries (of whom 4 received 100%)

Non means-tested fee remissions

Academic, sport, art and music scholarships have been historically awarded following a competitive assessment prior to entry to the School and are based on outstanding achievement and potential. Awards are set at 40% remission of the full fee and continue for the duration of the pupil's education at the School. The value of Scholarships in 2015-16 was £33,894 awarded to 9 pupils.

Other forms of non means-tested assistance were also awarded during the academic year, including sibling and staff discounts. In total these awards were made to 126 pupils and amounted to £211,660

Non means-tested fee remissions for the year 2015-16 benefitted 36% of the school roll and amounted to 6.1% of the School's income (less any restricted funds which were not available for bursary provision).

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)

Volunteers

Members of the Board of Governors did not receive any payment for the work they carried out in the capacity for the charity in the year ending 31 July 2016. In addition, a large number of parents and former pupils gave their time voluntarily in assisting the School with the supervision of excursions and extra-curricular sporting activities.

Strategic Report
Achievements and performance

Charity School provided education for an average of 346 pupils over the three terms of the academic session 2015-16. Average pupil numbers for each age group are shown below:

Preparatory school	154
Secondary school	192

Although economic conditions remain uncertain the school roll has remained fairly stable over the past few years, although the availability of the means-tested financial support remains an important factor.

The focus of the School remains the all-round education and development of the whole child. Entry to the school is by way of written test and/or interview. The academic curriculum remains a major priority and 2016 was another year of excellent SQA examination results. The Higher results were impressive with a pass rate of 91.2% and 56% of these passes at A grade. 30 pupils achieved 5 A Grades at Higher. The board were particularly encouraged that out of the six pupils attending courses from Brachen High, 5 of these achieved an A grade in their subject.

The performance in National 5 examinations was equally impressive with pass rates at 96%. Candidates achieved an average of 7.6 National 5 passes (last year 7.3) and 26% of those sitting achieved straight A grades.

The board recognises that exam passes are a useful indicator of success and one which is considered by parents as an important factor when considering a school. The board aims for pass rates for higher to exceed 85% and for National 5s to exceed 90%. Both of these aims have been exceeded in the current year.

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)

The School has committed to improving its music and drama programmes. To this end we have changed the music curriculum to allow students earlier access to tuition on a wider range of instruments. Work has also been undertaken to enhance the specialist input into drama, with additional specialist coaches being employed. The school has identified music as a key area in which relationships between Charity School and Brachen High can be strengthened and there are plans for a joint school orchestra.

The ongoing aim if the School is to provide an excellent all-round education, producing first class examination results whilst allowing students to develop their whole self, equipping them for the future.

Financial review

The main source of income for the charity is through the fee income charged for the provision of education. In the 2015-16 school year, the fees charged were:

Primary 1 – 3	£8,450
Primary 4 – 7	£9,538
Secondary	£10,430

The charity also holds a small investment portfolio which is restricted for the provision of bursaries. As a relatively new school there is only a small pool of alumni and the School does not receive regular support from them. We have noticed however in recent years that there have been some small donations received from former students and the trustees are hopeful that this may continue.

The main expenditure of the School is that of staff salaries. Our staff are key to the ongoing success of the School and therefore we continue to invest in the highest standard of teaching staff and are also committed to ensuring their continued professional development. Staff salaries accounted for 59% of expenditure.

Charity School recorded a small deficit for the financial year. Whilst the school roll remains healthy with fee income slightly increasing, there has been additional expenditure recorded in the last two financial years. This has been due to a period of refurbishment to the school. The trustees recognise that to continue to attract pupils to the School they must ensure that the fabric of the buildings remains of a high standard. They therefore undertook a period of additional repairs and improvements work allowing particularly for improvements in the School theatre and music facilities and also necessary improvements to the School's science facilities. The School also undertook some works to meet changing health and safety requirements.

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)

Although the charity has reported a deficit for the year, the cash position at the year end is improved and the charity still remains in a position where it can operate without requiring external finance.

The trustees are committed to ensuring the future financial stability of the School and continually review the financial position and consider any changes required. The charity has considered the fee levels charged and have decided to raise these for the next school year.

The trustees continue to consider the bursary provision available and remain committed to ensuring a wider number of pupils gain facilitated access to education. The School has no bursary fund however, other than a small investment portfolio, and therefore costs must be met as part of the charity's operations.

Plans for future periods

The trustees of the School are committed to continuing the provision of all round education. They also are considering some specific future plans:

- Nursery provision
The School currently provides education for primary and secondary age children. The trustees have recognised that a number of independent schools now offer nursery provision, allowing education from ages 3-18 which ties into the Curriculum for Excellence. The trustees believe that the provision of nursery education would be beneficial; parents would benefit from a complete education for their children and the trustees believe that by providing nursery provision they may expand the number of entrants at Primary 1.

The trustees received a donation of £7,000 to allow for a feasibility study to be undertaken into the provision of the nursery. The School has commissioned this work and this will be undertaken in the next school year.

- Theatre and music studies
The School has made a commitment to extend their provision of theatre and music studies. They have during the year engaged specialists on a short term basis to provide additional teaching support. The feedback from this has been positive and as such the trustees have decided to create a permanent post, which will co-ordinate the improved expansion of these courses.

Charity School Limited

Report of the trustees (including strategic report) for the year ending 31 July 2016 (continued)

- Links with Brachen High School

The trustees are working to extend links with Brachen High School. The head now holds quarterly meetings with the head of Brachen High School and opportunities are considered.

Principal Risks and uncertainties

The trustees have considered the principal risks and uncertainties facing the school. The main funding of the school is through fee income therefore uncertainties over future school roll are always a factor and the trustees are increasingly mindful of the fact that the economic climate has affected parents' ability to choose a private education for their children. The trustees believe that the reputation of the school is key to ensuring the future success and that this will allow the school roll to be maintained. In order to provide a high standard of education the quality of the school buildings is important and the trustees are aware that there is a risk that additional or unexpected repair work will be required. The trustees have ensured that full insurance is in place and continue to undertake annual repairs and maintenance to mitigate the risk of substantial repairs.

The School holds investments which are used to fund the bursary provision. The trustees have a policy of investing in a mid risk group with 65% of the portfolio being in higher volatility assets and 35% of the portfolio in lower volatility assets. The investment brief is broadly defined but the ethical criteria prohibit investment in companies that manufacture armaments, alcohol or tobacco.

The School has considered the financial risks arising from the availability of liquid funds. The School works hard to ensure that debtors are well managed and where possible aims to receive fees in advance to improve the position. The School is fortunate that they do not require external finance to manage their cash flow.

The School has also considered non financial risks and as the health and safety of the pupils is paramount they consider any potential breach to be a principal risk. To mitigate this they have developed policies to ensure the regulations and guidelines for the welfare of pupils are observed.

The risk register is reviewed by the trustees in full once a year and is considered at each trustee meeting.

Investment powers and policy

The School holds an investment portfolio which it was gifted through a legacy in 2004. The portfolio is held with the income generated to be applied for the use of bursary funding.

The trustees have a policy of investing in a mid risk group with 65% of the portfolio being in higher volatility assets and 35% of the portfolio in lower volatility assets. The trustees were satisfied with the management and performance of the investment portfolio throughout the year.

The investment objectives seek to provide sufficient growth to maintain the real value of the investment portfolio whilst achieving a stable income stream to support bursary provision.

The investments are managed by Goodshires and Company. There is a written policy which outlines the relationship between the trustees and the investment manager. The trustees review the performance of the investment quarterly and measure these against appropriate market indices.

Reserves policy

The reserves of the School are represented by the unrestricted and restricted funds as shown in note 20. The total funds held by the School at the end of the year are £5,090,142: of these funds £562,900 is restricted and not available for general use. This leaves a balance of £4,527,242 unrestricted funds of which £4,419,602 represent the tangible fixed assets of the charity. Available unrestricted reserves therefore amount to £107,640.

The schedule of improvements and repairs has now been completed and therefore there are no material amounts which are committed for expenditure at the end of the financial year.

The charity maintains a policy of retaining £500,000 in reserves as they have ascertained that this is the amount which would be required for an orderly wind up of the school if it was required to cease trading for any reason. This amount is reviewed annually. The trustees are conscious that there is a level of school roll below which the school is no longer financially viable and if the school roll falls below this level they will consider orderly wind up.

Charity School Limited

**Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)**

The trustees recognise that reserves are currently below the required. They expect to improve the position with the increase of fee amounts charged, the introduction of nursery provision and available surplus now that the programme of improvements has been completed. The trustees recognise that there may be initial investment required for the nursery provision and this will be clearer once the feasibility study is completed.

Structure, Governance and Management

Governing Document

Charity School Limited is a company limited by guarantee governed by its Memorandum and Articles of Association dated 19 June 2012, registered company number SC79126X. It is a registered charity with the Scottish Charity Regulator, charity number SC078057.

Appointment of trustees

The directors are elected at a full directors' meeting. The directors are appointed by the Board of Directors for a term of three years and they can be re-elected.

Procedures are in place to identify and recruit suitable individuals to provide strength and balance to the Board. Areas of expertise considered are education, finance, child welfare, legal, marketing and human resources.

Trustee induction and training

On appointment, directors undertake an orientation day. During the day they are briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the Board Structure, committees and decision making processes, the business plan and recent financial and academic performance of the School. During the induction day they also meet key employees. Directors are encouraged to attend staff in service days and other appropriate training opportunities such as events run by the Scottish Council for Independent Schools.

Organisation

The directors determine the policy of the School and the day to day management is delegated to the Senior Management Team which is comprised of the Head Master, Bursar and Head of Welfare.

The directors have quarterly meetings and will meet more frequently if necessary. There are committees which meet in addition to full board meetings; these are the Audit, Education, Welfare and Premises Committees. There is also a new committee which is overseeing the feasibility study into the provision of a nursery.

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)

The School is affiliated with the Scottish Council of Independent Schools which represents and promotes independent schools in Scotland. This relationship allows the School access to advice about educational development and legislative changes. This does not impact on the general operating policies of the School but can inform the overall strategic direction.

Related parties

None of the directors receive remuneration or other benefit from their work with the charity. Any contractual relationship must be disclosed and notes of interest are retained in written form.

Many of the directors do have children attending the School. Generally this does not affect their capability to make independent and fair decisions but, if there is a specific situation where there may be conflicted interests, directors will remove themselves from meetings.

One of the governors, C I West, is a director of Construct Limited. During the year a sum of £46,123 (2015 - £23,621) was paid to Construct Limited for services provided on an arm's length basis.

Pay policy for senior staff

The charity operates banded salary ranges for all staff including senior staff. The banded ranges are benchmarked against those of other independent schools which are registered with SCIS. This allows the School to remain an attractive employer in the independent school sector.

The bands are reviewed annually and generally an inflationary increase is applied. This is dependent upon the financial success of the charity and also increases being offered in similar schools. Progression within the bands is based upon performance for all levels of staff.

Risk management

The trustees have a risk management strategy which comprises:

- an annual review of the principal risks and uncertainties that the charity faces;
- the establishment of policies, systems and procedures to mitigate those risks identified in the annual review; and

Charity School Limited

Report of the trustees (including strategic report) for the year ending 31 July 2016 (continued)

- the implementation of procedures designed to minimise or manage any potential impact on the charity should those risks materialise.

Trustees' responsibilities in relation to the financial statements

The charity trustees (who are also the directors of Charity School Limited for the purposes of company law) are responsible for preparing a trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Charity School Limited
Report of the trustees (including strategic report) for the year ending 31 July 2016
(continued)

Statement as to disclosure to our auditors

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board of trustees

Francis Atkinson (Chair)

9 October 2016

Charity School Limited
Statement of Financial Activities
(including income and expenditure account)
for year ending 31 July 2016

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2016 £	Total Funds 2015 £
<i>Income and endowments from:</i>					
Donations and legacies		-	7,000	7,000	6,000
<i>Income from charitable activities:</i>					
Fee income receivable	4	3,390,964	-	3,390,964	3,328,893
<i>Income from other trading activities:</i>					
School sales		7,912	-	7,912	6,978
Investment income	5	69	46,139	46,208	43,165
Other income		1,200	-	1,200	1,268
Total income		3,400,145	53,139	3,453,284	3,386,304
<i>Expenditure</i>					
<i>Costs of raising funds:</i>					
Marketing		7,230	-	7,230	6,965
<i>Expenditure on charitable activities:</i>	6	3,428,173	46,139	3,474,312	3,379,161
Total expenditure		3,435,403	46,139	3,481,542	3,386,126
Net income/(expenditure) and net movement in funds before gains and losses on investments		(35,258)	7,000	(28,258)	178
Net gain on investments		-	12,517	12,517	13,697
Net income/(expenditure) and net movement in funds for the year		(35,258)	19,517	(15,741)	13,875
Reconciliation of funds					
Total funds brought forward		4,562,500	543,383	5,105,883	5,092,008
Total funds carried forward		4,527,242	562,900	5,090,142	5,105,883

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.

Charity School Limited
Balance Sheet
31 July 2016

		2016 £	2015 £
Fixed assets			
Tangible assets	12	4,419,602	4,554,213
Investments	13	555,900	567,383
Total Fixed Assets		4,975,502	5,121,596
Current assets			
Stock	14	2,750	3,000
Debtors	15	339,200	318,000
Cash at bank and in hand		32,659	22,196
Total Current Assets		374,609	343,196
Liabilities			
Creditors falling due within one year	16	258,107	355,185
Net Current assets		116,502	(11,989)
Total assets less current liabilities		5,092,004	5,109,607
Creditors: falling due after more than one year	18	(1,862)	(3,724)
Net assets		5,090,142	5,105,883
The funds of the charity:	21		
Unrestricted income funds		4,527,242	4,562,500
Restricted income funds		562,900	543,383
Total charity funds		5,090,142	5,105,883

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 44 of the Charities and Trustee Investment (Scotland) Act 2005. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

The notes at pages 17 to 30 form part of these accounts
Approved by the trustees on 9 October 2016 and signed on their behalf by:

Signed Francis Atkinson
Name FRANCIS ATKINSON, Chair of trustees

**Charity School Limited
Statement of Cashflows
Year ended 31 July 2016**

	Note	2016 £	2015 £
Cash used in operating activities	21	(42,489)	234
Cash flows from investing activities			
Interest income and dividends		46,208	43,165
Purchase of tangible fixed assets		(17,256)	(39,478)
Proceeds from sale of investments		24,000	(2,024)
Cash provided by (used in) investing activities		52,952	1,663
Increase in cash and cash equivalents in the year		10,463	1,897
Cash and cash equivalents at the beginning of the year		22,196	20,299
Total cash and cash equivalents at the end of the year		32,659	22,196

1. Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Charity School Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

After reviewing the charity's forecasts and projections, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

There are no significant judgements made in the process of applying the entity's accounting policies. With respect to the next accounting period 2016-17 the most significant area of uncertainty that will affect the carrying value of the assets held by the charity are the level of investment return and performance of the investment market. This will affect both the carrying value of investments and also the performance of the pension funds.

b) Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. The trustees have reviewed the transactions and have determined that no amendment to the comparative figures is required, other than a presentational amendment.

In accordance with the requirements of FRS 102 a reconciliation of opening balances and net income/(expenditure) for the year is provided with the net income/(expenditure) under previous GAAP adjusted for the presentation of investment gains/(losses) as a component of reported income.

Reconciliation of reported net income

Net income/(expenditure) as previously stated	178
Adjustments for gains/(losses) on investment now treated as a component of net income	<u>13,697</u>
2015 net income restated	<u>13,875</u>

c) Preparation of the accounts on a going concern basis

The charity has reported a cash inflow for the year of £10,463 although notes that a small deficit was recorded for the year. The School is currently self financing and the trustees are in the fortunate position that they do not rely on external finance to operate the School.

The roll for the next financial year is comparable with the current year and the trustees are confident that due to the fact that the majority of repairs have now been carried out there they will report a small surplus. The trustees recognise that the current economic climate has affected independent schools and they are mindful that this needs to be considered when determining future plans.

After reviewing the charity's forecasts and projections the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

d) Income

Fee income

Fees receivable are accounted for in the period in which the service is provided. Fees are stated before deducting bursaries, grants and remissions granted by the School.

Deferred income – advance fees

Where income is received in advance of meeting any performance related conditions and there is not unconditional entitlement to the income, its recognition is deferred and included in creditors as deferred income until the performance conditions are met.

Donations and legacies

Donations and legacies receivable for the general purposes of the School are credited to 'unrestricted funds'. Donations and legacies for purposes restricted by the wishes of the donor are taken to 'restricted funds'.

Investment income

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable. Dividends are recognised once the dividend has been declared and notification has been received of the dividends due. This is normally upon notification by our investment advisor of the dividend yield of the portfolio.

e) Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the charity's work or for specific artistic projects being undertaken by the charity

f) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the costs of marketing to attract students to the School.
- Expenditure on charitable activities includes the costs of teaching salaries, and other educational activities undertaken to further the purposes of the charity and their associated support costs.
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

g) Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activity. Support costs include the costs of office salaries, and governance costs which support the School in the provision of education. The bases on which support costs have been allocated are set out in note 7.

h) Tangible fixed assets

Individual fixed assets costing £1,000 or more are capitalised at cost. All assets are depreciated over their estimated useful economic lives on a straight line basis as follows:

Asset Category	Annual rate
Permanent buildings	2%
Furniture and equipment	12.5%
Motor vehicles	20%

i) Investments

The School has a portfolio of investments in quoted companies. Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price in an active market. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

The charity does not acquire put options, derivatives or other complex financial instruments.

j) Stock

Stock is included at the lower of cost or net realisable value.

k) Pensions

Defined Benefit Scheme

The School contributes to the Scottish Teachers Superannuation Scheme at rates set by the Scheme Actuary and the advised to the School by the Scheme Administrator, the Scottish Government.

The scheme is a multi employer scheme and it is not possible to identify the assets and liabilities which are attributable to the School. In accordance with FRS 102 therefore it is accounted for as a defined contribution scheme. The total pension cost of this scheme is £218,283 (2015: £213,859)

Defined Contribution Scheme

The School operates a stakeholder pension scheme for support staff. The assets of the scheme are held separately from those of the school in an independently administered fund. The total pension cost of this scheme is £12,324 (2015: £12,074).

l) Cash at bank

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

m) Debtors

Debtors are recognised at the settlement amount due after any discount offered.

n) Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount.

2. Legal status of the Charity

The Charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding-up is limited to £1.

Charity School Limited
Notes to the accounts for the year ended 31 July 2016 (continued)

3. Comparative information by fund type

	Unrestricted Funds £	Restricted Funds £	Total Funds 2015 £
<i>Income and endowments from:</i>			
Donations and legacies	6,000	-	6,000
<i>Income from charitable activities:</i>			
Fee income receivable	3,328,893	-	3,328,893
<i>Income from other trading activities:</i>			
School sales	6,978	-	6,978
Investment income	44	43,121	43,165
Other income	1,268	-	1,268
Total income	3,343,183	43,121	3,386,304
<i>Expenditure</i>			
<i>Costs of raising funds:</i>			
Marketing	6,965	-	6,965
<i>Expenditure on charitable activities:</i>	3,336,040	43,121	3,379,161
Total expenditure	3,343,005	43,121	3,386,126
Net income/(expenditure) and net movement in funds before gains and losses on investments	178	-	178
Net gain on investments	-	13,697	13,697
Net income/(expenditure) and net movement in funds for the year	178	13,697	13,875
Reconciliation of funds			
Total funds brought forward	4,562,322	529,686	5,092,008
Total funds carried forward	4,562,500	543,383	5,105,883

4. Income from charitable activities

The income from charitable activities relates to fee income charge. Fee income includes charges for examination entry and course supplies.

Charity School Limited
Notes to the accounts for the year ended 31 July 2016 (continued)

5. Income from investments

	Total 2016 £	Total 2015 £
Dividend income	46,139	43,121
Interest income	69	44
Total	46,208	43,165

6. Analysis of expenditure on charitable activities

	Teaching £	Bursaries £	Welfare £	Total 2016 £	Total 2015 £
Salaries and benefits	1,873,611	37,500	121,396	2,032,507	1,991,855
Bursaries	-	576,533	-	576,533	544,311
Welfare Costs	-	-	151,379	151,379	138,525
Insurance	-	-	10,633	10,633	9,632
Depreciation	-	-	151,867	151,867	149,710
Bad debts	39,189	-	-	39,189	34,156
Sundry expenses	9,765	-	-	9,765	9,216
Premises costs	-	-	379,189	379,189	381,256
Governance costs (see note 7)	16,132	323	1,045	17,500	16,500
Support costs (see note 7)	97,483	1,951	6,316	105,750	104,000
Total	2,036,180	616,307	821,825	3,474,312	3,379,161

7. Analysis of governance and support costs

The Charity initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the three key charitable activities undertaken in the year. Refer to the table below for the basis for apportionment and the analysis of support and governance costs.

Analysis of Support and Governance costs

	General support £	Governance function £	Total £	Basis of apportionment £
Salaries, wages and related costs	105,750	9,000	114,750	Allocated on time
Audit fees	-	6,000	6,000	Governance
Accountancy services	-	2,500	2,500	Governance
Total	<u>105,750</u>	<u>17,500</u>	<u>123,250</u>	

8. Net income/(expenditure) for the year

This is stated after charging:	2016 £	2015 £
Depreciation	151,867	149,710
Audit fees	6,000	6,000
Accountancy services	2,500	2,500
	<u> </u>	<u> </u>

9. Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

	2016 £	2015 £
Salaries and wages	1,765,243	1,730,084
Social security costs	151,407	148,338
Pension costs	230,607	225,933
	<u>2,147,257</u>	<u>2,104,355</u>

Charity School Limited
Notes to the accounts for the year ended 31 July 2016 (continued)

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The charity trustees were not paid or received any other benefits from employment with the Charity in the year (2015: £nil) neither were they reimbursed expenses during the year (2015: £nil). No charity trustee received payment for professional or other services supplied to the charity (2015: £nil).

10. Staff Numbers

The average monthly headcount was 62 staff (2015-61 staff) and the average monthly number of full-time equivalent employees (including casual and part-time staff) during the year was as follows:

	2016 Number	2015 Number
Teaching	46	45
Bursaries	1	1
Management	3	3
Domestic and administrative	6	6
	56	55

The School considers its key management personnel comprise the trustees, head teacher and the bursar. The total employment benefits including employer pension contributions of the key management personnel were £103,024 (2015: £97,282)

The number of employees whose emoluments exceeded £60,000 were:

	2016	2015
£60,000 - £70,000	-	1
£70,000 - £80,000	1	-

11. Related party transactions

One of the governors, C I West, is a director of Construct Limited. During the year a sum of £46,123 (2015: £23,621) was paid to Construct Limited for services provided on an arm's length basis.

12. Tangible fixed assets – charity

	Freehold land and buildings £	Furniture and equipment £	Motor vehicles £	Total £
Cost:				
As at 1 June 2015	4,880,235	391,649	15,750	5,287,634
Additions	-	17,256	-	17,256
As at 31 July 2016	<u>4,880,235</u>	<u>408,905</u>	<u>15,750</u>	<u>5,304,890</u>
Depreciation:				
As at 1 June 2015	488,023	242,248	3,150	733,421
Charge for the year	97,604	51,113	3,150	151,867
As at 31 July 2016	<u>585,627</u>	<u>293,361</u>	<u>6,300</u>	<u>885,288</u>
Net book value				
As at 1 June 2015	<u>4,392,212</u>	<u>149,401</u>	<u>12,600</u>	<u>4,554,213</u>
As at 31 July 2016	<u>4,294,608</u>	<u>115,544</u>	<u>9,450</u>	<u>4,419,602</u>

13. Investments

	2016 £	2015 £
Market value	567,383	551,662
Additions	56,000	131,243
Disposals	(80,000)	(129,219)
Gain	12,517	13,697
	<u>555,900</u>	<u>567,383</u>
Historical cost	494,129	498,124

Charity School Limited
Notes to the accounts for the year ended 31 July 2016 (continued)

14. Stock

	2016	2015
	£	£
Stock of school equipment	2,750	3,000

15. Debtors

	2016	2015
	£	£
Trade debtors	265,200	245,000
Other debtors	74,000	73,000
	339,200	318,000

16. Creditors: amounts falling due within one year

	2016	2015
	£	£
Fees received in advance	179,350	176,323
Hire purchase	1,862	1,862
Other creditors and accruals	41,575	142,044
Taxation and social security costs	35,320	34,956
	258,107	355,185

17. Deferred income

Deferred income relates to fees which are received in advance. The fees are recognised as being due within one year where the payment received is for an academic year beyond the next year.

	£
At 1 August 2015	176,323
Released in year	(176,323)
Received in year	179,350
At 31 July 2016	<u>179,350</u>

18. Creditors: amounts falling due after more than one year

	2016 £	2015 £
Hire purchase	1,862	3,724

19. Analysis of charitable funds

	Balance 1 August 2015 £	Incoming resources £	Resources expended £	Funds 31 July 2016 £
Unrestricted funds	4,562,500	3,400,145	3,435,403	4,527,242
Bursary fund	543,383	58,656	46,139	555,900
Feasibility fund	-	7,000	-	7,000
	<u>5,105,883</u>	<u>3,465,801</u>	<u>3,481,542</u>	<u>5,090,142</u>

The unrestricted funds are the funds which the directors are free to use in accordance with the charitable objectives of the School.

The bursary fund is a fund which resulted from a legacy gift. The funds are retained and income is used to support bursaries.

The feasibility fund is a donation which was received to undertake a feasibility study into a new nursery. The work has not yet been started but is commissioned for the next financial year.

20. Analysis of group net assets between funds

	General Fund	Restricted Funds	Total
	£	£	£
Tangible fixed assets	4,419,602	-	4,419,602
Investments	-	555,900	555,900
Cash at bank and in hand	25,659	7,000	32,659
Other net current assets/(liabilities)	83,843	-	83,843
Creditors of more than one year	(1,862)	-	(1,862)
Total	4,527,242	562,900	5,090,142

21. Reconciliation of net movement in funds to net cash flow from operating activities

	2016	2015
	£	£
Net movement in funds	(15,741)	13,875
Add back depreciation charge	151,867	149,710
Gain on investments	(12,517)	(13,697)
Deduct interest income shown in investing activities	(46,208)	(43,165)
Decrease (increase) in stock	250	200
Decrease (increase) in debtors	(21,200)	(10,375)
Increase (decrease) in creditors	(98,940)	(96,314)
Net cash used in operating activities	(42,489)	234