

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 July 2025

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

MERCHISTON CASTLE SCHOOL

REFERENCE AND ADMINISTRATIVE INFORMATION

Year ended 31 July 2025

Chairman	R B Cook (appointed 18 March 2025)
Governors	G T G Baird (resigned 28 June 2025) Dr A Connan MBBS MRCP FSRH MIPM (resigned 28 August 2024) Dr R A Deans (resigned 19 June 2026) R S Elliott (resigned 28 June 2025) Dr K M Greig (resigned 19 June 2026) N M Judd (resigned 28 June 2025) I B McCarlie N F Mitchell BA CTA A W Marshall (appointed 18 March 2025, resigned 5 February 2026) J H McKean (appointed 18 March 2025) J R Crawford (appointed 29 April 2025) K M Foley (appointed 29 April 2025) C E McLaren (appointed 29 April 2025)
Merchistonian Club President	W Biggart
Headmaster	H Jones
Secretary / Bursar	P C Axon BEng
Auditors	Saffery LLP
Solicitors	Anderson Strathern LLP Gillespie Macandrew
Bankers	Bank of Scotland
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 2025

	Page
Annual Report (incorporating the Strategic Report and the Governors' Report)	1 - 11
Independent Auditor's Report	12 - 15
Group Income and Expenditure Account	16
Group Statement of Financial Activities	17
Charitable Company Statement of Financial Activities	18
Group Balance Sheet	19
Charitable Company Balance Sheet	20
Statement of Cash Flows and consolidated Cash Flow	21
Notes to the Financial Statements	22 – 40

MERCHISTON CASTLE SCHOOL

ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT) For the year ended 31 July 2025

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 2025. 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 176 (2024 – 182) 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. Eight 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 2024 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 2025

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** - NF Mitchell (Chairman), RB Cook, JR Crawford, JH McKean.
- **Education** – KM Greig (Chairman) and RA Deans.
- **Wellbeing & Compliance** – IB McCarlie (Chairman), KM Foley and RA Deans.
- **Marketing & Alumni** – AW Marshall (Chairman), JH McKean and CE McLaren

MERCHISTON CASTLE SCHOOL

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

(Continued)

For the year ended 31 July 2025

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 up to 30 April 2024 ran 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.

The Governors have identified the following as the principal risks facing the Company:

- **Financial and Strategic Sustainability:** The School monitors the impact of the economic and political environment, pupil numbers, income and costs through its strategic planning, financial forecasting, termly management accounts, capital expenditure programme and review of cash reserves and investments.
- **Pupil Recruitment and Retention:** The School's recruitment and retention strategy, together with ongoing monitoring of admissions, pupil numbers and marketing activity, is overseen by the Board and senior leadership.
- **Staff Recruitment and Retention:** Recruitment and retention are managed through safer recruitment procedures, staff development and professional review processes and regular review of salary scales.
- **Academic, Pastoral and Safeguarding:** Academic and pastoral risks are monitored by senior leadership and the Board through regular review of pupil support, boarding provision and safeguarding procedures.

MERCHISTON CASTLE SCHOOL

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

(Continued)

For the year ended 31 July 2025

Risk Management (continued)

- **Estates, Health & Safety and Business Continuity:** Risks relating to the School's buildings, grounds, activities and operational continuity are managed through planned preventative maintenance, risk assessments, specialist advice, emergency response and business continuity planning.
- **Legal and Regulatory Risk:** Compliance is monitored through established policies and procedures, professional advice, audit, regulatory inspections and Board oversight.
- **Sustainability:** The Governors recognise the longer-term financial and operational risks arising from climate change, energy costs and extreme weather events. These are considered as part of strategic, estates and financial planning.

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."*

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.

MERCHISTON CASTLE SCHOOL

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

(Continued)

For the year ended 31 July 2025

OBJECTS, AIMS, OBJECTIVES AND PRINCIPAL ACTIVITIES (continued)

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.

Strategic Objectives for the Year

The Strategic Objectives agreed in June 2019 continued to inform the School Development Plan. The key themes were as follows:

- Grow the pupil roll;
- Maintain excellence in the classroom and beyond;
- Improve and enhance the School environment and facilities;
- Develop and maintain links with key stakeholders and community partners;

We continued to monitor academic standards against external public examinations. After COVID bringing challenges regarding the effective use of independent value-added criteria, we are now in a strong position to place real emphasis on these measures and to evaluate the impact we are making in terms of the value we are adding. We also continue to place significant emphasis on pathways and ensuring we provide a breadth of opportunities for all our pupils, ensuring that each individual is supported by informed advice and guidance.

The principal financial objective is to produce an annual surplus which is adequate to meet the future needs of the School in terms of investment and maintenance of the campus.

Strategies to Achieve the Year's Objectives

A number of strategies have been implemented to grow the pupil roll:

- Integration of the Admissions teams within departments to enhance the ability to create and share compelling stories of pupil development, growth and achievement;
- A strategy to introduce two additional offers (Day and Flexi-boarding) has been developed. From August 2025, Merchiston will offer Day, Day Plus, Flexi-boarding and Full Boarding for the first time;
- There has been significant investment in the School's marketing and admissions function, both in terms of staffing and CRM support.

Ongoing academic achievement is a continual process and is the result of:

- regular review of the academic programme and the performance of staff and pupils within this framework, with a view to offering the most appropriate range of subjects at all levels in the School;
- the commitment of appropriate resources to academic departments and co-curricular activities;
- the continued development of effective pedagogy, driven by an increasing focus on ensuring that Professional Learning for teachers is focused on positive impact for students;
- implementation of an approach for universal support for learning;
- continuing to embed and maximise the impact of the Faculty Structure.

MERCHISTON CASTLE SCHOOL**ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT)****(Continued)****For the year ended 31 July 2025****OBJECTS, AIMS, OBJECTIVES AND PRINCIPAL ACTIVITIES (continued)**

The School Improvement Plan 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, and are:

- Continue to embed and leverage the recently introduced timetable and curriculum structure development to support quality learning across all areas;
- Staff are supported and challenged to develop practice, with clear links to national standards and guidance;
- Continue to embed behaviours for learning that support academic excellence;
- Rights Respecting School Award: focusing on Sustainability, Wellbeing and Diversity, and attainment of the Gold Award;
- Strategic Planning: Continue to augment and develop our School Improvement Plans with a focus on wellbeing, excellence and growth;
- Provide sector-leading boarding provision by continuing to implement our Boarding House Refurbishment Plan;
- Grow the School from the roots by continuing to develop the Forest Nursery and Junior School, a unique co-educational offering opened in August 2024.

Principal Activities Employed in Pursuit of these Objectives

The School continues to strive to provide a well-rounded education for pupils, with a high level of achievement both academically and beyond the classroom. Academic rigour and curiosity were maintained, and we are delighted that our students continue to thrive after the challenges of the last couple of years. A strong focus on values was also maintained to ensure that pupils leave Merchiston as happy and grounded individuals, not only having experienced the highest level of personal academic success, but also with a strong sense of self-belief combined with respect and empathy for others, having learnt what it means to have true integrity and character.

Further development and enhancement of our Professional Learning Schedule has been used to leverage the remit and scope of the recently introduced Faculty Structure. Enhancing our ability to provide sector-leading individualised support has included input and specific sessions from English as an Additional Language (EAL) and Support for Learning (SfL) specialist practitioners.

Co-curricular activity and wider engagement with other schools have an important role to play in helping to provide a broad education and in developing the minds of young people. We continue to explore opportunities to broaden the pupils experience and maximise the number of learning experiences our pupils encounter on their Merchiston Journey.

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

MERCHISTON CASTLE SCHOOL

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

(Continued)

For the year ended 31 July 2025

ACHIEVEMENTS AND PERFORMANCE

Care and welfare of pupils

The Pupil Support Leadership Team (PSLT) comprises the Deputy Head of Wellbeing (Child Protection Co-ordinator), Assistant Head Pupil Support (Deputy Child Protection Co-ordinator), Chaplain, and Senior Charge Nurse and meets weekly to discuss all aspects of pupil wellbeing. All PSLT members also meet regularly with House Parents, both collectively and individually, to ensure parity of provision across the School.

Around every pupil there is a House Parent, Deputy House Parent / Assistant House Parent, Tutor and a team of Prefects, resident staff and Resident Tutors whose roles are to safeguard each pupil's welfare whilst at School.

There is regular contact between the PSLT and the nominated Child Protection Liaison Governor, ensuring consistent scrutiny of processes and appropriate challenge.

The Medical Centre is staffed by a well-qualified and dedicated team of 2 nurses which provides first-class care for pupils' physical and mental health needs. A visiting physiotherapist and weekly GP surgeries complete the medical provision.

The school also provides an independent psychotherapy service through the Anchor Practice who offer individual support sessions to pupils of all ages as relevant, and who also provide weekly Reflective Practice for pastoral staff with a Consultant Psychotherapist.

All staff undertake regular Child Protection training relevant to their role and receive termly Child Protection updates from the Child Protection Co-ordinator and Deputy Child Protection Co-ordinator.

Merchiston also runs a detailed Personal, Social and Health Education (PSHE) programme appropriate to each year group within the curriculum.

The School maintains a positive and productive relationship with the Care Inspectorate and Education Scotland and has on-going engagement with our link inspector, in addition to local Police and statutory bodies such as the Scottish Social Services Council and Social Care Direct.

Feedback from pupils is a crucial part of the School's wellbeing provision, and Pupil Voice committees and termly surveys are the principal mechanisms for managing this.

We are a Rights Respecting School, accredited to Gold level, with the principles of the UNCRC firmly embedded in our practice. We are also an accredited Green Eco-School.

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 2025 – 31 March 2026, there were no incidents involving the Duty of Candour.

MERCHISTON CASTLE SCHOOL

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

(Continued)

For the year ended 31 July 2025

Operational Performance of the School

The academic year ended with 300 pupils in the Senior School (165 boarders and 135 day pupils) and 27 pupils in The Forest Nursery & Junior School, which, given the recent series of global crises and affordability issues, is reflective of the challenges faced in maintaining the roll the School. That said, the considerable efforts of staff involved in recruitment and retention of pupils should be recognised.

A full diet of external examinations ran, and the outcomes were positive and hard earned. The overall pass-rate for A Level examinations was 98%, and an impressive 64% of grades were A*, A and B grades.

The 9-4 grade pass-rate for GCSE examinations was 91%, of which 35% of grades were at 9/8, and 55% of grades were at 9/8/7.

The school continues to focus on adding value to the education of our students, and this is the focus of school improvement activities in academic years 2025-26 and 2026-27.

Drama remains at full strength and productions are again becoming a regular feature of school life, collaborating with our sister school St George's School for Girls.

The Chapel Choir, Close Harmony Group, Orchestra, Jazz Band and Wind, String and Brass Ensembles continue to rehearse and perform regularly and we have seen a full calendar of both small- and large-scale concerts. The Pipe Band is increasingly active and have a number of upcoming competitions and events.

External academic competitions are now a more settled part of our provision, and we have had success in UK Maths competitions and online science Olympiads. Design based competitions are thriving, and we have taken part in several: this area continues to grow.

A full fixture list has been played in a variety of competitive sports, with particular success in rugby, tennis and golf.

Community work opportunities have returned to the forefront of the school's operation, with weekly volunteering sessions taking place in a variety of local primary schools and ASN schools.

Links with local sports clubs and regional organisations remain a key partnership opportunity and have seen external groups return to use the school's facilities for sports such as hockey and tennis.

Fundraising Performance

A total of £5,227 was raised for the Bursary Fund, which continued to raise funds for financial assistance. In addition, £750 was raised for the Sports & Leisure Appeal, 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 increased in value by 43.3%, which compares with an increase of 17.5% by the Balanced Portfolio Index operated by WMA (Wealth Management Association).

MERCHISTON CASTLE SCHOOL

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

For the year ended 31 July 2025

ACHIEVEMENTS AND PERFORMANCE (continued)

Our trading subsidiaries achieved the following financial results in the year: Merchiston Enterprises Limited achieved a surplus on ordinary activities of £31,358 (2024 – surplus of £21,242), which was used to donate £21,500 (2024 - £44,000) to the School; Merchiston International Limited reported a surplus on ordinary activities of £184,413 (2024 – £180,817), which was used to donate £185,000 to the school (2024 - £353,802).

PUBLIC BENEFIT

The Curriculum and Co-curricular Activities

We had 11 markers/examiners/moderators/paper-setters for the Assessment and Qualifications Alliance (AQA); Edexcel; Scottish Qualifications Authority (SQA); and Oxford, Cambridge and RSA Examinations (OCR).

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 Cathay Chinese School in Edinburgh.

Our Deputy Head Learning and Teaching continues in his role as Associate Assessor with Education Scotland.

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, 173 pupils (2024 – 131 pupils) or 52.4% (2024 – 37.3%) of the School roll received a Bursary or other fee remission. 1 pupil is in receipt of an Education Maintenance Allowance (EMA).

The value of means-tested Bursaries awarded in academic year 2024-25 amounted to £594.1k, which is 5.2% 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 £319.8k (2.8% of gross fee income).

MERCHISTON CASTLE SCHOOL**ANNUAL REPORT (INCORPORATING THE STRATEGIC REPORT AND THE GOVERNORS' REPORT)****(Continued)****For the year ended 31 July 2025****ACHIEVEMENTS AND PERFORMANCE (continued)****Pupil numbers**

The average number of pupils in the School for the year was 330.

	Boarding	Day	TOTAL
Junior	9	32	41
Senior	158	105	263
The Forest	-	26	26
TOTAL	167	163	330

Fees

The following termly fees were charged during 2024/25:

	Boarding	Day	Boarding	Day
	Autumn Term		Lent & Summer Terms	
The Forest		£4,050		£3,930
J4, J5, and First Form		£6,190		£6,000
Second and Third Form	£10,380	£7,000	£10,080	£6,795
Senior	£14,520	£10,530	£14,085	£10,215

Charitable Giving and Fundraising

Over £9,280 was raised by the School for charity. The full listing of Merchiston's charitable donations is published on the website.

Merchiston Community Service (formerly known as Koinonia)

The Community Service programme is operating at full strength, with all LVI pupils taking on a weekly commitment to 4 local primary schools: Braidburn, Longstone, Colinton and Sighthill, and working with a total of around 600 children.

Use of facilities by the local community and school-age children

4 local groups/charities have made use of our facilities free-of-charge for meetings, talks, rehearsals and concerts: Colinton Community Choir, The Colinton Conservation Trust, The Colinton Amenity Association, and The Friends of the Pentlands.

Our indoor tennis centre is made accessible to East of Scotland Tennis, helping the game develop in the region by extending coaching to a broader range of participants.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The Group's operating deficit excluding donations and legacies for the year was £240,030 (2024 – a surplus of £146,395). The Group's overall deficit for the year was £12,701 (2024 – a surplus of £490,870). At the year end, there were net current assets of £3,270,982 (2024 – £1,579,805) and net liquid funds of £1,589,916 (2024 – £2,683,235). 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 £236,658 (2024 – £2,264,597).

MERCHISTON CASTLE SCHOOL

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

(Continued)

For the year ended 31 July 2025

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.

Reserves Policy

The Group's total reserves stood at £19,652,133 (2024 - £19,664,834) 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.

GOING CONCERN

The Trustees' consideration of going concern is detailed with the accounting policies on page 22.

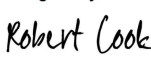
FUTURE PLANS

The continued emphasis of future plans is on the delivery of **excellence** and **sustainability** across all areas of the organisation remains at the heart of what the School seeks to do. An ongoing unstable global economic picture, allied with potential political change in the United Kingdom presents the real possibility of significant challenge in the short to mid-term future.

As has been the objective for some years, the key areas of development remain as follows:

- **Educational excellence** – ongoing development of the School working week to allow the successful delivery of the very best in academic, co-curricular and character education;
- **Sustainability** – development of the School's education offering to encourage a much broader reach in terms of pupil recruitment and retention. In addition, ensure that the School has done what it can to future-proof against inevitable rises in fixed costs
- **Future Growth** – Continued growth of the co-educational Forest Nursery and Junior School, which opened in August 2024

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

Signed by:

 0CF4F02D678F411...

Robert Cook, Chairman
MERCHISTON CASTLE SCHOOL

21 September 2026

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 for the year ended 31 July 2025 which comprise the group income and expenditure account, statement of financial activities, balance sheets and statement of cashflows for both the group and company and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the charitable company's state of affairs as at 31 July 2025 and of its 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

MERCHISTON CASTLE SCHOOL

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 Trustees' Annual Report which includes the Director's Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Director's Report and the Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' 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:

- proper and 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

MERCHISTON CASTLE SCHOOL

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

Responsibilities of trustees

As explained more fully in the Governors' Responsibilities Statement set out on page 1, the trustees (who are also 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 trustees 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 trustees are responsible for assessing 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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the charitable company by discussions with trustees and updating our understanding of the sector in which the charitable company operates.

Laws and regulations of direct significance in the context of the charitable company include The Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and guidance issued by the Office of the Scottish Charity Regulator.

MERCHISTON CASTLE SCHOOL

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

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, 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 charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Kenneth McDowell
Senior Statutory Auditor

For and on behalf of Saffery LLP
Statutory Auditors

21 September 2026

9 Haymarket Square
Edinburgh
EH3 8RY

Saffery LLP 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 2025

	Notes	2025 £	2024 £
Income			
School fees	2	11,172,233	11,571,862
Donations and legacies	2	68,487	285,574
Investment income	2	60,159	67,364
Rental and other income	2	<u>876,430</u>	<u>907,075</u>
Total income		<u>12,177,309</u>	<u>12,831,875</u>
Expenditure			
Staff costs	4	6,191,798	6,017,815
Other external charges	9	6,150,837	6,365,470
Interest and charges	7	<u>6,217</u>	<u>16,621</u>
Total expenditure	9	<u>12,348,852</u>	<u>12,399,906</u>
Operating (deficit)/surplus for the year		(171,543)	431,969
Realised and unrealised gain on investments	10	<u>158,842</u>	<u>58,901</u>
Retained (deficit)/surplus for the year		<u>(12,701)</u>	<u>490,870</u>

MERCHISTON CASTLE SCHOOL**GROUP STATEMENT OF FINANCIAL ACTIVITIES****For the Year ended 31 July 2025**

	Notes	Unrestricted Funds 2025 £	Restricted Funds 2025 £	Total Funds 2025 £	Total Funds 2024 £
Income and endowments from:					
Donations, grants and legacies	2	11,822	56,665	68,487	285,574
Charitable activities	2	11,804,159	-	11,804,159	12,242,336
Other trading activities	2	244,504	-	244,504	236,601
Investments	2	60,159	-	60,159	67,364
Total incoming resources	2	<u>12,120,644</u>	<u>56,665</u>	<u>12,177,309</u>	<u>12,831,875</u>
Expenditure on:					
Raising funds	9	24,329	-	24,329	38,052
Charitable activities	9	<u>12,301,546</u>	<u>22,977</u>	<u>12,324,523</u>	<u>12,361,854</u>
Total resources expended	9	<u>12,325,875</u>	<u>22,977</u>	<u>12,348,852</u>	<u>12,399,906</u>
Net income before gains and losses		(205,231)	33,688	(171,543)	431,969
Net gain on investments	10	<u>158,842</u>	<u>-</u>	<u>158,842</u>	<u>58,901</u>
Net incoming resources before transfers		<u>(46,389)</u>	<u>33,688</u>	<u>(12,701)</u>	<u>490,870</u>
Transfers between funds	18	<u>50,688</u>	<u>(50,688)</u>	<u>-</u>	<u>-</u>
Net movement in funds		4,299	(17,000)	(12,701)	490,870
Reconciliation of funds:					
Fund balances at 1 August 2024		<u>18,846,936</u>	<u>817,898</u>	<u>19,664,834</u>	<u>19,173,964</u>
Fund balances at 31 July 2025		<u>18,851,235</u>	<u>800,898</u>	<u>19,652,133</u>	<u>19,664,834</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**CHARITABLE COMPANY STATEMENT OF FINANCIAL ACTIVITIES****For the Year ended 31 July 2025**

	Notes	Unrestricted Funds 2025 £	Restricted Funds 2025 £	Total Funds 2025 £	Total Funds 2024 £
Income and endowments from:					
Donations, grants and legacies	2	218,322	56,665	274,987	683,376
Charitable activities	2	11,804,159	-	11,804,159	12,242,436
Investments	2	60,159	-	60,159	67,326
Total incoming resources	2	<u>12,082,640</u>	<u>56,665</u>	<u>12,139,305</u>	<u>12,993,138</u>
Expenditure on:					
Raising funds	9	3,521	-	3,521	3,571
Charitable activities	9	<u>12,293,621</u>	<u>22,977</u>	<u>12,316,598</u>	<u>12,450,423</u>
Total resources expended	9	<u>12,297,142</u>	<u>22,977</u>	<u>12,320,119</u>	<u>12,453,994</u>
Net income before gains and losses		(214,502)	33,688	(180,814)	539,144
Net gain/(loss) on investments	10	<u>158,842</u>	<u>-</u>	<u>158,842</u>	<u>58,901</u>
Net incoming resources before transfers		<u>(55,660)</u>	<u>33,688</u>	<u>(21,972)</u>	<u>598,045</u>
Transfers between funds	18	<u>50,688</u>	<u>(50,688)</u>	<u>-</u>	<u>-</u>
Net movement in funds		(4,972)	(17,000)	(21,972)	598,045
Reconciliation of funds:					
Fund balances at 1 August 2024		<u>18,597,474</u>	<u>817,898</u>	<u>19,415,372</u>	<u>18,817,327</u>
Fund balances at 31 July 2025		<u>18,592,502</u>	<u>800,898</u>	<u>19,393,400</u>	<u>19,415,372</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**CHARITABLE COMPANY BALANCE SHEET****As at 31 July 2025**

	Notes	2025 £	2024 £
Fixed Assets			
Tangible assets	11	16,556,759	17,791,872
Investments	12	147,433	759,725
		<u>16,704,192</u>	<u>18,551,597</u>
Current Assets			
Investments	12	2,000,000	2,000,000
Stock	14	29,174	24,690
Debtors	15	568,135	438,829
Cash at bank and in hand		<u>1,445,273</u>	<u>2,423,034</u>
		4,042,582	4,886,553
Creditors: Amounts falling due within one year	16	<u>(1,030,334)</u>	<u>(3,556,211)</u>
Net Current Assets		<u>3,012,248</u>	<u>1,330,342</u>
Total Assets less Current Liabilities		19,716,440	19,881,939
Creditors: Amounts falling due after more than one year	17	<u>(323,040)</u>	<u>(466,567)</u>
Net Assets		<u><u>19,393,400</u></u>	<u><u>19,415,372</u></u>
Reserves			
Unrestricted Funds	18	18,076,954	18,240,768
Unrestricted Investment Revaluation	18	515,548	356,706
Total Unrestricted Funds		<u>18,592,502</u>	<u>18,597,474</u>
Restricted Funds	18	<u>800,898</u>	<u>817,898</u>
		<u><u>19,393,400</u></u>	<u><u>19,415,372</u></u>

These financial statements were approved by the Governors and authorised for issue on 21/09/2026

Signed by:		R Cook	Chairman
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DocuSigned by:		N F Mitchell	Governor
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Company Registration Number: SC014265

MERCHISTON CASTLE SCHOOL**RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES****For the Year ended 31 July 2025**

	Group 2025 £	Group 2024 £	Charity 2025 £	Charity 2024 £
Net movement in funds for the year (as per the SOFA)	(12,701)	490,870	(21,972)	598,045
Adjustments for:				
(Gain)/Loss on investments before equalisations	(158,842)	(58,861)	(158,842)	(58,861)
Investment income	(60,159)	(67,364)	(60,159)	(67,326)
Loss/(gain) on disposal of fixed assets	(63,518)	-	(63,518)	-
Depreciation & impairment	986,997	1,016,572	986,997	1,105,140
Decrease/(increase) in stock	(5,244)	7,835	(4,484)	7,945
Decrease/(increase) in debtors	(187,076)	100,111	(129,306)	300,458
Increase/(decrease) in creditors due within one year	(2,592,176)	1,665,861	(2,525,877)	1,762,360
Increase/(decrease) in creditors due after one year	(143,527)	(144,945)	(143,527)	(144,945)
Net cash (outflow) / inflow from operating activities	(2,236,246)	3,010,079	(2,120,688)	3,502,816

STATEMENT OF CASH FLOWS AND CONSOLIDATED CASH FLOWS**For the Year ended 31 July 2025**

	Group 2025 £	Group 2024 £	Charity 2025 £	Charity 2024 £
Cash flows from operating activities:				
Net cash (outflow) / inflow from operating activities	(2,236,246)	3,010,079	(2,120,688)	3,502,816
Cash flows from investing activities:				
Investment income	60,159	67,364	60,159	67,326
Payments to acquire tangible fixed assets	(236,658)	(2,264,597)	(236,658)	(2,264,597)
Receipts from sale of assets	548,293	-	548,293	-
Receipts from sale of investments	4,822,423	41,400	4,822,423	41,400
Payments to acquire investments	(4,051,290)	(2,061,574)	(4,051,290)	(2,061,574)
Net cash flow used in investing activities	1,142,927	(4,217,407)	1,142,927	(4,217,445)
Change in cash and cash equivalents in the year	(1,093,319)	(1,207,328)	(977,761)	(714,629)
Cash and cash equivalents at the beginning of the year	2,683,235	3,890,563	2,423,034	3,137,663
Cash and cash equivalents at the end of the year	1,589,916	2,683,235	1,445,273	2,423,034

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 July 2025

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 charitable 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 date of approval of the financial statements the governors consider the charitable company and group to be a going concern and the financial statements have been prepared on this basis.

The future operations of the charitable company and group are dependent on sufficient future pupil numbers to support an operating business model and cashflows to finance operating activities.

The charitable company and group currently meet day to day working capital requirements through available cash resources including fees received in advance and certain capital receipts realised subsequent to the year end to ensure that the Group and charitable company meet debts as they fall due. Following the UK government's removal of VAT exemption for education and boarding services provided by private schools and the resultant impact on fee levels, the charitable company has faced various challenges on pupil numbers, fee levels and operating costs which the Governors have considered and addressed where possible within their formal assessment of going concern.

In arriving at their going concern conclusion, the governors have been mindful of operating losses experienced during 2025 and further, more significant operating losses in the post balance sheet period and the attendant business model challenges that the charitable company faces.

In view of this, the Governors are focused on developing a sustainable business operating model for the charitable company through: marketing to prospective parents and increasing the school roll; the removal of current unnecessary cost from the business model including a critical cost review of current supplier arrangements; and a programme of capital realisations from assets surplus to operating requirements intended to address any unfunded, unexpected operating shortfalls and thereafter build reserves for the future of the charitable company.

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the Year ended 31 July 2025****1 Accounting Policies (continued)**

Against this background, the governors have reviewed and approved management accounts reflective of current year activity and cost reducing measures introduced to date, and associated group and charitable company cashflow projections to 31 July 2027 and beyond which include key income and cost assumptions which the governors consider reasonable, all based on information available at the date of approval of the financial statements.

These include confirmed and invoiced pupil numbers for 2026/27 reflective of the approved new pricing structure for the school, staff salaries and operating costs reflective of cost reducing measures introduced to date. While operating losses continue to be forecast, the governors are satisfied that there are sufficient resources to ensure debts are settled as they fall due for a period of 12 months from the date of approval of the accounts.

Should pupil numbers fall below forecast levels the governors have identified further cost and service reducing initiatives which the governors are satisfied remain available to the charitable company. The governors are confident that their school roll initiatives and cost reducing measures will be sufficient for the business model requirements over the next 12 months and are also satisfied that any call on resources over the next 12 months can be managed from investment realisations should the need arise.

At the same time as reviewing and assessing the business model of the charitable company, the governors have identified further assets surplus to operating requirements which are now planned for realisation in the short to medium term. Such realisations are intended to develop reserves for resilience and the evolving future strategy.

As noted within note 24, the charitable company has received notification of claims for unspecified damages in respect of alleged historic abuse. The charitable company is also participating in the Scottish Child Abuse Enquiry. If any claim was successful, it is difficult to determine the financial extent to which the charitable company could be liable or the timing of any possible outflows. At the date of approval, the governors are satisfied with insurance for any possible claims or where historical insurance arrangements are less clear or absent that the potential for any associated claim to be remote.

Having considered all of the above matters and taking into consideration the current economic environment, the current and forecast school roll, the cost and service reduction measures commenced and committed to, and the realisation of assets programme commenced and available to the charitable company, the governors are of the opinion that the charitable company and group can continue to meet its obligations as they fall due for at least 12 months for the date of approval of the financial statements and that there are no material uncertainties to disclose in this regard.

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 charitable company as permitted by section 408 of the Companies Act 2006.

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the Year ended 31 July 2025****1 Accounting Policies (continued)*****Incoming resources***

All incoming resources are included in the Statement of Financial Activities when the charitable company 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.

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 charitable company in the delivery of the charitable activities carried out which meet the objectives of the charitable company. Expenditure on charitable activities includes governance costs which comprise the costs of running the charitable company, 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.

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the Year ended 31 July 2025****1 Accounting Policies (continued)*****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
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.

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 charitable company 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 charitable company's 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.

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year ended 31 July 2025

1 Accounting Policies (continued)

Financial assets

Debtors with no stated interest rate and payable within one year are recorded at transaction price. Any losses arising from impairment 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.

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 charitable 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 charitable company.

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 2025

2. Income

Group	Year ended 31 July 2025			Year ended 31 July 2024		
	Unrestricted funds £	Restricted funds £	2025 Total £	Unrestricted funds £	Restricted funds £	2024 Total £
Donations and grants	5,407	56,665	62,072	276,429	9,145	285,574
Fundraising	6,415	-	6,415	-	-	-
Donations, grants and legacies	11,822	56,665	68,487	276,429	9,145	285,574
Gross school fees	12,086,222	-	12,086,222	12,453,288	-	12,453,288
Less: Bursaries, scholarships and allowances	(913,989)	-	(913,989)	(881,426)	-	(881,426)
Other – events/rents/fees	11,172,233	-	11,172,233	11,571,862	-	11,571,862
Charitable activities	631,926	-	631,926	670,474	-	670,474
	11,804,159	-	11,804,159	12,242,336	-	12,242,336
Trading: Merchiston Enterprises Limited & Merchiston International Limited	244,504	-	244,504	236,601	-	236,601
Other trading activities	244,504	-	244,504	236,601	-	236,601
Investment income	60,159	-	60,159	67,364	-	67,364
Total income	12,120,644	56,665	12,177,309	12,822,730	9,145	12,831,875
Charity	Unrestricted funds £	Restricted funds £	2025 Total £	Unrestricted funds £	Restricted funds £	2024 Total £
Donations and grants	211,907	56,665	268,572	674,231	9,145	683,376
Fundraising	6,415	-	6,415	-	-	-
Donations, grants and legacies	218,322	56,665	274,987	674,231	9,145	683,376
Gross school fees	12,086,222	-	12,086,222	12,453,288	-	12,453,288
Less: Bursaries, scholarships and allowances	(913,989)	-	(913,989)	(881,426)	-	(881,426)
Other – events/rents/fees	11,172,233	-	11,172,233	11,571,862	-	11,571,862
Charitable activities	631,926	-	631,926	670,574	-	670,574
	11,804,159	-	11,804,159	12,242,436	-	12,242,436
Investment income	60,159	-	60,159	67,326	-	67,326
Total income	12,082,640	56,665	12,139,305	12,983,993	9,145	12,993,138

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the Year ended 31 July 2025****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 2025, are summarised below:

	2025 £	2024 £
Turnover	44,517	36,601
Cost of sales and administrative expenses, including non-bank interest	<u>(13,159)</u>	<u>(15,359)</u>
Net profit before tax	31,358	21,242
Taxation	<u>-</u>	<u>-</u>
Surplus after tax	<u>31,358</u>	<u>21,242</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 2025, are summarised below:

	2025 £	2024 £
Turnover	199,988	200,000
Cost of sales and administrative expenses, including non-bank interest	(15,413)	(19,188)
Bank interest	<u>15</u>	<u>38</u>
Net profit before tax	184,590	180,850
Taxation	<u>(177)</u>	<u>(33)</u>
Surplus after tax	<u>184,413</u>	<u>180,817</u>

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the Year ended 31 July 2025**

4 Employee Information	2025	2024
	£	£
Staff costs comprise:		
Wages and salaries	4,803,285	4,704,208
Social security costs	552,520	496,680
Pension and other costs	835,993	816,927
	<u>6,191,798</u>	<u>6,017,815</u>

Included in the above values are termination and redundancy costs amounting to £255,995 (2024 - £29,545).

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

	2025	2024
	No.	No.
Teaching and support	84	78
Catering and domestic	11	29
Administration	26	25
	<u>121</u>	<u>132</u>

The number of key management personnel whose salaries were above £60,000 for the year were:

	Salaries including taxable benefits.		Salaries including taxable benefits, termination and redundancy costs.	
	2025	2024	2025	2024
	No.	No.	No.	No.
Between £70,000 and £80,000	2	2	2	2
Between £120,000 and £130,000	1	1	1	1
Between £130,000 and £140,000	1	1	1	1

None (2024 - none) of the above employees were accruing benefits under a defined benefit pension scheme and all four (2024 - four) were accruing benefits under a defined contribution scheme. Total pension contributions made in respect of these employees in the year totalled £84,222 (2024 - £81,840).

Remuneration of key management personnel

The remuneration of key management personnel is as follows:	2025	2024
	£	£
Aggregate remuneration	<u>491,968</u>	<u>496,961</u>

The key management personnel of the charitable company comprise the senior management team and the Governors.

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the Year ended 31 July 2025****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 valuation was undertaken as at 31 March 2020. This valuation informed an increase in the employer contribution rate from 23% at 1 April 2023 to 26% of pensionable pay from 1 April 2024.

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 School's level of participation in the scheme is 0.09% based on the proportion of employer contributions paid in 2020-21. The pension charge in relation to the scheme represents contributions payable by the charitable company to the fund and amounted to £835,993 (2024 - £816,927).

6 Net income/(expenditure) for the year

	2025 £	2024 £
This is stated after charging / (crediting):		
Net gain on disposal of fixed assets	(63,518)	-
Depreciation	986,997	1,016,572
Auditors' remuneration	<u>19,750</u>	<u>16,500</u>

7 Interest Payable and Similar Charges

	2025 £	2024 £
Interest and charges on bank facilities	<u>6,217</u>	<u>16,621</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 charitable company. The wholly owned trading subsidiaries are subject to corporation tax. However, payments from the taxable income of the companies are made to the parent charitable company through gift aid provisions.

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year ended 31 July 2025

9. Analysis of Total Resources Expended

Group	Year ended 31 July 2025			Year ended 31 July 2024		
	Unrestricted funds	Restricted funds	2025 Total	Unrestricted funds	Restricted funds	2024 Total
	£	£	£	£	£	£
Fundraising expenses	3,521	-	3,521	3,571	-	3,571
Trading – Merchiston Enterprises Limited & Merchiston International Limited	20,808	-	20,808	34,481	-	34,481
Raising funds	<u>24,329</u>	<u>-</u>	<u>24,329</u>	<u>38,052</u>	<u>-</u>	<u>38,052</u>
Staff costs	6,191,798	-	6,191,798	6,004,222	-	6,004,222
Governance costs	19,750	-	19,750	16,500	-	16,500
Other costs	5,103,001	22,977	5,125,978	5,245,802	78,758	5,324,560
Depreciation	986,997	-	986,997	1,016,572	-	1,016,572
Charitable activities	<u>12,301,546</u>	<u>22,977</u>	<u>12,324,523</u>	<u>12,283,096</u>	<u>78,758</u>	<u>12,361,854</u>
Total expenditure	<u>12,325,875</u>	<u>22,977</u>	<u>12,348,852</u>	<u>12,321,148</u>	<u>78,758</u>	<u>12,399,906</u>
Charity						
Fundraising expenses	3,521	-	3,521	3,571	-	3,571
Raising funds	<u>3,521</u>	<u>-</u>	<u>3,521</u>	<u>3,571</u>	<u>-</u>	<u>3,571</u>
Staff costs	6,191,798	-	6,191,798	6,004,222	-	6,004,222
Governance costs	19,750	-	19,750	16,500	-	16,500
Other costs	5,095,076	22,977	5,118,053	5,245,804	78,758	5,324,562
Depreciation	986,997	-	986,997	1,016,572	-	1,016,572
Impairment	-	-	-	88,567	-	88,567
Charitable activities	<u>12,293,621</u>	<u>22,977</u>	<u>12,316,598</u>	<u>12,371,665</u>	<u>78,758</u>	<u>12,450,423</u>
Total expenditure	<u>12,297,142</u>	<u>22,977</u>	<u>12,320,119</u>	<u>12,375,236</u>	<u>78,758</u>	<u>12,453,994</u>

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
For the Year ended 31 July 2025**9 Analysis of Total Resources Expended (continued)**

	Staff Costs £	Other Costs £	Depreciation £	2025 Total £
Raising funds:				
Trading costs of subsidiaries	-	20,808	-	20,808
Fundraising	-	3,521	-	3,521
Total for Group	-	24,329	-	24,329
Charitable activities:				
Teaching	4,727,644	757,775	-	5,485,419
Welfare	372,162	1,623,589	-	1,995,751
Premises	386,440	2,017,921	986,997	3,391,358
Support	705,552	726,693	-	1,432,245
Governance costs	-	19,750	-	19,750
Total for Group	6,191,798	5,145,728	986,997	12,324,523
Total Resources Expended - Group	6,191,798	5,170,057	986,997	12,348,852
Total Resources Expended - Charity	6,191,798	5,141,324	986,997	12,320,119

The difference between the total resources expended by the group and total resources expended by the charitable company relates solely to the trading costs of the charitable company's subsidiaries as detailed in note 3, and an adjustment to fixed assets.

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
For the Year ended 31 July 2025**9 Analysis of Total Resources Expended (continued)**

	Staff Costs £	Other Costs £	Depreciation £	2024 Total £
Raising funds:				
Trading costs of subsidiaries	13,624	20,857	-	34,481
Fundraising	-	3,571	-	3,571
Total for Group	13,624	24,428	-	38,052
Charitable activities:				
Teaching	4,456,751	913,906	-	5,370,657
Welfare	638,733	1,608,523	-	2,247,256
Premises	366,230	2,092,836	1,016,572	3,475,638
Support	542,508	709,295	-	1,251,803
Governance costs	-	16,500	-	16,500
Total for Group	6,004,222	5,341,060	1,016,572	12,361,854
Total Resources Expended - Group	6,017,846	5,365,488	1,016,572	12,399,906
Total Resources Expended - Charity	6,004,222	5,433,200	1,016,572	12,453,994

The difference between the total resources expended by the group and total resources expended by the charitable company relates solely to the trading costs of the charitable company's subsidiaries as detailed in note 3, and an adjustment to fixed assets.

10 Analysis of Investment Gains and Losses

	2025 £	2024 £
Group and charity		
Fair value gains /(losses) on financial instruments		
Change in value of financial assets held at fair value	80,618	59,541
Realised gain/(loss) on disposal of financial assets	78,224	(680)
	<u>158,842</u>	<u>58,861</u>
Equalisations	-	40
	<u>158,842</u>	<u>58,901</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 2025****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 2024	15,330,526	211,164	9,969,236	2,138,428	628,253	28,277,607
Additions	-	4,038	134,674	87,777	10,169	236,658
Disposals	(387,751)	(205,593)	-	-	-	(593,344)
At 31 July 2025	14,942,775	9,609	10,103,910	2,226,205	638,422	27,920,921
Depreciation						
At 31 July 2024	4,846,375	-	3,154,415	1,916,091	568,854	10,485,735
Charge for year	386,320	-	479,717	96,780	24,180	986,997
Disposals	(108,570)	-	-	-	-	(108,570)
At 31 July 2025	5,124,125	-	3,634,132	2,012,871	593,034	11,364,162
Net Book Value						
At 31 July 2025	9,818,650	9,609	6,469,778	213,334	45,388	16,556,759
At 31 July 2024	10,484,151	211,164	6,814,821	222,337	59,399	17,791,872
Charity						
	Freehold Land and Buildings £	Assets Under Construction £	Property Improve- ments £	Furniture and Equipment £	Plant, Machinery and Motor Vehicles £	Total £
Cost						
At 31 July 2024	15,419,094	211,164	9,969,236	2,133,949	628,253	28,361,696
Additions	-	4,038	134,674	87,777	10,169	236,658
Disposals	(387,751)	(205,593)	-	-	-	(593,344)
At 31 July 2025	15,031,343	9,609	10,103,910	2,221,726	638,422	28,005,010
Depreciation						
At 31 July 2024	4,934,943	-	3,154,415	1,911,612	568,854	10,569,824
Charge for year	386,320	-	479,717	96,780	24,180	986,997
Disposal	(108,570)	-	-	-	-	(108,570)
At 31 July 2025	5,212,693	-	3,634,132	2,008,392	593,034	11,448,251
Net Book Value						
At 31 July 2025	9,818,650	9,609	6,469,778	213,334	45,388	16,556,759
At 31 July 2024	10,484,151	211,164	6,814,821	222,337	59,399	17,791,872

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
For the Year ended 31 July 2025**12 Investments****Group and Charity**

	UK Listed £	Cash for Investment £	Group Total £	Investment in subsidiary £	Charity Total £
Balance at 31 July 2024	2,759,723	-	2,759,723	1	2,759,724
Additions	4,051,290	-	4,051,290	-	4,051,290
Disposals	(4,822,423)	-	(4,822,423)	-	(4,822,423)
Gain on revaluation	158,842	-	158,842	-	158,842
	<u>2,147,432</u>	<u>-</u>	<u>2,147,432</u>	<u>1</u>	<u>2,147,433</u>
Balance at 31 July 2025	<u>2,147,432</u>	<u>-</u>	<u>2,147,432</u>	<u>1</u>	<u>2,147,433</u>
Historical cost	<u>1,816,555</u>	<u>-</u>	<u>1,816,555</u>	<u>1</u>	<u>1,816,556</u>

Investments totalling £2,000,000 are included within Current assets with the remainder £147,432 included within Fixed Assets.

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

Treasury 0% T-Bill 11/08/2025	£330,607
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13 Subsidiaries

Details of the company's subsidiaries at 31 July 2025 are as follows:

Name	Type	Registered Office Key	Class of Share Held	% Ownership	Net Assets (£)
Merchiston Enterprises Limited	Company limited by guarantee	1	N/A	100	27,193
Merchiston International Limited	Company limited by shares	1	Ordinary	100	231,625

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 2025

14	Stock	2025 Group £	2024 Group £	2025 Charity £	2024 Charity £
	Stock	<u>39,149</u>	<u>33,905</u>	<u>29,174</u>	<u>24,690</u>
15	Debtors	2025 Group £	2024 Group £	2025 Charity £	2024 Charity £
	Fees and outlays in arrears	119,058	156,692	119,058	156,691
	Prepayments and accrued income	377,219	233,546	363,006	233,546
	Amounts due from associated companies	-	-	7,626	47,817
	VAT recoverable	68,525	-	65,158	-
	Other debtors	<u>13,287</u>	<u>775</u>	<u>13,287</u>	<u>775</u>
		<u>578,089</u>	<u>391,013</u>	<u>568,135</u>	<u>438,829</u>
16	Creditors: Amounts falling due within one year	2025 Group £	2024 Group £	2025 Charity £	2024 Charity £
	Trade creditors	261,779	361,100	256,619	358,866
	Taxes and social security costs	-	3,040	-	270
	Other creditors	116,887	179,456	116,148	178,456
	Amounts due to associated interests	-	10,663	108,898	119,561
	Fees in advance	193,298	2,473,629	193,298	2,473,629
	Accruals and deferred income	364,208	432,517	355,371	425,429
	Corporation tax payable	<u>-</u>	<u>67,943</u>	<u>-</u>	<u>-</u>
		<u>936,172</u>	<u>3,528,348</u>	<u>1,030,334</u>	<u>3,556,211</u>

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

Fees paid in advance are as follows:

	2025 Group and Charity £	2024 Charity £
Balance as at 31 July 2024	2,473,629	1,002,468
Amount released to incoming resources	(2,473,629)	(1,002,468)
Amount deferred in the year	<u>193,298</u>	<u>2,473,629</u>
Balance as at 31 July 2025	<u>193,298</u>	<u>2,473,629</u>

MERCHISTON CASTLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year ended 31 July 2025

17 Creditors: Amounts falling due after more than one year

	2025 Group and Charity £	2024 £
Other creditors	323,040	466,567
	<u>323,040</u>	<u>466,567</u>

18 Capital and Reserves

Group	Unrestricted Reserves £	Unrestricted Investment Revaluation £	Restricted Reserves £	Total Reserves £
Balance as at 31 July 2024	18,490,230	356,706	817,898	19,664,834
Surplus/(deficit) for the year	(205,231)	158,842	33,688	(12,701)
Transfers	50,688		(50,688)	-
Balance as at 31 July 2025	<u>18,335,687</u>	<u>515,548</u>	<u>800,898</u>	<u>19,652,133</u>
Charity	Unrestricted Reserves £	Unrestricted Investment Revaluation £	Restricted Reserves £	Total Reserves £
Balance as at 31 July 2024	18,240,768	356,706	817,898	19,415,372
Surplus/(deficit) for the year	(214,502)	158,842	33,688	(21,972)
Transfers	50,688	-	(50,688)	-
Balance as at 31 July 2025	<u>18,076,954</u>	<u>515,548</u>	<u>800,898</u>	<u>19,393,400</u>

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
For the Year ended 31 July 2025**19 Statement of movements in funds**

Charity	Balance at 31 July 2024	Income	Expenditure	Transfers, actuarial gain, and loss on investments	Balance at 31 July 2025
Unrestricted funds	18,240,768	12,082,640	(12,297,142)	50,688	18,076,954
Unrestricted Investment Revaluation	356,706	-	-	158,842	515,548
Restricted funds					
Bill Wilson	59,895	-	-	-	59,895
Reg Woodward	63,636	-	-	-	63,636
Kilpatrick Innovation Award	50,000	-	-	-	50,000
S&L Lord Laidlaw	600,000	-	-	-	600,000
Chartwells	17,000	-	(17,000)	-	-
Other restricted funds	27,367	56,665	(5,977)	(50,688)	27,367
	<u>19,415,372</u>	<u>12,139,305</u>	<u>(12,320,119)</u>	<u>158,842</u>	<u>19,393,400</u>

20 Analysis of Group Net Assets between Funds

The restricted fund balance represented by current assets at 31 July 2025 was £800,898 (2024 - £817,898). 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 £50,688 (2024 - £388).

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	2025	2024
	£	£
Amount authorised and contracted for	<u>-</u>	<u>-</u>

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:

	2025	2024
	£	£
Within one year	22,622	23,616
Between two and five years	19,856	36,780
	<u>42,478</u>	<u>60,396</u>

MERCHISTON CASTLE SCHOOL**NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the Year ended 31 July 2025****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 not charged rent (2024 - £100) for use of the facilities and made a distribution under gift aid to the School of £21,500 (2024 - £44,000) which is treated as a distribution from reserves. During the year, Merchiston Enterprises Limited was not recharged (2024 - £2,334) in relation to staff wages. The amount owed to the school by Merchiston Enterprises Limited at 31 July 2025 was £1,476 (2024 – due £35,071).

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 £185,000 (2024 - £353,802) was received. The net amount owed to Merchiston International Limited from the School at 31 July 2025 was £102,748 (2024 – owed £96,153).

The Governors received no remuneration during the year (2024 - £nil) and no reimbursement of travel and subsistence expenses (2024 – £nil). Where any of the Governors are parents of pupils at the School they have arm's length transactions in relation to payment of school fees.

During the year the School recharged wages of £12,500 (2024 - £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 owed to the School by Merchistonian Club at 31 July 2025 was £12,482 (2024 owed to Merchistonian Club - £10,663).

24 Contingent liabilities

The School has received notification of claims for unspecified damages in respect of alleged historical abuse. If any claim were to be successful, it is difficult to determine the financial extent to which the School could be liable or the timing of any possible outflows.

25 Post balance sheet events

Subsequent to the year end, the Company completed the sale of two properties: North Lodge was sold in March 2026 and East Lodge was sold in September 2026 with proceeds totalling approximately £1million. The sales were completed after the reporting date and therefore the related transactions are not reflected in these financial statements. The proceeds from the disposals will be reflected in the financial statements for the respective financial years in which the sales were completed.

26 Control

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