

**THE EDINBURGH ACADEMY
AND SUBSIDIARY COMPANIES**

**Consolidated Financial Statements
And Directors' Report**

for the year ended 31 July 2018

Charity registration number: SC016999

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES
CONSOLIDATED FINANCIAL STATEMENTS AND DIRECTORS' REPORT
for the year ended 31 July 2018

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THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

The Directors present their report and the audited financial statements for the year ended 31 July 2018. This report has been prepared in accordance with current statutory requirements applicable to charities.

OBJECTIVES

The Edinburgh Academy is regarded as one of the leading independent schools in Scotland. We offer an impressive range of opportunities for our pupils. A generous staff to pupil ratio enables staff quickly to come to know the pupils and recognise their individual needs. Individuality is nurtured within the context of a caring community. The staff seek to foster in all pupils, a vision and an ambition for themselves as a foundation for life, which will enable them to realise their full potential.

The Court of Directors is delighted to report that the Queen's Most Excellent Majesty in Council on 11 October 2017 granted the Edinburgh Academy a Supplementary Charter.

The Royal Charter was originally granted in 1824 and the last material amendment was made to the Charter in 1934, although some minor amendments were made in 2007 to allow the Academy to become co-educational. The purpose behind the amendment of the Charter has been to ensure:

- (a) that the objects and powers of the Academy are appropriate for the current activities and operation of the school;
- (b) that the objects and powers are in compliance with the legislation relating to charities and trustees and in particular the Charities and Trustee Investment (Scotland) Act 2005 ("the 2005 Act");
- (c) that the governance arrangements comply with relevant legislation, the recommendations of Office of the Scottish Charity Regulator (OSCR) and best practice.

As part of the amendment to the Royal Charter the Court, on the recommendation of the Chair, may from time to time, elect persons to be Fellows of The Edinburgh Academy where it is recognised that they have made a significant contribution to the furtherance of the objects of The Edinburgh Academy or have otherwise rendered benefits to The Edinburgh Academy. The Court are pleased to announce that four former chairmen of the Court, namely Lord Cameron of Lochbroom, Professor JP Percy, Mr JHW Fairweather and Mr SA Mackintosh, have been appointed as Fellows of the Edinburgh Academy.

The School's Charitable Objective is the provision of education in Scotland and in particular at The Edinburgh Academy including all aspects of nursery, primary and secondary education and the provision of all facilities to achieve that; and the furtherance of that and a contribution to the educational life of Scotland in its widest sense and the provision of benefits related to the purposes of The Edinburgh Academy for those who may not be enrolled pupils at the Edinburgh Academy.

In support of the Charitable Object, the School has certain fundamental aims which are set out in The Edinburgh Academy Vision Statement. These are summarised as:

- To strive for academic excellence and aim to realise the potential of all our pupils. We prize and celebrate high standards of scholarship and study, and provide a challenging and enriching academic curriculum that stretches the ability of all.
- To provide a rounded and fulfilling education which enhances each pupil's social, emotional and spiritual capacity, fitting them for citizenship in a challenging and changing world. The Edinburgh Academy believes in a balance of academic and co-curricular activities and offers a wide range of opportunities to participate and represent the School in sport, music and a variety of expressive and creative arts.
- To seek to ensure that our pupils are proud to be members of The Edinburgh Academy and express this in their service to the School and to the community whilst at the School and in later life. We equip our pupils to make their mark in whatever field they choose and to become citizens of the world.
- To promote opportunities and values by ensuring that the School is open to those with talent and ability irrespective of their financial position through bursary provision. Our pupils, teaching staff and the School engage meaningfully in serving our community through use of energy, time, creativity and facilities to the benefit of our society.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

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OBJECTIVES (continued)

- To take pride in our traditions and history which we seek to renew and evolve through our relationships with our parent body, former pupils and other friends throughout the world. In our staff, we support opportunities for career and personal development to provide the best education for our pupils. We link to other schools, communities and cultures throughout the world. We look for the best inside and outside Scotland for inspiration in all that can be achieved in education and life.

The principal elements in achieving these aims are:

- A commitment to a culture of praise.
- The quality of the teaching staff and their continued professional development and training.
- The provision of the resources which teachers require to fulfil their tasks effectively.
- The involvement of, and communication with, parents and nurturing the triangle of responsibility involving pupils, parents and teachers.
- The commitment of the Court.

PUBLIC BENEFIT

Bursary and Scholarship Provision

For the academic session 2017/18 the School provided a total of £743,279 (2017: £725,620) in means' tested bursary support to pupils. Currently there are four sources of funds utilised to provide bursary support. Firstly, the School is very grateful to the Eric H Stevenson Charitable Trust which made a generous donation of £375,000 to support bursaries directly. The second component is income generated from the School's Bursary and Scholarship Fund. This year this provided £75,000 in support of bursaries. The EA Foundation and other private donors provided £23,898 to support bursaries. The shortfall of £269,381 is provided by the School from unrestricted income.

The level of bursarial support provided equates to 5.1% of the total income as per the statement of financial activities. A total of 73 pupils at the School were supported in this manner with the balance of support remaining weighted towards the Senior School. This is based on the rationale that funding support at this level has the greatest impact on reducing the financial barriers to entry to the School as fees in the Senior School are higher than in the Junior School. Pupils receiving some level of support account for 11.9% of Senior School pupils (2017: 11.4%). Across the whole School, 7.5% of the school roll at the start of the 2017 session was provided with bursarial support.

A detailed financial assessment is carried out for each bursarial application. The financial assessment is undertaken and measured against criteria based on: annual household income; expenditure and disposable income; capital; and household liabilities. Detailed original documentation is required to support each assessment.

The following table sets out the number of means tested awards provided by the School in a range of value bands over the last 2 years:-

% Award	2017-18		2016-17	
	Number Awarded	% Awarded	Number Awarded	% Awarded
100%	34	46%	29	41%
80% - 99%	9	12%	13	18%
60% - 79%	10	14%	15	21%
40% - 59%	10	14%	6	8%
0% - 40%	10	14%	8	12%
Total	73	100%	71	100%

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PUBLIC BENEFIT (continued)

Other Public Benefit

As reported by OSCR, when it tested the School's charitable status, the School takes its responsibility as a registered charity to provide additional public benefit, above that of providing increased access to the school, very seriously. In line with our objective of providing education, the Edinburgh Academy undertakes a wide range of activities to benefit wider society as is described below:

In the past year, staff at the Edinburgh Academy worked with examination boards north and south of the border, and assistance was provided in respect of marking, setting, and moderation of public examinations.

In addition, two staff sit on education advisory bodies (Biological Society and Royal Meteorological Society), and so contribute to national educational debate and direction. One member of staff is an associate lecturer at the Open University. We also work with neighbouring schools in the maintained sector providing Oxbridge support.

The Edinburgh Academy has also taken a significant part in the provisioning of student teaching places in liaison with the General Teaching Council for Scotland. In the last 8 years 59 such places have been provided with 4 in the year to 31 July 2018. The School also offered taster days for people who asked to observe teaching days in school prior to applying to teacher training college.

The School provides a Youth Sports Development Officer to work in four local schools over 4/5 mornings each week, averaging 19 hours per week of free PE lessons to these local schools. In addition to this a youth sports development programme which is open to the local community as well as pupils of the School is run (term time only) within the School. This equates to 10 classes a week, Monday to Friday and two on the weekend.

The School offers the use of its facilities to a number of organisations free of charge or at substantially reduced rates. These include:

- Various charities including the British Heart Foundation, the TailorEd Foundation and The BrainTumour Charity.
- Scottish Country Dance Club.

The School also subsidises local community group use of our facilities by offering between 35% - 50% discount off the normal rental price to the following organisations:

- Local Residents Tenants' Association meetings
- Stockbridge Primary School
- Edinburgh Academical Football Club
- Edinburgh Academical Cricket Club
- St. Columba's Hospice
- British Heart Foundation
- Leith Cubs and Scouts
- Community dance clubs based in Edinburgh

The School takes part in hosting a cross-school lecture on application to Oxbridge, and continues to provide access to Cambridge Admissions Tutors through this to the City of Edinburgh Council schools, as well as offering individual support to their pupils.

The Music Department hosts and trains a community choir with concerts held annually at the School and at the Usher Hall.

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PUBLIC BENEFIT (continued)

Other Public Benefit (continued)

The Junior School has offered support to the local community through providing members of staff to officiate at local sports festivals; being part of tidy up in Inverleith Park; providing bike training for members of the local community; planting in Starbank Community Garden; helping with the celebration of the reopening of the Inverleith Park sundial; collecting and gifting books to a school in an area of massed deprivation, singing in charity fundraisers and for local retirement home residents. The school has also participated in the local community market with proceeds of an enterprise project going towards a children's charity. In total the children and staff of the Junior School and Nursery raised £16,438 for a number of charities including local charities such as Mary's Meals, Cash for Kids, Garvald and the Rock Trust.

The Junior School playing fields have been used by the local Cub Scouts with the forest area being used (and a trained member of staff provided free of charge) by an after school club from an area of deprivation with no comparable facility.

The Junior School hosted a transnational Erasmus Project with schools represented from Turkey, Estonia, Greece, Netherlands, Germany, Italy, Poland and Spain. They also hosted a conference about E-Learning with a large number of delegates from the maintained sector and a seminar about the teaching of maths. The school also provided a venue free of charge for training of health and educational professionals for an organisation called Relax Kids which promote positive mental health in young people.

The Head of the Junior School was part of a partnership working party with three others from Scottish Council of Independent Schools and heads from the four City of Edinburgh Schools in receipt of the highest level of Pupil Equity Fund. The Head of the Junior School also chairs a working party of the General Teaching Council looking at the registration of Headteachers.

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

School roll

The Directors are pleased to report that the School roll has continued to show a steady growth with the opening numbers, excluding Nursery pupils, for the academic session in 2018 at 1019 having risen from 971 in 2017, an increase of 48 (5%). Demand for places continues to be strong for this session and the School has developed waiting lists for all the key entry points. Following the successful move to becoming a fully co-educational School the balance of boys to girls across the School is broadly 55/45.

The School has continued to enjoy success both within and out with the classroom.

Academic achievements

Over the last five years the Academy's public exam curriculum has evolved away from our previous "dual system" in almost completely following the Scottish Qualifications Authority (SQA).

In the session 2015–16, the School saw the first full presentation of the "new" Highers and Advanced Highers with the exception of Art which remains with the A-level system. In the academic session 2016-2017 this was extended with our 5ths sitting SQA National 5 exams in place of GCSEs.

The Directors are pleased to report that the School has had yet another successful set of exam results in 2018. In a key measure of individual as well as collective success 66% of all grades at SQA Higher were at A grade, up from 58% in 2017 and 98% of all grades A-C from within our 6ths year up from 94% in 2017. In our presentations at National 5 in our 5ths, 66% of grades were at A, and 95% of all grades at A-C.

The Directors are also pleased to report the achievement of the cohort of pupils who sat the SQA Advanced Highers. In total, 130 Advanced Higher examinations were sat and of these 65% were A grade and 94% A-C grade. The positive results demonstrate the successful consolidation of these exams into the school system.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Academic achievements (continued)

As in previous years, the leavers from our final two year groups are moving onto a diverse range of destinations, whether in Higher or Further Education, entering the world of work or seeking experience during a year out. This year sees a slight drop to 63% of our 6th and 7th leavers going straight onto university from school. A further 6% of our leavers secured and held a deferred entry university place for 2019. This is indicative of the fewer deferred places being offered by universities.

A further 12% are having a gap year and will be applying through UCAS in this session. In addition, the School had 7 leavers from 2017 return after a gap year and all successfully secured a place at University. 82% of all applicants secured their first choice, with 45% of those either meeting or excelling the conditions of their offers.

College applications, usually as a one year transition to university, remain steady with 9% of our leavers accepting a college place for this academic year. Overall, we expect over 92% of our leavers will be embarking upon a university career, whether this year or next. Of those who have already secured university places 55% will be going to university in Scotland; Glasgow pipping Edinburgh as being the most popular. A further 42% of students are going to England, whilst 2 pupils have accepted places at universities in Bahrain and USA.

Our senior curriculum, primarily focused on Advanced Highers and Highers, continues to offer our pupils significant flexibility in their choice of university across the UK and beyond. The range of subjects which our leavers go on to study beyond school is as wide as ever and yet again we have seen a large number enrol in undergraduate courses in both the Sciences and the Social Sciences, with IT and Business & Finance courses seeing an upsurge this year. Of the more competitive courses, such as Medicine and Veterinary Medicine, we had 100% applicant success rate for both these courses this session.

Co-curriculum achievements

The 2017/18 year was incredibly busy outside the classroom, with a great many wonderful achievements by our students, who continue to impress with their ability to juggle a myriad of different activities and be successful across the board. Our Drama programme continues to thrive, with more students taking this as an academic course or an extra-curricular activity. Performances of 'The Crucible', 'Taming of the Shrew' and 'Beauty and the Beast', all provided wonderful characterisation and superb performances and were greatly enjoyed by all those who were involved. The Music programme continues to excel under Mr Tully's leadership, his first year as Director of Music after Dr Coad's retirement. All who have had an opportunity to sit in an audience at one of our musical performances can never fail but to walk away highly impressed and having enjoyed the performances enormously: from the Division Music competition in the first term through the Queen's Hall, St Giles at Six, the Usher Hall and the Junior Concert, the quality on display is most remarkable.

In our other Creative Arts subjects, the Art Department continues to set very high standards for all our students. Their chosen theme for the year of 'Alone Together' was a fruitful focus as a way of interpreting the theme of community. Our A-level students enjoyed their trip to Skye and the Head of Department, Mr Prosser, led and organised the ISADA conference, with lectures and discussions on the development of STEAM (Science, Technology, Engineering, Art and Maths) within the UK educational landscape as well as a range of creativity workshops. Mr Prosser also led the Division competition to design new logos for each of the four Divisions and pupils worked with Edinburgh College, as well as Whitespace in Edinburgh, to design new logos in a hotly fought competition. Mr Mark Doyle, our Artist in Residence has been a fantastic creative source in a range of media from silk-screen printing to casting and ceramics. Our Design and Manufacturing Department, assisted by the Science Department, are also supporting the growth of STEAM subjects within the School and growing a range of activities in areas such as robotics, '4x4 Challenge' and in engineering. We were delighted to see three of our students win the Best Newcomer award in the Young Engineers competition at the Scottish Council for Development in Industry club competition.

Another area of the School where our students have been leading further development is in Service and Charities. Our pupils chose War Child for our international charity, as they felt it was crucial for other children and young people around the world to be able to have a sense of normality amidst the chaos caused by conflict. For our local charity, the committee chose the Simpson's Special Care baby unit which works to give every baby in the Neonatal Unit (NNU) an equal start in life. The Charity Committee's hard work, enthusiasm and commitment resulted in a total of £10,000 being raised for charities by the School this year.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Co-curriculum achievements (continued)

As would be expected in a school that prides itself in being 'grounded in Scotland but ready for the world', our students have travelled extensively this year and have undertaken a variety of trips. The CCF has benefitted in experiencing camps across Scotland, England and the Netherlands, as well as in France and Belgium. The Modern Languages Department enjoyed trips to France, Spain and Germany and our Outdoor Education Department undertook a variety of expeditions across the UK, as well as climbing the highest mountain in North Africa, Mt Toubkal (4167m). In April 46 pupils attended a ski trip in the Austrian Alps and our students benefitted enormously from the range of outdoor education experiences that we offer within the school programme: the 2nds enjoyed their adventure trip away to Newcastleton, our 3rds spent time developing a growth mind-set through adventure and big mountain and river expeditions in the Ben Nevis region and our Geits headed away to Aberfoyle, developing personal skills relating to team-work and challenge. The climbing wall at the Sports Centre saw our first ever competition and an increased number of pupils learning how to climb. The Duke of Edinburgh's Award continues to thrive with 64 students now attempting Bronze, 34 Silver and 28 attempting Gold. In an extension to the Duke of Edinburgh's Award, we have also begun offering the Duke of Edinburgh's Leadership Award and six of our pupils have been attempting a level 5 leadership qualification, a year-long course to develop leadership skills and contribute to school life.

Sporting achievements

Sport continues to play a major role in the life of our young students and physical activity is vital to creating a healthy lifestyle. The refurbishment of the fitness rooms at the Sports Centre has proved very successful, resulting in an increased usage during games time and the implementation of strength and conditioning sessions for our athletes. District representation has once again been strong with 15 boys playing rugby for Edinburgh over the course of the season and one pupil going one better in starting for the Scotland Under 18 team in their unbeaten 5 Nations Championships. The U16 squad showed promise getting to the Schools' Cup semi-final. This summer saw 28 senior rugby players heading out to Argentina for a two-week tour. One senior girl has recently been selected as captain in Scotland U18 Sevens squad and played in a range of internationals over the summer of 2018.

Representative honours have also been collected by members of our hockey teams this year. Hockey continues to thrive at the Academy and our players are enjoying a great deal of success. We currently have four international players (3 Under 16 & 1 Under 18) These four, alongside two other boys, were selected into the Scottish Hockey National Academy at stages 1 & 2. Two senior girls were selected into East District Under 18 Girls, with a further two girls being selected into the East Under 16s. Finally in hockey two boys were selected to East Under 14 Boys. One pupil was involved in the Scotland U15 squash squad.

In other sporting areas Academy students continue to excel. A senior girl was selected for the GB U20 cross country team and won a silver medal in the Scottish Schools 1500m competition. At that same competition our U14 girls won a gold medal in the Relay Championships. One female pupil also went on to win gold in the Pentathlon and long jump, as well as bronze in 200m. The boy's athletics team had one senior pupil winning gold in Discus and silver in Hammer, whilst a further two won silver in Shot and a bronze in the long jump.

Fives has continued to grow with over 50 students playing every week from Geits – 6ths. We had two successful trips to the National Championships at St. Paul's, London for the Boys and Marlborough College, Wilshire for the Girls. Notable achievements included one male pupil reaching the semi-final of the U16 competition in Singles, as well as in Doubles with his partner. Another male pupil brought back silverware as the deserved winner of the U16 National Singles Plate competition. One single girl continued to perform at the top level nationally as she won the U18 Singles Plate Competition, having also convincingly won the Scottish School's Doubles Cup with her partner. In tennis also our girls have excelled, with our 1st IV tennis team qualifying for the semi-finals of the Scottish Schools' Cup. They faced High School of Glasgow in the semi-final, ending the match at 3 rubbers a piece. The match went into a championship tie break – where EA narrowly missed out, losing 11-9. It was a phenomenal achievement to be regarded in the top 4 in the country.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Estate improvements

Across the whole School site, but particularly at the Senior School where the majority of the School heritage listed buildings are located, the work started 6 years ago to improve the buildings whilst respecting the integrity and heritage of the School estate. This has seen the School spend over £1.5m on work to roofs in this period with the work being completed on the Gym and Salveson Building in the last 12 months. It is anticipated that this work on maintaining and enhancing the core property assets of the school will continue for at least a further 10 years. The aim of this continues to be to ensure that future generations of Academy pupils can gain the benefit of learning in this beautiful and historical setting.

The Court of Directors was delighted to have planning permission granted on 27th August 2018 for the extension planned for the Science Centre and Library. The purpose of this extension is to create an innovative learning space where a broad spectrum of subjects can be taught and studied whilst also expanding the School's capacity for the teaching of science.

FINANCIAL REVIEW

The School's fee income totalled £12,528,213 (2017: £11,912,066) for the year. Other income brought the group's total income for the year to £14,652,459 (2017: £13,168,400).

After deduction of all expenditure comprised principally of salaries, and inclusion of gains and losses on investments, the net movement in group funds for the year was a surplus of £1,291,586 (2017: surplus of £68,179). Included within the surplus of £1,291,586 was £1,048,000 from the Eric H Stevenson Charitable Trust in the form of a loan being converted to a donation. The net increase on unrestricted funds for the year amounted to £1,232,656 (2017: deficit of £256,962), and unrestricted funds now total £19,711,379 (2017: £18,478,723). It should be noted that of the total unrestricted funds, £20,421,140 (2017: £20,176,947) is represented by fixed assets.

The total net assets figure at 31 July 2018 was £22,586,015 (2017: £21,294,429) which was made up of unrestricted funds of £19,711,379 (2017: £18,478,723) and restricted funds of £2,874,636 (2017: £2,815,706).

Financial Strategic Direction of School

Over the last decade, and against a backdrop of steadily increasing costs, the school has faced a number of increasing additional demands on its finances from the provision of additional educational facilities to increasing resources being devoted to means-tested bursaries, for which it has seen increasing demand in recent years, and a considerable investment in renovating its Grade A listed site at Henderson Row.

The School has faced this challenge through a rigorous cost reduction programme as well as changing the educational model in operation at the Senior School. The change has seen the school role increase significantly; it has waiting lists in all the main entry points and it has significantly increased its expenditure on means-tested bursaries. This has been balanced with cautious fee increases for the last five years to try and close the affordability gap. External surveys have indicated that it has been successful in minimising fee increases relative to its peer group.

However, we are currently entering a period of significant and unprecedented financial uncertainty in the independent education sector in which a number of external costs over which the School has no control are being increased significantly and at times within very short timeframes which makes it difficult to plan for the future.

The Scottish Government is currently consulting on removing Business Rates Relief from Independent Schools with effect from April 2020. It is estimated that the loss of rates relief will cost the School £320K per annum. Separately to this, the government announced at the end of September 2018 that employer's contributions to the Scottish Teachers' Pensions Scheme will increase from 17.2% to 22.4% with effect from April 2019. This will see employer contributions increase by approximately £300k per annually, a 30% increase. The current timeframe of only allowing six months' notice will produce major pressure on the school's budget. The full impact of both these changes when in force will amount to £620k per annum.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

FINANCIAL REVIEW (continued)

Financial Strategic Direction of School (continued)

In overseeing the school as a Scottish charity, the Court of Directors has a comprehensive risk mitigation programme in place. It remains acutely aware of the affordability of independent education and the ability of parents to pay significant additional costs. As a result, all aspects of its business plan from the cost base to alternative revenue streams are being reviewed. Included in this review will be an assessment of the viability of continuing the means-tested bursary programme at its current level.

Future Plans

The Court of Directors recognises that the principal aim of the School remains the delivery and development of education to its pupils. The Court of Directors will support:

- The development of every pupil to their maximum potential in all areas of the curriculum.
- Promotion and improvement of the School's record of success in public examinations and the wide breadth of extracurricular activities available to pupils.

The Court of Directors also wish to put the School on the soundest financial footing for the future that it can. As noted previously in this report there are a number of external financial pressures that are being imposed on the School and so growing revenue from both fees and other sources has been given the highest priority by the Court of Directors. To this end the Directors plan to:

- Continue the expansion of the Senior School role from year groups of 80 to 96. This process started in August 2016 with the successful expansion of the Geits from a year group of 72 to 80 pupils. In August 2017 this process was continued with the successful expansion of Seconds to 94 (capacity being 96). Demand in August 2018 was so high that the growth of the School was accelerated with a further 2 year groups being increased to 96. This incremental change to the School Model will continue until 2021 with the aim being to establish the Senior School roll in the region of 650.
- Expand the activities of the Trading Company within 2018/19 to maximise the return to the School.
- Conduct a comprehensive review of its cost base and operations to ensure the School is operating in a cost effective a manner as possible. The clear direction given is that this review must not compromise the education of the pupils and the ethos within which that delivered.

Investment Policy

In accordance with the Royal Charter, the Court is empowered to invest in such stocks, shares, investments and property in the UK as it considers appropriate. Brewin Dolphin continue to in the role as the School's fund managers.

The policy is to adopt a moderate risk investment strategy, currently 6 on a scale of 1 -10 with 10 being the highest risk. The Court is satisfied with the investment performance during the year, which has shown an unrealised gain during the period.

Reserves Policy and Going Concern

As at 31 July 2018, the group's free reserves, being unrestricted funds not tied up in tangible fixed assets or investments, were in deficit of £871,330 (2017: deficit of £1,698,224). The School has an aspiration, to hold free reserves of 3 months operating costs. This ties into the policy of parents being required to give a term's notice of the intention to withdraw a pupil from the School. The immediate reserves have been utilised for capital development and refurbishment of the School over the last 8 years. It is the intention of the Directors to build up the free reserves in line with the reserves policy over the next three years.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

FINANCIAL REVIEW (continued)

Reserves Policy and Going Concern (continued)

In the year to 31 July 2018, the Group made a cash surplus from its operating activities of £777,988 (2017: £819,127) and the Group is forecasting to make an unrestricted surplus in the year to 31 July 2019 with a view to increasing free reserves. In the interim period the Directors are satisfied that they have the ability to utilise some of the £2.5m held in investments as a reserve without compromising the restricted funds liquidity, should the requirement arise.

The School continues to be strongly supported by the Eric H Stevenson Charitable Trust whose charitable purpose is to support the Edinburgh Academy. The Charitable Trust holds investment assets of over £17m and whilst it is an independent trust the directors are confident that should an exceptional matter occur which is outwith the current reserves of the School then they would be able to request the assistance of the Eric H Stevenson Charitable Trust.

In addition to the free reserves, the Group holds a number of restricted funds, details of which are provided in the notes to the financial statements.

Bursary and Scholarship Funds

The Bursary and Scholarship Fund represents accumulated funds to be spent on scholarship and bursary awards. The Directors are actively seeking to increase this fund with a view to the fund eventually covering all the expense incurred in the provision of the Bursaries and Scholarships. The Directors are extremely pleased to note that the fund has grown by 6.1% from £2,281,909 to £2,421,842 in the year.

Funds Held on Behalf of Others

The School holds funds of £22,709 (2017: £32,341) in a separate bank account for The Edinburgh Academy CCF, a separately constituted organisation out with the group.

Risk Management

The Directors have a risk management strategy which comprises:

- annual health and safety inspections and advice from a professionally qualified consultant who visits the School; The School's Health & Safety Committee meets three times a year and reports to the Education & Policy Committee. Health and Safety Reports are then presented and reviewed at every Court meeting.
- regular reviews of the principal business risks and uncertainties are conducted by the Education & Policy Committee and the Finance & General Purposes Committee;
- an annual review of the School's risk register by the full Court of Directors;
- the establishment of policies, systems and procedures to mitigate those risks identified in the annual review; and
- the implementation of procedures designed to minimise or manage any potential impact on the School should those risks materialise.

The risk management strategy identified the following as being the three most significant risks faced by the School and has taken steps to mitigate the risks as far as possible:

1. VAT being added to tuition fees which effectively adds 20% onto the cost of education to the parents resulting in an affordability gap which leads to reduced pupil numbers and therefore insufficient financial resources to operate effectively. The School is actively researching other income streams to reduce the dependency on fee income and to create the ability to reduce the affordability gap.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

FINANCIAL REVIEW (continued)

Risk Management (continued)

2. Insufficient financial resources to operate effectively. The School recognises that it operates in an extremely competitive market and that there are a number of external pressures on its cost base over which it has no control. As indicated elsewhere in this report the proposal to remove rates relief, increase employers' contributions to the teachers' pension schemes and the national pay awards to teachers will all have a significant impact on the school's financial model. To reduce the impact of this the School is extremely careful in its financial planning and has sought to reduce the costs within its control as far as is feasible without compromising the delivery of first class education. The School is evolving its business model so that the financial base more robust.
3. Failure to safeguard pupils against internet and other IT abuse - including cyberspace bullying. Within all educational establishments combatting this risk is recognised as a high priority and many measures are in place to reduce the risk of failures occurring.

The Finance & General Purposes (F&GP) Committee considers all budget proposals and puts forward its recommendations on these for approval by the whole Court of Directors. The F&GP Committee and, subsequently, the Court, receive regular management accounts. In addition to its routine meeting the Court holds an annual strategic planning day. At this meeting the Directors routinely examine in detail the 5 year financial budget forecast. The Directors consider that this procedure enables the Court to take strategic decisions to ensure the continued good financial health of the School.

The Court has delegated authority to the Wellbeing and Child Protection Committee to oversee matters relating to wellbeing and child protection matters for existing staff and pupils. This committee also has responsibility for the review and management of any historic allegations as received by the School, and where deemed appropriate, takes the lead in oversight and management of follow-up actions deemed necessary.

The Court of Directors established a Staff Affairs Committee during 2012 to deal with staff welfare matters. A report of the meetings this committee is made to the Education & Policy (E&P) Committee. The E&P is responsible for monitoring and advising on all matters concerning the education of pupils at the School, staff and pupil welfare including Health and Safety and all policies relating to staff and pupil matters and educational provision.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Edinburgh Academy is a charity incorporated as a Body Corporate under a Royal Charter dated 6 February 1824 and, as such, has no shareholders. Supplementary Charters have been granted, with the most recent as noted earlier in this report being approved by the Privy Council on 11 October 2017.

Recruitment, Appointment and Training of Trustees

The Court of Directors of the Edinburgh Academy is the School's Governing Body. Directors are the equivalent of Governors in other schools and are charity trustees for the purposes of charity law.

Elected Directors are normally recruited by a process of application, interview by the Chairman and another senior Director and consideration by the Executive Committee and, subsequently, the Court. The Academical Club Council is entitled to nominate up to two Representative Directors to be elected to the Court. Under the terms of the new Supplementary Royal Charter directors are elected for a period of 4 years and then eligible for re-election for a further 4 years.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Recruitment, Appointment and Training of Trustees (continued)

Newly appointed Directors are invited to attend an afternoon at the School where they are briefed by the Rector and the Bursar who is also Clerk to the Court of Directors. Copies of documents relevant to their appointment as a Director and copies of the minutes of recent Court and Committee meetings are provided to them. Subsequently, Directors are encouraged to attend Governors' Seminars and other briefings available through the Independent Schools' Council, the Association of Governing Bodies of Independent Schools and the Scottish Council of Independent Schools.

Directors' Liability insurance cover in respect of the Court is reviewed annually to ensure it is maintained at an appropriate level.

Organisational Structure

The Court is responsible for the strategic direction of the School and associated decisions and routinely meets four times a year.

The Court is supported by an Executive Committee, an Education & Policy Committee, a Finance & General Purposes Committee, a Property Committee, a Wellbeing and Child Protection Committee, and a Staff Affairs Committee. Such Committees are empowered both to make decisions and provide recommendations to the

Court. Formal agendas are prepared and minutes written for all Committee meetings. The Committees act within established Terms of Reference.

The day-to-day leadership and administration of the School is delegated to the School's Rector and the Headmaster of the Junior School. The Bursar is the Clerk to the Court of Directors.

The Court of Directors has delegated authority for the setting of the remuneration of Key Management Personnel to its Remuneration Committee which comprises the Chairman of the Court of Directors, the Chairman of the Finance and General Purposes Committee, the Chairman of the Education and Policy Committee and the Chairman of the Well Being and Child Protection Committee. This Committee reviews the remuneration packages of Key Management Personnel on an annual basis. In this review consideration is given to the following factors; benchmark data such as the Salary Survey provided by AGBIS, overall performance of the School and the affordability of any pay award when considered in line with the annual budgeting process.

Group Structure and Relationships

The Edinburgh Academy is a charity and is the focus for all supporting and subsidiary activities. Its subsidiary entities are:

- **Edinburgh Academy Trading Limited**

Edinburgh Academy Trading Limited is a company trading in support of the School through:

- the letting of sports facilities to the community and the provision of sports activity programmes;
- the letting of the School's facilities when they are not required for use by the School;
- a programme of community use of the School's facilities. Profit is gift-aided to the School.

- **Edinburgh Academy Enterprises Limited**

Edinburgh Academy Enterprises Limited is now dormant, subsequent to a transfer of its business operations into Edinburgh Academy Trading Limited on 31 March 2017.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

Reference and Administrative Information

Charity number
SC016999

Company Number
RC000168

Chairman of the Court of Directors
Mr M W Gregson

Fellows of the Edinburgh Academy
Lord Cameron of Lochbroom
Mr J H W Fairweather
Professor J P Percy
Mr S A Mackintosh

Elected Directors

Directors Name	Committees on which Directors sit							
	Executive	F&GP	EP	Staff Affairs	Well-being and Child Protection	Property	Trading Co Board	Bursary
Mr B Beveridge	✓				✓			
Mr P Dollman		✓						
Mr RA Fletcher			✓	✓				
Mr M Galloway		✓					✓	
Dr A E Gebbie	✓		✓		✓			
Dr B A Hacking *		✓						
Dr A J B Huntington		✓						✓
Dr V Khurana *			✓					
Mr D Knapman								
Mr P H Miller		✓				✓		
Ms M McNeill	✓	✓						
Mr A November			✓					
Mr C Robertson**								
Sheriff Principal C Scott				✓				
Ms V Skene			✓					
Mrs J A Smith	Retired December 2017							

* Denotes this director is also a parent of a pupil at the School

* Denotes a Representative Director

The Directors receive no remuneration for their services and have not been reimbursed for any expenses during the year.

Key Management Personnel

Rector Mr B G Welsh	Head Teacher Mr G Calder	Secretary & Bursar Mr G G Cartwright	Director of Development Ms L Boyd (retired 31 August 2018)
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Deputy Rector Ms C Hancox Mr R Wightman Mr M Bryce	Deputy Head Teacher Ms L Htet-Khin Ms L Paterson	Financial Controller Mr J Harper
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Registered Office and Operational Address The Edinburgh Academy 42 Henderson Row Edinburgh EH3 5BL	Independent Auditor Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL	Investment Managers Brewin Dolphin Sixth Floor, Atria One 144 Morrison Street Edinburgh EH3 8EX
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Solicitors
MBM Commercial LLP
5th Floor, 125 Princes Street
Edinburgh EH2 4AD

Solicitors
Morton Fraser
Quartermile 2
2 Lister Square
Edinburgh EH3 9GL

Bankers
Bank of Scotland
38 St Andrew Square
Edinburgh EH2 2YR

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

for the year ended 31 July 2018

STATEMENT OF RESPONSIBILITIES OF THE COURT OF DIRECTORS

The Court is required by charity law to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of group and School as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing these financial statements the Court is required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles of the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that The Edinburgh Academy will continue in business.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of group and School and to enable them to ensure that the financial statements comply with 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 Edinburgh Academy and hence for taking steps for the prevention and detection of fraud and other irregularities.

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

STATEMENT AS TO DISCLOSURE TO AUDITOR

So far as the Directors are aware, there is no relevant audit information of which the group and School's auditor is unaware, and each Director has taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group and School's auditor is aware of that information.

By order of the Court

G G Cartwright
Bursar & Clerk to the Court

6 December 2018

**INDEPENDENT AUDITOR'S REPORT TO THE COURT OF DIRECTORS OF
THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES**

Opinion

We have audited the financial statements of The Edinburgh Academy (the School) and its subsidiary companies (the group) for the year ended 31 July 2018 which comprise the Consolidated and School Statement of Financial Activities, the Consolidated and School Balance Sheet, the Consolidated and School Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and School's affairs as at 31 July 2018 and of the group's and School's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (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 group and parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE COURT OF DIRECTORS OF THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the information given in the financial statements is inconsistent in any material respect with the Directors' Report; or
- proper accounting records have not been kept by the School; or
- the School financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors

As explained more fully in the Statement of Responsibilities of the Court of Directors set out on page 13, the Court of Directors are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the group's and the School'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 directors either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE COURT OF DIRECTORS OF
THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES**

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities for the audit of the financial statements is located 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 School's directors, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the School's directors as a body, 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 School and the School's directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

6 December 2018

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 July 2018

	Note	Unrestricted Funds £	Restricted Funds £	2018 Total Funds £	2017 Total Funds £
Income and endowments from:					
Donations and legacies	5	1,459,530	223,941	1,683,471	772,859
Charitable activities	6	12,528,213	-	12,528,213	11,912,066
Other trading activities	7	349,653	-	349,653	365,378
Investments		35	77,995	78,030	89,996
Other		7,387	5,705	13,092	28,101
Total income		<u>14,344,818</u>	<u>307,641</u>	<u>14,652,459</u>	<u>13,168,400</u>
Expenditure on:					
Raising funds	8	(171,094)	(16,403)	(187,497)	(338,600)
Charitable activities:					
Teaching and care of children	9	(8,778,948)	(113,675)	(8,892,623)	(8,650,171)
Running costs of school		(2,343,851)	-	(2,343,851)	(2,202,365)
School administration and support		(2,011,181)	-	(2,011,181)	(2,046,745)
Total expenditure		<u>(13,305,074)</u>	<u>(130,078)</u>	<u>(13,435,152)</u>	<u>(13,237,881)</u>
Net gains on investments	15	-	74,279	74,279	137,660
Net (expenditure)/income		<u>1,039,744</u>	<u>251,842</u>	<u>1,291,586</u>	<u>68,179</u>
Transfers between funds		<u>192,912</u>	<u>(192,912)</u>	<u>-</u>	<u>-</u>
Net movement in funds		<u>1,232,656</u>	<u>58,930</u>	<u>1,291,586</u>	<u>68,179</u>
Reconciliation of funds:					
Total funds at 1 August 2017		<u>18,478,723</u>	<u>2,815,706</u>	<u>21,294,429</u>	<u>21,226,250</u>
Total funds at 31 July 2018	22	<u><u>19,711,379</u></u>	<u><u>2,874,636</u></u>	<u><u>22,586,015</u></u>	<u><u>21,294,429</u></u>

All activities relate to continuing operations.

The charity has no recognised gains or losses other than the results for the period as set out above.

The notes on pages 21 to 41 form part of these financial statements

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

SCHOOL STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 July 2018

	Note	Unrestricted Funds £	Restricted Funds £	2018 Total Funds £	2017 Total Funds £
Income and endowments from:					
Donations and legacies	5	1,459,530	223,941	1,683,471	772,859
Charitable activities	6	12,528,213	-	12,528,213	11,912,066
Other trading activities	7	118,600	-	118,600	114,402
Investments		35	77,995	78,030	89,996
Other		7,387	5,705	13,092	28,101
Total		<u>14,113,765</u>	<u>307,641</u>	<u>14,421,406</u>	<u>12,917,424</u>
Expenditure on:					
Raising funds - Investment management costs		-	(16,403)	(16,403)	(15,737)
Charitable activities:					
<i>Expenditure on education & care of children</i>	9				
Teaching and care of children		(8,778,948)	(113,675)	(8,892,623)	(8,650,171)
Running costs of school		(2,343,851)	-	(2,343,851)	(2,202,365)
School administration and support		(2,011,181)	-	(2,011,181)	(2,046,745)
Total		<u>(13,133,980)</u>	<u>(130,078)</u>	<u>(13,264,058)</u>	<u>(12,915,018)</u>
Net gains on investments	15	-	74,279	74,279	137,660
Net (expenditure)/income		979,785	251,842	1,231,627	140,066
Transfers between funds		85,030	(85,030)	-	-
Net movement in funds for the period		1,064,815	166,812	1,231,627	140,066
Reconciliation of funds:					
Fund balances at 1 August 2017		18,634,398	2,707,824	21,342,222	21,202,156
Fund balances at 31 July 2018	22	<u><u>19,699,213</u></u>	<u><u>2,874,636</u></u>	<u><u>22,573,849</u></u>	<u><u>21,342,222</u></u>

All activities relate to continuing operations.

The charity has no recognised gains or losses other than the results for the period as set out above.

The notes on pages 21 to 41 form part of these financial statements

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

BALANCE SHEETS

as at 31 July 2018

		Consolidated		School	
	Note	2018 £	2017 £	2018 £	2017 £
Fixed assets					
Tangible assets	14	20,421,140	20,176,947	20,403,956	20,224,416
Investments	15	2,590,134	2,479,271	2,590,234	2,479,371
		<u>23,011,274</u>	<u>22,656,218</u>	<u>22,994,190</u>	<u>22,703,787</u>
<i>Total fixed assets</i>					
Current assets					
Stocks		23,748	22,801	7,068	5,793
Debtors	16	644,651	498,231	676,728	550,733
Cash at bank and in hand	17	143,652	346,751	78,513	288,993
		<u>812,051</u>	<u>867,783</u>	<u>762,309</u>	<u>845,519</u>
<i>Total current assets</i>					
Creditors					
Amounts falling due within one year	18	(1,172,233)	(1,063,229)	(1,117,710)	(1,040,878)
Net current (liabilities)/assets		<u>(360,182)</u>	<u>(195,446)</u>	<u>(355,401)</u>	<u>(195,359)</u>
Creditors					
Amounts falling due after more than one year	19	(64,940)	(1,166,206)	(64,940)	(1,166,206)
Provisions for liabilities and charges		(137)	(137)	-	-
		<u>22,586,015</u>	<u>21,294,429</u>	<u>22,573,849</u>	<u>21,342,222</u>
Total assets	24				
The funds of the charity:					
Unrestricted funds					
General funds	22	(871,330)	(1,859,793)	(866,312)	(1,751,587)
Designated funds	22	20,582,709	20,338,516	20,565,525	20,385,985
		<u>19,711,379</u>	<u>18,478,723</u>	<u>19,699,213</u>	<u>18,634,398</u>
<i>Total unrestricted funds</i>					
Restricted funds	22	2,874,636	2,815,706	2,874,636	2,707,824
		<u>22,586,015</u>	<u>21,294,429</u>	<u>22,573,849</u>	<u>21,342,222</u>
Total funds					

The financial statements were approved and authorised for issue on 6 December 2018 and signed on behalf of the Court of Directors by:

M W Gregson
Chairman

The notes on pages 21 to 41 form part of these financial statements

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 July 2018

	Note	Consolidated		School	
		2018	2017	2018	2017
		£	£	£	£
Cash flows from operating activities	23	777,988	819,127	758,526	840,223
Cash flows from investing activities:					
Dividends, interest and rents from investments		78,030	89,996	78,030	89,996
Proceeds from sale of property, plant and equipment		-	16,211	-	16,211
Purchase of property, plant and equipment		(982,176)	(638,672)	(970,095)	(638,672)
Proceeds from sale of investments		127,599	229,067	127,599	229,067
Purchase of investments		(145,328)	(443,833)	(145,328)	(443,833)
Net cash used in investing activities		<u>(921,875)</u>	<u>(747,231)</u>	<u>(909,794)</u>	<u>(747,231)</u>
Cash flows from financing activities:					
Repayment of finance leases		(40,357)	(30,412)	(40,357)	(30,412)
Net cash used in financing activities		<u>(40,357)</u>	<u>(30,412)</u>	<u>(40,357)</u>	<u>(30,412)</u>
Change in cash and cash equivalents in the reporting period		(184,244)	41,484	(191,625)	62,580
Cash and cash equivalents at the beginning of the reporting period		<u>380,426</u>	<u>338,942</u>	<u>322,668</u>	<u>260,088</u>
Cash and cash equivalents at the end of the reporting period	17	<u><u>196,182</u></u>	<u><u>380,426</u></u>	<u><u>131,043</u></u>	<u><u>322,668</u></u>

The notes on pages 21 to 41 form part of these financial statements

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

1. General information

The Edinburgh Academy is a charitable company incorporated under Royal Charter in the United Kingdom and does not have any share capital. The registered office is 42 Henderson Row, Edinburgh, EH3 8BL. The principal activity of The Edinburgh Academy is the running of a leading independent school within Scotland.

2. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with the Financial Reporting Standard 102, as issued by the Financial Reporting Council, and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

The Edinburgh Academy 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.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable company's transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Going concern

The directors are of the opinion that the group can continue to meet its obligations as they fall due for the foreseeable future. The charitable company is forecast to generate a surplus in the year to 31 July 2019 and to generate positive cash flows in the year to 31 July 2019 and beyond. In addition to this the charitable company is strongly supported by the Eric H Stevenson Charitable Trust which holds investment assets in excess of £16m. This is an independent Trust whose charitable purpose is to support the Edinburgh Academy. The Directors are confident that should an exceptional matter occur which is out with the current reserves of the charitable company then they would be able to request the assistance of the Eric H Stevenson Charitable Trust. As a consequence the directors have prepared the financial statements under the going concern assumption.

Basis of consolidation

The financial statements consolidate the results of the charity and its two wholly owned trading subsidiaries Edinburgh Academy Trading Limited (formerly Edinburgh Academy Sports Limited) (Company Number SC167036) and Edinburgh Academy Enterprises Limited (Company Number SC130146) on a line by line basis. The charity together with the two subsidiaries comprises the Group.

Recognition and allocation of income

Income is recognised when the charitable company has legal entitlement to the funds, the receipt is probable and the amount can be measured reliably. Where practicable, income is related to the operating activities of the charitable company.

Where there are performance conditions attached to any grants and donations, income is recognised when the conditions have been met or when meeting the conditions are within the charitable company's control and there is sufficient evidence that they have been met or will be met. Where a grant condition allows for the recovery of any unexpended grant, a liability is recognised when repayment becomes probable.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

2. Principal accounting policies (continued)

Recognition and allocation of income (continued)

Where there are terms placed on income that limit the charitable company's discretion over how that income can be used, that income is shown as restricted income in the accounts.

Entitlement to legacies and donations exists when the charitable company has sufficient evidence that a gift has been left, the executor is satisfied that the gift will not be required to satisfy claims on the estate and any conditions are within the control of the charitable company or have been met. Legacy income is measured at fair value, generally the cash amount receivable, and is discounted if deferred for more than 12 months. The unwinding of the discount is recognised as interest receivable.

Income from charitable activities includes fee and other income and is recognised when the charitable company earns the right to consideration by its performance.

Dividends and interest income are credited to revenue when the right to receipt is established and is measured at fair value, generally the transaction value.

Other trading activities are credited to revenue when the right to receipt is established.

Income received by the School in an agency role, together with the related expenditure, is excluded from the financial statements in accordance with the requirements of the Statement of Recommended Practice for Accounting and Reporting by Charities.

Recognition and allocation of expenditure

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for it. The charitable company is not registered for VAT and accordingly costs are shown gross of irrecoverable VAT. All costs are allocated directly between the expenditure categories of the statement of financial activities on a basis designed to reflect the use of the resource.

Raising funds comprises those costs which are associated with the generation of income from sources other than from undertaking charitable activities, and includes costs of attracting sponsorship and other private donations and trading costs.

Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its charitable activities and services.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company, such as audit fees.

Funds

Unrestricted funds are school fees and other incoming resources generated for the objects of the charity without further specified purpose and are available as general funds.

Designated funds are unrestricted funds earmarked by the Court of Directors for particular purposes.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure that meets these criteria is charged to the fund.

Tangible fixed assets

Items of equipment are capitalised and written off over their expected useful lives. Equipment costing under £1,000 is not capitalised in the balance sheet and is written off to revenue when the expenditure is incurred. All fixed assets are initially recorded at cost.

Gifts or bequests of pictures and trophies are not included in the financial statements.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

2. Principal accounting policies (continued)

Depreciation

The cost of tangible fixed assets is written off using the straight-line method at the following rates:

- | | |
|----------------------------|----------|
| • Heritable property | 2 – 5% |
| • Motor vehicles and plant | 20 – 25% |
| • Computer equipment | 20 – 25% |
| • Fixtures and fittings | 20 – 25% |
| • Sports equipment | 10 – 20% |

Assets under construction are not depreciated. On completion they are transferred to the relevant asset category at cost then depreciated at the above rates.

Investments

Investments in securities are measured initially at cost and subsequently at fair value at each reporting date. Fair value is taken as the mid-market value of the investment report by the investment manager at the reporting date. Realised and unrealised gains and losses are recognised in the income and expenditure account and statement of financial activities in the year in which they arise.

Stock

Stock is valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items.

Debtors

Fee debtors are amounts due from students attending the school in respect of their tuition fees. Fee debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoiced amount, less any allowance for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks and investment managers which are readily convertible.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Concessionary loans

Loans received by The Eric H Stevenson Trust, a public benefit entity, are deemed to be concessionary loans. Concessionary loans are initially measured at the amount paid. Subsequent to initial recognition, the carrying amount of concessionary loans at the reporting date is adjusted to reflect any repayments, accrued interest and impairment.

Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

2. Principal accounting policies (continued)

Deferred taxation (continued)

Deferred tax is measured on a non-discounted basis, at the average tax rate that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the charitable company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial asset are derecognised when the contractual rights to the cash flows from the asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Pension costs

The charity contributes to the Scottish Office Superannuation Pension Scheme ("The Scheme") at rates set by the Scheme Actuary and advised to the Court of Directors by the Scheme Administrator. The Scheme is a multi-employer pension scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the school. Therefore, in accordance with FRS 102, the scheme is accounted for as a defined contribution scheme.

The charity also contributes to a defined contribution scheme for non-academic staff.

Contributions to both schemes are charged in the Statement of Financial Activities as they become payable in accordance with the rules of the schemes.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

3. Critical judgements and estimates

In preparing the financial statements directors make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

3. Critical judgements and estimates (continued)

The estimates and assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Legacy income is measured at fair value, but where part of a legacy left to the charitable company includes property or shares to be sold, judgement is used to estimate the amount receivable.

The directors are satisfied that the depreciation rates used are appropriate for each class of asset.

4. Comparative Statement of Financial Activities

Group	Note	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £
Income and endowments from:				
Donations and legacies	5	361,239	411,620	772,859
Charitable activities	6	11,912,066	-	11,912,066
Other trading activities	7	274,291	91,087	365,378
Investments		706	89,290	89,996
Other		28,101	-	28,101
Total income		<u>12,576,403</u>	<u>591,997</u>	<u>13,168,400</u>
Expenditure on:				
Raising funds	8	(253,456)	(85,144)	(338,600)
Charitable activities:				
Teaching and care of children	9	(8,509,324)	(140,847)	(8,650,171)
Running costs of school		(2,202,365)	-	(2,202,365)
School administration and support		(2,046,745)	-	(2,046,745)
Total expenditure		<u>(13,011,890)</u>	<u>(225,991)</u>	<u>(13,237,881)</u>
 Net gains on investments	 15	 -	 137,660	 137,660
Net (expenditure)/income		<u>(435,487)</u>	<u>503,666</u>	<u>68,179</u>
Transfers between funds		178,525	(178,525)	-
Net movement in funds		<u><u>(256,962)</u></u>	<u><u>325,141</u></u>	<u><u>68,179</u></u>

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

4. Comparative Statement of Financial Activities (continued)

School	Note	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £
Income and endowments from:				
Donations and legacies	5	361,239	411,620	772,859
Charitable activities	6	11,912,066	-	11,912,066
Other trading activities	7	102,819	11,583	114,402
Investments		706	89,290	89,996
Other		28,101	-	28,101
Total income		<u>12,404,931</u>	<u>512,493</u>	<u>12,917,424</u>
Expenditure on:				
Raising funds		-	(15,737)	(15,737)
Charitable activities:				
Teaching and care of children	9	(8,509,324)	(140,847)	(8,650,171)
Running costs of school		(2,202,365)	-	(2,202,365)
School administration and support		(2,046,745)	-	(2,046,745)
Total expenditure		<u>(12,758,434)</u>	<u>(156,584)</u>	<u>(12,915,018)</u>
Net gains on investments	15	-	137,660	137,660
Net (expenditure)/income		<u>(353,503)</u>	<u>493,569</u>	<u>140,066</u>
Transfers between funds		178,525	(178,525)	-
Net movement in funds		<u><u>(174,978)</u></u>	<u><u>315,044</u></u>	<u><u>140,066</u></u>

5. Donations and legacies (Group and School)

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
The Edinburgh Academy Foundation	-	98,898	98,898	21,239
The Eric H. Stevenson Charitable Trust	1,423,000	96,030	1,519,030	427,500
Cambridge Scholarship	-	11,253	11,253	295,000
Other donations	36,530	17,760	54,290	29,120
	<u>1,459,530</u>	<u>223,941</u>	<u>1,683,471</u>	<u>772,859</u>

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

6. Charitable Activities – Income from education & care of children (Group and School)

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Fees	12,305,613	-	12,305,613	11,620,685
Discounts	(628,962)	-	(628,962)	(563,538)
Catering	660,318	-	660,318	649,565
Optional Activities	191,244	-	191,244	205,354
	<u>12,528,213</u>	<u>-</u>	<u>12,528,213</u>	<u>11,912,066</u>

7. Other trading income (Group)

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Letting income	23,038	-	23,038	29,399
EA Enterprises	-	-	-	91,087
EA Trading Income	326,615	-	326,615	244,892
	<u>349,653</u>	<u>-</u>	<u>349,653</u>	<u>365,378</u>

Other trading income (School)

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Letting income	23,038	-	23,038	29,399
EA Enterprises	-	-	-	29,269
EA Trading Income	95,562	-	95,562	55,734
	<u>118,600</u>	<u>-</u>	<u>118,600</u>	<u>114,402</u>

8. Raising funds (Group)

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Running costs of Edinburgh Academy Enterprises	-	-	-	69,407
Running costs of Edinburgh Academy Trading	171,094	-	171,094	253,456
Investment management costs	-	16,403	16,403	15,737
	<u>171,094</u>	<u>16,403</u>	<u>187,497</u>	<u>338,600</u>

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

9. Charitable activities - Expenditure on education & care of children

(a) Teaching and care of children (Group and School)

	Unrestricted	Restricted	2018	2017
	£	£	Total	Total
	£	£	£	£
Teaching and support staff	6,913,741	-	6,913,741	6,702,176
Books, apparatus and stationery	453,271	-	453,271	411,491
Food	572,736	-	572,736	529,062
Clothing and laundry	2,890	-	2,890	2,472
Medical expenses	2,150	-	2,150	2,143
Sports and recreation	165,578	-	165,578	211,360
Bursaries awarded	668,852	75,000	743,852	725,620
Other Scholarship and Bursary Fund awards	-	22,836	22,836	38,339
Other restricted fund expenditure	-	15,839	15,839	27,508
	<u>8,778,948</u>	<u>113,675</u>	<u>8,892,623</u>	<u>8,650,171</u>

(b) Running costs and maintenance of school (Group and School)

	Unrestricted	Restricted	2018	2017
	£	£	Total	Total
	£	£	£	£
Insurance	123,179	-	123,179	109,574
Fuel, light and rates	325,159	-	325,159	305,997
Cleaning	266,316	-	266,316	272,668
Maintenance and repairs etc.	508,995	-	508,995	403,534
Building projects revenue expenditure	18,158	-	18,158	18,158
Transport	27,240	-	27,240	10,496
General expenses	269,648	-	269,648	255,081
Depreciation	790,555	-	790,555	809,888
Central CPD	14,601	-	14,601	16,969
	<u>2,343,851</u>	<u>-</u>	<u>2,343,851</u>	<u>2,202,365</u>

(c) School administration and support (Group and School)

	Unrestricted	Restricted	2018	2017
	£	£	Total	Total
	£	£	£	£
Salaries	1,619,411	-	1,619,411	1,676,634
Bursar's department expenses	294,436	-	294,436	274,073
Legal and professional expenses	71,728	-	71,728	72,772
Governance costs (Note 10)	25,606	-	25,606	23,266
	<u>2,011,181</u>	<u>-</u>	<u>2,011,181</u>	<u>2,046,745</u>

All charitable expenditure relates to the one charitable activity of the group, the running of an Independent School within Scotland.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

10. Governance costs (Group and School)

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Auditors remuneration	19,000	-	19,000	17,640
Court expenses	6,606	-	6,606	5,626
	25,606	-	25,606	23,266
	25,606	-	25,606	23,266

11. Net income

Net income for the year is stated after charging/(crediting):

	Group		School	
	2018 Total £	2017 Total £	2018 Total £	2017 Total £
Depreciation	737,983	813,467	790,555	809,888
Gain on disposal of fixed assets	(3,705)	(11,319)	(3,705)	(11,319)
Auditor's remuneration – audit fee	20,660	21,405	15,140	14,700
Auditor's remuneration – tax fees	1,000	2,000	-	-
Auditor's remuneration – other fees	515	500	-	-
Operating lease charges – equipment	46,048	35,851	30,988	35,851
	737,983	813,467	790,555	809,888
	737,983	813,467	790,555	809,888

12. Staff costs (Group)

	2018 Total £	2017 Total £
Wages and salaries	6,786,987	6,803,386
Social Security costs	667,983	667,775
Other pension costs	1,078,182	1,057,412
	8,533,152	8,528,573
	8,533,152	8,528,573

The Directors did not receive any remuneration during the year (2017: £nil), nor were they reimbursed any expenses (2017: £nil).

The average monthly number of employees during the year was:

	2018 Number	2017 Number
Teaching and support staff	112	114
Administration and ancillary staff	109	117
	222	231
	222	231

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

12. Staff costs (Group) (continued)

The number of employees earning more than £60,000 per annum can be analysed as follows:

	2018 Number	2017 Number
£60,000 - £69,999	4	4
£70,000 - £79,999	1	1
£80,000 - £89,999	1	1
£120,000 - £129,999	1	-
£130,000 - £139,999	-	1

In addition to the remuneration disclosed above, the Rector received a rent benefit equivalent to £24,000 (2017: £42,726) under the terms of his employment as a result of changes incurred when the school ceased boarding.

The total employment benefits, including salary, employer pension, national insurance contributions and rent benefit, of the 11 (2017: 11) key management personnel were £927,897 (2017: £1,034,792).

Pensions

The Edinburgh Academy contributes to two pension arrangements for its employees.

Past and present teaching staff are members of the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary.

The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

The Edinburgh Academy 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 Edinburgh Academy is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. In 2015-2016 this provided an average rate of 16.2417%. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers contribution rate.

The Edinburgh Academy's level of participation in the scheme is 0.20% based on the proportion of employer contributions paid in 2017-18.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

12. Staff costs (Group) (continued)

Pensions (continued)

The charge included in the financial statements for the current year amounted to £821,465 (2017: £811,616), being the contribution payable by The Edinburgh Academy for the year.

The Edinburgh Academy also contributes to a defined contribution scheme operated through the Standard Life Assurance Society for all non-academic staff. During July 2017 The Edinburgh Academy moved their defined contribution pension provider from Standard Life Assurance Society to Scottish Widows. The charges included in these accounts amount to £256,717 (2017: £238,091) being the contributions payable by The Edinburgh Academy for the year. The charity provides no other post-retirement benefits to employees.

A defined contribution pension scheme also exists for Edinburgh Academy Trading Limited. The charge included in the financial statements for the current year is £7,475 (2017: £7,262).

A defined contribution pension scheme also existed for Edinburgh Academy Enterprises Limited. The charge included in the financial statements for the current year is £nil (2017: £3,435).

13. Taxation (School)

The Edinburgh Academy is recognised as a charity for taxation purposes and is in general exempt from Corporation Tax and Capital Gains Tax.

14. Tangible fixed assets (School)

	Heritable property £	Assets under construction £	Motor vehicles £	Computer equipment £	Fixtures and fittings £	Total £
Cost						
At 1 August 2017	23,183,640	331,007	208,535	1,613,602	1,651,489	26,988,273
Additions	20,831	721,628	22,620	92,933	112,083	970,095
Transfers between fixed asset class	520,045	(537,615)	-	-	17,570	-
At 31 July 2018	<u>23,724,516</u>	<u>515,020</u>	<u>231,155</u>	<u>1,706,535</u>	<u>1,781,142</u>	<u>27,958,368</u>
Depreciation						
At 1 August 2017	4,190,459	-	195,160	1,219,110	1,159,128	6,763,857
Charge for year	485,839	-	7,022	195,202	102,492	790,555
At 31 July 2018	<u>4,676,298</u>	<u>-</u>	<u>202,182</u>	<u>1,414,312</u>	<u>1,261,620</u>	<u>7,554,412</u>
Net book value						
At 31 July 2018	<u><u>19,048,218</u></u>	<u><u>515,020</u></u>	<u><u>28,973</u></u>	<u><u>292,223</u></u>	<u><u>519,522</u></u>	<u><u>20,403,956</u></u>
At 31 July 2017	<u><u>18,993,181</u></u>	<u><u>331,007</u></u>	<u><u>13,375</u></u>	<u><u>394,492</u></u>	<u><u>492,361</u></u>	<u><u>20,224,416</u></u>

Assets under construction at the year-end comprised the following: refurbishment of the gym roof senior school and the science/ library extension.

Computer equipment includes assets held on finance lease with a net book value of £76,770 as at 31 July 2018 (2017: £101,013).

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

14. Tangible fixed assets (Group)

	Heritable property £	Assets under construction £	Sports equipment £	Motor vehicles £	Computer equipment £	Fixtures and fittings £	Total £
Cost							
At 1 August 2017	22,558,639	331,007	1,200,566	215,641	1,616,824	1,651,489	27,574,166
Additions	20,831	721,628	12,080	22,620	92,934	112,083	982,176
Disposals	-	-	-	-	-	-	-
Transfers between fixed asset class	520,045	(537,615)	-	-	-	17,570	-
Reclassification	1,095,335	-	(1,106,682)	(7,106)	8,985	9,468	-
At 31 July 2018	<u>24,194,850</u>	<u>515,020</u>	<u>105,964</u>	<u>231,155</u>	<u>1,718,743</u>	<u>1,790,610</u>	<u>28,556,342</u>
Depreciation							
At 1 August 2017	4,091,894	-	722,836	199,849	1,222,698	1,159,942	7,397,219
Charge for year	418,533	-	13,782	7,022	195,801	102,845	737,983
Reclassification	636,205	-	(647,157)	(4,689)	7,986	7,655	-
At 31 July 2018	<u>5,146,632</u>	<u>-</u>	<u>89,461</u>	<u>202,182</u>	<u>1,426,485</u>	<u>1,270,442</u>	<u>8,135,202</u>
Net book value							
At 31 July 2018	<u>19,048,218</u>	<u>515,020</u>	<u>16,503</u>	<u>28,973</u>	<u>292,258</u>	<u>520,168</u>	<u>20,421,140</u>
At 31 July 2017	<u>18,466,745</u>	<u>331,007</u>	<u>477,730</u>	<u>15,792</u>	<u>394,126</u>	<u>491,547</u>	<u>20,176,947</u>

Assets under construction at the year-end comprised the following: refurbishment of the sports hall, master plan development work, gym roof senior school and the science/ library extension. Assets under construction are transferred into the relevant category upon practical completion. The reclassification in the year aligns the classification of assets with the School.

Computer equipment includes assets held on finance lease with a net book value of £76,770 as at 31 July 2018 (2017: £101,013).

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

15. Investments

	Group		School	
	2018	2017	2018	2017
	£	£	£	£
Quoted investments and cash:				
Market value 1 August 2017	2,445,596	2,093,170	2,445,596	2,093,170
Purchases and donations	145,328	443,833	145,328	443,833
Disposals	(127,599)	(229,067)	(127,599)	(229,067)
Net gain on investments	74,279	137,660	74,279	137,660
	<hr/>	<hr/>	<hr/>	<hr/>
Market value 31 July 2018	2,537,604	2,445,596	2,537,604	2,445,596
Cash held as part of investment portfolio	52,530	33,675	52,530	33,675
Unquoted investments in subsidiaries at cost	-	-	100	100
	<hr/>	<hr/>	<hr/>	<hr/>
	2,590,134	2,479,271	2,590,234	2,479,371
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The quoted investments are held for the purpose of the Scholarship and Bursary Fund, which is a restricted fund as disclosed in Note 22.

The Edinburgh Academy has two wholly owned trading subsidiaries incorporated in the United Kingdom. Any taxable profits are gift aided to The Edinburgh Academy. A summary of the trading results of the subsidiaries is detailed below. The audited financial statements of the subsidiaries are filed with the Registrar of Companies.

Edinburgh Academy Enterprises Limited

The Edinburgh Academy owns 100% of the ordinary shares of £1 each in Edinburgh Academy Enterprises Limited, a company registered in Scotland and involved in the hiring to third parties of the facilities of The Edinburgh Academy. On 31st March 2017 Edinburgh Academy Enterprise Limited transferred all of their business, assets and liabilities to Edinburgh Academy Trading Limited (formerly Edinburgh Academy Sports Limited) as part of a group restructuring. Therefore there were nil net assets at the year end (2017: nil)

Relevant financial information regarding Edinburgh Academy Enterprises Limited for the year ended 31 July 2018 is as follows:

	2018	2017
	£	£
Turnover	-	91,087
Cost of sales	-	(80,638)
	<hr/>	<hr/>
Gross profit	-	10,449
Administrative expenses	-	(6,455)
	<hr/>	<hr/>
Profit after tax	-	3,994
	<hr/> <hr/>	<hr/> <hr/>

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

15. Investments (continued)

Edinburgh Academy Trading Limited (formerly Edinburgh Academy Sports Limited)

The Edinburgh Academy controls Edinburgh Academy Trading Limited a company limited by guarantee, which is registered in Scotland and is involved in the operation of a Sports Centre and in the hiring to third parties the facilities of The Edinburgh Academy. The Academy is the sole member of Edinburgh Academy Trading Limited and all board positions in the subsidiary are held by Academy directors or employees.

Net assets of Edinburgh Academy Trading Limited at 31st July 2018 totalled £90,231 (2017: assets of £65,977) which comprised fixed assets of £17,184 (2017: £10,468), current assets of £134,174 (2017: £114,874) and creditors due within one year of £61,127 (2017: £59,365).

Relevant financial information regarding Edinburgh Academy Trading Limited for the year ended 31 July 2018 is as follows:

	2018	2017
	£	£
Turnover	326,615	244,892
Cost of sales	(155,682)	(124,102)
	<hr/>	<hr/>
Gross profit	170,933	120,790
Administrative expenses	(85,348)	(68,023)
	<hr/>	<hr/>
Profit after tax	85,585	52,767
	<hr/> <hr/>	<hr/> <hr/>

16. Debtors

	Group		School	
	2018	2017	2018	2017
	£	£	£	£
Fee debtors	379,338	181,806	327,834	149,130
Amounts owed by subsidiary undertakings	-	-	84,432	92,610
Other debtors	162,463	211,205	162,463	211,205
Prepayments	102,850	105,220	101,999	97,788
	<hr/>	<hr/>	<hr/>	<hr/>
	644,651	498,231	676,728	550,733
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17. Cash and cash equivalents

	Group		School	
	2018	2017	2018	2017
	£	£	£	£
Cash at bank and in hand	143,652	346,751	78,513	288,993
Cash held as part of investment portfolio	52,530	33,675	52,530	33,675
	<hr/>	<hr/>	<hr/>	<hr/>
	196,182	380,426	131,043	322,668
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

18. Creditors: amounts falling due within one year

	Group		School	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	145,684	127,578	126,749	121,576
Assets under construction creditors	32,902	35,340	32,902	35,340
Taxation and social security	184,114	174,903	174,522	170,543
Pension contributions	101,450	100,223	101,450	100,223
Other creditors	153,993	151,286	153,063	148,212
Accruals	242,424	269,222	232,627	260,307
Deferred income	271,309	164,320	256,040	164,320
Hire purchase contracts	40,357	40,357	40,357	40,357
	<u>1,172,233</u>	<u>1,063,229</u>	<u>1,117,710</u>	<u>1,040,878</u>
	Fee Income in Advance (Group) £		Fee Income in Advance (School) £	
Deferred income				
Balance at 1 August 2017	164,320		164,320	
Income received and deferred in year	271,309		256,040	
Release in year	(164,320)		(164,320)	
Balance at 31 July 2018	<u>271,309</u>		<u>256,040</u>	

19. Creditors: amount falling due in more than one year (Group and School)

	2018	2017
	£	£
Concessionary loan due to the The Eric H Stevenson Trust	-	1,048,000
Solar panels loan	54,850	67,759
Hire purchase contracts	10,090	50,447
	<u>64,940</u>	<u>1,166,206</u>

The concessionary loan due to The Eric H Stevenson Trust is provided to aid with the construction of the new pavilion. The loan is unsecured, interest free and is repayable with not less than 12 months' notice in writing.

20. Obligations under hire purchase

The maturity of obligations under hire purchase contracts is as follows:	Group and School	
	2018	2017
	£	£
Within one year	40,357	40,357
Between one and two years	10,090	40,357
Between two and five years	-	10,090
	<u>50,447</u>	<u>90,804</u>

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

21. Financial assets and liabilities (Group)

	2018	2017
	£	£
Financial assets at fair value	2,590,134	2,479,271
Financial assets at amortised cost	685,453	739,762
Financial liabilities at amortised cost falling due within less than 1 year	(716,810)	(724,006)
Financial liabilities at amortised cost falling due within more than 1 year	(64,940)	(1,166,206)
	<u> </u>	<u> </u>

Financial assets and liabilities (School)

	2018	2017
	£	£
Financial assets at amortised cost	653,342	742,038
Financial assets at fair value	2,590,134	2,479,271
Financial liabilities at amortised cost falling due within less than 1 year	(687,148)	(706,015)
Financial liabilities at amortised cost falling due within more than 1 year	(64,940)	(1,166,206)
	<u> </u>	<u> </u>

Financial assets at amortised cost comprises cash at bank and in hand, fee debtors, investments in subsidiaries, accrued income and other debtors, due within one year.

Financial assets at fair value consist of quoted investments held at market value.

Financial liabilities at amortised cost falling due within less than 1 year comprise trade creditors, assets under construction creditors, pension contributions, other creditors, accruals and hire purchase contracts.

Financial liabilities at amortised cost falling due within more than 1 year consist of loans owing by the Academy and hire purchase contracts.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

22. Statement of funds

Group	At 1 August 2017 £	Income £	Expenditure £	Transfers £	Investment gains/ (losses) £	At 31 July 2018 £
Unrestricted funds						
Designated funds:						
Heritable property and assets under construction	19,251,350	-	(418,533)	730,210	-	19,563,027
Other fixed assets	901,465	-	(319,450)	275,887	-	857,902
Capital grant	24,132	-	-	(23,921)	-	211
Spirit of Adventure	161,569	-	-	-	-	161,569
Total designated funds	20,338,516	-	(737,983)	982,176	-	20,582,709
General fund	(1,859,793)	14,344,818	(12,567,091)	(789,264)	-	(871,330)
Total unrestricted funds	18,478,723	14,344,818	(13,305,074)	192,912	-	19,711,379
Restricted funds						
Scholarship and Bursary funds:						
General	1,457,649	148,814	(106,318)	(107,882)	40,885	1,433,148
Cay fund	573,451	21,059	(4,429)	-	30,055	620,136
TD White	178,691	7,020	(492)	-	3,339	188,558
Mckechie fund	180,000	-	-	-	-	180,000
Cambridge Scholarship	367,496	14,958	(3,000)	-	-	379,454
Rugby fund	33,276	-	-	-	-	33,276
Science/Library Extension	-	85,030	-	(85,030)	-	-
Other restricted funds	25,143	30,760	(15,839)	-	-	40,064
Total restricted funds	2,815,706	307,641	(130,078)	(192,912)	74,279	2,874,636
Total funds	21,294,429	14,652,459	(13,435,152)	-	74,279	22,586,015

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

22. Statement of funds (continued)

School	At 1 August 2017 £	Income £	Expenditure £	Transfers £	Investment gains/ (losses) £	At 31 July 2018 £
Unrestricted funds						
Designated funds:						
Heritable property and assets under construction	19,324,188	-	(485,839)	724,889	-	19,563,239
Other fixed assets	900,228	-	(304,716)	245,205	-	840,717
Spirit of Adventure	161,569	-	-	-	-	161,569
Total designated funds	20,385,985	-	(790,555)	970,095	-	20,565,525
General fund	(1,751,587)	14,113,765	(12,343,425)	(885,065)	-	(866,312)
Total unrestricted funds	18,634,398	14,113,765	(13,133,980)	85,030	-	19,699,213
Restricted funds						
Scholarship and Bursary funds:						
General	1,529,767	148,814	(106,318)	-	40,885	1,613,148
Cay fund	573,451	21,059	(4,429)	-	30,055	620,136
TD White	178,691	7,020	(492)	-	3,339	188,558
Cambridge Scholarship	367,496	14,958	(3,000)	-	-	379,454
Rugby fund	33,276	-	-	-	-	33,276
Science/Library Extension	-	85,030	-	(85,030)	-	-
Other restricted funds	25,143	30,760	(15,839)	-	-	40,064
Total restricted funds	2,707,824	307,641	(130,078)	(85,030)	74,279	2,874,636
Total funds	21,342,222	14,421,406	(13,264,058)	-	74,279	22,573,849

Transfers

The transfer to designated funds during the year represents the value of additions to and disposals of fixed assets. Full details of the other transfers are available on request.

Designated funds

Designated asset funds represent the net book value of fixed assets, as they are not available for working capital. Transfers to designated funds in the year represent the value of additions to and disposals of fixed assets.

In 1997 Edinburgh Academy Trading Limited (formerly Edinburgh Academy Sports Limited) received a capital grant from the National Lottery for the construction of the sports centre.

The Spirit of Adventure fund represents the proceeds from the sale of Blair House which were designated and invested by the Court for the provision of outdoor education.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

22. Statement of funds (continued)

Restricted funds

Bursary and Scholarship funds

The School holds a certain fund for bursaries, hardship awards, scholarships, exhibitions and prizes. Included within the Bursary and Scholarship funds is:

The Cay Family fund

This fund is to be used to assist pupils who may be in need for financial assistance in order to undertake study at the school, recognising the family name Cay in the award.

The TD White Sporting fund

This fund represents financial assistance to be awarded to pupils aged 11 or above who excel in sports of rugby union or cricket and may be financially disadvantaged.

The Mckeachie fund

This fund is to be used towards bursaries.

The Cambridge Scholarship fund

This fund is to be used towards support pupils of the Edinburgh Academy moving onto study at Cambridge University.

Rugby fund

The School holds monies raised for rugby tours.

Science/ Library extension fund

The school received £85,030 in the year from the Eric H Stevenson Trust towards professional fees incurred in the science/ library extension. Transfers in the year to designated funds represent the expenditure incurred during the year.

Other restricted funds

Throughout the year, the School receives a number of donations for various specific projects relating to sports and education. Full details of the individual restricted funds are available on request from the registered office.

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

	Group		School	
	2018	2017	2018	2017
	£	£	£	£
Net income for the reporting period	1,291,586	68,279	1,231,627	140,066
Adjustments for:				
Investment income	(78,030)	(89,996)	(78,030)	(89,996)
Depreciation	737,983	813,467	790,555	809,888
Gain on investments	(74,279)	(137,660)	(74,279)	(137,660)
Gain on disposal of fixed assets	-	(11,319)	-	(11,319)
(Increase)/decrease in stocks	(947)	(680)	(1,275)	103
(Increase)/decrease in debtors	(146,320)	188,062	(125,995)	146,680
Increase/(decrease) in creditors	(952,005)	(11,026)	(984,077)	(17,539)
Net cash provided by operating activities	777,988	819,127	758,526	840,223

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

24. Analysis of net assets by funds

Group	Unrestricted £	Restricted £	Total £
Fixed assets	20,421,140	-	20,421,140
Investments	-	2,590,134	2,590,134
Current (liabilities)/assets	(644,684)	284,502	(360,182)
Provisions for liabilities and charges	(137)	-	(137)
Creditors: amounts falling due in more than one year	(64,940)	-	(64,940)
	<u>19,711,379</u>	<u>2,874,636</u>	<u>22,586,015</u>
	<u><u>19,711,379</u></u>	<u><u>2,874,636</u></u>	<u><u>22,586,015</u></u>

School	Unrestricted £	Restricted £	Total £
Fixed assets	20,403,956	-	20,403,956
Investments	161,669	2,428,565	2,590,234
Current (liabilities)/assets	(801,472)	446,071	(355,401)
Creditors: amounts falling due in more than one year	(64,940)	-	(64,940)
	<u>19,699,213</u>	<u>2,874,636</u>	<u>22,573,849</u>
	<u><u>19,699,213</u></u>	<u><u>2,874,636</u></u>	<u><u>22,573,849</u></u>

25. Contingent liability (Group and School)

In 1997 Edinburgh Academy Trading Limited (formerly Edinburgh Academy Sports Limited) constructed a sports centre, with grant funding assistance from the Lottery of £477,500. In 2008 the ground lease for the land on which the building had been constructed was collapsed with The Edinburgh Academy paying Edinburgh Academy Trading Limited compensation for the loss of the use of the building for the remainder of the lease. Under the conditions of the funding if the building is disposed of outside The Edinburgh Academy group before 2018 the full amount of the grant, or an appropriate proportion of the sale proceeds, shall be repaid to the Lottery. The Directors have no intention of disposing of the building therefore no provision has been made in the financial statements.

26. Operating leases

The payments due under non-cancellable operating leases are as follows:

	Group		School	
	2018	2017	2018	2017
	Equipment £	Equipment £	Equipment £	Equipment £
Less than one year	53,963	46,048	38,903	30,988
Between one and two years	69,026	44,476	38,903	29,416
Between two and five years	39,425	79,987	39,425	49,867
	<u>162,414</u>	<u>170,511</u>	<u>117,231</u>	<u>110,271</u>
	<u><u>162,414</u></u>	<u><u>170,511</u></u>	<u><u>117,231</u></u>	<u><u>110,271</u></u>

Within the Group and School lease payments of £30,988 (2017: £35,851) were recognised as an expense during the year.

THE EDINBURGH ACADEMY AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

27. Capital commitments

At the year end the Edinburgh Academy had entered into a contract for capital works. £166,542 was to be recognised as a capital commitment at the year end.

28. Related party transactions and ultimate controlling party (Group and School)

Donations of £108,898 (2017: £21,239) were received during the year from The Edinburgh Academy Foundation. In addition, The Edinburgh Academy recharged other administrative costs of £783 (2017: £7,222) to The Edinburgh Academy Foundation and £136,929 (2017: £146,835) was due from The Edinburgh Academy Foundation at the year-end. The Edinburgh Academy Foundation is a related party by virtue of the Academy's representation on the Board of Directors and the administration of the company by employees of the Academy.

Donations and other income of £471,030 (2017: £432,500) were received from The Eric H Stevenson Charitable Trust. In addition, a balance of £1,048,000 previously held as a loan due from The Edinburgh Academy was converted into a donation. £5,000 (2017: £1,048,000) was due to The Eric H Stevenson Charitable Trust at the year end. The Eric H Stevenson Charitable Trust is a related party by virtue of the Academy's representation on the Board of Directors and the administration of the company by employees of the Academy.

The Directors have taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 "Related Parties" not to disclose transactions between the Academy and their two wholly owned subsidiaries. No other transactions required separate disclosure.

The Directors consider there to be no ultimate controlling party of the group, by virtue of its constitution.

29. Agency related income and expenditure (Group and School)

During the year income and expenditure relating to music lessons, the sale of books and school trips were identified as falling under an agency relationship. These amounts, detailed below, were collected from parents and paid over to third party providers. In accordance with the requirements of the Statement of Recommended Practice 2015, these amounts have been excluded from the income and expenditure of the School. At the year-end there was £35,859 (2017: £47,353) due by the School.

	2018 £	2017 £
Music lessons	71,589	47,435
Books	13,222	10,962
School trips	453,002	346,772
	<u>537,813</u>	<u>405,169</u>