

Edinburgh Merchant Company Education Board

Scotland · Charity number SC009747

Details

Status	Active
Legal form	Statutory corporation (Royal Charter etc)
Registered	1928-02-17
Register	View on the OSCR register

Contact

Address The Merchant Hall
22 Hanover Street
Edinburgh
EH2 2EP

Website www.mcoe.org.uk

Activities

Activities: 'It makes grants, donations, loans, gifts or pensions to individuals', 'It carries out activities or services itself'

Purposes: 'the advancement of education', 'the advancement of citizenship or community development', 'the advancement of the arts, heritage, culture or science', 'the advancement of public participation in sport', 'the advancement of environmental protection or improvement', 'the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage'

What the charity does: The Edinburgh Merchant Company Education Board (the "Education Board") is responsible for The Mary Erskine School and Stewart's Melville College, including their combined Junior School, (Erskine Stewart's Melville Schools or ESMS) and George Watson's College (GWC) (the "Schools"). The Merchant Company Education Board endowments are held and administered for the purposes of the provision of education at the Edinburgh Merchant Company schools, their maintenance and management and the provision of means tested financial assistance to a proportion of their pupils. The main activity undertaken continues to be the provision of education to children and young people from the ages of 3-18 through our Schools. The Schools offer sector-leading, rounded education, with a broad curriculum, strong academic results, comprehensive pastoral care and a varied and extensive range of co-curricular activities. This all-round approach gives every student the opportunity to excel.

Beneficiaries: 'Children or young people'

Objectives: The Education Board's Charitable Purposes are: (a) the advancement of education, particularly the education and advancement of children and young people. (b) the advancement of the arts, heritage,

culture and science. (c) the advancement of public participation in sport. (d) the provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended. and (e) the advancement of citizenship or community development.

Geography

- **Main operating location:** City of Edinburgh
- **Geographical spread:** More than one local authority area in Scotland

Finances

Period end	Income	Expenditure	Assets	Employees
2025-07-31	£83,053,812	£82,581,899	-	1105
2024-07-31	£84,994,162	£86,252,978	-	1120
2023-07-31	£76,933,963	£77,264,697	-	1119
2022-07-31	£69,711,680	£69,448,688	-	1011
2021-07-31	£65,808,209	£65,747,948	-	979

Linked charities

- George Watson's Family Foundation (SC004818)

Edinburgh Merchant Company Education Board

Scotland - Charity number SC009747

Accounts

The Edinburgh Merchant Company Education Board

Annual report and consolidated financial
statements

Charity number SC009747

31 July 2025

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Report of the Board

The Edinburgh Merchant Company Education Board presents the annual report and consolidated financial statements for the year ended 31 July 2025.

Reference and administrative details

Principal office

Merchants' Hall
22 Hanover Street
Edinburgh
EH2 2EP

Chief Executive Officer and Secretary

Guy Cartwright

Principals

Melvyn Roffe (retired 12 August 2024)
Lisa Kerr (commenced 12 August 2024)
George Watson's College
Colinton Road
Edinburgh
EH10 5EG

Anthony Simpson
Erskine Stewart's Melville Schools
Ravelston Dykes Road
Edinburgh
EH4 3NT

Auditors

Henderson Loggie LLP
Level 5, The Stamp Office
10-14 Waterloo Place
Edinburgh
EH1 3EG

Bankers

The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ

HSBC UK Bank plc
1 Centenary Square
Birmingham
B1 1HQ

Solicitors

Morton Fraser MacRoberts LLP
9 Haymarket Square
Edinburgh
EH3 8RY

Reference and administrative details (continued)

Investment advisors

Baillie Gifford
Carlton Square
1 Greenside Row
Edinburgh
EH1 3AN

Brooks MacDonald
80 Hanover Street
Edinburgh
EH2 1EL

Aubrey Capital Management
10 Coates Crescent
Edinburgh
EH3 7AL

Registered charity number SC009747

Report of the Board

OBJECTIVES AND ACTIVITIES

The Edinburgh Merchant Company Education Board (the “Education Board”) is responsible for The Mary Erskine School and Stewart’s Melville College, including their combined Junior School, (Erskine Stewart’s Melville Schools or ESMS) and George Watson’s College (GWC) (the “Schools”). The Merchant Company Education Board endowments are held and administered for the purposes of the provision of education at the Edinburgh Merchant Company schools, their maintenance and management and the provision of means tested financial assistance to a proportion of their pupils.

The main activity undertaken continues to be the provision of education to children and young people from the ages of 3-18 through our Schools. The Schools offer sector-leading, rounded education, with a broad curriculum, strong academic results, comprehensive pastoral care and a varied and extensive range of co-curricular activities. This all-round approach gives every student the opportunity to excel.

The Schools help to shape future generations of business and professional people for Edinburgh, Scotland and the wider world.

Scotland’s long-term economic prosperity and well-being depends on the quality of young people attracted to careers in commerce and industry. The Education Board Schools aim to develop grounded, resilient and accomplished young people. For those young people to have strong values so that they can go out into the community and the wider world equipped to lead full and happy lives with strong commitments to sustainability, diversity, inclusivity, with an ambition to be the best they can be.

The Royal Company of Merchants of The City of Edinburgh (the “Merchant Company”) is informally associated with the Education Board and the Schools through a longstanding historical connection and more tangibly through the appointment of the Chair and Vice Chair of the Education Board, the appointment of members from the Master’s Court to the Governing Councils of the Schools; and the use of the Merchant Company livery in the Schools’ crests. The Merchant Company also provides some centralised administrative and secretarial services to the Education Board and administration of a pensions scheme for staff who are not members of the Scottish Teachers Pensions Scheme (STPS).

There has been no change in the purposes since the last report. The activity of the Education Board and its committees comply with the current constitution, The Edinburgh Merchant Company Education Board Scheme 2011 dated 3 November 2011, the standing orders and rules drawn up under the Scheme and current statutory requirements.

Charitable Purposes

The charitable purposes of the Education Board are:

1. The advancement of education, particularly the education and advancement of children and young people.
2. The advancement of the arts, heritage, culture and science.
3. The advancement of public participation in sport.
4. The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the person for whom the facilities or activities are primarily intended; and
5. The advancement of citizenship or community development.

The central purpose of the Education Board through the Schools is the advancement of education with the broader aim of contributing to the wider community of Edinburgh by enabling participation in a wide range of sporting, recreational and educational activities.

Report of the Board *(continued)*

The main strategy for meeting this central purpose is to continue to provide excellent high-quality education which allow pupils the opportunity to attain the highest academic qualifications and also provide pupils with a rounded education. In support of the strategy the Schools each have their own stated vision and values which are consistent with the principles of the Education Board.

The delivery of the charitable purposes and the Schools' visions and values are supported through the following school strategies:

Education, development and wellbeing

- Ongoing review of the schools' academic syllabus and monitoring performance in external public examinations in comparison with national averages and other independent schools.
- Ongoing development of learning and teaching initiatives supported by in-service training and self-evaluations of different parts of the schools based on The Scottish Executive's "How Good Is Our School" quality indicators and/or other means of self-evaluation.
- Ongoing review of co-curricular provision taking into account feedback from staff, parents and pupils.
- Continuing to promote a culture of support, endeavor and achievement with pupils, parents and staff.

Wider Community

- Promoting involvement with the wider community with activities and work with challenged and disadvantaged cohorts.
- Promoting a culture of citizenship, active participation in charitable ventures and charitable giving.

Facilities

- Ongoing maintenance and development of the property and facilities of the Schools.
- Providing the opportunity for members of the community to access the excellent sporting and recreational facilities of the Schools.

Report of the Board *(continued)*

FUTURE PLANS

The Education Board is committed to the delivery and development of exceptional, well-rounded, education in the Schools and maintaining the delivery of the charitable purposes. However, pupil numbers at the schools in August 2025 were down by more than 4% at ESMS and 3.8% at GWC on the previous year.

This is direct consequence of the imposition of VAT on independent education tuition fees creating an affordability issue for many parents, as well as a change in the demographics of the population in Edinburgh resulting in fewer young people of school age.

The financial strategy of the Schools over the next five years is based upon restructuring and reducing costs whilst they continue to deliver a first-class education. The purpose of this restructure is to try to reduce the affordability gap for parents wishing to send their children to our schools. This will be achieved by reducing their cost base whilst also developing non fee income streams.

The Education Board will develop plans:

- To develop a new strategic plan.
- To undertake a comprehensive review of the organisational and governance structures of the Education Board and the Schools.
- To expand the activities of the Schools to maximize the return to the Schools as well as developing other income streams so that the Schools can reduce their dependency on fee income.
- To conduct a comprehensive review of its cost base and operations to ensure the Schools are operating in as cost effective a manner as possible.

ESMS announced in October 2024 that its two Senior Schools, The Mary Erskine School and Stewart’s Melville College will merge in August 2026, to form one co-educational Senior School. It will operate on the Queensferry Road site, and the combined Junior School will operate on the Ravelston site. The school will be renamed Erskine Stewart Melville. Work on this merger project is well advanced and remains on course to be complete in August 2026.

PUBLIC BENEFIT

The Education Board delivers its charitable purpose and public benefit including the widening of access to education through its schools. Means tested financial assistance across both schools totalled £4,201,329 (2024: £3,901,178). This represents 5.8% of fee income (2024 – 5.58%)

The number of pupils assisted, and the level of assistance given was:

	2024/25	2023/24
	Number of Pupils	Number of Pupils
0-20%	66	22
21%-40%	46	42
41-60%	48	50
61%-80%	148	152
81-99%	43	24
100%	96	102
Total	447	392

Report of the Board *(continued)*

George Watsons College Other Public Benefit.

We have continued to develop our links to the local and national community through several initiatives, activities and partnerships, brief details of which are as follows:

- The Swire Chinese Language Centre Edinburgh (SCLCE), a partnership with James Gillespie's High School and Boroughmuir High School, has been operating since 2016. Funded by the Swire Chinese Language Foundation, the aims of the programme are to increase access to high quality teaching of Mandarin. Last session nearly 3,000 pupils were taught (P5 - S6) from 24 primary and secondary schools in Edinburgh, with around 250 pupils taking SQA qualifications at National 3, 4 and 5, Higher and Advanced Higher. Last session, 20 pupils studying Mandarin at a state school in a socio-economically challenging area took part in a free trip to Beijing. We will also fully or partially fund trips to mainland China for 35 pupils from three state schools in this session.
- The Edinburgh Computing Science and Engineering in Schools (ECSES) Programme is a three-year programme funded by donation income to provide young people with inclusive and inspiring access to computer science and engineering in partnership with four state schools. The programme seeks to tackle the challenges schools in Edinburgh face in recruiting and retaining teachers of Computing and Engineering subjects. 700 pupils have benefited from this at Castlebrae High School, and for the first time in nine years, Computing Science is now embedded in the curriculum. More than 400 pupils have benefited at Leith Primary School, where a coding curriculum is now in place.
- We hosted our annual AH Modern Studies Conference, with participation from 200 pupils from state and independent schools from all over Scotland.
- We continue to provide bespoke support to a small number of pupils from state schools, including one who studied Advanced Higher History and another who joined our future medics group to help prepare for the application and interview process.
- George Watson's College has received authorisation from the Ministry of Defence to establish a new Combined Cadet Force in partnership with James Gillespie's High School and Boroughmuir High School. When fully operational, the South Edinburgh Schools CCF will provide access to cadet activities for pupils from any secondary or high school in south Edinburgh. This will also aid community cohesion by bringing pupils together from different schools and backgrounds.
- George Watson's College, has since 2021, been designated a Community Sports Hub by SportScotland. The Community Sports Hub brings together several sporting partnerships with the aim of improving access to sport and physical activity for the local community, building and linking with Edinburgh City Council's priorities for physical activity. George Watson's College provides facilities, coordinates activities and seeks external funding for additional costs, such as coaches.
- In partnership with Watsonian Hockey Club and five local primary schools we offer a cluster hockey club for P6/7 pupils. 15 pupils regularly attended this club on Friday afternoons last session.
- A swimming project with Oxgangs Primary School, is funded by the charity Sporting Start. The focus is on targeted intervention for P4 non-swimmers and benefited 24 pupils last year.
- A running club with around 15-20 regular adult participants meets on Sunday mornings. Mostly for those who are new to running but also includes more seasoned runners.
- Edinburgh Youth Orchestra regularly hold their Easter and Summer orchestra weeks at Watson's at subsidised rates.

Report of the Board *(continued)*

- Pupil social action and volunteering included 38 S5 and S6 pupils volunteering in care homes and local state schools, Preschool children visiting a local care home and a vast programme of volunteering through the largest Duke of Edinburgh centre in Scotland.
- Fundraising for charities pupils and staff regularly raise more than £35,000 per year for charity partners. There were also two large-scale food bank campaigns in the last year and 75 S6 pupils signed up to the Anthony Nolan stem cell register.

ESMS Other Public Benefit

ESMS's contribution to wider public benefit is below:

The 2024–2025 academic year marked a transformative chapter for ESMS with the appointment of our first Community and Partnerships Manager. This role was created to embed meaningful community engagement across our three schools, deepen partnerships with local organisations, and promote equity, trust, and collaboration. Over 600 students contributed more than 10,000 volunteer hours, working with over 15 community partners. These experiences broadened horizons, challenged assumptions, and helped students discover personal purpose through service.

Community is one of ESMS's three core pillars. Our strategy is guided by principles of fairness, inclusivity, and reciprocity - not charity, but genuine relationships that bring mutual value. The programme is built on a two-year strategic plan:

- **Year 1:** Establish internal structures, build trust, pilot programmes
- **Year 2:** Deepen partnerships, increase community access to facilities, embed engagement into school culture

Success is measured not just in numbers, but in trust, depth of relationships, and positive outcomes for students and partners.

Key Projects and Partnerships

Academic-Focused Initiatives

- **Volunteer Tutors Organisation (VTO):** 7 MES students supported literacy and numeracy at Pirniehall Primary, contributing 30 hours each
- **Circle Mentoring Programme:** 6 students mentored children weekly, following training in neurodiversity and safeguarding.
- **STEM in the Community:** 9 Young STEM Leaders reached 150+ children through hands-on science sessions. New partnerships with Spartans Community Foundation and local primaries will expand this work, including CREST Award pathways and a proposed community Science Festival.

Inclusive Sport

- **Inclusive Sports Days:** ESMS hosted six events, supporting 232 children with additional needs. Staff and students provided one-to-one support.
- **The Big Sports Day:** ESMS helped launch this city-wide ASN-inclusive event, contributing transport and rugby coaching.

Report of the Board *(continued)*

- **SEND School Support:** Rowanfield School now uses our pool weekly, with in-kind support valued at £150 per session.

Broader Community Engagement

- **Community Orienteering:** 200+ attendees joined a student-led public event in partnership with ESOC.
- **Flora Stevenson Cricket Partnership:** 270 pupils engaged in cricket sessions supported by MES Sports Leaders.
- **Intergenerational Projects:** Coffee mornings and pen pal exchanges with care home residents fostered empathy and connection.
- **S4 Community Days:** 240 students volunteered with 7 local charities, contributing 1,440 hours to environmental and social causes.

Community Voice and Place-Based Partnership

Listening is central to our approach. We prioritise informal, relationship-based feedback and have built trust through consistent engagement. ESMS is now an affiliate member of the North Edinburgh Response and Recovery (R2) Network, aligning our work with local priorities and learning from experienced practitioners.

A standout example is our partnership with Children’s Holiday Venture (CHV), where ESMS provided free access to facilities for evening clubs. Feedback from CHV highlighted the value of practical support and welcoming spaces.

Evidence of Impact

Quantitative Highlights

Metric	Value
Students engaged	400+
Total volunteer hours	10,000+
Community partners supported	16
Local state schools engaged	6
Children reached	400+
Inclusive Sports Days hosted	6
S4 Community Day hours	1,400+

Early Indicators

- Strong partner interest in expanding collaborations
- New relationships with Craigmoynton High, Granton Primary, Rowanfield School
- High student engagement and growing staff involvement

Next Steps

- Introduce reflection and feedback tools
- Develop case studies to showcase impact
- Share evaluation findings to inform planning and build trust

Report of the Board *(continued)*

Institutional and Cultural Impact

Community engagement is becoming embedded in ESMS's identity. The launch of the **Community Working Group**—a cross-school forum of 20+ staff—has fostered collaboration and shared purpose. A new **whole-school culture workstream** will ensure community values are woven into systems and decision-making.

Student journeys are evolving too. The **Community Connections programme** is now a core part of Sixth Form, promoting leadership and social responsibility. Primary students are also engaging meaningfully, such as P5's seed bomb fundraiser for Granton Community Gardeners, which raised £500 and led to a class visit.

Even external relationships are shaped by our values. ESMS helped connect a rugby sponsor with a local school in need of outdoor kit, facilitating a direct and meaningful act of support.

Looking ahead as we enter Year 2, our focus shifts to strengthening and sustaining what we've built. Priorities for 2025–2026 include:

- **Strengthening existing partnerships** through co-created planning
- **Embedding evaluation** tools across all projects
- **Widening access** to facilities and removing practical barriers
- **Sharing impact stories** internally and externally

Community engagement is no longer a collection of projects—it's influencing how we work, plan, and see our role in the wider city.

Partner Testimonial

"Craig has been instrumental in setting up a partnership between the S6 STEM Ambassadors and the Spartans Community Foundation Education Team... The uptake in the club has been amazing with over 90% of children attending consistently, 57% of whom have an ASN diagnosis. The Ambassadors have tailored activities to suit these needs and have been a credit to Craig, Fiona and the wider ESMS community... Their unwavering willingness to help has been immeasurable!"

— *David Service, Spartans Community Foundation*

This first year has laid strong foundations for a sustainable, impactful community engagement programme. ESMS is not only preparing students for academic success, but nurturing responsible, empathetic citizens who contribute meaningfully to society. Our partnerships are built on trust, reciprocity, and shared purpose—and we are committed to deepening this work in the years ahead.

Grant-making policy

Grants are made by the Governing Councils of the Schools to fund scholarships for gifted children and means tested bursaries to widen access to include families from all financial backgrounds so that children have the opportunity to make the most of their intellectual, academic and other abilities. Awards are subject to applicants attaining the schools' entry standards and the expectation that they will contribute to the wider life of the school. Academic awards are made on the basis of academic assessment and a scholarship examination and music awards are made on the basis of musical aptitude, application and performance. All the awards are subject to annual review of academic and general progress over the school session. Means tested awards are also subject to annual reassessment of parental means.

Report of the Board *(continued)*

- The Schools offer means tested bursaries worth up to 100% of the tuition fee which are available:
 - to children entering any year group in the senior schools; and
 - to children entering or currently in Primary 6 and 7 at George Watson's College Junior School
- The Schools may provide means tested hardship assistance to parents of pupils of all age groups who have suffered a significant reduction in their financial circumstances.
- Additional assistance: At Erskine Stewart's Melville Schools, grants are awarded from The Access to Excellence Pupils' Fund to assist parents with the costs of school trips that might otherwise be beyond their means. At George Watson's College, bursary awards also cover the cost of individual music tuition as well as the cost of curricular residential trips and additional assistance may be provided towards the cost of other trips and activities at the discretion of the Principal.
- At Erskine Stewart's Melville Schools academic scholarships are offered to pupils entering the senior school.
- Music Scholarships and Music Tuition Awards are also available at both Erskine Stewart's Melville Schools and George Watson's College.

There are two separately controlled charities (neither of which is consolidated into these accounts) that support with assistance for pupils to attend the Schools: the Melville College Trust, which provides financial support towards the schools' bursary programme and grants for projects to support both educational and extra-curricular projects and the George Watson's College Endowment Trust that provides donors with an alternative vehicle for funding Foundation Places.

OPERATIONAL PERFORMANCE

Operational performance of the schools

The principal activity is to provide education for boys and girls from the ages of 3-18 at the Edinburgh Merchant Company schools, namely Erskine Stewart's Melville Schools (The Mary Erskine School, Stewart's Melville College and ESMS Junior School), and George Watson's College. The performance of each school and their successes in delivering a first class education to the young people in their schools can be found at their respective web sites; George Watson's College at <https://www.gwc.org.uk/> and Erskine Stewart's Melville Schools at <https://www.erskinestewartmelville.com/> .

FINANCIAL REVIEW

Results for the year

The year to 31 July 2025 was another very challenging one with the imposition by the UK Government of VAT on independent schools tuition fees as well as an increase in employers' national insurance and a continuation of a period of high inflation. In the year to 31 July 2025 the Edinburgh Merchant Company Education Board had net income of £1,305k after investment gains of £220k (2024: net expenditure of £480k after investment gains of £779k). The Schools have continued to reinvest in fixed assets with capital expenditure of £2.5m in the year (2024: £2.8m).

Gross income for the year totalled £83.8m (2024 As Restated: £79.0m), of which tuition fees accounted for £72.7m (86.7% of the total) (2024 As Restated: £69.9m (88.4%)), catering sales £3.09m (3.7%) (2024: £3.09m (3.9%)), After School Club fees £1.35m (1.6%) (2024: £1.47m (1.9%)) and rents and lettings £1.3m (1.5%) (2024: £1.1m (1.4%)). Surpluses generated on income and expenditure are applied to fund improvements to the schools' buildings, facilities and equipment.

Report of the Board *(continued)*

The Education Board approves the schools fees for Erskine Stewart's Melville Schools and George Watson's College following independent determination of the appropriate fee levels for the schools by their respective Governing Councils.

The average roll of the schools during the financial year was 4,875 (2024: 5,149). Demand for places at the schools remains good but very challenging in the junior end of both schools. The principal reason for this is the affordability of fees and parents hesitating to commit to a full 13 years of independent education. Demand in the senior schools remains good.

Reserves policy

The Schools budget to generate surpluses on income and expenditure in each financial year and these surpluses are generally applied to upgrade their property and facilities. At 31 July 2025, the Schools had reserves totalling £57.9m of which £39.3m was unrestricted, £15.1m was restricted and £3.5m was endowed. The balance of unrestricted reserves on the balance sheet does not represent free reserves because all of the value is tied up in property and fixed assets.

The Schools maintain cash balances to cover expenditure over the short term; cash and bank balances at 31 July 2025 totalled £16.5m (2024: £16.5m).

Investment policy

As at 31 July 2025 a sum of £9.9m (2024: £11.3m) was held in investments. £3.5m (2024 £3.4m) of these funds were endowed for the specific purpose of funding bursaries, scholarships and prizes. The management of the portfolio is based on long-term considerations, with policy directed towards achieving an appreciation in capital values, while at the same time aiming to generate a reasonable and growing level of income. This policy is reviewed annually.

Merchant Company defined benefit pension

The trustees resolved on 17 August 1999 to close the defined benefit pension scheme to new entrants because the Merchant Company employers had resolved to offer an alternative money purchase scheme to all new employees and existing employees who had not entered this scheme.

The triennial valuation of the pensions scheme as at 31 July 2021 showed a funding level of 99%. An FRS102 actuarial valuation was carried out as at 31 July 2021 which showed that assets of the scheme covered the liabilities. An asset ceiling adjustment has been made to prevent the Education Board recognising a pension asset as any surplus in the scheme is not recoverable by the employer.

Following a consultation with members, the scheme was closed to future accrual with effect from 1 November 2011. Members were given the option of joining the money purchase scheme currently offered to other employees. The decision to close the scheme was accepted by all members.

Risk Management

The Education Board is responsible for the overall management of risks faced by the Education Board and the Schools. The Audit and Risk Committee of the Education Board reviews the risks faced by the Education Board at least every year. Each of the Schools maintains a separate Risk Register in which significant risks are recorded together with an assessment of the likelihood and impact of each risk on the school and the controls which are in place to mitigate risk. The Governing Councils and Senior Management Teams of the Schools formally review their Risk Registers at least three times each year and decide on any further actions or controls required to manage risk.

Report of the Board *(continued)*

The Governing Councils of the Schools are also responsible for the continuing review and development of policies to ensure that the schools are managed with probity and efficiency, and regulations and guidelines for the welfare of pupils and staff are observed. Internal risks are mitigated through the application of these policies and the implementation of procedures for authorisation of all transactions and projects, and to ensure consistent quality of delivery across all elements of the schools' operation. External risks are controlled or mitigated by a continuous review of the external environment and the on-going adjustment of the schools' strategies, policies and procedures to anticipate and respond to changing circumstances.

The most significant risks faced by the Merchant Company Education Board and the Schools are shown below together with strategies and control measures for managing those risks:

Risks	Key strategies and control measures
<p>1. Significant fall in pupil numbers</p>	<ul style="list-style-type: none"> • Strategic plans and fee strategies to keep school fees competitive and affordable following the imposition of VAT on school fees from January 2025. • On-going investment in educational offering and facilities to remain competitive and comprehensive marketing and admissions strategies including for bursaries and short-term financial assistance.
<p>2. Failure to manage higher costs</p>	<ul style="list-style-type: none"> • Ongoing review of all expenditure including the staffing models of both schools to ensure they are as efficient as possible • Developing opportunities for generating additional non-fee income • Developing 10 year asset management plan so that the maintenance and development of the Schools' estates can be tailored to best support their business plans and support income generation. • Robust annual budgeting set within a 3-5 year financial strategy.
<p>3. Serious damage to the reputation of the Schools</p>	<ul style="list-style-type: none"> • Comprehensive procedures and policies for: Safeguarding and Child Protection, Disciplinary, codes of conduct for staff and pupils, Protection of Vulnerable Groups (PVG) scheme, Health and Safety and IT security. • Training for staff.
<p>4. Failure of governance and management</p>	<ul style="list-style-type: none"> • Selection and retention of quality staff, governors and trustees, comprehensive committee and reporting structures to provide oversight, reporting and accountability and robust succession planning for key individuals. • Appointment of professional, experienced individuals to the senior management teams, segregation of duties and authorisation processes and financial reporting process
<p>5. Failure to manage significant change</p>	<ul style="list-style-type: none"> • Change projects to be comprehensively planned and implemented with project governance and the project structures and reporting to support agile decision making • Comprehensive management of risks by relevant teams and boards, appointment of professional staff to manage and administer change and legal and professional support and advice • Careful planning to ensure that in a period of high level of change that the number of projects are manageable and deliverable whilst recognising that the schools must continue to deliver a first-class education to their pupils as their core purpose.

Report of the Board *(continued)*

The Education Board is satisfied that major risks faced by the Education Board and the Schools have been identified and that adequate controls for those that can be treated are in place to reduce the likelihood and/or impact of each risk. The Education Board recognises that any system of controls can only provide reasonable but not absolute assurance that risks have been adequately managed.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Education Board was constituted as a body corporate under the Edinburgh Merchant Company Endowments Order 1909 and is governed by the provisions of the Edinburgh Merchant Company Educational Endowments Scheme 1960, as amended. On 3 November 2011, OSCR approved the Merchant Company Education Board's new Constitution. The Education Board is registered as a charity with the Office of the Scottish Charity Regulator under charity reference number SC009747.

The Merchant Company Education Board is responsible for The Mary Erskine School and Stewart's Melville College, including their combined Junior School, and George Watson's College. The Education Board oversees the administration of their schools which is carried out by two Governing Councils, established in 1989, namely the ESMS Governing Council and the George Watson's College Governing Council. The Governing Councils are standing committees of the Merchant Company Education Board. The Governing Councils, assisted by their Finance Committees, are required to prepare annual accounts for the relevant schools giving a true and fair view of the state of affairs.

The Education Board is responsible for the preparation of consolidated accounts, which includes the George Watson's Family Foundation.

Composition of the Education Board and Committees

The members of the Education Board consist of:

- a) The Master and the Treasurer of the Master's Court of the Royal Company of Merchants of the City of Edinburgh;
- b) The Chairs of the Governing Councils of each of the Schools;
- c) Up to seven additional members, selected by the Nominations Committee of the Royal Company of Merchants of the City of Edinburgh ; and
- d) the Lord Dean of Guild of the Royal Company of Merchants of the City of Edinburgh may be invited to join the Education Board at the Master's sole discretion.

Membership of the Merchant Company Education Board			Standing Committees			
Name	Appointed /Retired	Education Board	Audit & Risk Committee	Nominations Committee	ESMS Governing Council	GWC Governing Council
Grant Macrae (Master)	November 2024	X	X	X		
Katie Ridland (Treasurer)	November 2024	X		X	X	
Don Young	July 2022	X		X		X
Grahame Walker	September 2022	X	X			
Hilary Turnbull	September 2022	X				
Dr Helen Wright	September 2023	X				
Brian McGhee	December 2023	X	X			
Ewan McIntosh	March 2025	X				

Report of the Board *(continued)*

Recruitment and Appointment

The members of the Education Board are invited to join the board following nomination. Through the Nominations Committee the procedure is in place to identify and recruit suitable individuals to provide strength and balance to the Education Board. They are appointed by the Education Board for a term of five years, and they can be re-elected.

In relation to the members of the Schools' Governing Councils, they consist of the Principal, the Education Board shall appoint (i) the Chair of the Governing Council, (ii) the Chair of the Finance Committee, (iii) the Chair of the Buildings Committee and (iv) up to three governors (who have been members of the Merchant Company for at least three years) and the Governing Council, following nomination by the Chair, shall appoint up to a further eight governors. There is a requirement that there is a majority of Royal Company of Merchants of the City of Edinburgh members on the Governing Councils of the Schools to ensure knowledge and experience expected of Royal Company of the City of Merchants of the City of Edinburgh.

Training of Members and Governors

On appointment, all Education Board members are given a copy of The Edinburgh Merchant Company Education Board Scheme 2011 and the Merchant Company Standing Orders made under the Scheme in 2011 as amended. They are also given a copy of all papers already distributed to members in regard to current issues of significance, provided with the opportunity to visit the Schools and made aware of all training opportunities that are intimated to the Secretary of the Education Board.

Members of the Governing Council are inducted into the governance and workings of the schools by the Chair of the Governing Council, the Principal and the Bursar/COO/CFO. They are invited to join committees dealing with aspects of the school's work, are variously invited to attend governors' days or conferences or away days with senior staff or to shadow a member of staff or pupil of the school. They are also made aware by the school of any significant issues arising between meetings of Governing Council and of all training opportunities that are intimated to the school and in particular, training and seminars held by the Scottish Council of Independent Schools.

Organisational management

The Education Board is responsible for the strategic direction of the Schools and associated decisions and routinely meets at least four times a year. The Education Board is supported from the Schools by their Governing Councils which are standing committees of the Education Board. The Governing Councils are responsible for the overall management and control of each of the schools.

The Governing Councils formally report to the Education Board at least four times each year on achievements and performance, significant educational and staff developments, financial performance and risk, property issues and capital development. Strategy, budgets, annual accounts and major capital development as well as the appointment of a new Principal are all matters reserved for the approval of the Education Board.

Report of the Board *(continued)*

Group Structure and Relationship

The Education Board is a charity, and this is the focus for all supporting and subsidiary activities. There are two subsidiaries incorporated through which the schools can undertake commercial activities:

- ESMS Enterprises Limited, a wholly owned subsidiary company incorporated in Scotland with company number: SC139534; and
- GWC Trading UK Limited (dormant), a wholly owned subsidiary company incorporated in Scotland with company number: SC588763.

George Watson's Family Foundation is consolidated into the financial statements. It provides financial assistance for pupils who would otherwise be unable to attend GWC, provides support for pupils whose families experience short term financial difficulties and provides assistance to maintain and develop the property and facilities of GWC. The Family Foundation is a registered charity with number SC004818.

On behalf of the Education Board:


Grant Macrae - 2026-02-19, 16:55:15 UTC

Grant Macrae
Chair

..... 2026

Statement of Edinburgh Merchant Company Education Board's Responsibilities

The Education Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the Education Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Education Board is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2019 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Education Board will continue in operation.

The Education Board has delegated to the Governing Councils of Erskine Stewart's Melville and George Watson's College through their respective finance committees and the Secretary of the Education Board the responsibility for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's Constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In so far as the Members are aware:

- there is no relevant audit information of which the charity's auditors are unaware; and
- the Members have taken all steps that it ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Members are responsible for the maintenance and integrity of the charity and other information included in the charity's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of the Edinburgh Merchant Company Education Board

Opinion

We have audited the financial statements of the Edinburgh Merchant Company Education Board (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 July 2025 which comprise the Group and Parent Charity Statement of Financial Activities, the Group and Parent Charity Balance Sheet, the Group Statement of Cash Flows and the related 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 FRS 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 and parent charity's affairs as at 31 July 2025 and of the group and parent charity's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006

Basis of 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 charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Report of the Board, other than the financial statements and our auditor's report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditors' report to the members of the Edinburgh Merchant Company Education Board *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- the information given in the report of the board is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Statement of Boards' responsibilities, set out on page 16, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members 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 Members are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend 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.

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

As part of our planning process:

- We enquired of management the systems and controls the charity has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the charity. We determined that the following were most relevant: Compliance with the requirements of the PVG Scheme, the Care Inspectorate, the SQA, and OSCR; health and safety including fire safety; Data Protection Act 2018; and employment law (including payroll and pension regulations);
- We considered the incentives and opportunities that exist in the charity, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and
- Using our knowledge of the charity, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

Independent auditors' report to the members of the Edinburgh Merchant Company Education Board *(continued)*

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing Board and Governor meeting minutes for discussions of irregularities including fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the carrying value of tangible assets and listed investments, bad debt provisions, accruals and deferred income and the valuation of defined benefit pension scheme obligations;
- Documenting and verifying all significant related party balances and transactions;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness;
- Testing key revenue lines, in particular cut-off, for evidence of management bias; and
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 charity's Members, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Members as a body, for our audit work, for this report, or for the opinions we have formed.

 Diana Penny

Diana Penny - 2026-02-19, 20:44:45 UTC

Henderson Loggie LLP

Chartered Accountants

Statutory Auditor

(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

Level 5, The Stamp Office

10-14 Waterloo Place

Edinburgh

EH1 3EG

Date: 2026

Group statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 July 2025

	Note	Unrestricted funds	Restricted funds	Endowment Funds	Total 2025	Unrestricted funds	Restricted funds	Endowment Funds	Total 2024
		£	£	£	£	£	£	£	As Restated £
Income and endowments from:									
Donations and legacies	2	174,997	2,562,321	-	2,737,318	1,656	1,247,628	-	1,249,284
Other trading activities	3	1,334,359	-	-	1,334,359	1,077,683	-	-	1,077,683
Investments	4	218,126	519,365	126,680	864,171	218,764	430,487	112,869	762,120
Charitable activities	5	78,569,758	328,001	-	78,897,759	75,640,317	315,814	-	75,956,131
Other	6	2,900	-	-	2,900	2,224	1,000	-	3,224
Total income and endowments		80,300,140	3,409,687	126,680	83,836,507	76,940,644	1,994,929	112,869	79,048,442
Expenditure on:									
Raising funds	7	(432,477)	(46,550)	(4,461)	(483,488)	(415,709)	(46,202)	(4,320)	(466,231)
Charitable activities	8	(79,898,987)	(2,267,784)	(101,787)	(82,268,558)	(78,271,778)	(1,484,850)	(84,399)	(79,841,027)
Total expenditure		(80,331,464)	(2,314,334)	(106,248)	(82,752,046)	(78,687,487)	(1,531,052)	(88,719)	(80,307,258)
Net income/(expenditure) before gains and losses		(31,324)	1,095,353	20,432	1,084,461	(1,746,843)	463,877	24,150	(1,258,816)
Net gains on investments		-	106,563	113,981	220,544	-	598,371	180,140	778,511
Net income/(expenditure)		(31,324)	1,201,916	134,413	1,305,005	(1,746,843)	1,062,248	204,290	(480,305)
Transfers between funds	21-23	-	-	-	-	-	-	-	-
Net movement in funds		(31,324)	1,201,916	134,413	1,305,005	(1,746,843)	1,062,248	204,290	(480,305)
Fund balances brought forward	21-23	39,311,524	13,872,946	3,421,543	56,606,013	41,058,367	12,810,698	3,217,253	57,086,318
Fund balances carried forward	21-23	39,280,200	15,074,862	3,555,956	57,911,018	39,311,524	13,872,946	3,421,543	56,606,013

All operations are continuing.

Parent Charity statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 July 2025

	Note	Unrestricted funds £	Restricted funds £	Endowment Funds £	Total 2025 £	Unrestricted funds £	Restricted funds £	Endowment Funds £	Total 2024 £
Income and endowments from:									
Donations and legacies	2	468,524	1,753,797	-	2,222,321	442,864	613,190	-	1,056,054
Other trading activities	3	1,334,359	-	-	1,334,359	1,077,683	-	-	1,077,683
Investments	4	218,126	251,667	126,680	596,473	218,764	184,228	112,869	515,861
Charitable activities	5	78,569,758	328,001	-	78,897,759	75,640,317	315,814	-	75,956,131
Other	6	2,900	-	-	2,900	2,224	-	-	2,224
Total income and endowments		80,593,667	2,333,465	126,680	83,053,812	77,381,852	1,113,232	112,869	78,607,953
Expenditure on:									
Raising funds	7	(432,477)	(24,235)	(4,461)	(461,173)	(415,709)	(27,484)	(4,320)	(447,513)
Charitable activities	8	(80,192,514)	(1,826,425)	(101,787)	(82,120,726)	(78,712,986)	(936,602)	(84,399)	(79,733,987)
Total expenditure		(80,624,991)	(1,850,660)	(106,248)	(82,581,899)	(79,128,695)	(964,086)	(88,719)	(80,181,500)
Net income/(expenditure) before gains and losses		(31,324)	482,805	20,432	471,913	(1,746,843)	149,146	24,150	(1,573,547)
Net gains on investments		-	(10,039)	113,981	103,942	-	394,287	180,140	574,427
Net income/(expenditure)		(31,324)	472,766	134,413	575,855	(1,746,843)	543,433	204,290	(999,120)
Transfers between funds	21-23	-	-	-	-	-	-	-	-
Net movement in funds		(31,324)	472,766	134,413	575,855	(1,746,843)	543,433	204,290	(999,120)
Fund balances brought forward	21-23	39,311,524	7,538,713	3,421,543	50,271,780	41,058,367	6,995,280	3,217,253	51,270,900
Fund balances carried forward	21-23	39,280,200	8,011,479	3,555,956	50,847,635	39,311,524	7,538,713	3,421,543	50,271,780

All operations are continuing.

Group & Parent Charity Balance Sheet at 31 July 2025

	Note	Group £	2025 Parent Charity £	Group £	2024 Parent Charity £
Fixed assets					
Tangible assets	14	57,742,002	57,742,002	59,089,616	59,089,616
Investments	15	9,860,348	6,458,129	11,291,010	7,992,699
		<u>67,602,350</u>	<u>64,200,131</u>	<u>70,380,626</u>	<u>67,082,315</u>
Current assets					
Stocks	16	52,046	52,046	48,671	48,671
Debtors	17	3,591,566	4,204,213	4,015,143	3,915,066
Cash at bank and in hand		16,543,977	12,262,966	16,477,110	13,543,663
		<u>20,187,589</u>	<u>16,519,225</u>	<u>20,540,924</u>	<u>17,507,400</u>
Creditors: amounts falling due within one year	18	(21,233,346)	(21,226,146)	(21,302,234)	(21,304,632)
Net current liabilities		<u>(1,045,757)</u>	<u>(4,706,921)</u>	<u>(761,310)</u>	<u>(3,797,232)</u>
Total assets less current liabilities		<u>66,556,593</u>	<u>59,493,210</u>	<u>69,619,316</u>	<u>63,285,083</u>
Creditors: amounts falling due after more than one year	19	(8,645,575)	(8,645,575)	(13,013,303)	(13,013,303)
Net assets		<u>57,911,018</u>	<u>50,847,635</u>	<u>56,606,013</u>	<u>50,271,780</u>
Funds					
General (unrestricted) funds	21	39,280,200	39,280,200	39,311,524	39,311,524
Restricted funds	22	15,074,862	8,011,479	13,872,946	7,538,713
Permanent endowment funds	23	3,555,956	3,555,956	3,421,543	3,421,543
Total funds	24	<u>57,911,018</u>	<u>50,847,635</u>	<u>56,606,013</u>	<u>50,271,780</u>

The financial statements were approved by the Education Board on 2026 and signed on its behalf by:


Grant Macrae - 2026-02-19, 16:55:15 UTC

**Grant Macrae
Chair**

Charity number SC009747

Group Statement of cash flows
for the year ended 31 July 2025

	2025 £	2024 £
Cash flows from operating activities		
Net income	1,305,005	(480,305)
Loss/ (Gains) on investments	(220,544)	(778,511)
(Increase)/ decrease in stock	(3,375)	(13,789)
(Increase)/ decrease in debtors	423,577	(466,037)
Increase/(decrease) in creditors	(3,791,241)	14,684,324
Depreciation charges	3,413,779	3,149,003
(Gain)/ loss on disposal of assets	(2,900)	14,002
Investment income	(864,171)	(762,120)
Interest paid	1,009,210	1,047,011
	<hr/>	<hr/>
Cash provided by operating activities	1,269,340	16,393,578
Cash flows from investing activities		
Investment income	864,171	762,120
Interest paid	(1,009,210)	(1,047,011)
Payments to acquire fixed assets	(2,474,824)	(2,776,820)
Proceeds from the sale of fixed assets	411,559	67,696
Payments to acquire investments	(2,147,153)	(813,520)
Proceeds from the sale of investments	7,781,285	1,400,119
Movement in cash held for re-investment	(3,982,926)	(52,644)
	<hr/>	<hr/>
Cash used in investing activities	(557,098)	(2,460,060)
Cash flows from financing activities		
Finance leases repaid in the year	(102,467)	(215,470)
Bank loans repaid in the year	(542,908)	(512,441)
	<hr/>	<hr/>
Cash provided by/(used in) financing activities	(645,375)	(727,911)
	<hr/>	<hr/>
Net cash movement in the year	66,867	13,205,607
Cash and cash equivalents at start of the year	16,477,110	3,271,503
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	16,543,977	16,477,110
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:		
Cash at bank and in hand	16,543,977	16,477,110
Bank overdraft	-	-
	<hr/>	<hr/>
	16,543,977	16,477,110
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with the items which are considered material in relation to the Education Board's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value. The charity is a Public Benefit Entity. The financial statements are compliant with the charity's constitution, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice (SORP) FRS 102 "Accounting and Reporting by Charities", in accordance with Financial Reporting Standard 102 (FRS 102), and applicable accounting standards.

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

Basis of Consolidation

The consolidated group financial statements consist of the financial statements of the parent charity, the Merchant Company Education Board, together with all entities controlled by the parent charity (its subsidiary, namely the George Watson's Family Foundation (Registered Charity Number SC004818)). All financial statements are made up to 31 July 2025. Although GWFF is a separate registered charity, it is integral to George Watsons College, and hence MCEB.

All intra-group transactions and balances between group entities are eliminated on consolidation.

The subsidiary is consolidated in the group's financial statements from the date that control commences until the date that control ceases.

Going concern

The financial statements have been prepared on a going concern basis. The Finance Committees and Governing Councils of the schools, on behalf of the Members have considered relevant information, including the business plan, forecast future cash flows and the impact of subsequent events in making their assessment and reported this information to the Members of the Education Board, on the basis of which the Members are satisfied that the Edinburgh Merchant Company Education Board is a going concern.

In making these assessments the key scenarios and assumptions are around monitoring pupil numbers and trends, affordability of fee levels. The imposition of VAT on school tuition fees effective from 1 January 2025 has had a huge impact on the affordability of fees. Both schools are reviewing and changing their operating models in order to meet this challenge. Work is on-going to reduce the cost base and to work with parents to enable them to continue educating their children in our schools.

The Members, having reviewed both Schools' forecasts and plans, expect that the Education Board has sufficient resources at its disposal to carry out the current plans for the Schools and therefore continue in operational existence for at least the next 12 months. The Members continue to be mindful of the current economic situation in developing their plans for future investment. On this basis, the Members are satisfied that it is appropriate to prepare the accounts on a going concern basis.

Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are stated after deducting bursaries, allowances, scholarships and other remissions granted by the School. Fees consist of charges for pupils attending the Schools. The charges are the amounts due for the year ending 31 July.

Notes *(continued)*

1 Accounting policies *(continued)*

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that confirmation has been granted, the estate has been finalised and notification has been made by the executor(s) to the trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of confirmation, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income from Interest and Dividends

Investment income is applied to the restricted, unrestricted and endowed funds on the basis of investments held within each fund. Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank. Dividends are accrued when the shareholder's right to receive payment is established. Measurement is at the fair value receivable, which will normally be the transaction value.

Donated goods, facilities and services

Donated goods, services and facilities are recognised as income when the charity has control over the item(s), any conditions attached have been met, the receipt of economic benefit from the use of the item(s) is probable and the economic benefit can be measured reliably. In accordance with Charity SORP, volunteer time is not recognised.

On receipt, donated goods, services and facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have had to pay to obtain the equivalent economic benefit on the open market. A corresponding amount is also recognised as expenditure in the period of receipt.

Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. The irrecoverable element of VAT is included with the item of expense to which it relates. Expenditure is classified under the following activity headings:

- Expenditure on raising funds income include the costs of raising donations and legacies and investment management costs on the investment portfolio.
- Expenditure on charitable activities include the costs of providing teaching services. In addition teaching costs include supplies of books, stationery, games equipment and sundry materials are charged against revenue in the year in which the expenditure is incurred.
- Other expenditure represents those items not falling into any other heading.

Redundancy and termination payments are recognised in the year to which they relate.

Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the Education Board's charitable activities. Governance costs are those associated with the constitutional and statutory requirements of the charity.

Expenditure is allocated to expense headings either on a direct cost basis, or apportioned according to time spent.

Notes (continued)

1 Accounting policies (continued)

Fixed assets

Fixed assets are capitalised at cost. Depreciation is provided on all fixed assets in use, other than heritable land, at rates and bases calculated to write off the cost of each asset over its expected useful life, on a straight line basis, as follows:

Heritable buildings	Up to 50 years
Leasehold improvements	Over life of lease
Heating plant & Other plant and equipment	5 - 15 years
Motor vehicles & Computer equipment	4 years

Investments and investment income

Investments are a form of basic financial instrument. The investments are brought into account at fair value. The value applied to listed investment is the middle market price of that investment at the close of business at the year end. The main form of financial risk faced by the charity is that of volatility in the investment markets due to wider economic conditions.

The investment in subsidiary undertakings represents the cost of investments in ESMS Enterprises Limited, a wholly owned subsidiary company incorporated in Scotland with company number: SC139534 and GWC Trading UK Limited a wholly owned subsidiary company incorporated in Scotland with company number: SC588763. These entities are not consolidated in these financial statements on grounds of immateriality.

Investment income and gains and losses are recognised in the statement of financial activities in the year in which they arise. Unrealised gains and losses are included in the statement of financial activities on the same basis of investments held within each relevant fund.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Cash and cash equivalents

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

Debtors

Trade and other debtors are recognised at the settlement amount due after any fee discounts and rebates. Prepayments are valued at the amount prepaid after taking account of any discounts due.

Creditors and provisions

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

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Members in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Notes (continued)

1 Accounting policies (continued)

Designated funds comprise unrestricted funds that have been set aside by the Members for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering funds are charged against the specific fund.

Endowment funds represent the original endowment of the charity as adjusted for gains and losses arising in investments. The income generated from the investments are used largely in the provision of bursaries to school pupils.

Taxation

The Education Board is registered as a charity and has no liability to corporation tax on surpluses.

Defined benefit pension scheme

The charity operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Education Board. Pension scheme assets and liabilities are measured by a qualified actuary using the assumptions set out in note 13. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full on the Balance Sheet.

Defined contribution pension scheme

The charity also operates a pension scheme providing benefits based on contributions. Employer contributions are charged to the SOFA in the period to which they relate.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Prior year restatement

In reviewing the allocation of bursaries and remissions, the Members have determined that due to the application of these allowances being common practice, they are in effect discounts and form part of the public benefit the School offers as a registered charity. As a result, the bursaries and remissions should be allocated against the school fees to present a net school fees position in the Statement of Financial Activities. As part of the application of this allocation in the current year, the decision was taken to retrospectively correct the position and thus the prior period figures have been restated accordingly.

This adjustment has no impact on the net expenditure for the period, however charitable income and expenditure on charitable activities have both reduced by £5,945,720.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the charity's accounting policies, the Members are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes (continued)

In preparing these financial statements, the Members have made the following judgements:

- Fixed assets are assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.
- Bad debt provisions are based on knowledge of probability of recoverability depending on the debtor's circumstances.

The following are the charity's key sources of estimation uncertainty:

- The value of the asset/liability in the defined benefit pension fund is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the liabilities, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates. The pension scheme is in surplus and this has not been reported in the financial statements as the Education Board surplus may not be recoverable by the employer.
- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Accruals and deferred income primarily relate to material amounts of deferred income arising from school trips taking place after the year end. In addition, accruals have been recognised for other costs and estimates, including utilities such as gas and electricity, where invoices had not yet been received at the reporting date. These balances require management judgement in determining the appropriate amounts to recognise.
- Significant costs relating to RAAC concrete remediation works were incurred during the year. There is a risk that certain non-capital items could be incorrectly classified as capital, leading to understatement of expenditure. Given the scale and nature of RAAC works, management judgement is required in determining the appropriate recognition and classification of these costs.

2 Donations and legacies

	Unrestricted 2025 £	Restricted 2025 £	Total 2025 £	Unrestricted 2024 £	Restricted 2024 £	Total 2024 £
Group						
Donations	174,997	2,562,321	2,737,318	1,656	1,247,628	1,249,284
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Unrestricted 2025 £	Restricted 2025 £	Total 2025 £	Unrestricted 2024 £	Restricted 2024 £	Total 2024 £
Parent Charity						
Donations	468,524	1,753,797	2,222,321	442,864	613,190	1,056,054
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

GWFF as a separate charity allocates donations within its accounts differently to the treatment within the Group in terms of reserves

Notes (continued)

6 Other income

	Unrestricted 2025 £	Restricted 2025 £	Total 2025 £	Total 2024 £
Group				
Gain on sale of assets	2,900	-	2,900	-
Miscellaneous income	-	-	-	3,224
	<u>2,900</u>	<u>-</u>	<u>2,900</u>	<u>3,224</u>
2024 total	<u>2,224</u>	<u>1,000</u>	<u>3,224</u>	

	Unrestricted 2025 £	Restricted 2025 £	Total 2025 £	Total 2024 £
Parent Charity				
Gain on sale of assets	2,900	-	2,900	-
Miscellaneous income	-	-	-	2,224
	<u>2,900</u>	<u>-</u>	<u>2,900</u>	<u>2,224</u>
2024 total	<u>2,224</u>	<u>-</u>	<u>2,224</u>	

7 Expenditure on raising funds

	Unrestricted 2025 £	Restricted 2025 £	Endowed 2025 £	2025 £	2024 £
Group					
Wage and salary cost of raising funds (note 12)	432,477	-	-	432,477	415,709
Costs of generating voluntary income	-	1,319	-	1,319	72
Investment management fees	-	45,231	4,461	49,692	50,450
	<u>432,477</u>	<u>46,550</u>	<u>4,461</u>	<u>483,488</u>	<u>466,231</u>
2024 total	<u>415,709</u>	<u>46,202</u>	<u>4,320</u>	<u>466,231</u>	

	Unrestricted 2025 £	Restricted 2025 £	Endowed 2025 £	2025 £	2024 £
Parent Charity					
Wage and salary cost of raising funds (note 12)	432,477	-	-	432,477	415,709
Investment management fees	-	24,235	4,461	28,696	31,804
	<u>432,477</u>	<u>24,235</u>	<u>4,461</u>	<u>461,173</u>	<u>447,513</u>
2024 total	<u>415,709</u>	<u>27,484</u>	<u>4,320</u>	<u>447,513</u>	

Notes (continued)

	Unrestricted 2025 £	Restricted 2025 £	Endowed 2025 £	Total 2025 £	Total 2024 As Restated £
Parent Charity					
Wages and salaries (note 12)	47,868,972	-	-	47,868,972	46,886,002
Foundationers Grants	-	495,430	-	495,430	411,449
School expenditure	-	-	-	-	-
Fee reductions	151,972	-	-	151,972	260,473
Bursaries, scholarships and prizes	(6,606)	1,258,681	101,643	1,353,718	602,413
Examinations costs	316,059	-	-	316,059	325,792
Teaching materials	1,020,562	-	-	1,020,562	1,057,946
Staff development	225,262	-	-	225,262	235,840
Transport costs	1,424,511	-	-	1,424,511	1,156,237
Educational projects cost	1,793,439	-	-	1,793,439	1,366,234
Other educational costs	2,631,151	1,904	-	2,633,055	2,304,687
Catering costs	3,326,804	-	-	3,326,804	3,492,868
Total direct costs	58,752,126	1,756,015	101,643	60,609,784	58,099,941
Property costs (note 9)	12,529,849	70,410	-	12,600,259	13,328,096
Support costs (note 10)	8,841,916	-	144	8,842,060	8,215,961
Governance Costs (note 11)	68,623	-	-	68,623	89,989
	80,192,514	1,826,425	101,787	82,120,726	79,733,987

	Restated Unrestricted 2024 £	Restated Restricted 2024 £	Restated Endowed 2024 £	Total 2024 As Restated £
2024				
Direct costs	57,141,035	874,651	84,255	58,099,941
Property costs	13,266,145	61,951	-	13,328,096
Support costs	8,215,817	-	144	8,215,961
Governance costs	89,989	-	-	89,989
2024 total	78,712,986	936,602	84,399	79,733,987

9 Property costs

	Unrestricted 2025 £	Restricted 2025 £	Total 2025 £	Total 2024 £
Group & Parent Charity				
Wages and salaries (note 12)	689,171	-	689,171	800,562
Ground maintenance	103,021	-	103,021	125,109
Rates	1,562,539	-	1,562,539	1,668,506
Insurance	516,643	-	516,643	459,183
Heat and light	3,252,236	-	3,252,236	4,023,001
Cleaning	1,360,469	-	1,360,469	1,233,291
Repairs and maintenance	1,621,219	-	1,621,219	1,661,271
Depreciation	3,371,568	70,410	3,441,978	3,149,002
RAAC Expenditure	52,983	-	52,983	208,171
	12,529,849	70,410	12,600,259	13,328,096

Notes (continued)

	Unrestricted 2024 £	Restricted 2024 £	Total 2024 £
Group & Parent Charity			
Wages and salaries (note 12)	800,562	-	800,562
Ground maintenance	125,109	-	125,109
Rates	1,668,506	-	1,668,506
Insurance	459,183	-	459,183
Heat and light	4,023,001	-	4,023,001
Cleaning	1,233,291	-	1,233,291
Repairs and maintenance	1,661,271	-	1,661,271
Depreciation	3,087,051	61,951	3,149,002
	208,171	-	208,171
	13,266,145	61,951	13,328,096

10 Support costs

	Total 2025 £	Total 2024 £
Group & Parent Charity		
Wages and salaries (note 12)	5,067,392	4,577,853
Advertising	328,089	260,849
Telephone	36,018	72,503
Stationery, postage, printing and photocopying	276,064	312,547
Subscriptions	162,867	155,866
Marketing	70,103	171,379
Professional fees	691,499	584,451
Computer costs	374,021	450,222
Finance costs	1,009,210	1,047,011
Other costs	826,797	583,280
	8,842,060	8,215,961

11 Governance costs

	Total 2025 £	Total 2024 £
Group		
Governors' meetings and professional fees	260	303
Auditors' remuneration	64,700	63,065
Fees paid to auditor for non-audit services	10,425	13,877
Other	438	19,944
	75,823	97,189
	Total 2025 £	Total 2024 £
Parent Charity		
Governors' meetings and professional fees	260	303
Auditors' remuneration	57,500	55,865
Fees paid to auditor for non-audit services	10,425	13,877
Other	438	19,944
	68,623	89,989

Notes (continued)

12 Staff Costs

	2025	2024
	£	£
Group & Parent Charity		
Wages and salaries	40,951,725	41,091,963
Social security costs	4,885,331	4,476,201
Pension contributions	7,627,565	7,111,962
Termination payments	593,391	-
	54,058,012	52,680,126
Allocated between:		
Teaching costs	47,868,972	46,886,002
Property costs	689,171	800,562
Support costs	5,067,392	4,577,853
Raising funds	432,477	415,709
	54,058,012	52,680,126

The average number of employees during the year was:

	2025	2024
	Number	Number
Teaching	574	586
Ancillary to teaching	319	324
Administration & catering	169	166
Maintenance	43	44
	1,105	1,120

The number of employees whose emoluments for the year fall above £60,000 are as follows:

£60,000 - £69,999	87	79
£70,000 - £79,999	9	19
£80,000 - £89,999	17	23
£90,000 - £99,999	9	7
£100,000 - £109,999	4	4
£110,000 - £119,999	4	4
£120,000 - £129,999	1	1
£140,000 - £149,999	1	-
£200,000 - £209,999	1	-
£210,000 - £219,999	-	1
£260,000 - £269,999	1	-
£300,000 - £310,999	-	1
	87	128

Key management personnel remuneration including employer's NI totalled £2,589,776 (2024: £2,301,459), including termination benefits of £137,698 (2024: Nil).

Amounts payable to pension schemes on behalf of all employees which are included within creditors at the year end are £838,154 (2024: £798,823). This represents part of one month's deductions which are due for payment in August 2025.

No Trustees received reimbursement of travel expenses, remuneration or other payments (2024: Nil).

Notes (continued)

13 Pensions

The Education Board contributes to three separate pension schemes:-

(a) Scottish Teachers' Superannuation Scheme

Amounts are paid into the Scottish Teachers Superannuation Scheme to provide pensions for teaching staff. The scheme is a defined benefit scheme administered independently of the Education Board. The contributions are determined by a qualified actuary on the basis of five yearly valuations using the prospective benefit valuation method. The employer's contribution rate was set at 28.68% from 1 April 2024. Employee contributions are stepped, according to the level of their pensionable pay and rates vary from 7.2% to 11.9%. The results of the next revaluation are expected to be announced in mid-2026 and implemented in April 2027. The pension costs charged in these accounts for this scheme was £6,778,503 (2024: £6,310,581) which were the contributions due for the year.

The Scottish Teachers' Superannuation Scheme is a multi-employer defined benefit scheme, which in common with other Government pension schemes is unfunded. The Schools are unable to identify their share of the underlying liabilities of the scheme and therefore account for the contributions to the scheme as if it were a defined contribution scheme.

(b) The Merchant Company Retirement Benefit Scheme

The Education Board makes pension contributions to the Merchant Company Retirement Benefits Scheme, a defined benefits scheme. The assets of the scheme are held separately from those of the Merchant Company in an independently administered fund. The Schools are unable to identify their share of the underlying liabilities of the scheme and therefore account for the contributions to the scheme as if it were a defined contribution scheme.

During the year, the employer's deficit contribution was nil (2024: £Nil).

The scheme closed to future accrual on 1 November 2011. At this date pensionable service under the scheme ceased for all active members; however members were granted additional benefits equivalent to one year of pensionable service and an increase of 4% in basic salary in compensation for loss of pension benefits. All members were offered the option of joining the existing defined contribution scheme for support staff from 1 November 2011 to provide continuing pension benefits.

Principal Actuarial assumptions for the defined benefit scheme

The following information is based upon an FRS 102 valuation of the fund at 31 July 2025:

	2025	2024
	% p.a.	% p.a.
Price inflation rate (RPI)	2.90	3.10
Price inflation rate (CPI)	2.65	2.85
Salary increase rate	4.10	4.10
Discount rate	5.70	4.90
	=====	=====

Life expectancy is based on the CMI Mortality Projections Model 2020 converging to 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Notes (continued)

13 Pensions (continued)

	Males	Females
Current pensioners	20.2 years	23.1 years
Future pensioners	21.6 years	24.6 years
The net pension (deficit)/asset was:		
	2025	2024
	£000	£000
Estimated employer assets	14,461	15,477
Present value of scheme liabilities	(8,808)	(9,473)
Effect of asset ceiling	(5,653)	(6,004)
Net pension (deficit)/asset	-	-

An asset ceiling adjustment has been made to prevent the Education Board recognising a pension asset as any surplus may not be recoverable by the employer.

Reconciliation of fair value of scheme assets:

	2025	2024
	£000	£000
Opening fair value of scheme assets	15,477	14,779
Contributions by employer not previously recognised	-	1
Expected return on assets	736	749
Contributions by employer	-	-
Actuarial gains/(losses)	(846)	697
Admin expenses paid from plan assets	(122)	(135)
Estimated benefits paid	(784)	(614)
	14,461	15,477

Reconciliation of defined benefit obligation:

	2025	2024
	£000	£000
Opening defined benefit obligation	9,473	9,460
Interest cost	444	476
Actuarial losses/(gains)	(325)	151
Estimated benefits paid	(784)	(614)
	8,808	9,473

(c) Personal Retirement Plan

Since 1999 a new scheme has been entered into for support staff, pension contributions are made to a Personal Retirement Plan. The scheme is a defined contribution scheme and is administered independently of the Education Board. The employer's contribution is 8% and the scheme minimum employee contribution is 5%. During the year the employer's contribution was £849,062 (2024 - £801,381).

Notes (continued)

14 Tangible fixed assets

<i>Group & Parent Charity</i>	Heritable property £	Leasehold improvements £	Assets in course of construction £	Plant and equipment £	Motor vehicles £	Total £
Cost						
At beginning of year	83,998,356	10	202,296	16,218,141	297,549	100,716,352
Additions	1,320,011	-	326,365	809,191	19,257	2,474,824
Disposals	(27,402)	-	-	(376,247)	(5,012)	(408,660)
Transfers	84,869	-	(177,029)	92,160	-	-
At end of year	85,375,834	10	351,632	16,743,245	311,794	102,782,516
Depreciation						
At beginning of year	29,154,427	-	-	12,218,980	253,329	41,626,736
Charge for year	2,260,202	-	-	1,166,042	25,818	3,452,062
Disposals	(2,184)	-	-	(36,100)	-	(38,284)
At end of year	31,412,445	-	-	13,348,922	279,147	45,040,514
Net book value						
At 31 July 2025	53,963,390	10	351,632	3,394,323	32,647	57,742,002
At 31 July 2024	54,843,929	10	202,296	3,999,161	44,219	59,089,616

The cost of heritable property at 31 July 2025 and 31 July 2024 includes items brought in at a valuation in 1960 of £2,002,500.

The net book value of assets includes amounts of £74,730 (2024: £163,570) in respect of assets held under hire purchase contracts. The depreciation charge in the year on these assets was £75,014 (2024; £141,419).

Notes (continued)

15 Investments Group

Market value	Equity £	Fixed interest £	Listed Investments Total £	Cash held for Re- investment £	Investment in Subsidiary £	Total £
At beginning of year	5,798,650	5,367,423	11,166,073	124,837	100	11,291,010
Additions	1,508,648	638,505	2,147,153	(2,147,153)	-	-
Disposals	(4,146,399)	(3,634,886)	(7,781,285)	7,781,285	-	-
Revaluation in year	204,489	16,055	220,544	-	-	220,544
Movement in cash for investment	-	-	-	(1,651,206)	-	(1,651,206)
At end of year	3,365,388	2,387,097	5,752,485	4,107,763	100	9,860,348

	2025	2024
	£	£
Historical cost of listed investments	4,505,334	9,934,702

Parent Charity

Market value	Equity £	Fixed interest £	Listed Investments Total £	Cash held for Re- investment £	Investment in Subsidiary £	Total £
At beginning of year	3,690,160	4,181,722	7,871,882	120,717	100	7,992,699
Additions	1,330,165	575,610	1,905,775	(1,905,775)	-	-
Disposals	(3,958,050)	(3,564,997)	(7,523,047)	7,523,047	-	-
Revaluation in year	110,177	(6,235)	103,942	-	-	103,942
Movement in cash for investment	-	-	-	(1,638,512)	-	(1,638,512)
At end of year	1,172,452	1,186,100	2,358,552	4,099,477	100	6,458,129

	2025	2024
	£	£
Historical cost of listed investments	1,506,683	4,475,942

The below information pertains to both the Group & the Parent Charity investments.

The portfolios are managed by Baillie Gifford, Brooks MacDonald & Aubrey Capital Management. All investments are carried at their fair value. Investments in equities and bonds are traded in quoted public markets. Holdings in multi-asset funds are at bid price. The basis of fair value for quoted investments is equivalent to market value, using the bid price. Asset sales and purchases are recognised at the date of trade at their transaction value.

The main risk to the charity from financial instruments lies in the combination of uncertain investment markets and volatility to growth and incomes. The investment strategy is to maximise income and ensure capital growth of funds in excess of inflation each year and as such the portfolio is invested in medium to high risk stocks. Liquidity risk is anticipated to be low as all assets are traded in markets with good liquidity and high trading volumes and this is expected to continue. The charity manages these investment risks by retaining expert advisors to manage its investment portfolio.

Notes (continued)

The investment in subsidiary undertakings represents the cost of investments in ESMS Enterprises Limited, a wholly owned subsidiary company incorporated in Scotland with company number: SC139534 & GWC Trading UK Limited a wholly owned subsidiary company incorporated in Scotland with company number: SC588763. The results of ESMS Enterprises Limited and GWC Trading UK Limited in the year, which are not consolidated in these financial statements on grounds of immateriality, are as follows:

	2025 £	2024 £
Profit/(loss) for the year	109,932	(6,888)
Gift aid donation to the Education Board	-	-
	<u> </u>	<u> </u>
Net assets/(liabilities)	<u>103,906</u>	<u>(6,026)</u>

GWC Trading Limited was dormant in the year and has net assets of £1 (2024; £1).

16 Stocks

	2025 £	2024 £
Group & Parent Charity		
Prospectus, stationery and other	52,046	48,671
	<u> </u>	<u> </u>
	<u>52,046</u>	<u>48,671</u>

17 Debtors

	2025 £	2024 £
Group		
School and boarding fees	441,524	157,236
Other debtors	385,137	775,438
Prepayments	2,764,905	3,082,469
	<u> </u>	<u> </u>
	<u>3,591,566</u>	<u>4,015,143</u>

	2025 £	2024 £
Parent Charity		
School and boarding fees	441,524	157,236
Other debtors	385,137	775,438
Prepayments	2,693,258	2,982,392
Amounts owed by related party	684,294	-
	<u> </u>	<u> </u>
	<u>4,204,213</u>	<u>3,915,066</u>

18 Creditors: amounts falling due within one year

	2025 £	2024 £
Group		
Bank loan and overdraft	494,054	530,299
Trade creditors	1,517,469	1,846,626
Taxes and social security	2,176,914	1,884,970
Other creditors	708,728	530,636
Accruals	5,640,726	4,284,545
Finance leases	75,462	177,929
Deferred Income – note 20	10,619,993	12,047,229
	<u> </u>	<u> </u>
	<u>21,233,346</u>	<u>21,302,234</u>

Notes (continued)

	2025	2024
	£	£
Parent Charity		
Bank loan and overdraft	494,054	530,299
Trade creditors	1,517,469	1,846,626
Taxes and social security	2,176,914	1,884,970
Other creditors	708,728	530,636
Accruals	5,633,526	4,277,345
Finance leases	75,462	177,929
Deferred Income – note 20	10,619,993	12,047,229
Amounts owed to related parties	-	9,598
	<u>21,226,146</u>	<u>21,304,632</u>

19 Creditors: amounts falling due after more than one year

	2025	2024
	£	£
Group & Parent Charity		
Bank loans	5,534,184	6,040,847
Other creditors	25,900	53,300
Deferred Income – note 20	3,085,491	6,919,156
	<u>8,645,575</u>	<u>13,013,303</u>

Analysis of bank loans due after more than one year

	2025	2024
	£	£
Due within 2- 5 years	4,275,421	4,455,021
Due after more than 5 years	1,258,763	1,585,826
	<u>5,534,184</u>	<u>6,040,847</u>

The Education Board has three loans with Bank of Scotland, repayable over the periods to May 2031, May 2036 and September 2037 respectively. Two of these loans are made up of an element of loan which is charged at a variable interest rate equal to the Bank of England base rate plus 1.65% and an element of loan which is charged at a fixed interest rate of 2.45% and 3.64%. The third loan has a variable element only, charged at base plus 1.85%.

The Education Board has two term loans with HSBC repayable over the period to November 2034, which attract interest at Base Rate plus 1.4% and a Revolving Credit Facility with HSBC, the rate of interest on which is Base Rate plus 1.6%.

20 Deferred Income

	2025	2024
	£	£
Group & Parent Charity		
At beginning of year	18,966,385	3,389,724
Income released in the year	(15,454,046)	(3,389,724)
Income deferred in the year	10,193,145	18,966,385
	<u>13,705,484</u>	<u>18,966,385</u>

Deferred income relates entirely to school fees received in advance

Notes (continued)

21 General Fund

	2025 £	2024 As Restated £
Group		
At beginning of year	39,311,524	41,058,367
Income in year	80,300,140	76,940,644
Expenditure in year	(80,331,464)	(78,687,487)
	39,280,200	39,311,524
	39,280,200	39,311,524
Parent Charity		
At beginning of year	39,311,524	41,058,367
Income in year	80,593,667	77,381,852
Expenditure in year	(80,624,991)	(79,128,695)
	39,280,200	39,311,524
	39,280,200	39,311,524

22 Restricted Funds

	At beginning of year	Income in year	Expenditure in year	Gains/ (losses)	Total
Group 2025	£	£	£	£	£
GW Family Foundation	6,334,233	1,571,652	(959,104)	116,602	7,063,383
Sport Scotland grant	1,077,733	-	(61,936)	-	1,015,797
Access to Excellence	6,061,810	517,711	(1,031,531)	(10,039)	5,537,951
Other smaller funds	399,170	1,320,324	(261,763)	-	1,457,731
	13,872,946	3,409,687	(2,314,334)	106,563	15,074,862
Total	13,872,946	3,409,687	(2,314,334)	106,563	15,074,862
Group 2024	£	£	£	£	£
GW Family Foundation	5,815,418	1,293,146	(978,415)	204,084	6,334,233
Sport Scotland grant	1,139,684	-	(61,951)	-	1,077,733
Access to Excellence	5,458,564	439,403	(230,444)	394,287	6,061,810
Other smaller funds	397,032	262,380	(260,242)	-	399,170
	12,810,698	1,994,929	(1,531,052)	598,371	13,872,946
Total	12,810,698	1,994,929	(1,531,052)	598,371	13,872,946
Parent Charity 2025	£	£	£	£	£
Sport Scotland grant	1,077,733	-	(61,936)	-	1,015,797
Access to Excellence	6,061,810	517,711	(1,031,531)	(10,039)	5,537,951
Other smaller funds	399,170	1,815,754	(757,193)	-	1,457,731
	7,538,713	2,333,465	(1,850,660)	(10,039)	8,011,479
Total	7,538,713	2,333,465	(1,850,660)	(10,039)	8,011,479

Notes (continued)

Parent Charity 2024	At beginning of year	Income in year	Expenditure in year	Gains/ (losses)	Total
	£	£	£	£	£
Sport Scotland grant	1,139,684	-	(61,951)	-	1,077,733
Access to Excellence	5,458,564	439,403	(230,444)	394,287	6,061,810
Other smaller funds	397,032	673,829	(671,691)	-	399,170
Total	6,995,280	1,113,232	(964,086)	394,287	7,538,713

George Watson's Family Foundation – provides financial assistance for pupils who would otherwise be unable to attend GWC, provide support for pupils whose families experience short term financial difficulties and to maintain and develop the property and facilities of GWC. The Family Foundation is a registered charity, number SC004818.

Sport Scotland Grant – this was a donation received towards the National Cricket Centre and it is being released in line with the depreciation on the building itself.

Access to Excellence Fund – these are donations received through the Development Office at ESMS which are then invested to produce an annual income to enhance bursary provision

Other smaller funds – this fund includes the £1m donation from Melville College Trust towards the merger at ESMS and a collection of smaller funds with balances less than £50,000 and most relate to donations towards smaller capital items.

23 Permanent Endowment Funds

**Group & Parent Charity
2025**

	Bursaries and scholarships £	Prizes and legacies £	Total £
At beginning of year	1,799,972	1,621,571	3,421,543
Income	68,837	57,843	126,680
Expenditure	(59,576)	(46,672)	(106,248)
Gains/losses on investments	51,639	62,342	113,981
At end of year	1,860,872	1,695,084	3,555,956

2024

	Bursaries and Scholarships £	Prizes and legacies £	Total £
At beginning of year	1,679,943	1,537,310	3,217,253
Income	58,680	54,189	112,869
Expenditure	(40,567)	(48,152)	(88,719)
Gains/losses on investments	101,916	78,224	180,140
At end of year	1,799,972	1,621,571	3,421,543

Notes *(continued)*

24 Net asset reconciliation

Group 2025	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2025	Total 2024
	£	£	£	£	£
Tangible fixed assets	56,726,204	1,015,798	-	57,742,002	59,089,616
Investments	100	6,678,718	3,181,530	9,860,348	11,291,010
Net current (liabilities)/ assets	(8,800,530)	7,380,347	374,426	(1,045,757)	(761,310)
Long term liabilities	(8,645,575)	-	-	(8,645,575)	(13,013,303)
	<u>39,280,200</u>	<u>15,074,862</u>	<u>3,555,956</u>	<u>57,911,018</u>	<u>56,606,013</u>

Group 2024	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2024	
	£	£	£	£	
Tangible fixed assets	58,011,882	1,077,734	-	59,089,616	
Investments	100	8,217,589	3,073,321	11,291,010	
Net current (liabilities)/ assets	(5,687,155)	4,577,623	348,222	(761,310)	
Long term liabilities	(13,013,303)	-	-	(13,013,303)	
Provisions					
	<u>39,311,524</u>	<u>13,872,946</u>	<u>3,421,543</u>	<u>56,606,013</u>	

Parent Charity 2025	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2025	Total 2024
	£	£	£	£	£
Tangible fixed assets	56,726,204	1,015,798	-	57,742,002	59,089,616
Investments	100	3,276,499	3,181,530	6,458,129	7,992,699
Net current (liabilities)/ assets	(8,800,529)	3,719,182	374,426	(4,706,921)	(3,797,232)
Long term liabilities	(8,645,575)	-	-	(8,645,575)	(13,013,303)
	<u>39,280,200</u>	<u>8,011,479</u>	<u>3,555,956</u>	<u>50,847,635</u>	<u>50,271,780</u>

Parent Charity 2024	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2024	
	£	£	£	£	
Tangible fixed assets	57,949,931	1,139,685	-	59,089,616	
Investments	100	4,919,278	3,073,321	7,992,699	
Net current (liabilities)/ assets	(5,625,204)	1,479,750	348,222	(3,797,232)	
Long term liabilities	(13,013,303)	-	-	(13,013,303)	
Provisions					
	<u>39,311,524</u>	<u>7,538,713</u>	<u>3,421,543</u>	<u>50,271,780</u>	

Notes (continued)

25 Capital commitments

	2025 £	2024 £
Authorised and contracted	-	1,424,161

26 Other financial commitments

At 31 July 2025 the Education Board had total minimum commitments under non-cancellable operating leases as follows:

	2025 £	2024 £
< 1 year	300,561	585,720
Within 2-5 years	518,921	380,845
	<u>819,482</u>	<u>966,565</u>
Lease payments recognised as an expense	<u>657,980</u>	<u>628,434</u>

27 Financial instruments

<i>Group</i>	2025 £	2024 £
Carrying amount of financial assets		
Assets measured at fair value through profit and loss	<u>5,752,485</u>	<u>11,166,073</u>
Carrying amount of financial liabilities		
Measured at fair value through profit and loss	<u>-</u>	<u>-</u>
 <i>Parent Charity</i>	 2025 £	 2024 £
Carrying amount of financial assets		
Assets measured at fair value through profit and loss	<u>2,358,552</u>	<u>7,871,882</u>
Carrying amount of financial liabilities		
Measured at fair value through profit and loss	<u>-</u>	<u>-</u>
Assets measured at fair value through profit and loss represent listed investments		

Notes (continued)

28 Analysis of changes in net debt

<i>Group</i>	As at 1 August 2024 £	Non-cash movements £	Cashflows £	As at 31 July 2025 £
Cash in hand and at bank less overdrafts	16,477,110	-	66,867	16,543,977
Loans	(6,571,146)	-	542,908	(6,028,238)
Finance leases	(177,929)	-	102,467	(75,462)
	<u>9,728,035</u>	<u>-</u>	<u>712,242</u>	<u>10,440,277</u>
	<u><u>9,728,035</u></u>	<u><u>-</u></u>	<u><u>712,242</u></u>	<u><u>10,440,277</u></u>
	As at 1 August 2023 £	Non-cash movements £	Cashflows £	As at 31 July 2024 £
Cash in hand and at bank	3,271,503	-	13,205,607	16,477,110
Loans	(7,083,587)	-	512,441	(6,571,146)
Finance leases	(393,399)	-	215,470	(177,929)
	<u>(4,205,483)</u>	<u>-</u>	<u>13,933,518</u>	<u>9,728,035</u>
	<u><u>(4,205,483)</u></u>	<u><u>-</u></u>	<u><u>13,933,518</u></u>	<u><u>9,728,035</u></u>

29 Contingent liability

Notification of a claim for unspecified damages was received during the financial year in respect of alleged historic abuse. The Board members are currently investigating whether the Education Board had indemnity insurance in place covering the dates of the alleged claim and as such, if any claim was successful, it is difficult to determine the financial extent to which the Education Board could be liable or the timings of any possible outflows.

30 Related parties

During the year, a donation of £788,957 (2024: £852,657) was received from the Education Board's subsidiary, the George Watson's Family Foundation. At year end, there is a balance of £684,294 due from the Family Foundation (2024: £9,598 due to Family Foundation).

31 Prior Year Adjustment

As mentioned in Note 1 to the financial statements, when considering the allocation of bursaries and fee remissions, the Members determined that as the application of the allowances was common practice, they are in effect discounts and form part of the public benefit the Education Board offers as a registered charity.

As a result, bursaries and fee remission have been offset against the school fees received in the period, to present a net school fees position in the Statement of Financial Activities. To enable users of the financial statements to make like for like comparisons, the decision was made to apply this treatment retrospectively, and as such the prior period income and expenditure figures were restated. Where relevant, the prior period figures throughout this report are denoted "As Restated".



Certificate Summary

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I AGREE TO THE CONTENTS OF ALL PAGES ABOVE WITH AN ELECTRONIC SIGNATURE

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E-SIGNED BY: **Diana Penny (diana.penny@hlca.co.uk)**
SECURITY LEVEL: **Secure Email (Authenticated)**
E-SIGNATURE ID: **86853089-f8a1-4c7e-8baa-16837797de07**

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PRINT NAME: **Diana Penny** EMAIL: **diana.penny@hlca.co.uk**

Edinburgh Merchant Company Education Board

Scotland - Charity number SC009747

Accounts

**The Edinburgh Merchant Company Education
Board**

Annual report and financial
statements

Charity number SC009747

31 July 2024

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Report of the Board

The Edinburgh Merchant Company Education Board presents the annual report and financial statements for the year ended 31 July 2024.

Reference and administrative details

Principal office

Merchants' Hall
22 Hanover Street
Edinburgh
EH2 2EP

Chief Executive Officer and Secretary

[REDACTED]

[REDACTED]

Auditors

Henderson Loggie LLP
Level 5, The Stamp Office
10-14 Waterloo Place
Edinburgh
EH1 3EG

Bankers

The Royal Bank of Scotland plc
36 St Andrews Square
Edinburgh
EH2 2YB

Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ

HSBC UK Bank plc
1 Centenary Square
Birmingham
B1 1HQ

Solicitors

Morton Fraser MacRoberts LLP
Quartermile Two
2 Lister Square
Edinburgh
EH3 9GL

Reference and administrative details (continued)

Investment advisors

Baillie Gifford
Carlton Square
1 Greenside Row
Edinburgh
EH1 3AN

Brooks MacDonald
80 Hanover Street
Edinburgh
EH2 1EL

Aubrey Capital Management
10 Coates Crescent
Edinburgh
EH3 7AL

Registered charity number SC009747

Report of the Board

OBJECTIVES AND ACTIVITIES

The Edinburgh Merchant Company Education Board (the “Education Board”) is responsible for The Mary Erskine School and Stewart’s Melville College, including their combined Junior School, (Erskine Stewart’s Melville Schools or ESMS) and George Watson’s College (GWC) (the “Schools”). The Merchant Company Education Board endowments are held and administered for the purposes of the provision of education at the Edinburgh Merchant Company schools, their maintenance and management and the provision of financial assistance to a proportion of their pupils.

In the Schools, academic achievement is consistently high and extra-curricular activities thrive. The Schools help to shape future generations of business and professional people for Edinburgh, Scotland and the wider world. The Schools have evolved from hospitals for orphans and destitute children into day schools which provide high quality education for boys and girls in Edinburgh.

Scotland’s long-term economic prosperity depends on the quality of young people attracted to careers in commerce and industry. The Education Board Schools aim to develop grounded, resilient and accomplished children. For those children to have strong values who go out into the community and the world equipped to lead full and happy lives with strong commitments to sustainability, diversity, inclusivity, with an ambition to be the best they can be.

The Royal Company of Merchants of The City of Edinburgh (the “Merchant Company”) is informally associated with the Education Board and the Schools through a longstanding historical connection and more tangibly through the appointment of the Chair and Vice Chair of the Education Board, the appointment of members from the Master’s Court to the Governing Councils of the Schools; and the use of the Merchant Company livery in the Schools’ crests. The Merchant Company also provides some centralised administrative and secretarial services to the Education Board and administration of a pensions scheme for certain employees.

There has been no change in the purposes since the last report. The activity of the Education Board and its committees comply with the current constitution, The Edinburgh Merchant Company Education Board Scheme 2011 dated 3 November 2011, the standing orders and rules drawn up under the Scheme and current statutory requirements.

Charitable Purposes

The charitable purposes of the Education Board are:

1. The advancement of education, particularly the education and advancement of children and young people.
2. The advancement of the arts, heritage, culture and science.
3. The advancement of public participation in sport.
4. The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the person for whom the facilities or activities are primarily intended; and
5. The advancement of citizenship or community development.

The central purpose of the Education Board through the Schools is the advancement of education with the broader aim of contributing to the wider community of Edinburgh by enabling participation in a wide range of sporting, recreational and educational activities. The main activity undertaken continues to be the provision of education to children from the ages of 3-18. The Schools offer sector-leading, rounded education, with a broad curriculum, strong academic results, comprehensive pastoral care and a varied and extensive range of co-curricular activities. This all-round approach gives every student the opportunity to excel.

Report of the Board *(continued)*

The main strategy for meeting this central purpose is to continue to provide excellent high-quality education which allow pupils the opportunity to attain the highest academic qualifications and also provide pupils with a rounded education. In support of the strategy the Schools each have their own stated vision and values which are consistent with the principles of the Education Board.

Pupil numbers at the schools in August 2024 were down by more than 4% at ESMS and more than 2% at GWC on the previous year. The financial strategy of the Schools over the next three to five years is based on promoting our offer more actively, reducing costs, generating more non fee income and, where possible, providing financial support to families unable to afford to pay school fees. The introduction of VAT on private school fees from 1 January 2025 is resulting in a slowdown in pupil recruitment especially in the junior years.

The delivery of the charitable purposes and the Schools' visions and values are supported through the following school strategies:

Education, development and wellbeing

- Ongoing review of the schools' academic syllabus and monitoring performance in external public examinations in comparison with national averages and other independent schools.
- Ongoing development of learning and teaching initiatives supported by in-service training and self-evaluations of different parts of the schools based on The Scottish Executive's "How Good Is Our School" quality indicators and/or other means of self-evaluation.
- Ongoing review of co-curricular provision taking into account feedback from staff, parents and pupils.
- Continuing to promote a culture of support, endeavor and achievement with pupils, parents and staff.

Wider Community

- Promoting involvement with the wider community with activities and work with challenged and disadvantaged cohorts.
- Promoting a culture of citizenship, active participation in charitable ventures and charitable giving.

Facilities

- Ongoing maintenance and development of the property and facilities of the Schools.
- Providing the opportunity for members of the community to access the excellent sporting and recreational facilities of the Schools.

Medium to long term aims of the Education Board include:

- To continue to be financially sustainable as the Schools adapt to the new economic reality after the imposition of VAT on school fees.
- To continue to evolve our Schools curriculum and co-curricular activities to provide for the advancement of education, development and wellbeing of our people.
- To continue to deliver an outstanding, well-rounded education, to a diverse group of children and strengthen our Schools development and integration with the community.
- Through continued commitment to grow our public benefit partnerships and initiatives including our bursaries.

The Education Board and the Schools use various criteria for measuring success including academic success, sporting achievements and involvement and participation by pupils and parents in wider school activities and initiatives. In addition there is some monitoring of the number and type of community groups and clubs using the Schools' facilities. The Schools' medium to long term development plans and short-term priorities are reviewed annually measuring outcomes against targets set in the previous period.

Report of the Board *(continued)*

FUTURE PLANS

The Education Board is committed to the delivery and development of exceptional, well-rounded, education in the Schools and maintaining the delivery of the charitable purposes.

The imposition of VAT on independent school fees from January 2025 and the likely reduction in pupil numbers will have a significant effect on the Schools and is being prioritised by the Education Board and Schools in our combined planning and focus. The strategic targets and plans are being designed to encompass all our current risks including the VAT risk, alongside the current future workstreams, to ensure coherence and to maintain delivery of the charitable purposes into the medium and long term.

The Education Board aims to put the Schools on a sounder financing footing for the future. There are a number of external financial pressures that are being imposed on independent schools and so managing costs and growing revenue from both fees and potentially other sources has been given the highest priority by the Education Board. We have appointed a new Principal of George Watson's College, Lisa Kerr previous principal of Gordonstoun, who succeeded Melvyn Roffe in August 2024.

The Education Board is looking at developing plans:

- To develop a new strategic plan.
- To undertake a comprehensive review of the organisational and governance structures of the Education Board and the Schools.
- To expand the activities of the Schools to maximize the return to the Schools as well as developing other income streams so that the Schools can reduce their dependency on fee income.
- To conduct a comprehensive review of its cost base and operations to ensure the Schools are operating in as cost effective a manner as possible.

ESMS announced in October 2024 that its two Senior Schools, The Mary Erskine School and Stewart's Melville College will merge in August 2026, to form one co-educational Senior School. It will operate on the Queensferry Road site, and the combined Junior School will operate on the Ravelston site. The school will be renamed Erskine Stewart Melville.

PUBLIC BENEFIT

Widening Access

The Education Board, through the Schools, provides public benefit by widening access to those who would otherwise not be able to afford the school fees, and by activities to promote links to the local and national community. Access to the education and facilities offered by the Schools is not restricted to those who can afford the school fees. In the Schools wider access was achieved through the disbursement of £3,695,868 (2023: £4,757,035) in means tested financial assistance to 357 pupils (2023: 469). This represented 3.95% (2023: 6.5%) of ESMS and 6.1%(2023: 6.1%) of GWC of fees receivable. 6.8% of ESMS pupils and 7.1% of GWC pupils in the schools received means tested financial assistance in the year.

Means tested financial assistance

Schools	Reimbursement		Numbers of Beneficiaries	
	2024	2023	2024	2023
Erskine Stewart's Melville Schools¹	£1,527,033 ³	£2,780,000 ³	181	278
George Watson's College²	£2,168,835	£1,977,035	176	191
Totals	£3,695,868	£4,757,035	357	469

Report of the Board *(continued)*

¹ ESMS's policy is to provide means-tested bursary funding where practicable. Some means-tested support is funded through the Melville College Trust and Access to Excellence; most of the support is provided from income.

²GWC is in the process of enhancing its Foundation Places programme to widen access further by positively facilitating applications from parts of the community that have not traditionally considered a Watson's education.

³At ESMS this figure included £165,323 of short-term means-tested financial assistance to 56 pupils from families who had experienced a significant reduction in their income. In addition, the reason for the variance relates to a change in the number of children receiving assistance and the amount of remission per child.

Grant-making policy

Grants are made by the Governing Councils of the Schools to fund scholarships for gifted children and bursaries to widen access to include families from all financial backgrounds so that children have the opportunity to make the most of their intellectual, academic and other abilities. Awards are subject to applicants attaining the schools' entry standards and the expectation that they will contribute to the wider life of the school. Academic awards are made on the basis of academic assessment and a scholarship examination and music awards are made on the basis of musical aptitude, application and performance. All the awards are subject to annual review of academic and general progress over the school session. Means tested awards are also subject to annual reassessment of parental means.

- The Schools offer means tested bursaries worth up to 100% of the tuition fee are available:
 - to children entering any year group in the senior schools; and
 - to children entering or currently in Primary 6 and 7 at George Watson's College Junior School
- The Schools may provide means tested hardship assistance to parents of pupils of all age groups who have suffered a significant reduction in their financial circumstances.
- Additional assistance: At Erskine Stewart's Melville Schools, grants are awarded from The Access to Excellence Pupils' Fund to assist parents with the costs of school trips that might otherwise be beyond their means. At George Watson's College, bursary awards also cover the cost of individual music tuition as well as the cost of curricular residential trips and additional assistance may be provided towards the cost of other trips and activities at the discretion of the Principal.
- At Erskine Stewart's Melville Schools academic scholarships are offered to pupils entering the senior school.
- Music Scholarships and Music Tuition Awards are also available at both Erskine Stewart's Melville Schools and George Watson's College.

There are two separately controlled charities (neither of which is consolidated into these accounts) that support with assistance for pupils to attend the Schools: the Melville College Trust, which provides financial support towards the schools' bursary programme and grants for projects to support both educational and extra-curricular projects and the George Watson's College Endowment Trust that provides donors with an alternative vehicle for funding Foundation Places.

Progress on initiatives

In addition to the main stated activities of the Schools, the Education Board encourages the Schools being part of the wider communities in which they are eager to participate. The Education Board supports activities to promote links to the local and national community and the Schools have developed and are developing many and varied connections, initiatives and partnerships. Community is a key tenet of both Schools. The benefits of these partnerships are mutual with staff gaining new experiences that extend into their teaching practice and pupils gaining a broader understanding of society.

Report of the Board *(continued)*

This year the Schools have looked at how they can enhance their community programmes:

- The Erskine Stewart's Melville Schools have appointed a part-time member of staff as their Community Engagement Lead to provide greater co-ordination and strategic direction for its community and society projects. The aim is that this individual will grow our community and social impact initiatives, strengthening our commitment to supporting and connecting with the local community. At the end of the academic year, external funding has been secured for a two-year fixed term post for a full time Community and Partnerships Manager to further drive this key strategic area. They will oversee the development and implementation of a new cross schools Community Engagement Strategy from academic year 24-25. This will see far greater engagement with local schools in the Craigoyston cluster and close working with charities dedicated to reducing community disadvantage in the Scottish Index of Multiple Deprivation 1&2 areas of North West Edinburgh.
- The schools are also already working with their affiliated sports clubs with an initiative to support disabled children in our community being able to access sporting and active opportunities. George Watson's College has an Educational and Community Partnerships programme which is now embedded in the operation of the school and is facilitated and co-ordinated by the Education and Community Partnerships Manager. Working in partnership, George Watson's College aims to ensure that its resources are applied to make an impact where they are most needed. The Community Engagement and Educational Partnerships Policy provides a policy framework for partnership activities undertaken by the programme.

Advancement of arts, heritage, culture and science

The Education Board through a range of activities provided by the Schools promote the advancement of arts, heritage, culture and science. Highlights from the year include the following initiatives:

Arts: The continued availability of the Erskine Stewart's Melville Schools' facilities to the wider community for evening, weekend, and school holiday use. Particularly the Tom Fleming Centre for the Performing Arts provides a venue for the practice of music, and drama and dance to the very highest levels. The aim is to make the Tom Fleming Centre accessible to a wide range of potential users who may otherwise not have access to a comparable facility. ESMS was recognised at the Independent School of the Year for Performing Arts, for its contribution to this area. George Watson's College again hosted the free Edinburgh based Caritas Lecture on a subject of Artificial Intelligence .

Heritage: The Archives at ESMS are currently undertaking a complete overhaul of their collection with the aim of creating a first fully comprehensive catalogue, with volunteers and staff involved in a 100% stock check of all items across the eight collections and three sites. The digitisation of the collection is also proceeding at a pace with more photographs and media files being reformatted for a digital audience. A growing digital collection naturally drives the development of a new virtual museum.

There has been a marked increase in visitors to the Archives this past year as more and more former pupils and members of the public have been taking advantage of the heritage services now being advertised to the school community posts. Onsite tours, exhibitions and presentations have all seen an increase in numbers as well as promoting more engagement with the staff and pupils in the classrooms and on school trips. Places on the Civic Trust's 'Doors Open Day 2023' tours in September were booked out on both sites.

Academics and government institutions such as the National Archives and the National Museum of Scotland have also visited the collection for their own research projects and have found valuable primary sources for their study on our shelves. Our School Historian continues to provide extensive and detailed research material for classroom learning, local tours and school trips to the battlefields in Flanders and Holland. His work has inspired the creation of a Young Historians Club who take up the challenge of researching the less well-known aspects of their school's history and heritage.

Report of the Board *(continued)*

The heritage collection is now a key component for the Development Office who take full advantage of the material held in the Archives to reacquaint former pupils and staff with their schools. Our extensive community is bound by its shared heritage and sense of place and the Archives continue to strengthen this unique bond.

Heritage: George Watson's College has a material role leading the educational project within The Eric Liddell 100 initiative which is the national celebration of the 100th anniversary of Eric Liddell's achievements at the 1924 Paris Olympic Games. The intention is that educational resources will be made freely available to all schools in Scotland and elsewhere. George Watson's College owns the Stewart Lockhart Collection, an internationally significant collection of Chinese and other East Asian art, artefacts and archival material.

The Swire Chinese Language Centre Edinburgh (SCLCE), a partnership led by James Gillespie's High School and Broughmuir High School with George Watson's College, has been operating since 2016. Funded by the Swire Chinese Language Foundation, the aims of the programme are to increase access to high quality teaching of Mandarin and about 9,000 pupils have been taught to date, 22% of whom live in SIMD 1 or 2 areas. 35 schools have been involved in the programme and teaching provision is sufficiently embedded in a number of schools (from S1-S6) now enabling them to appoint their own teachers of Mandarin. The Centre is responsible for around 25% of all pupils presented for Mandarin National 5 certification in Scotland.

Science: A STEM Partnership initiative has seen George Watson's College working alongside Castlebrae Community High School, Castlevue Primary and Broomhouse Primary to develop Computing Science and the primary school coding curriculum. The initiative has sought to address some key strategic challenges in Computing Science, including the critical shortage of teachers which all schools experience but those in certain more challenged districts are vulnerable to. The fundraising for a three-year Edinburgh Computing Science and Engineering in Schools (ECSES) Programme, reached the point where it was possible to recruit a Computing Science teacher to work with both Castlebrae and GWC and to second a GWC Junior School teacher to work with Leith Primary School to initially support their coding curriculum development. Staff were in place to launch this project in August 2023. George Watson's College also sponsors up to five Arkwright Scholarships for pupils from state funded schools in the Edinburgh area. The Arkwright Scholarship Trust seeks to identify talented and committed 15 or 16 year old students to encourage them into engineering, technology, maths and science. The five scholars funded by George Watson's College have the opportunity to work within the school's flourishing Technology Department to support their aspirations.

Advancement of Public Participation in Sport

The Education Board through the Schools has established significant links within the local communities for the public participation in sport.

Inclusive Sports Initiatives

In collaboration with Stewart's Melville FP Rugby Club, The Mary Erskine School has provided inclusive sports sessions for children and young adults with learning and physical disabilities in Edinburgh and beyond.

Through our 'Leadership through Sport' programme, over 70 Sports Leaders from The Mary Erskine School received training from Scottish Disability Sport on creating fun, adaptable multisport activities suitable for participants with diverse needs, including physical disabilities, learning disabilities, and sensory impairments.

ESMS pupils now run weekly multisport sessions for children from The Yard, Edinburgh. These sessions are pupil-led, with each pupil designing, demonstrating, and leading activities tailored to individual needs. This approach fosters strong bonds and meaningful engagement between pupils and participants, emphasising friendship, learning, and inclusion within a welcoming environment.

Report of the Board *(continued)*

In partnership with SMRFC, students also organise quarterly disability sport events catering to children with a range of support needs. These events, which adapt traditional sports to accommodate various abilities, bring together children, sports leaders, parents, siblings, and staff. After a morning of inclusive activities, participants gather for a shared lunch, creating a sense of community and celebration.

During this year an extensive number of local sports clubs and groups continued to use the Sports Centres at The Stewart's Melville College Playing Fields (Ferry Road), The Mary Erskine campus and the Stewart's Melville College campus. During the year The Mary Erskine Sports Centre had 23,918 hours of community usage a small increase on compared to 23,757 hours in 2022/23.

In addition, George Watson's College, has since 2021, been designated a Community Sports Hub by SportScotland. The Community Sports Hub brings together a number of sporting partnerships with the aim of improving access to sport and physical activity for the local community, building and linking with Edinburgh City Council's priorities for physical activity. George Watson's College provides facilities, coordinates activities and seeks external funding for additional costs, such as coaches. The Community Sports Hub aims to benefit all sections of the local community, not just children and young people. In response to feedback, plans are being developed to set up 'walking' or adapted sports to allow older people to continue to play sport and enjoy the social and emotional benefits that this brings.

Advancement of the Provision, and Organisation of Recreational Activities

The provision, and organisation, of recreational activities provides a material link to the people and communities in which the Schools operate and engage. During the year the Schools continued to provide activities which contributed to people and sports through the following key initiatives.

Erskine Stewart's Melville Schools have continued to work with a number of independent providers to access the facilities during the school holidays to provide activities for young people and the community.

Erskine Stewart's Melville Schools completed the tenth year of the Partnership Agreement with City of Edinburgh Council, whereby the schools took over the management and maintenance of playing fields located on the Ferry Road (the Stewart's Melville College Playing Fields) on a 60-year lease, in exchange for the restoration of the previously derelict pavilion and continuing access by local clubs and schools. Under the agreement, Trinity Academy and St Thomas of Aquin's High School pupils use the playing fields for rugby and football fixtures free of charge on a weekly basis. Inverleith Rugby Club, Holy Cross Cricket Club and Spartans Youth Section also use Arboretum Playing Fields, with letting charges fixed to Edinburgh Leisure rates.

George Watson's College runs several sports programmes for the benefit of the surrounding Edinburgh schools:

- The Hockey Start programme provides hockey coaching to the cluster primaries of Gracemount High School, Firrhill High School and Leith Academy.
- The Cricket Start programme has a similar model for Firrhill cluster primaries.
- The Rackets Cubed programme is a charity that funds activities that increase access to racket sports. Working closely with Oxgangs Primary School, the programme has three strands: racket sport coaching (in our case squash), classroom based maths input and nutrition.

The Schools have extensive and significant Former Pupils Associations with affiliated sports clubs that promote co-operation between former pupils and staff and support the Schools. The objectives of the Clubs include encouraging engagement and participation in sports and other activities. The clubs are open to all and their members provide coaching to children from other schools as well as our Schools. The Watsonian Club also carries on a Benevolent Fund for the benefit of Watsonians and their dependants. The Watsonian Club has created a Community Choir, a LGBTQ+ Section and an BAME Section, thought to be the only such sections of any former pupils club in the UK.

Report of the Board *(continued)*

George Watson's College has received authorisation from the Ministry of Defence to establish a new Combined Cadet Corps in partnership with James Gillespie's High School and Boroughmuir High School. When fully operational, the South Edinburgh Schools CCF will provide access to cadet activities for pupils from any school in south Edinburgh. This will also aid community cohesion by bringing pupils together from different schools and backgrounds.

Activities to promote links to the local and national community

The Education Board is particularly proud of the fund raising by the Schools and their pupils in support of those in need. Many pupils raise funds on their own initiative. The Schools support an extensive range of local and national charities as well as social initiatives. A huge number of our pupils were involved in community service within and out with the schools. Pupils, staff and parents are encouraged to work together to support school charity partners. Our schools collectively raised £97,496 in the year. Since 2019 George Watson's College has formalised its approach to fundraising by establishing a Charity Committee and a Charities Policy. Through the Duke of Edinburgh Award Scheme the George Watson's College pupils put in 5,343 hours of volunteering in the year to 31 March 2024, the social value of which is estimated at £28,209.

Protecting the environment is a key part of our society and at George Watson's College the Senior School Eco Group has been working tirelessly to bring about a greater awareness of sustainability on the George Watson's College campus and in the 2023/24 session they undertook many activities:

- They partnered with Another Way, a charity set up by a Cumbrian teenager to help people live more environmentally-friendly lives.
- They have developed and tested the Power of 10 app, providing feedback on the curricular materials that have been developed, as well as helping to improve the user experience to maximise impact. The greatest benefit of the app beside their rich suite of ready-made resources is the community forum aspect which will link pupil-led eco groups across the UK so they can share good practice and impactful action.
- Members of staff have teamed up with parents and friends of George Watson's College to lead four Bike Bus routes for our Junior School pupils. This is a means to encourage pupils to use active travel, reduce emissions and minimise the number of cars travelling to and from school each day. The scheme has been so well received that we now have four routes operating on different days of the week.

At ESMS, this year marked the launch of our S4 Community Days, with 247 S4 students volunteering 988 hours during the post exam period in June across a range of local charities, including Pilton Youth & Children's Project, Kids Love Clothes, and The Water of Leith Conservation Trust. Feedback from both students and charities was positive and there are plans in place to increase the scope of this programme in the coming academic year.

ESMS maintained its status as the highest contributor of Duke of Edinburgh Award volunteering hours among independent schools in Scotland. Over 18,000 hours were volunteered, generating a social value estimated by DofE at £42,485.

Since 2005, Stewart's Melville College and The Mary Erskine School and the ESMS Junior School have built strong, long-term partnerships with schools and charities in Malawi, reinforcing Scotland's historical ties with the country.

Report of the Board *(continued)*

Stewart's Melville College has established links with five primary schools and two secondary schools in the Mulanje region, providing funding for classroom refurbishment, teachers' salaries, solar power, and bursaries for secondary education. Annual student fundraising supports infrastructure projects, educational resources, and sustainability initiatives, such as the planting of 50,000 cedar saplings to combat deforestation. Former pupils continue to engage with Malawi, including through a microfinance initiative set up by a former pupil to support young female entrepreneurs. The school also maintains close links with Open Arms, which cares for vulnerable and orphaned children and works to reintegrate them into their communities. A member of the senior leadership team at Stewart's Melville College is a director of African Lakes Philanthropy Ltd and a trustee of Open Arms.

The Mary Erskine School continues to play a key role in the development of the Edinburgh Girls' High School in northern Malawi, supporting its growth into a well-established secondary school with 194 students. MES fundraising has contributed to the construction of classrooms, student hostels, staff housing, science labs, and essential infrastructure such as solar power and a reliable water supply. The schools maintain a strong cultural exchange, including reciprocal visits, and MES students have participated in lessons, development projects, and fundraising initiatives.

The ESMS Junior School also has an active partnership with Ekwendeni Primary School, raising funds to maintain digital learning resources and improve facilities for visually impaired pupils. The Malawi Club continues to support Ekwendeni through fundraising, equipment donations, and links with The Bananabox Trust.

Meanwhile, the Watson's Malawi Partnership, a SCIO set up and run by a committee of parents, staff and pupils works strategically with partners in Malawi to leverage engagement of the School and wider communities in a spirit of respectful solidarity with people in Malawi. Amongst the most significant recent successes has been the establishment of two high quality netball courts which has encouraged the participation of women and girls in sport and has supported the success of the Malawian national netball squad.

During the year the Schools played a significant role in supporting the training of new teachers in Scotland. They act as centres for the training of student teachers from Moray House teacher training college and Strathclyde University, by providing placements and employing a number of teachers for their probationary year. The Schools also provided a number of members of staff to undertake the SQA roles of markers, setters, vetters, examiners, assessors and appeals assessors. Other colleagues supported course development with Education Scotland/SQA.

Notable external appointments included:

- Over the last three years, the Principal of George Watson's College, Melvyn Roffe, has served as Chair Elect, Chair and Vice Chair of HMC, the Heads' Conference. He was also a Director of the Independent Schools' Council.

Both Erskine Stewart's Melville Schools and George Watson's College are closely involved with the Scottish Council for Independent Schools (SCIS), a charity which supports education in Scotland. The Head of the Junior School of George Watson's College and the Principal of Erskine Stewart's Melville Schools, Anthony Simpson both serve on the Governing Board of SCIS.

Volunteers

No members of the Education Board nor any members of the Governing Councils of the Schools received any payment for the work they carried out for the charity in the year to 31 July 2024. In addition, a large number of former pupils, parents and other voluntary helpers assist the schools in supervising sports, school trips and other extra-curricular activities.

Report of the Board *(continued)*

OPERATIONAL PERFORMANCE

Operational performance of the schools

The principal activity is to provide education for boys and girls from the ages of 3-18 at the Edinburgh Merchant Company schools, namely Erskine Stewart’s Melville Schools (The Mary Erskine School, Stewart’s Melville College and ESMS Junior School), and George Watson’s College. Average pupil numbers for each of the schools are shown below:

	2023/24	2022/23
The Mary Erskine School	767	772
Stewart’s Melville College	776	785
ESMS Junior School	1140	1,126
George Watson’s College	2,466	2,475

Demand for places at the Schools held up well during the year, but has softened since summer 2024, in anticipation of the imposition of VAT on school fees in January 2025. This trend is particularly marked for pre-school to P3.

Erskine Stewart’s Melville Schools and George Watson’s College returned to a more familiar SQA examination diet in 2024, with the removal of all modifications put in place over the last few years to mitigate against the disruptions to learning due to COVID.

The results of the Schools against national averages are summarised below:

Examination	GWC A Pass Rate	MES A Pass Rate	SMC A Pass Rate	National A Pass Rate	GWC A - C Pass Rate	MES A-C Pass Rate	SMC A-C Pass Rate	National A - C Pass Rate
S4 National 5	73.00%	85.3%	75.0%	38.0%	95.50%	98.2%	96.2%	77.20%
S5 Higher	63.90%	70.9%	64.9%	30.3%	93.60%	98.0%	93.4%	74.9%
S6 Advanced Higher	54.70%	53.8%	50.0%	30.0%	90.10%	94.4%	89.9%	75.3%

Fundraising performance

At the Erskine Stewart’s Melville Schools, the Access to Excellence bursary fund received £160,080 of income. The capital value of the Access to Excellence bursary fund stood at £4,919,278 at year-end and the capital value of the Historic Endowment fund stood at £833,913. Both funds again made unrealised losses (1%), which are being closely monitored.

The George Watson’s Family Foundation received £1,065,034 of donations including legacy receipts and a further £106,962 of investment income in the year. Donation income also included grants from the Swire Foundation to fund the Swire Chinese Language Centre Edinburgh of £339,437. The total value of reserves of the Foundation, was £6,222,775 at year-end. The Foundation funds are used to provide financial assistance to families who would otherwise not be able to afford the school fees and to assist with the cost of capital development.

Report of the Board *(continued)*

Investment performance

Investment performance is compared regularly against appropriate benchmark indices. In the year to 31 July 2024:

Erskine Stewart's Melville Schools investments generated income of £212,697 a return of 3.7% based on the year end value of investments.

George Watson's College's investments generated income of £176,430, a return of 3.2% based on the year end value of investments.

FINANCIAL REVIEW

Results for the year

The year to July 2024 was another challenging one for the schools due to the impact of inflation and energy costs which affected expenditure. In the year to 31 July 2024 the Edinburgh Merchant Company Education Board had net expenditure of £480k after investment gains of £779k (2023: net expenditure of £752k after investment losses of £422k). The Schools have continued to reinvest in fixed assets with capital expenditure of £2.8m in the year (2023: £3.2m).

Gross income for the year totalled £85.0m (2023: £76.9m), of which tuition fees accounted for £75.8m (89% of the total) (2023: £68.6m (89%)), catering sales £3.09m (3.6%) (2023: £1.48m (1.9%)), After School Club fees £1.47m (1.7%) (2023: £1.2m (1.5%)) and rents and lettings £1.1m (1.2%) (2023: £1m (1.3%)). Surpluses generated on income and expenditure are applied to fund improvements to the schools' buildings, facilities and equipment.

The Education Board approves the schools fees for Erskine Stewart's Melville Schools and George Watson's College following independent determination of the appropriate fee levels for the schools by their respective Governing Councils. School fees for the 2023/24 academic session rose by 15% at the Erskine Stewart's Melville Schools and by 9% at George Watson's College.

The average roll of the schools during the financial year was 5,149 (2023: 5,108). Demand for places at the schools remains high. There has been over-subscription in some year groups and the projection for the coming year is positive with a continuing high level of application for these places.

Reserves policy

The Schools budget to generate surpluses on income and expenditure in each financial year and these surpluses are generally applied to upgrade their property and facilities. At 31 July 2024, the Schools had reserves totalling £56.3m of which £38.9m was unrestricted, £13.9m was restricted and £3.2m was endowed. The balance of unrestricted reserves on the balance sheet does not represent free reserves because all of the value is tied up in property and fixed assets.

The Schools maintain cash balances to cover expenditure over the short term; cash and bank balances at 31 July 2024 totalled £16.5m (2023: £6.7m). The increase in the cash balance was predominantly due to fees being paid in advance.

Report of the Board *(continued)*

Investment policy

As at 31 July 2024 a sum of £11.3m (2023: £11.4m) was held in investments. £3.1m of these funds were endowed for the specific purpose of funding bursaries, scholarships and prizes. The management of the portfolio is based on long-term considerations, with policy directed towards achieving an appreciation in capital values, while at the same time aiming to generate a reasonable and growing level of income. This policy is reviewed annually.

Merchant Company defined benefit pension deficit

The trustees resolved on 17 August 1999 to close the defined benefit pension scheme to new entrants because the Merchant Company employers had resolved to offer an alternative money purchase scheme to all new employees and existing employees who had not entered this scheme.

The triennial valuation of the pensions scheme as at 31 July 2021 showed a funding level of 99%. An FRS102 actuarial valuation was carried out as at 31 July 2021 which showed that assets of the scheme covered the liabilities. An asset ceiling adjustment has been made to prevent the Education Board recognising a pension asset as any surplus in the scheme is not recoverable by the employer.

Following a consultation with members, the scheme was closed to future accrual with effect from 1 November 2011. Members were given the option of joining the money purchase scheme currently offered to other employees. The decision to close the scheme was accepted by all members.

Risk Management

The Education Board is responsible for the overall management of risks faced by the Education Board and the Schools. The Audit and Risk Committee of the Education Board reviews the risks faced by the Education Board at least every year. Each of the Schools maintains a separate Risk Register in which significant risks are recorded together with an assessment of the likelihood and impact of each risk on the school and the controls which are in place to mitigate risk. The Governing Councils and Senior Management Teams of the Schools formally review their Risk Registers at least three times each year and decide on any further actions or controls required to manage risk.

The Governing Councils of the Schools are also responsible for the continuing review and development of policies to ensure that the schools are managed with probity and efficiency, and regulations and guidelines for the welfare of pupils and staff are observed. Internal risks are mitigated through the application of these policies and the implementation of procedures for authorisation of all transactions and projects, and to ensure consistent quality of delivery across all elements of the schools' operation. External risks are controlled or mitigated by a continuous review of the external environment and the on-going adjustment of the schools' strategies, policies and procedures to anticipate and respond to changing circumstances.

Report of the Board *(continued)*

The most significant risks faced by the Merchant Company Education Board and the Schools are shown below together with strategies and control measures for managing those risks:

Risks	Key strategies and control measures
1. Significant fall in pupil numbers	<ul style="list-style-type: none"> • Strategic plans and fee strategies to keep school fees competitive and affordable following the imposition of VAT on school fees from January 2025. • On-going investment in educational offering and facilities to remain competitive and comprehensive marketing and admissions strategies including for bursaries and short term financial assistance.
2. Failure to manage higher costs	<ul style="list-style-type: none"> • Ongoing review of all expenditure and of opportunities for generating additional income and strategies for managing the maintenance and upgrade of buildings and facilities. • Annual budgeting and medium-term financial planning
3. Serious damage to the reputation of the Schools	<ul style="list-style-type: none"> • Comprehensive procedures and policies for: Safeguarding and Child Protection, Disciplinary, codes of conduct for staff and pupils, Protection of Vulnerable Groups (PVG) scheme, Health and Safety and IT security. • Training for staff.
4. Failure of governance and management	<ul style="list-style-type: none"> • Selection and retention of quality staff, governors and trustees, comprehensive committee and reporting structures to provide oversight, reporting and accountability and robust succession planning for key individuals. • Appointment of professional, experienced individuals to the senior management teams, segregation of duties and authorisation processes and financial reporting process
5. Failure to manage significant change	<ul style="list-style-type: none"> • Change projects to be comprehensively planned and implemented with project governance and the project structures and reporting to support agile decision making • Comprehensive management of risks by relevant teams and boards, appointment of professional staff to manage and administer change and legal and professional support and advice

The Education Board is satisfied that major risks faced by the Education Board and the Schools have been identified and that adequate controls for those that can be treated are in place to reduce the likelihood and/or impact of each risk. The Education Board recognises that any system of controls can only provide reasonable but not absolute assurance that risks have been adequately managed.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Education Board was constituted as a body corporate under the Edinburgh Merchant Company Endowments Order 1909 and is governed by the provisions of the Edinburgh Merchant Company Educational Endowments Scheme 1960, as amended. On 3 November 2011, OSCR approved the Merchant Company Education Board's new Constitution. The Education Board is registered as a charity with the Office of the Scottish Charity Regulator under charity reference number SC009747.

Report of the Board *(continued)*

The Merchant Company Education Board is responsible for The Mary Erskine School and Stewart’s Melville College, including their combined Junior School, and George Watson’s College. The Education Board oversees the administration of their schools which is carried out by two Governing Councils, established in 1989, namely the ESMS Governing Council and the George Watson’s College Governing Council. The Governing Councils are standing committees of the Merchant Company Education Board. The Governing Councils, assisted by their Finance Committees, are required to prepare annual accounts for the relevant schools giving a true and fair view of the state of affairs.

Composition of the Education Board and Committees

The members of the Education Board consist of:

- a) The Master and the Treasurer of the Master’s Court of the Merchant Company;
- b) The Chairs of the Governing Councils of each of the Schools;
- c) Up to seven additional members, selected by the Nominations Committee of the Merchant Company ; and
- d) the Lord Dean of Guild of the Merchant Company may be invited to join the Education Board at the Master’s sole discretion.

Membership of the Merchant Company Education Board			Standing Committees			
Name	Appointed /Retired	Education Board	Audit & Risk Committee	Nominations Committee	ESMS Governing Council	GWC Governing Council
	May 2024 until January 2025	X		X		
	Until November 2024	X		X		
	November 2024	X		X		
	November 2024	X		X		
	November 2024	X		X	X	
	Until November 2024	X		X		
	July 2022	X		X		X
	Until November 2024	X			X	
	September 2022	X	X			
	September 2022 until December 2024	X	X			
	September 2022	X				
	September 2023	X				
	April 2022 until February 2024	No	X			
	December 2023	X	X			
	From March 2025	X				

Recruitment and Appointment

The members of the Education Board are invited to join the board following nomination. Through the Nominations Committee the procedure is in place to identify and recruit suitable individuals to provide strength and balance to the Education Board. They are appointed by the Education Board for a term of five years, and they can be re-elected.

Report of the Board *(continued)*

In relation to the members of the Schools' Governing Councils, they consist of the Principal, the Education Board shall appoint (i) the Chair of the Governing Council, (ii) the Chair of the Finance Committee, (iii) the Chair of the Buildings Committee and (iv) up to three governors (who have been members of the Merchant Company for at least three years) and the Governing Council, following nomination by the Chair, shall appoint up to a further eight governors. There is a requirement that there is a majority of Merchant Company members on the

Governing Councils of the Schools to ensure knowledge and experience expected of Merchant Company Schools.

Training of Members and Governors

On appointment, all Education Board members are given a copy of The Edinburgh Merchant Company Education Board Scheme 2011 and the Merchant Company Standing Orders made under the Scheme in 2011 as amended. They are also given a copy of all papers already distributed to members in regard to current issues of significance, provided with the opportunity to visit the Schools and made aware of all training opportunities that are intimated to the Secretary of the Education Board.

Members of the Governing Council are inducted into the governance and workings of the schools by the Chair of the Governing Council, the Principal and the Bursar. They are invited to join committees dealing with aspects of the school's work, are variously invited to attend governors' days or conferences or away days with senior staff or to shadow a member of staff or pupil of the school. They are also made aware by the school of any significant issues arising between meetings of Governing Council and of all training opportunities that are intimated to the school and in particular, training and seminars held by the Scottish Council of Independent Schools.

Organisational management

The Education Board is responsible for the strategic direction of the Schools and associated decisions and routinely meets at least four times a year. The Education Board is supported from the Schools by their Governing Councils which are standing committees of the Education Board. The Governing Councils are responsible for the overall management and control of each of the schools.

The Governing Councils formally report to the Education Board at least four times each year on achievements and performance, significant educational and staff developments, financial performance and risk, property issues and capital development. Strategy, budgets, annual accounts and major capital development as well as the appointment of a new Principal are all matters reserved for the approval of the Education Board.

The ESMS Governing Council is assisted by the following committees:

ESMS Committees	
Finance Committee	Each committee comprises between one and five Governors and committee members, most of whom are drawn from the Merchant Company or the Schools' community. The committees meet at least three times a year prior to each Governing Council meeting and report at the Governing Council.
Academic Policy Committee	
Buildings Committee	
Audit and Risk Committee	
Safeguarding Committee	
Joint Consultative Committee	
Remuneration Committee	
Wellbeing Policy Committee	
A Governor attends the Parent Liaison Group	

Report of the Board *(continued)*

The George Watson's College Governing Council is assisted by the following committees:

GWC Committees		
Finance Committee	Each committee comprises between five and seven Governors and Committee members most of whom are drawn from the Merchant Company or the Schools' community.	
Education and Pupil Wellbeing Committee		
Staff Committee		
Property & Facilities Committee		
External Relations & Development Committee		
Audit Committee		The committees meet at least three times a year prior to each Governing Council meeting and report at the Governing Council.
Health & Safety Committee		
Compliance Committee		
Nominations Committee		
A Governor attends the Information & Consultation of Employees Committee		

At ESMS the Remuneration Committee and at GWC the Staff Committee, periodically review the remuneration and terms and conditions of key management personnel with reference to external market data.

In October 2024 the number of committees at GWC was reduced in order to focus on strategic priorities and streamline administration.

Details of the composition of the Schools Governing Councils and Committees are as follows:

Erskine Stewart's Melville Schools								
Name	Appointed/ Retired	Committees						
		Governing Council	Finance	Academic Policy	Buildings	Audit & Risk	Safeguarding	Joint Consultative
	From January 2025	X	X	X	X	X	X	X
	August 2022 (retired November 2024)	X	X	X	X	X	X	X
	Retired August 2022	X	X					
	1 August 2022	X	X	X	X	X	X	X
	September 2022	X	X			X		
	September 2022	X		X				
	November 2021	X						
	Retired September 2023	X						
	January 2021	X				X		
	January 2019	X	X					
	January 2025	X				X		
	Retired June 2024	X						
	Retired June 2023	X	X					
	December 2017	X				X	X	
	Retired November 2022	X	X					
	September 2023	X	X					
	September 2023	X	X					
	September 2023	X						X

Report of the Board (continued)

George Watson's College											
Name	Appointed/ Retired	Committees									
		Governing Council	Finance	Education & Pupil Wellbeing	Staff	Property & Facilities	External Relations & Development	Audit	Health & Safety	Compliance	Nominations
	June 2022	X	X	X		X	X	X			X
	From August 2024	X	X		X	X	X	X		X	X
	Until August 2024										
	November 2021	X			X	X					X
	June 2022	X		X	X						X
	June 2022	X		X	X						X
	July 2023	X									
	August 2020	X	X								X
	August 2019	X	X					X			
	August 2020	X				X					
	August 2020	X					X				
	Until October 2024	X		X			X				
	November 2019	X	X								
	June 2022	X		X							
	November 2019	X		X							
	February 2023	X					X				
		No							X	X	
		No		X						X	
		No						X	X		
		No		X			X				
		No				X					

The day-to-day management of the schools is delegated to the Governing Councils and Principals supported by their key management personnel:

Erskine Stewart's Melville Schools	
Name	Appointed
	Principal (Appointed 1 August 2022, Head of Stewart's Melville College until 1 August 2022)
	Interim Principal (from 1 April 2022 to 1 August 2022)
	Head of The Mary Erskine Senior School
	Head of Stewart's Melville College Senior School (Appointed 1 August 2022)
	Head of ESMS Junior School
	Bursar (left December 2024)
	Director of Information Technology (retired July 2024)
	Director of Information Technology (from August 2024)
	Director of Communications and Marketing
	Chief Operating Officer
	Chief Financial Officer (from September 2024)

Report of the Board *(continued)*

George Watson's College	
Name	Appointed

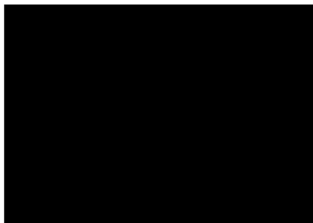
Group Structure and Relationship

The Education Board is a charity, and this is the focus for all supporting and subsidiary activities. There are two subsidiaries incorporated through which the schools can undertake commercial activities:

- ESMS Enterprises Limited, a wholly owned subsidiary company incorporated in Scotland with company number: SC139534; and
- GWC Trading UK Limited (dormant), a wholly owned subsidiary company incorporated in Scotland with company number: SC588763.

George Watson's Family Foundation is a separate fund within the financial statements. It provides financial assistance for pupils who would otherwise be unable to attend GWC, provide support for pupils whose families experience short term financial difficulties maintain and develop the property and facilities of GWC. The Family Foundation is a registered charity with number SC004818.

On behalf of the Education Board:



Statement of Edinburgh Merchant Company Education Board's Responsibilities

The Education Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the Education Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Education Board is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2019 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Education Board will continue in operation.

The Education Board has delegated to the Governing Councils of Erskine Stewart's Melville and George Watson's College through their respective finance committees and the Secretary of the Education Board the responsibility for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's Constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In so far as the Members are aware:

- there is no relevant audit information of which the charity's auditors are unaware; and
- the Members have taken all steps that it ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Members are responsible for the maintenance and integrity of the charity and other information included in the charity's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of the Edinburgh Merchant Company Education Board

Opinion

We have audited the financial statements of the Edinburgh Merchant Company Education Board (the 'charity') for the year ended 31 July 2024 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash flows and the related 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 FRS 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 charity's affairs as at 31 July 2024 and of incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006

Basis of 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 charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Report of the Trustees, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditors' report to the members of the Edinburgh Merchant Company Education Board *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- the information given in the report of the board is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities, set out on page 21, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend 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.

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

As part of our planning process:

- We enquired of management the systems and controls the charity has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the charity. We determined that the following were most relevant: Health and Safety; employment law (including the Working Time Directive), data protection and charity legislation;
- We considered the incentives and opportunities that exist in the charity, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and
- Using our knowledge of the charity, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

Independent auditors' report to the members of the Edinburgh Merchant Company Education Board *(continued)*

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

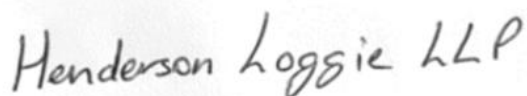
- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing Board and Governor meeting minutes for discussions of irregularities including fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the carrying value of tangible assets, bad debt provisions, accruals and deferred income and final salary pension scheme assumptions;
- Documenting and verifying all significant related party balances and transactions;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness;
- Testing key revenue lines, in particular cut-off, for evidence of management bias; and
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 charity's Trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Henderson Loggie LLP

Chartered Accountants

Statutory Auditor

(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

Level 5, The Stamp Office

10-14 Waterloo Place

Edinburgh

EH1 3EG

Date: 30 April 2025.

Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 July 2024

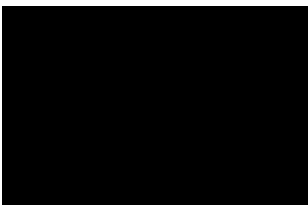
	Note	Unrestricted funds £	Restricted funds £	Endowment Funds £	Total 2024 £	Unrestricted funds £	Restricted funds £	Endowment Funds £	Total 2023 £
Income and endowments from:									
Donations and legacies	2	1,656	1,247,628	-	1,249,284	905,135	1,769,659	-	2,674,794
Other trading activities	3	1,077,683	-	-	1,077,683	1,026,269	-	-	1,026,269
Investments	4	218,764	430,487	112,869	762,120	55,195	356,355	105,638	517,188
Charitable activities	5	81,570,101	331,750	-	81,901,851	72,303,894	403,743	-	72,707,637
Other	6	2,224	1,000	-	3,224	8,075	-	-	8,075
Total income and endowments		82,870,428	2,010,865	112,869	84,994,162	74,298,568	2,529,757	105,538	76,933,963
Expenditure on:									
Raising funds	7	(415,709)	(46,202)	(4,320)	(466,231)	(338,153)	(34,670)	(4,127)	(376,950)
Charitable activities	8	(84,201,562)	(1,500,786)	(84,399)	(85,786,747)	(74,774,828)	(2,007,690)	(105,229)	(76,887,747)
Total expenditure		(84,617,271)	(1,546,988)	(88,719)	(86,252,978)	(75,112,981)	(2,042,360)	(109,356)	(77,264,697)
Net income/(expenditure) before gains and losses		(1,746,843)	463,877	24,150	(1,258,816)	(814,413)	487,397	(3,718)	(330,734)
Net gains on investments		-	598,371	180,140	778,511	-	(319,063)	(102,649)	(421,712)
Actuarial gains/losses		-	-	-	-	-	-	-	-
Net expenditure		(1,746,843)	1,062,248	204,290	(480,305)	(814,413)	168,334	(106,367)	(752,446)
Transfers between funds	21-23	-	-	-	-	(27,594)	27,594	-	-
Net movement in funds		(1,746,843)	1,062,248	204,290	(480,305)	(842,007)	195,928	(106,367)	(752,446)
Fund balances brought forward	21-23	41,058,367	12,810,698	3,217,253	57,086,318	41,900,374	12,614,770	3,323,619	57,838,763
Fund balances carried forward	21-23	39,311,524	13,872,946	3,421,543	56,606,013	41,058,367	12,810,698	3,217,253	57,086,318

All operations are continuing.

Balance sheet
at 31 July 2024

	Note	2024 £	2024 £	2023 £	2023 £
Fixed assets					
Tangible assets	14		59,089,616		59,543,497
Investments	15		11,291,010		11,046,454
			<hr/>		<hr/>
			70,380,626		70,589,951
Current assets					
Stocks	16	48,671		34,882	
Debtors	17	4,015,143		3,549,106	
Cash at bank and in hand		16,477,110		6,768,182	
		<hr/>		<hr/>	
		20,540,924		10,352,170	
Creditors: amounts falling due within one year	18	(21,302,234)		(16,986,867)	
		<hr/>		<hr/>	
Net current liabilities			(761,310)		(6,634,697)
			<hr/>		<hr/>
Total assets less current liabilities			69,619,316		63,955,254
Creditors: amounts falling due after more than one year	19		(13,013,303)		(6,868,936)
Provision for liabilities and charges	20		-		-
			<hr/>		<hr/>
Net assets			56,606,013		57,086,318
			<hr/> <hr/>		<hr/> <hr/>
Funds					
General (unrestricted) funds	21		39,311,524		41,058,367
Restricted funds	22		13,872,946		12,810,698
Permanent endowment funds	23		3,421,543		3,217,253
			<hr/>		<hr/>
Total funds	24		56,606,013		57,086,318
			<hr/> <hr/>		<hr/> <hr/>

The financial statements were approved by the Education Board on 29th April 2025 and signed on its behalf by:



Charity number SC009747

Statement of cash flow
for the year ended 31 July 2024

	2024 £	2023 £
Cash flows from operating activities		
Net income	(480,305)	(752,446)
Loss/ (Gains) on investments	(778,511)	421,712
(Increase)/ decrease in stock	(13,789)	46,684
(Increase)/ decrease in debtors	(466,037)	(694,983)
Increase/(decrease) in creditors	14,684,324	3,609,924
Increase/(decrease) in provisions	-	(478,841)
Depreciation charges	3,149,003	3,096,136
(Gain)/ loss on disposal of assets	14,002	1,068
Investment income	(762,120)	(517,188)
Interest paid	1,047,011	884,186
	<hr/>	<hr/>
Cash provided by operating activities	16,393,578	5,616,352
Cash flows from investing activities		
Investment income	762,120	517,188
Interest paid	(1,047,011)	(884,186)
Payments to acquire fixed assets	(2,776,820)	(3,189,660)
Proceeds from the sale of fixed assets	67,696	6,000
Payments to acquire investments	(813,520)	(1,137,432)
Proceeds from the sale of investments	1,400,119	1,080,267
Movement in cash held for re-investment	(52,644)	85,481
	<hr/>	<hr/>
Cash used in investing activities	(2,460,060)	(3,522,442)
Cash flows from financing activities		
Finance leases repaid in the year	(215,470)	(306,280)
Bank loans repaid in the year	(512,441)	(589,846)
	<hr/>	<hr/>
Cash provided by/(used in) financing activities	(727,911)	(896,126)
	<hr/>	<hr/>
Net cash movement in the year	13,205,607	1,197,784
Cash and cash equivalents at start of the year	3,271,503	2,073,719
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	16,477,110	3,271,503
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash at bank and in hand	16,477,110	6,768,182
Bank overdraft	-	(3,496,679)
	<hr/>	<hr/>
	16,477,110	3,271,503
	<hr/>	<hr/>

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with the items which are considered material in relation to the Education Board's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value. The charity is a Public Benefit Entity. The financial statements are compliant with the charity's constitution, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice (SORP) FRS 102 "Accounting and Reporting by Charities", in accordance with Financial Reporting Standard 102 (FRS 102), and applicable accounting standards.

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

Going concern

The financial statements have been prepared on a going concern basis. The Finance Committees and Governing Councils of the schools, on behalf of the trustees have considered relevant information, including the business plan, forecast future cash flows and the impact of subsequent events in making their assessment and reported this information to the trustees of the Education Board, on the basis of which the trustees are satisfied that the Edinburgh Merchant Company Education Board is a going concern.

In making these assessments the key scenarios and assumptions are around monitoring pupil numbers and trends, affordability of fee levels. The imposition of VAT on school tuition fees effective from 1 January 2025 has had a huge impact on the affordability of fees. Both schools are reviewing and changing their operating models in order to meet this challenge. Work is on-going to reduce the cost base and to work with parents to enable them to continue educating their children in our schools.

The trustees have concluded that the forecasts prepared taking account of the matters above, allows them to continue to adopt the going concern basis in preparing the financial statements.

Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that confirmation has been granted, the estate has been finalised and notification has been made by the executor(s) to the trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of confirmation, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are stated after deducting allowances, scholarships and other remissions granted by the School. Fees consist of charges for pupils attending the Schools. The charges are the amounts due for the year ending 31 July.

Income from Interest and Dividends

Investment income is applied to the restricted, unrestricted and endowed funds on the basis of investments held within each fund. Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank. Dividends are accrued when the shareholder's right to receive payment is established. Measurement is at the fair value receivable, which will normally be the transaction value.

Notes (continued)

1 Accounting policies (continued)

Donated goods, facilities and services

Donated goods, services and facilities are recognised as income when the charity has control over the item(s), any conditions attached have been met, the receipt of economic benefit from the use of the item(s) is probable and the economic benefit can be measured reliably. In accordance with Charity SORP, volunteer time is not recognised.

On receipt, donated goods, services and facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have had to pay to obtain the equivalent economic benefit on the open market. A corresponding amount is also recognised as expenditure in the period of receipt.

Expenditure and irrecoverable VAT

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

- Expenditure on raising funds income include the costs of raising donations and legacies and investment management costs on the investment portfolio.
- Expenditure on charitable activities include the costs of providing teaching services. In addition teaching costs include supplies of books, stationery, games equipment and sundry materials are charged against revenue in the year in which the expenditure is incurred.
- Other expenditure represents those items not falling into any other heading.

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

Redundancy and termination payments are recognised in the year to which they relate.

Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the Education Board's charitable activities. Governance costs are those associated with the constitutional and statutory requirements of the charity.

Expenditure is allocated to expense headings either on a direct cost basis, or apportioned according to time spent.

Fixed assets

Fixed assets are capitalised at cost. Depreciation is provided on all fixed assets in use, other than heritable land, at rates and bases calculated to write off the cost of each asset over its expected useful life, on a straight line basis, as follows:

Heritable buildings	Up to 50 years
Leasehold improvements	Over life of lease
Heating plant & Other plant and equipment	5 - 15 years
Motor vehicles & Computer equipment	4 years

Investments and investment income

Investments are a form of basic financial instrument. The investments are brought into account at fair value. The value applied to listed investment is the middle market price of that investment at the close of business at the year end. The main form of financial risk faced by the charity is that of volatility in the investment markets due to wider economic conditions.

Investment income and gains and losses are recognised in the statement of financial activities in the year in which they arise. Unrealised gains and losses are included in the statement of financial activities on the same basis of investments held within each relevant fund.

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value.

Cash and cash equivalents

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

Debtors

Trade and other debtors are recognised at the settlement amount due after any fee discounts and rebates. Prepayments are valued at the amount prepaid after taking account of any discounts due.

Creditors and provisions

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

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering funds are charged against the specific fund.

Endowment funds represent the original endowment of the charity as adjusted for gains and losses arising in investments. The income generated from the investments are used largely in the provision of bursaries to school pupils.

Taxation

The Education Board is registered as a charity and has no liability to corporation tax on surpluses.

Defined benefit pension scheme

The charity operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Education Board. Pension scheme assets and liabilities are measured by a qualified actuary using the assumptions set out in note 13. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full on the Balance Sheet.

Notes (continued)

1 Accounting policies (continued)

Defined contribution pension scheme

The charity also operates a pension scheme providing benefits based on contributions. Employer contributions are charged to the SOFA in the period to which they relate.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these financial statements, the Trustees have made the following judgements:

- Determine whether leases entered into by the Education Board as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Fixed assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.
- Bad debt provisions are based on knowledge of probability of recoverability depending on the debtor's circumstances.

The following are the group's key sources of estimation uncertainty:

- The value of the asset/liability in the defined benefit pension fund is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the liabilities, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates. The pension scheme is in surplus and this has not been reported in the financial statements as the Education Board surplus may not be recoverable by the employer.

Notes (continued)

2 Donations and legacies

	Unrestricted 2024 £	Restricted 2024 £	Total 2024 £	Unrestricted 2023 £	Restricted 2023 £	Total 2023 £
Donations	1,656	1,247,628	1,249,284	905,135	1,769,659	2,674,794

3 Other trading activities (unrestricted)

	Total 2024 £	Total 2023 £
Rents and lettings	1,077,683	1,026,269
	<u>1,077,683</u>	<u>1,026,269</u>

4 Income from investments

	Unrestricted 2024 £	Restricted 2024 £	Endowed 2024 £	Total 2024 £	Total 2023 £
Investment income	-	297,451	99,584	397,035	376,429
Interest	218,764	133,036	13,285	365,085	140,759
	<u>218,764</u>	<u>430,487</u>	<u>112,869</u>	<u>762,120</u>	<u>517,188</u>
2023 total	<u>55,195</u>	<u>356,355</u>	<u>105,638</u>	<u>517,188</u>	

5 Income from charitable activities

	Unrestricted 2024 £	Restricted 2024 £	Total 2024 £	Total 2023 £
Fees receivable	75,847,244	-	75,847,244	68,610,920
Bursaries, scholarships and prizes	-	331,750	331,750	403,743
Registration fees	50,460	-	50,460	75,822
Catering sales	3,088,898	-	3,088,898	1,477,945
After school club fees	1,466,734	-	1,466,734	1,201,372
Pupils buses	427,894	-	427,894	414,168
Music instrument hire	185,822	-	185,822	173,019
Other	503,049	-	503,049	350,648
	<u>81,570,101</u>	<u>331,750</u>	<u>81,901,851</u>	<u>72,707,637</u>
2023 total	<u>72,303,894</u>	<u>403,743</u>	<u>72,707,637</u>	

Notes (continued)

6 Other income

	Unrestricted 2024 £	Restricted 2024 £	Total 2024 £	Total 2023 £
Gain on sale of assets	-	-	-	6,000
Miscellaneous income	2,224	1,000	3,224	2,075
	<u>2,224</u>	<u>1,000</u>	<u>3,224</u>	<u>8,075</u>
2023 total	<u>8,075</u>	<u>-</u>	<u>8,075</u>	

7 Expenditure on raising funds

	Unrestricted 2024 £	Restricted 2024 £	Endowed 2024 £	2024 £	2023 £
Wage and salary cost of lettings (note 12)	415,709	-	-	415,709	338,153
Costs of generating voluntary income	-	72	-	72	1,214
Investment management fees	-	46,130	4,320	50,450	37,583
	<u>415,709</u>	<u>46,202</u>	<u>4,320</u>	<u>466,231</u>	<u>376,950</u>
2023 total	<u>338,153</u>	<u>34,670</u>	<u>4,127</u>	<u>376,950</u>	

8 Expenditure on charitable activities

	Unrestricted 2024 £	Restricted 2024 £	Endowed 2024 £	Total 2024 £	Total 2023 £
Wages and salaries (note 12)	46,886,002	-	-	46,886,002	38,822,053
Foundationers Grants	-	373,159	-	373,159	548,302
School expenditure	-	579,338	-	579,338	551,317
Fee reductions	3,532,907	-	-	3,532,907	2,896,901
Bursaries, scholarships and prizes	2,714,650	476,704	84,255	3,275,609	3,104,427
Examinations costs	325,792	-	-	325,792	326,873
Teaching materials	1,057,946	-	-	1,057,946	920,499
Staff development	128,878	-	-	128,878	215,288
Transport costs	1,156,237	-	-	1,156,237	1,091,385
Educational projects cost	1,366,234	-	-	1,366,234	1,325,498
Other educational costs	1,968,097	2,434	-	1,970,531	1,641,532
Catering costs	3,492,868	-	-	3,492,868	1,978,924
Total direct costs	<u>62,629,611</u>	<u>1,431,635</u>	<u>84,255</u>	<u>64,145,501</u>	<u>53,422,999</u>
Property costs (note 9)	13,266,145	61,951	-	13,328,096	12,554,618
Support costs (note 10)	8,215,817	-	144	8,215,961	10,833,402
Governance Costs (note 11)	89,989	7,200	-	97,189	76,728
	<u>84,201,562</u>	<u>1,500,786</u>	<u>84,399</u>	<u>85,786,747</u>	<u>76,887,747</u>

Notes (continued)

8 Expenditure on charitable activities (continued)

	Unrestricted 2023 £	Restricted 2023 £	Endowed 2023 £	Total 2023 £
2023				
Direct costs	51,377,753	1,940,161	105,085	53,422,999
Property costs	12,492,667	61,951	-	12,554,618
Support costs	10,833,258	-	144	10,833,402
Governance costs	71,150	5,578	-	76,728
	<hr/>	<hr/>	<hr/>	<hr/>
2023 total	74,774,828	2,007,690	105,229	76,887,747
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 Property costs

	Unrestricted 2024 £	Restricted 2024 £	Total 2024 £	Total 2023 £
2024				
Wages and salaries (note 12)	800,562	-	800,562	1,883,031
Ground maintenance	125,109	-	125,109	101,500
Rates	1,668,506	-	1,668,506	1,449,904
Insurance	459,183	-	459,183	441,587
Heat and light	4,023,001	-	4,023,001	2,908,430
Cleaning	1,233,291	-	1,233,291	1,173,055
Repairs and maintenance	1,661,271	-	1,661,271	1,500,975
Depreciation	3,087,051	61,951	3,149,002	3,096,136
RAAC Expenditure	208,171	-	208,171	-
	<hr/>	<hr/>	<hr/>	<hr/>
	13,266,145	61,951	13,328,096	12,554,618
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
2023				
Wages and salaries (note 12)	1,883,031	-	1,883,031	
Ground maintenance	101,500	-	101,500	
Rates	1,449,904	-	1,449,904	
Insurance	441,587	-	441,587	
Heat and light	2,908,430	-	2,908,430	
Cleaning	1,173,055	-	1,173,055	
Repairs and maintenance	1,500,975	-	1,500,975	
Depreciation	3,034,185	61,951	3,096,136	
	<hr/>	<hr/>	<hr/>	
	12,492,667	61,951	12,554,618	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

Notes *(continued)*

10 Support costs

	Total 2024 £	Total 2023 £
Wages and salaries (note 12)	4,577,853	7,422,072
Advertising	260,849	247,580
Telephone	72,503	64,943
Stationery, postage, printing and photocopying	312,547	348,029
Subscriptions	155,866	142,835
Marketing	171,379	189,878
Professional fees	584,451	407,038
Computer costs	450,222	586,835
Finance costs	1,047,011	878,325
Other costs	583,280	545,867
	8,215,961	10,833,402

11 Governance costs

	Total 2024 £	Total 2023 £
Governors' meetings and professional fees	303	1,783
Auditors' remuneration	76,942	68,245
Other	19,944	6,700
	97,189	76,728

Notes (continued)

12 Staff Costs

	2024	2023
	£	£
Wages and salaries	41,091,963	37,640,079
Social security costs	4,476,201	4,213,666
Pension contributions	7,111,962	6,533,609
Termination payments	-	77,955
	<hr/>	<hr/>
	52,680,126	48,465,309
	<hr/>	<hr/>
Allocated between:		
Teaching costs	46,886,002	40,985,949
Property costs	800,562	1,883,032
Support costs	4,577,853	5,258,176
Raising funds	415,709	338,152
	<hr/>	<hr/>
	52,680,126	48,465,309
	<hr/>	<hr/>

The average number of employees during the year was:

	2024	2023
	Number	Number
Teaching	586	555
Ancillary to teaching	324	307
Administration & catering	166	145
Maintenance	44	112
	<hr/>	<hr/>
	1,120	1,119
	<hr/>	<hr/>

The number of employees whose emoluments for the year fall above £60,000 are as follows:

£60,000 - £69,999	79	49
£70,000 - £79,999	19	23
£80,000 - £89,999	23	5
£90,000 - £99,999	7	7
£100,000 - £109,999	4	4
£110,000 - £119,999	4	1
£120,000 - £129,999	1	1
£190,000 - £199,999	-	1
£210,000 - £219,999	1	1
£300,000 - £310,999	1	-
	<hr/>	<hr/>

Key management personnel remuneration including employer's NI totalled £2,301,459 (2023: £1,926,063).

Amounts payable to pension schemes on behalf of all employees which are included within creditors at the year end are £798,823 (2023: £697,455). This represents part of one month's deductions which are due for payment in August 2024.

No Trustees received reimbursement of travel expenses, remuneration or other payments (2023: Nil).

Notes (continued)

13 Pensions

The Education Board contributes to three separate pension schemes:-

(a) Scottish Teachers' Superannuation Scheme

Amounts are paid into the Scottish Teachers Superannuation Scheme to provide pensions for teaching staff. The scheme is a defined benefit scheme administered independently of the Education Board. The contributions are determined by a qualified actuary on the basis of five yearly valuations using the prospective benefit valuation method. The employer's contribution rate was set at 26% from 1 April 2024. Employee contributions are stepped, according to the level of their pensionable pay and rates vary from 7.2% to 11.9%. The results of the next revaluation are expected to be announced in mid-2026 and implemented in April 2027. The pension costs charged in these accounts for this scheme was £6,310,581 (2023: £5,916,531) which were the contributions due for the year.

The Scottish Teachers' Superannuation Scheme is a multi-employer defined benefit scheme, which in common with other Government pension schemes is unfunded. The Schools are unable to identify their share of the underlying liabilities of the scheme and therefore account for the contributions to the scheme as if it were a defined contribution scheme.

(b) The Merchant Company Retirement Benefit Scheme

The Education Board makes pension contributions to the Merchant Company Retirement Benefits Scheme, a defined benefits scheme. The assets of the scheme are held separately from those of the Merchant Company in an independently administered fund. The Schools are unable to identify their share of the underlying liabilities of the scheme and therefore account for the contributions to the scheme as if it were a defined contribution scheme.

During the year, the employer's deficit contribution was nil (2023: £173k).

The scheme closed to future accrual on 1 November 2011. At this date pensionable service under the scheme ceased for all active members; however members were granted additional benefits equivalent to one year of pensionable service and an increase of 4% in basic salary in compensation for loss of pension benefits. All members were offered the option of joining the existing defined contribution scheme for support staff from 1 November 2011 to provide continuing pension benefits.

Principal Actuarial assumptions for the defined benefit scheme

The following information is based upon an FRS 102 valuation of the fund at 31 July 2024:

	2024	2023
	% p.a.	% p.a.
Price inflation rate (RPI)	3.10	3.10
Price inflation rate (CPI)	2.85	2.80
Salary increase rate	4.10	4.10
Discount rate	5.20	5.20
	=====	=====

Life expectancy is based on the CMI Mortality Projections Model 2020 converging to 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Notes (continued)

13 Pensions (continued)

	Males	Females
Current pensioners	20.7 years	22.7 years
Future pensioners	21.9 years	24.1 years
 The net pension (deficit)/asset was:		
	2024	2023
	£000	£000
Estimated employer assets	15,477	14,779
Present value of scheme liabilities	(9,473)	(9,459)
Effect of asset ceiling	(6,004)	(5,320)
	-----	-----
Net pension (deficit)/asset	-	-
	=====	=====

An asset ceiling adjustment has been made to prevent the Education Board recognising a pension asset as any surplus may not be recoverable by the employer.

Reconciliation of fair value of scheme assets:

	2024	2023
	£000	£000
Opening fair value of scheme assets	14,779	15,994
Contributions by employer not recognised in 2024	1	48
Expected return on assets	749	551
Contributions by employer	-	173
Actuarial gains/(losses)	697	(1,251)
Admin expenses paid from plan assets	(135)	-
Estimated benefits paid	(614)	(736)
	-----	-----
	15,477	14,779
	=====	=====

Reconciliation of defined benefit obligation:

	2024	2023
	£000	£000
Opening defined benefit obligation	9,460	12,041
Interest cost	476	408
Actuarial losses/(gains)	151	(2,254)
Estimated benefits paid	(614)	(736)
	-----	-----
	9,473	9,459
	=====	=====

(c) Personal Retirement Plan

Since 1999 a new scheme has been entered into for support staff, pension contributions are made to a Personal Retirement Plan. The scheme is a defined contribution scheme and is administered independently of the Education Board. The employer's contribution is 8% and the scheme minimum employee contribution is 5%. During the year the employer's contribution was £801,381 (2023 - £617,078).

Notes (continued)

14 Tangible fixed assets

	Heritable property £	Leasehold improvements £	Assets in course of construction £	Plant and equipment £	Motor vehicles £	Total £
Cost						
At beginning of year	82,764,395	10	737,554	14,424,757	286,298	98,213,014
Additions	746,008	-	-	2,019,561	11,251	2,776,819
Disposals	(47,305)	-	-	(226,177)	-	(273,482)
Transfers	535,258	-	(535,258)	-	-	-
At end of year	83,998,356	10	202,296	16,218,141	297,549	100,716,352
Depreciation						
At beginning of year	27,189,726	-	-	11,255,891	223,901	38,669,518
Charge for year	2,005,599	-	-	1,113,976	29,428	3,149,003
Disposals	(40,898)	-	-	(150,887)	-	(191,785)
At end of year	29,154,427	-	-	12,218,980	253,329	41,626,736
Net book value						
At 31 July 2024	54,843,929	10	202,296	3,999,161	44,219	59,089,616
At 31 July 2023	55,574,669	10	737,554	3,168,866	62,397	59,543,497

The cost of heritable property at 31 July 2024 and 31 July 2023 includes items brought in at a valuation in 1960 of £2,002,500.

The net book value of assets includes amounts of £163,570 (2023; £297,590) in respect of assets held under hire purchase contracts. The depreciation charge in the year on these assets was £141,419 (2023; £173,129).

Notes (continued)

15 Investments

	Equity £	Fixed interest £	Listed Investments Total £	Cash held for Re- investment £	Investment in Subsidiary £	Total £
Market value						
At beginning of year	6,018,489	4,955,672	10,974,161	72,193	100	11,046,454
Additions	459,567	353,953	813,520	-	-	813,520
Disposals	(1,297,599)	(102,520)	(1,400,119)	-	-	(1,400,119)
Revaluation in year	618,193	160,318	778,511	-	-	778,511
Movement in cash for investment	-	-	-	52,644	-	52,644
At end of year	<u>5,798,650</u>	<u>5,367,423</u>	<u>11,166,073</u>	<u>124,837</u>	<u>100</u>	<u>11,291,010</u>

	2024	2023
	£	£
Historical cost	<u>9,934,702</u>	<u>10,785,438</u>

The portfolios are managed by Baillie Gifford, Brooks MacDonald & Aubrey Capital Management. All investments are carried at their fair value. Investments in equities and bonds are traded in quoted public markets. Holdings in multi-asset funds are at bid price. The basis of fair value for quoted investments is equivalent to market value, using the bid price. Asset sales and purchases are recognised at the date of trade at their transaction value.

The main risk to the charity from financial instruments lies in the combination of uncertain investment markets and volatility to growth and incomes. The investment strategy is to maximise income and ensure capital growth of funds in excess of inflation each year and as such the portfolio is invested in medium to high risk stocks. Liquidity risk is anticipated to be low as all assets are traded in markets with good liquidity and high trading volumes and this is expected to continue. The charity manages these investment risks by retaining expert advisors to manage its investment portfolio.

The investment in subsidiary undertakings represents the cost of investments in ESMS Enterprises Limited, a wholly owned subsidiary company incorporated in Scotland with company number: SC139534 & GWC Trading UK Limited a wholly owned subsidiary company incorporated in Scotland with company number: SC588763. The results of ESMS Enterprises Limited and GWC Trading UK Limited in the year, which are not consolidated in these financial statements on grounds of immateriality, are as follows:

	2024	2023
	£	£
Profit/(loss) for the year	(6,888)	40,013
Gift aid donation to the Education Board	-	(40,013)
	<u> </u>	<u> </u>
Net assets/(liabilities)	(6,026)	861
	<u> </u>	<u> </u>

GWC Trading Limited was dormant in the year and has net assets of £1 (2023; £1).

16 Stocks

	2024	2023
	£	£
Prospectus, stationery and other	48,671	34,882
	<u> </u>	<u> </u>
	48,671	34,882
	<u> </u>	<u> </u>

Notes *(continued)*

17 Debtors

	2024 £	2023 £
School and boarding fees	157,236	159,127
Other debtors	775,438	991,134
Prepayments	3,082,469	2,398,845
	4,015,143	3,549,106
	4,015,143	3,549,106

18 Creditors: amounts falling due within one year

	2024 £	2023 £
Bank loan and overdraft	530,299	3,978,747
Trade creditors	1,846,626	2,707,000
Taxes and social security	1,884,970	2,404,666
Other creditors	530,636	1,226,306
Accruals	4,284,545	3,123,342
Finance leases	177,929	157,082
Deferred Income – note 20	12,047,229	3,389,724
	21,302,234	16,986,867
	21,302,234	16,986,867

19 Creditors: amounts falling due after more than one year

	2024 £	2023 £
Bank loans	6,040,847	6,601,519
Finance leases	-	236,317
Other creditors	53,300	31,100
Deferred Income – note 20	6,919,156	-
	13,013,303	6,868,936
	13,013,303	6,868,936

Analysis of bank loans due after more than one year

	2024 £	2023 £
Due within 2- 5 years	4,455,021	4,739,916
Due after more than 5 years	1,585,826	1,861,603
	6,040,847	6,601,519
	6,040,847	6,601,519

The Education Board has three loans with Bank of Scotland, repayable over the periods to May 2031, May 2036 and September 2037 respectively. Two of these loans are made up of an element of loan which is charged at a variable interest rate equal to the Bank of England base rate plus 1.65% and an element of loan which is charged at a fixed interest rate of 2.45% and 3.64%. The third loan has a variable element only, charged at base plus 1.85%.

The Education Board has two term loans with HSBC repayable over the period to November 2034, which attract interest at Base Rate plus 1.4% and a Revolving Credit Facility with HSBC, the rate of interest on which is Base Rate plus 1.6%.

Notes *(continued)*

20 Deferred Income

	2024	2023
	£	£
At beginning of year	3,389,724	2,934,541
Income released in the year	(3,389,724)	(2,934,541)
Income deferred in the year	18,966,385	3,389,724
	<hr/>	<hr/>
At end of year	18,966,385	3,389,724
	<hr/> <hr/>	<hr/> <hr/>

Deferred income relates entirely to school fees received in advance

21 General Fund

	2024	2023
	£	£
At beginning of year	41,058,367	41,900,374
Income in year	82,870,428	74,298,568
Expenditure in year	(84,617,271)	(75,112,981)
Transfers (note 22)	-	(27,594)
	<hr/>	<hr/>
At end of year	39,311,524	41,058,367
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

22 Restricted Funds

	At beginning of year	Income in year	Expenditure in year	Gains/ (losses)	Transfers	Total
	£	£	£	£	£	£
2024						
GW Family Foundation	5,815,418	1,293,146	(978,415)	204,084	-	6,334,233
Sport Scotland grant	1,139,685	-	(61,951)	-	-	1,077,734
Access to Excellence	5,458,564	455,339	(246,380)	394,287	-	6,061,810
Other smaller funds	397,031	262,380	(260,242)	-	-	399,169
At end of year	12,810,698	2,010,865	(1,546,988)	598,371	-	13,872,946
2023						
GW Family Foundation	5,404,500	1,771,598	(1,296,404)	(91,870)	27,594	5,815,418
Sport Scotland grant	1,201,636	-	(61,951)	-	-	1,139,685
Access to Excellence	5,598,178	518,645	(431,066)	(227,193)	-	5,458,564
Other smaller funds	410,456	239,515	(252,940)	-	-	397,031
At end of year	12,614,770	2,529,758	(2,042,361)	(319,063)	27,594	12,810,698

George Watson's Family Foundation – provides financial assistance for pupils who would otherwise be unable to attend GWC, provide support for pupils whose families experience short term financial difficulties maintain and develop the property and facilities of GWC. The Family Foundation is a registered charity, number SC004818.

Sport Scotland Grant – this was a donation received towards the National Cricket Centre and it is being released in line with the depreciation on the building itself.

Access to Excellence Fund – these are donations received through the Development Office at ESMS which are then invested to produce an annual income to enhance bursary provision

Other small funds – this is a collection of smaller funds with balances less than £50,000 and most relate to donations towards smaller capital items.

Notes (continued)

23 Permanent Endowment Funds

2024	Bursaries and scholarships £	Prizes and legacies £	Total £
At beginning of year	1,679,943	1,537,309	3,217,253
Income	58,680	54,189	112,869
Expenditure	(40,567)	(48,152)	(88,719)
Gains/losses on investments	101,916	78,224	180,140
	<u>1,799,972</u>	<u>1,621,571</u>	<u>3,421,543</u>
2023	Bursaries and scholarships £	Prizes and legacies £	Total £
At beginning of year	1,767,128	1,556,491	3,323,619
Income	79,229	26,410	105,639
Expenditure	(82,017)	(27,339)	(109,356)
Gains/losses on investments	(84,397)	(18,253)	(102,649)
	<u>1,679,943</u>	<u>1,537,309</u>	<u>3,217,253</u>

24 Net asset reconciliation

2024	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2024 £	Total 2023 £
Tangible fixed assets	58,011,882	1,077,734	-	59,089,616	59,543,497
Investments	100	8,217,589	3,073,321	11,291,010	11,046,454
Net current (liabilities)/ assets	(5,687,155)	4,577,623	348,222	(761,310)	(6,634,697)
Long term liabilities	(13,013,303)	-	-	(13,013,303)	(6,868,936)
	<u>39,311,524</u>	<u>13,872,946</u>	<u>3,421,543</u>	<u>56,606,013</u>	<u>57,086,318</u>
2023	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2023 £	Total 2022 £
Tangible fixed assets	58,403,812	1,139,685	-	59,543,497	59,457,268
Investments	100	8,113,162	2,933,192	11,046,454	11,496,164
Net current (liabilities)/ assets	(10,476,609)	3,557,851	284,061	(6,634,697)	(5,726,452)
Long term liabilities	(6,868,936)	-	-	(6,868,936)	(6,909,376)
Provisions	-	-	-	-	(478,841)
	<u>41,058,367</u>	<u>12,810,698</u>	<u>3,217,253</u>	<u>57,086,318</u>	<u>57,838,763</u>

Notes (continued)

25 Capital commitments

	2024	2023
	£	£
Authorised and contracted	1,424,161	479,071

26 Other financial commitments

At 31 July 2024 the Education Board had total minimum commitments under non-cancellable operating leases as follows:

	2024	2023
	£	£
< 1 year	585,720	593,914
Within 2-5 years	380,845	863,215
	966,565	1,457,129
Lease payments recognised as an expense	628,434	526,233

27 Financial instruments

	2024	2023
	£	£
Carrying amount of financial assets		
Assets measured at fair value through profit and loss	11,166,073	10,974,161
Carrying amount of financial liabilities		
Measured at fair value through profit and loss	-	-

Assets measured at fair value through profit and loss represent listed investments.

28 Contingent liability

Notification of claims for unspecified damages have been received in respect of historic allegations. The Education Board are currently investigating whether indemnity insurance was in place covering the dates of the alleged claims and as such, if any claim was successful, it is difficult to determine the financial extent to which the Education Board could be liable or the timings of any possible outflows.

Notes (continued)

29 Analysis of changes in net debt

	As at 1 August 2023 £	Non-cash movements £	Cashflows £	As at 31 July 2024 £
Cash in hand and at bank less overdrafts	3,271,503	-	13,205,607	16,477,110
Loans	(7,083,587)	-	512,441	(6,571,146)
Finance leases	(393,399)	-	215,470	(177,929)
	<u>(4,205,483)</u>	<u>-</u>	<u>13,933,518</u>	<u>9,728,035</u>
	<u><u>(4,205,483)</u></u>	<u><u>-</u></u>	<u><u>13,933,518</u></u>	<u><u>9,728,035</u></u>

	As at 1 August 2022 £	Non-cash movements £	Cashflows £	As at 31 July 2023 £
Cash in hand and at bank	2,073,719	-	1,197,784	3,271,503
Loans	(7,673,433)	-	589,846	(7,083,587)
Finance leases	(699,679)	-	306,280	(393,399)
	<u>(6,299,393)</u>	<u>-</u>	<u>2,093,910</u>	<u>(4,205,483)</u>
	<u><u>(6,299,393)</u></u>	<u><u>-</u></u>	<u><u>2,093,910</u></u>	<u><u>(4,205,483)</u></u>

30 Related parties

One member of the Merchant Company Education Board, five Governors of GWC, two members of key management of GWC, one Governor of ESMS and one member of key management personnel of ESMS have children who attend the schools.

One member of the Merchant Company Education Board was the Chairman of Scottish Council for Independent Schools and one member of key management of GWC was also a director in the year. During the year, membership fees totalling £54,420 (2023: £51,311) were paid to Scottish Council for Independent Schools. No amounts were outstanding at the year end.

One Governor at GWC was a director at Spktral Limited and in the year £4,680 (2023: £4,680) was paid to Spktral Limited in the year for pay gap analysis. No amounts were outstanding at the year end.

One Governor of ESMS was a director of Multiply UK Limited and in the year consultancy fees of £7,200 (2023: nil) was paid to Multiply UK Limited. No amounts were outstanding at the year end.

One of the Governors of ESMS was also a Partner of Shepherd and Wedderburn LLP. During the year £59,402 (2023: nil) was paid to Shepherd and Wedderburn LLP for legal services in the year. No amounts were outstanding at the year end.

One of the Governors of ESMS was also a Trustee of Social Bite Fund. During the year purchases of £2,988 (2023: nil) were made from Social Bite Fund. No amounts were outstanding at the year end.

31 Post balance sheet events

Subsequent to the reporting period date, reinforced autoclaved aerated concrete (RAAC) was discovered in areas of George Watson's College. In line with guidance, all affected areas have been closed off and temporary classrooms are being used until the issue is resolved. The estimated cost of dealing with the RAAC issue is expected to be around £2.2m.