



*The Fellowship
of the
School of Economic Science*

*Report and Financial Statements
for the year ended
31 December 2019*

The Fellowship of the School of Economic Science
11 Mandeville Place
London
W1U 3AJ

Executive Committee (Trustees):

Ian Mason (Principal to 20 July 2019)	Matthew McNeill (from 20 July 2019)
Stephen Silver (Principal from 20 July 2019)	Clive Meek (to 20 July 2019)
Andrew Purves (Treasurer)	Jeffrey Sapiro
Richard Glover (General Secretary)	Edward Saunders
William Brook	Susan Young
Anthea Douglas	

Co-Opted

David Willson (from 20 July 2019)
Nigel Pate (from 20 July 2019)
Stephen Silver (to 20 July 2019)

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1. Foundation and Vision

1.1. A Search for Truth

The Fellowship of the School of Economic Science (“the Charity”) was founded in 1937 to establish and maintain the School of Economic Science (“the School”) to teach ideas of economic justice derived and developed from the insights of the American economist Henry George. It soon became apparent that the answer to economic problems lay not just with economic systems but also with human understanding and in the early 1950’s philosophy courses were added to the economics programme. In 2019 the Fellowship adopted the new name, The School of Philosophy and Economic Science. Economics and philosophy courses were directed by the founder and Senior Tutor, Leon MacLaren from 1937 until his death in 1994. Since then they have been led and directed by the present Senior Tutor, Donald Lambie.

“It became very clear to me that there was such a thing as Truth and there was such a thing as Justice; and that they could be found and being found could be taught.”
Leon MacLaren

Philosophy in the School quickly took a practical bent, focusing on the need to awaken human consciousness through coming to rest in stillness. This in turn led to a meeting in 1961 with the Maharishi Mahesh Yogi and the adoption of mantra meditation as a key feature of the School’s approach to understanding and practice of philosophic principles.

Leon MacLaren later met with Shri Shantananda Saraswati, a teacher of the philosophy called Advaita or non-duality, which has since become central to the School’s work in both economics and philosophy. Parallels were found among many philosophers and writers from the world’s philosophical, theological and literary traditions which, through practical application in daily life, led to deepening understanding of human nature and the application of philosophic principles in personal and social life.

Courses in economics and philosophy continue to develop from a growing understanding of the philosophy of non-duality. They work by encouraging personal practice and observation and enquiry shared in groups of like-minded people, whose collective experience facilitates the development of individual understanding.

1.2. Aim of the School of Philosophy and Economic Science

The School aims to be a centre of spiritual and practical knowledge and enquiry for people leading everyday working and family lives. The intention is to help individuals lead full, rich and useful lives, to be of service in society and to evolve the spiritual aspect of their being in accordance with natural laws.

*“The Aim is Truth; and Truth as we now know is beyond creation.
It is the Self of every living creature. That is the aim. That is what it is all about.”*

Leon MacLaren

The School is committed to an ethic of lifelong learning and development. Many students continue to attend classes throughout their adult life, also providing the voluntary service upon which the School depends, while also contributing to the wider community in whatever ways they can. The School's educational aims and the study opportunities are all based on the philosophical view that humanity is united in a common conscious essence and that natural laws offer the possibility that human beings can live in freedom and prosperity without exploitation or misuse of nature. From those foundations, studies extend into many other fields including Language, Renaissance studies, Plato, Art, Music, Law, Government and Education.

2. *Objects of the Charity*

2.1. The Rules set out the Objects of the Charity

The Objects are:

- 1) To promote understanding of the natural laws governing humanity through the study and practice of philosophy and economics and any other relevant subject, including the laws, customs and practices by which communities are governed.
- 2) To disseminate by all lawful means knowledge of the matters referred to in (1) hereof.
- 3) To promote any art or science, to produce, print, publish and circulate any periodicals, books and works of art.
- 4) To organise a School for the furtherance of these objects, such School to be known as the School of Philosophy and Economic Science.
- 5) To advance for the public benefit education in the United Kingdom and in particular by establishing or maintaining or assisting one or more schools for children.

Object 6 contains various provisions to assist the furtherance of the above objects, including the acquisition and holding of land and chattels, funding, the provision of library facilities, etcetera.

2.2. Carrying out the Objects of the Charity

The Objects of the Charity are carried out through the School of Philosophy and Economic Science, established and maintained in accordance with Object 4. Through the School in London and its 17 regional Branches, the Fellowship offers courses to the public at some 40 locations throughout England and Scotland. The School also offers

courses online, available to students wherever they are. The courses themselves are directed by the Senior Tutor.

The School also provides study materials and other support to many associated schools offering the same or similar courses in 14 overseas countries. Close contact is maintained with these Schools through regular visits by the Senior Tutor and others and through the provision of study materials. The leaders of associated Schools attend meetings in the UK from time to time and students from associated Schools often attend residential events in the UK. These arrangements enable the work of the School to reach many thousands of students in the UK and other parts of the world.

2.3. Guiding principles – service without reward

The Charity and the School are guided by three core values or principles. They are:

- love of truth and justice;
- learning and teaching;
- voluntary service

Service without seeking individual benefit or reward is central to the ethos of the Charity. The School's courses, based on the principle of learning and teaching and guided by a love of truth and justice, are provided voluntarily by students whose own studies have progressed sufficiently to enable them to pass on what they have learned to others. Much of the administration as well as renewal and maintenance of premises is also provided on the voluntary principle as part of the practical application of philosophy. Only the weekday office staff at Mandeville Place and a few other persons are full or part-time paid employees. No-one is paid or allowed to derive financial benefit from providing teaching services in the School.

The day-to-day management of the Charity is undertaken voluntarily by members of the Executive Committee, Branch Leaders and advisers and assistants appointed from within the Fellowship and student body. Student volunteers also staff the refreshment and bookshop facilities that support classes and other events.

2.4. Charity

The Charity is registered in England and Wales as Educational Charity No. 313115. It is also registered with the Office of the Scottish Charity Regulator under registration number SC039950. The governing instrument of the Charity is the Rules of the Fellowship of the School of Economic Science as amended at the Annual General Meeting of 20 July 2019.

2.5. Public Benefit

Practical Philosophy and Economics with Justice courses are open to everyone and are

widely advertised. Course fees are kept to a practical minimum. There are concessions for those on low incomes or experiencing financial hardship. Capital expenditure is largely met out of accrued financial resources together with bequests and from voluntary donations from students who can afford to contribute more than the regular fees.

Courses are offered at some 40 locations in the UK and three times a year in most of them. Online courses are also available.

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the aims and objectives and in planning activities and setting policies for the year ahead.

3. *Delivering the Objects*

In accordance with the Objects and in response to observed needs, additional studies founded on the philosophy of non-duality have developed. These include: Law, Fine Arts, Language (particularly Sanskrit) and Renaissance Studies.

3.1. Philosophy

The practical philosophy courses take inspiration from the principle of non-duality. They draw on the wisdom and practical experience of thinkers, writers and philosophers from many traditions and ages with particular reference to the philosophy of Advaita as expounded by His Holiness Shri Shantananda Saraswati and His Holiness Shri Vasudevananda Saraswati.

The courses treat philosophy as a personal and practical attitude to life and its opportunities, enabling people to deepen and develop an understanding of life and of themselves. They are not academic courses such as would be followed in a university but develop as far as possible on practice and experience. They are intended for people with everyday working and family lives.

For this reason the School's courses are based on weekly evening and daytime classes. These are supported by weekend activities. Weekend and week-long residential seminars are available to students who have studied in the School for some time. Residential centres in the UK are located at Waterperry House in Oxfordshire, Nanpantan Hall in Leicestershire and Brinscall Hall in Lancashire.

Introductory philosophy courses are offered at every location other than the residential centres. In London they are offered on four weekday evenings and on Saturday mornings, but elsewhere the frequency of these courses varies from location to location according to the available resources and demand. Online courses are also available. At present, students attend the online classes from several continents (North America, Africa, Asia, Australia and Europe) and time-zones.

Ctrl+alt+retreat is a retreat available for young people aged 18-40 who have had some contact with the School. The aim is to provide young people with the space to discover more about themselves and to connect with their essential nature and potential.

The School provides further studies based on philosophical texts in philosophy and other disciplines on Saturday mornings in London under the umbrella 'Horizons' programme.

In London and in many of the branches across the country the regular philosophy courses are supplemented by talks and presentation offered by students in various aspects of philosophy and related studies, based on their personal interests and experience. Many of these talks are open to friends, family and the wider public.

3.2. Meditation

The School has found that exploring natural laws governing the inner life requires a method of cultivating inner stillness and for this purpose students are offered an introduction to the practice of mantra meditation after a few terms' study of philosophy. Thereafter, regular practice of meditation is central to the study and practice of philosophy. The value of meditation has become very widely accepted in recent years and the Fellowship is pleased to support and participate in that development with the benefit of over 50 years' experience of continuous practice. There are regular sessions of lunchtime meditation practice at Mandeville Place that are open to the public and tutorials are always available for seasoned meditators.

3.3. Economics and Law

The study of economics arose from a deep desire for justice and equity rather than the prevailing economic injustices in society. The direction is towards helping anyone interested to discover and understand the natural laws that govern human society. It aims to formulate and propose principles upon which a more natural and just economic system and associated laws can be established, encouraging freedom, prosperity and happiness for all.

Economics with Justice is presented as a human and social subject, with principles derived from modern and ancient wisdom and observable today in the universe, in human relationships and in our individual lives. The School offers the view that economics needs to be founded on principles of justice and equity, and that economic injustices indicate failures to understand or observe these principles in economic policy. Major problems of contemporary economic life are examined from this perspective, and practical policies and principles offered. There is an introductory ten-week course offered in London several times a week with two further courses each offered once a week. Courses are also offered at some branches, as well as through a growing presence online.

The School provides for students to continue their studies for as long as they wish, deepening their understanding of economic principles and broadening their application to contemporary issues. There are Further and Advanced economics groups that meet on a weekly basis, and an economics study group which meets three times a term and for a residential week once a year. Guest speakers are invited to Mandeville Place, either on occasional Saturday afternoons, or for a full day's annual Colloquium.

The School is a corporate member of the Coalition for Economic Justice, a loose association of charitable and other groups with a common interest in the establishment of economic justice on similar principles to those taught in the economics course. Some meetings of the Coalition, and also meetings and courses held by another coalition member, the Henry George Foundation, are hosted at the School's premises at Mandeville Place in London. The School has also hosted meetings and events for Promoting Economic Pluralism, an organisation campaigning for wider economics syllabuses in universities. The School's policy is to be open to informal links with like-minded people and organisations whose objectives are compatible with the Fellowship's Objects.

3.4. Promoting the Arts

To meet Object 3 (the promotion of the arts) supplementary studies undertaken by groups of students within the School include an art group, a music group and choir, translation groups and many others. Calligraphy is practised both as a fine art and as a reflective practice in fine attention. The School's choir Discantus gave a number of public concerts at the School's main building in Mandeville Place, London and elsewhere.

Waterperry has been a centre of excellence in horticultural arts and science since before the Fellowship acquired it and has been maintained and developed as such. Through Waterperry Gardens Limited ("WGL") the School provides horticultural courses recognised and accredited by the Royal Horticultural Society and the Royal Botanic Gardens, Edinburgh as well as training, recreational and horticultural facilities for public use and enjoyment. Waterperry is a Royal Horticultural Society Partner Garden. The ornamental gardens are recognised nationally. It is a well-known centre of expertise in herbaceous gardening, apple and pear cultivation and also houses two national collections of alpine plants, one of which, in a joint exhibit at the 2017 RHS Hampton Court Palace Flower Show, was awarded a Silver Gilt Medal.

The fresco paintings created by the Art Group of the School at Waterperry House are open to the public each week. The guided tours are particularly popular.

In addition, the Charity encourages and supports the arts through various activities at Waterperry Estate and elsewhere, including dramatic and operatic performances in the theatre. WGL also offers public courses in various arts and crafts and steps are being

taken to develop the estate as a host venue for festivals and exhibitions.

3.5. Language

The Sanskrit Faculty continues to make a substantial contribution to the study of the Sanskrit language in the UK and elsewhere through its established courses, ranging from introductory to advanced levels. The study of Panini grammar is proceeding, as is the study of Sanskrit literature and traditional chanting. The annual International Sanskrit Conference took place at Waterperry House and the number of international online groups, principally for Introductory Sanskrit, has grown significantly. The School also supports academic research and a translation of a further Sanskrit text attributed to Adi Shankara is under way.

Work continues on the translation of *The Letters of Marsilio Ficino* which have been a major contribution to the revival of academic studies of this previously little known but extremely influential Renaissance philosopher. Numerous presentations and courses were organised across the branches. These works have been welcomed around the world, by academics and lay people alike, for their spiritual and philosophical content as well as for their cultural and historical significance. *The Heythrop Journal* commented, "... so well translated, so well annotated and so beautifully produced that it is a pleasure to read and possess."

3.6. Publications

During the year work has proceeded on a 4-volume edition of the conversations between Maharaja Sri Shantananda Saraswati and Leon MacLaren. The third and fourth volumes were published in 2018 and a detailed Index was published in 2019.

An extensively revised edition of Volume 1 of *The Letters of Marsilio Ficino* was published in 2018. Nine further volumes have appeared since the first edition of Volume 1. Volume 11 is close to being ready for publication in 2020.

The School publishes books and audio recordings of lectures and presentations given in the Philosophy, Sanskrit, and Economics and Law faculties.

The School also gives financial support to Dr David Horan for a new translation into English of the complete works of Plato.

3.7. Education

In response to a need identified by parents of young children for a more philosophically principled and holistic education than was then available, students in the School were instrumental in establishing The Independent Educational Association Limited (IEAL) in 1975. The IEAL is a separate and independent charity that operates the St James Independent Schools for children.

Some years ago students in the School established another separate charity, the Education Renaissance Trust, which aims to support and encourage similar initiatives in the field of education. There continue to be close links with this organisation and the School supports its work by providing accommodation and other facilities from time to time.

The School has also provided financial support to the St. James School in Durban, South Africa, helping to bring much needed educational opportunities to primary school children for a more principled and holistic education.

The School also supports the Jyotirnidhi Nyasa Trust, whose principal object is to advance education in Vedic philosophy and the Sanskrit language in India and elsewhere. It is agreed that, subject to available finances, the Fellowship will make annual donations of about £10,000 to support the work of this sister charity.

The purpose of these educational ventures is to advance for the public benefit an holistic education for children which takes full account of their spiritual, mental, emotional and physical needs. The children's schools are highly respected and recognised as leaders in exploring and using such added dimensions to children's education. Although they are independent charities, their aims and methods are entirely consistent with those of the Fellowship.

4. Governance

4.1. Structure

Senior Tutor

The Senior Tutor, Donald Lambie, is responsible for the general philosophic and educational direction of the School's work and for the scope and content of study material. The Senior Tutor is also responsible for the appointment of tutors and Branch Leaders, all of whom are volunteers.

There is close communication with the Trustees in relation to these matters through regular meetings between the Senior Tutor and the Principal, bi-annual meetings with the Executive Committee and through the Trustees' active participation in the work of the School. The Senior Tutor does not receive any salary from the Charity, although expenses are paid and accommodation and paid assistance are provided to enable him to fulfil his role. The Senior Tutor has no control over the finances of the Charity.

Trustees

The Trustees of the Charity are defined by the Fellowship Rules, which were amended at the AGM of 20th July 2019. Prior to the amendment, the Charity Trustees were the elected

members of the Executive, but the new rule 12(5)(b) includes co-opted members as well.

Outgoing trustees at the AGM were Ian Mason and Clive Meek. Ian Mason stepped down after over 20 years on the Executive and 11 years' devoted service as Principal.

The AGM elected a new Executive Committee, including Stephen Silver as Principal and Andrew Purves as Treasurer. Co-options were decided at an Executive Meeting held immediately after the AGM. Assignment of specific responsibilities and sub-committee memberships were decided at that same or the subsequent meeting. The trustees and their responsibilities are shown here:

Stephen Silver (Principal) (4) (7)	Andrew Purves (Treasurer) (1) (2)
Richard Glover (General Secretary) (1) (3)	Susan Young (5)
William Brook (9)	Edward Saunders
Anthea Douglas	Jeffrey Sapiro (5) (6) (8)
Matthew McNeill (9)	David Willson (co-opted) (1)
Nigel Pate (co-opted) (7)	

Notes:

- (1) Member of the Finance Sub-Committee
- (2) Member of the Investment Sub-Committee
- (3) Member of the Risk Management Sub-Committee
- (4) Member of the Staff Sub-Committee
- (5) Member of the Creative Projects Sub-Committee
- (6) Member of the Elderly and Vulnerable Students Committee
- (7) Member of the Advertising and Communications Committee
- (8) Member of the Membership Committee
- (9) Member of the Technology Sub-Committee

The Fellowship meets in an Annual General Meeting to receive the Report of the Trustees and the Financial Statements, and to elect the Officers and other members of the Executive Committee and the Membership Committee for the following year. A quorum of two-thirds of Ordinary Members is required. Associate Members may attend General Meetings but may not vote.

The Principal and the Treasurer are elected annually under Rules 8 and 9 respectively. The Principal is also the Chair of the Executive Committee and of the Fellowship. Each of

the Trustees can be contacted via the School's head office at 11 Mandeville Place, London W1U 3AJ.

Membership Committee

Four members of the Membership Committee are elected annually at the AGM and a Trustee is appointed by the Trustees to serve with them. The members of the Membership Committee are:

Sally Ostrowska (Chair)
Bartholomew O'Toole (Secretary)
Sine Pickles
Barry Scott
Executive representative: Jeffrey Sapiro

Any person currently enrolled on a Philosophy or Economics course in the School of Philosophy and Economic Science (Rule 3) is eligible for membership of the Fellowship.

The Membership Committee continues to monitor the breadth and strength of the membership of the Fellowship. During the year four persons ceased being a member, and another three died. 11 students accepted the invitation to join the Fellowship from across all UK Branches.

The membership of the Fellowship at 31 December 2019 consisted of 219 Ordinary Members and 63 Associate Members. Fellowship members are appointed by the Executive Committee on the recommendation of the Membership Committee in accordance with Rule 3 and Rule 12 (9).

Property Trustees

Because the Fellowship is an unincorporated association, Rule 15 provides for the appointment by the Trustees of not more than five nor less than three Property Trustees for the purpose of holding and dealing with "any freehold or leasehold properties from time to time acquired by the Fellowship and the proceeds of sale thereof and all monies or other property of the Fellowship in their hands upon the terms of a Trust Deed....".

The current Property Trustees appointed by the Executive Committee are:

Ian Mason
John Meltzer
Hugh Venables

Endowment Fund Treasurer

Bart Dunlea was re-appointed to the role of Endowment Treasurer following the AGM.

4.2. Trustee Election, Induction and Training

Under the Rules of the Fellowship, the Trustees are elected by and from the Ordinary Members of the Fellowship who have invariably obtained considerable knowledge and experience of the work of the Charity, both before becoming members of the Fellowship and then through receiving annual reports and financial statements. On appointment Trustees may see past minutes and agendas of the Executive Committee and are encouraged to question any member of the Committee, and the Internal Auditor, about any aspects of the Committee's business or the general administration of the School. New trustees are also encouraged to read the Charity Commission guidance on the role and responsibilities of trustees.

From time to time external advice is sought as to the appropriateness and efficiency of the Charity's governance.

4.3. Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Report of the Trustees and Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England, Wales and Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the period and of its financial position at the end of the period. In preparing financial statements the Trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and statements of recommended practice have been followed, subject to any 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 Charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Charity, and to enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the provisions of the Rules, 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees and staff, through the Finance sub-committee meetings, continue to improve the financial accounting practices in recognition of their obligations and in response to the advice from the Charity's auditors. In particular, a 5-year budget for property maintenance is renewed annually. A Finance Manual was adopted in 2017. It will be reviewed in 2020.

4.4. Management arrangements

The day-to-day management of the Charity is undertaken on a voluntary basis by the members of the Executive Committee, supported by the Branch Leaders, together with advisers and assistants appointed from within the Fellowship and the student body. The volunteers are supported by a small and dedicated team of full- and part-time paid staff.

The School year is divided into three terms, and the Executive Committee normally meets three times each term, with additional meetings arranged as necessary to deal with any matters requiring urgent consideration. At least twice a year the Executive Committee meets for a full day to consider matters of a more strategic nature outside the normal run of business.

The Branch Leaders, as local representatives of the Executive Committee, are provided with clear Terms of Reference. Branch Leaders typically meet around the end of January with the Senior Tutor and the Principal for a three-day residential period during which Trustees attend to speak about and discuss current issues and matters relating to the management and organisation of the School and Branch Leaders' roles as Trustees' representatives. The aim is to allow the Branches as much autonomy as possible while maintaining the unity of the School as a whole. The current Executive member with particular responsibility for liaison with the Branches is Nigel Pate, who is himself a Branch Leader.

Decisions on matters of policy and strategy are made by the Executive Committee on behalf of the Fellowship in consultation, where appropriate, with the Senior Tutor. Decisions relating to the day to day operations of the School are implemented by the relevant person within the management structure, and within the policy and strategy framework as set out by the Executive Committee.

There is provision in Rule 19 for an officer, or two or more members of the Executive Committee, or at least ten Ordinary Members to call an Extraordinary General Meeting of the Fellowship at any time to discuss and vote upon matters of major significance (e.g. major changes in policy or strategy, proposed actions outside the scope of established policy etc.).

An Extraordinary General Meeting was called on 30 March 2019 to consider a proposed change to the Charity's Objects in order to articulate more clearly the core focus of the Charity's work. A motion proposing an alteration to the wording of the primary object of the School, passed at the EGM in March 2019, was adopted at the AGM in July 2019. This supported the principles underlying the resolution agreed at the EGM. The final primary object of the Charity adopted is set out in Section 2.1 above.

4.5. Staff

The management support team continued to work well, led by the General Manager, Laura Counsell, under the direction of the Principal.

The Trustees extend their grateful thanks to Laura Counsell and her team for approaching their task with energy and efficiency while engaging fully with the ethos of the School.

Remuneration Policy

The Fellowship aims to pay its employees a fair salary commensurate with their skills and level of responsibility, comparable to the private sector. There is an annual pay review in April, which aims to keep pay increasing in line with the real cost of living in London. The School contributes 7% of gross salary to the pension fund of each employee and has offered all employees pension advice. One employee earned more than £60,000 during the year ending December 2019.

4.6. Committees & Sub-Committees

There are six sub-committees appointed by the Executive under Rule 12 (7): Finance; Investment; Risk Management; Staff; Technology; and Creative Projects. The Trustees are also represented on the Advertising and Communications Committee and the Elderly and Vulnerable Students Committee, which are otherwise appointed from among the student body.

Advertising and Communications Committee

Attracting new students to the School remains a high priority as offering courses to the public is the main means of fulfilling the Charity's Objects and the most visible public benefit provided by the School. Advertising and its effectiveness are kept under constant review by the Advertising and Communications Committee. Advertising for Branches within the UK is administered locally under the direction of each Branch Leader who holds the responsibility for advertising the Branch and for its budget. In London, the primary form of advertising has been through cross track posters on the London Underground. These are now supplemented by print advertising, social media advertising, and search engine advertising; this is supported by the School's website, providing information and the primary means of enrolment. Advertising is expensive,

particularly in London, and hence the Advertising and Communications Committee seeks to encourage personal referrals and generally to promote the School's reputation.

After five years of offering Part one Philosophy and Economics, 'free' save for a £10 administration fee, the impact seemed to have diminished, so it was decided in the summer of 2019 to return to a fee-based course. The full fee for Part One is £120, and a 50% reduction was offered for enrolment in September 2019. After the reintroduction of a fee, the enrolment was very low, and this decision will be further reviewed by the committee in 2020.

Elderly and Vulnerable Students Committee

This committee meets every 4 – 6 weeks to implement the School's Policy for the Protection for Elderly, Disabled or Vulnerable Students; it reviews the current list of those students no longer able to attend courses due to age, disability or other vulnerability; it aims to ensure that they receive adequate care, support and protection to enable them to participate as fully as possible in courses and activities of the School. The sub-committee provides advice and resources to vulnerable students and their carers on spiritual and practical matters as well as visiting those who are house-bound or living in residential care.

Risk Management Sub-Committee

The Trustees are required to certify each year that the major risks to which the Charity is exposed have been assessed and that appropriate steps are being taken to minimise those risks. A comprehensive risk management structure is in place and is kept under regular review. The trustees have overall responsibility for risk within the Charity. Each Executive Committee meeting has Risk as an agenda item during which each member is given the opportunity to report on risks drawn to their attention.

Management of risk is co-ordinated and given general attention through the Risk Management Committee which is chaired by a trustee and meets around five times during the year. Each UK Branch has an appointee with particular responsibility for risk management.

The Risk Management Handbook documents and explains how risk assessment and its mitigation are to be conducted. This is one of the Charity's policy documents. The Risk Management Committee introduced a Charity Risk Register along the lines recommended by Charity Commission guideline CC26. It covers the areas of

- Governance
- Operational Risk
- Financial Risk
- External Risk
- Compliance Risk

Policies of the Charity are kept under review by the trustees. They are made available

on-line to all those with significant responsibilities such as Branch Leaders, Bursars and Trustees. These are reviewed at least every 3 years.

Specific risks addressed during the year included:

- Minor theft at a residential property resulting in increased security measures.
- Inadequate rigour during emergency evacuation drills, resulting in a review of practice and procedure.
- Minor accident during Charity activity outside of Charity property, resulting in guidance being issued to persons with relevant responsibility.

Finance Sub-Committee

The Executive Committee has appointed a Finance Sub-Committee chaired by Andrew Purves as Treasurer. The Finance Sub-Committee supports the Treasurer in providing the Executive Committee with regular reports on the financial position of the Fellowship and forecasts of income and expenditure.

Investment Sub-Committee

In December 2010, acting upon the advice and recommendations of the Investment Sub-Committee, the Executive Committee placed funds to the value of £4,000,000 with two investment fund managers, listed on page 2. In the period since then the market value of these investments has fluctuated within the expected range. One of the Trustees (to July 2019), Clive Meek is an employee of Heartwood Wealth Management; conflict of interest was avoided through his non-involvement in decisions related to investment while he was a trustee. The investment strategy is reviewed every year, including in 2019, and the Executive Committee decided to continue with the same investment managers.

Staff Sub-Committee

The Staff Sub-Committee, chaired by the Principal and including the General Manager, is responsible for staff policy, recruitment, disciplinary matters and other HR related matters. It meets at least once a term and in addition the Principal and General Manager will consider any staffing issues at their regular weekly meetings.

Technology Sub-Committee

The Technology Sub-Committee investigates technical matters of any sort when asked to do so by the Executive and may provide technical guidance or assurance to the General Manager as required.

Creative Projects Sub-Committee

The Executive occasionally gets requests for support to students in the School who wish to carry out particular projects. The sub-committee evaluates the requests and provides recommendations to the Executive for whether or not the project should be supported.

4.7. Properties

The Fellowship owns a number of properties in the UK, which are mainly used for delivering the School's courses in furtherance of the Objects. Five cottages at Waterperry, the Lodge at Nanpantan and other properties are used either to accommodate essential staff or to provide income to the Fellowship.

In addition to its residential premises, the Fellowship owns nine other freehold properties and one long-leasehold, used for the purpose of delivering its courses. Otherwise, many Branches take premises on short leases or occupy premises under licence to deliver courses.

The Trustees consider that it is essential to find ways to create more income from spare capacity at all three residential properties to help balance income and expenditure as soon as possible.

Mandeville Place is in a prime central London location. Most of the School's own classes meet in the evening, which allows for meeting rooms to be hired out during the day on a commercial basis. The office staff have been successful in finding primarily educational and charitable organisations that can hire rooms on a regular basis, which provides a balance of reasonable income without being too demanding on the building's facilities and staff.

The upgrading of Nanpantan Hall was completed in early 2019 and provides an improved residential experience for the School's own activities, and enhanced possibilities for letting to like-minded organisations as well as weddings and other events, and for renting out the coach house for additional income.

When the Waterperry Estate was acquired in the 1970s there was an established horticultural centre, which the School maintained and expanded consistently with Object Three (promote any arts or sciences). The horticultural centre is now run as a separate trading entity known as Waterperry Gardens Limited (WGL). WGL is wholly owned by the Fellowship. Waterperry continues to command international renown for the formal gardens, which are supported by a garden shop, tea shop, gift shop and art and crafts gallery.

Investment in infrastructure at the Waterperry Estate is making it a much better visitor attraction, which in turn enables WGL to contribute more to the Fellowship's income, while also enhancing the Estate for the Fellowship's own residential and teaching purposes. Such investment has been achieved by raising income or capital from those assets not directly related to our 'core business' of providing an environment and opportunities for students to study and practise and the Executive Committee continues to look for opportunities to increase direct income from the Charity's assets.

WGL has developed strongly. There have been numerous enhancements that have contributed to significant increases in visitor numbers and more consistent profitability, notwithstanding meteorological challenges.

The year's substantial profit meant that WGL did not draw on the Fellowship for its usual winter cashflow loan - at least until the Coronavirus forced the business to close in late March.

Apart from serving the public, WGL also maintains the Waterperry estate and makes an important contribution to the local economy and employment. Students on the School's residential courses at Waterperry enjoy the benefit of the beautiful gardens and setting.

The financial results of WGL are consolidated with those of the Fellowship and are included in the Consolidated Statement of Financial Activities and Group Balance Sheet. A separate Balance Sheet has been prepared to show the position of the Charity alone.

4.8. Achievement and Performance

The School is not a public fund-raising charity and does not set fund-raising targets or specific aims for expansion. The main sources of funding are fees from courses, gifts, legacies, and returns from investments. Steps continue to be taken to find supplementary sources of income and to safeguard the value of the Charity's assets.

At the close of 2019 there were more than 2,900 students enrolled in London and the Branches. Since its foundation in 1937 the School has provided courses to tens of thousands of people in the UK; in London over 56,000 students have attended philosophy classes. While the Executive Committee would always like to see larger numbers of enrolled students, the priority of the School is always to meet the needs of students attending courses.

The following activities have been undertaken:

- The School continues to organise courses, seminars and events to enable students to present the findings of their studies to a wider public.
- Contact continues to be made and maintained with like-minded organisations in order to collaborate with them in the development of common fields of study.
- Work on advertising and promoting public courses as cost-effectively as possible has continued, particularly with increased use of electronic communications and social media.
- Budgets continue to be carefully reviewed to enable the Charity to function within its means. Following a more detailed survey of all our buildings, an annual maintenance budgeting system was introduced, designed to allow Bursars to plan at least five years ahead for major projects, and to give

members of the Executive a more realistic view of the likely cost of maintaining our buildings for the foreseeable future.

- The use of the School's residential properties has also been reviewed to identify means of making better use of the facilities.
- The Executive Committee is delighted with the progress made in room hire at Mandeville Place, and at Nanpantan Hall. The investment in Nanpantan Hall, started in 2018 and concluding in 2019, has had a positive impact in both external events and the development of the Hall as a residential centre. Waterperry House has facilitated a number of events, such as the Waterperry Opera Festival and the Storytelling Festival, which are commercial activities sympathetic to our aims and which build on the legacy of Art in Action.

4.9. Development Plan

As noted in last year's report, the Trustees recognised the need for a new Development Plan. Following the AGM in July 2019, the newly elected Principal has started working with the Executive Committee to review and renew the strategic vision for the charity. There are three interrelated factors: the lower than hoped enrolment numbers, a continuing drain on our financial reserves and the cost of some of our properties. This work will continue in 2020.

5. *Financial Review & Results*

The consolidated Statement of Financial Activities which accompanies this report shows that the Group suffered a deficit in the 12 months to end December 2019 of £172,000. Due to an error in the valuation of an investment property in 2018 (see note 14 below) we decided to restate the result for 2018, turning the surplus for 2018 of £799,000 into a deficit of £950,000 for the year. While the error was unfortunate, the outcome for the two years 2018 and 2019 demonstrates less volatility in our results.

The Charity's income from courses was slightly higher than in 2018, due to a small fee increase during the year, despite the continued decline in overall student numbers. Voluntary income for the year was £279,000, slightly lower than in the previous year. Donations and gift aid were £171,000 compared to £127,000 for the prior year, and the Trustees are very grateful for ongoing annual donations, as well as legacy income.

Two new events took place at Waterperry during the year – Handmade Oxford, and Celebrating Ceramics, in addition to the Opera Festival. The Storytelling Festival did not take place in 2019, due to preparations for the International Leaders' Conference, but was planned to return in 2020 (subject to viral events!) The use of the Waterperry Estate by independent event organisers not only generates rental income for the School, but has

transformed the business model for the Garden Centre, leading to a near tripling of profit in 2019. Waterperry Gardens Limited generated a profit of £105,000, compared to £34,000 in the previous year, and full credit should be given to the Steward at Waterperry for his new strategy, as well as his enthusiastic team in the trading subsidiary. The brown signs to Waterperry Gardens on the M40 motorway continued to bring record numbers to visit the Gardens.

The total Charity expenditure increased during the year, reflecting further investment in property maintenance and the completion of the Nanpantan building project.

5.1. Net Gain on Investments

The total gains for the year were £264,000 compared to a loss of £623,000 in 2018. These total gains included £260,000 of listed investments in 2019, compared to a loss of £220,000 in 2018.

The overall fall in the value of listed investments from £3,634,000 to £3,278,000 for the Group was due mainly to the higher withdrawal of funds to cover our operational deficit.

Our investment strategy is kept under review and the Trustees are confident that the investment management approach is satisfactory in the current climate, maintaining a balance of risk and opportunity.

5.2. Investment Income from Property and Shares

Gross investment income for the year was again higher at £185,000 compared to £179,000 in the previous year, reflecting a full year of income from Sedlescombe Road, and the commercial lease of another Studio at St Oswald's, despite a three month void in the letting of 87 Brook Green. Income from other investments fell by £1,000 to £45,000.

5.3. Reserves Policy

The Charity requires financial reserves to maintain and advance its activities for the following reasons:

- To retain its holdings free of debt,
- For operational purposes, to maintain properties, (with a net book value at 31 December 2019 of £16,025,000), equipment, etc, which are used extensively for educational and residential purposes in accordance with the Charity's objects.

Property ownership provides long term security of tenure, a measure of financial resilience, the opportunity for higher standards of maintenance, facilities adapted to the Charity's specific requirements, and for lower running costs in the long term than occurs with a dependency upon rented accommodation.

Free Reserve (excluding funds held in investment portfolio) – £1.9m

The free reserve is the balance of total funds (£26,215,000) less the value of those funds already identified as:

- Restricted funds; £440,000
- Designated Funds + Opportunity reserve; £2,000,000
- Tangible Fixed assets; £16,025,000
- Investment properties; £5,892,000

Total free reserve: £1,858,000

The Trustees consider that an adequate target level of Operating Reserve is approximately £1.7m. This would provide sufficient reserves to meet the charity's running costs for a period of 6 months in the event of major disruption to our activities.

This fund would also be used to provide financial support from the Charity fund to the Benevolent Fund, as referenced in the note about Designated Funds. The balance is held to cover operating deficits, until such time as these can be eliminated.

The Trustees will invest the surplus funds in line with our investment policy.

5.4. Designated Funds

Building and Capital Asset Reserve – £1,000,000

This fund is used for the following purposes:

- To hold building acquisition funds for purchasing additional accommodation, particularly in the larger branches (currently without property), where many students attend classes held in rented accommodation. Finding suitable premises with consent for educational use in the right location is difficult, so there are only limited opportunities for the Charity to make such investments.
- This Fund can be used for buildings improvement and refurbishment either from the interest earned thereon or from the capital itself. In recent years fees and other sources of income have been insufficient to cover such expenses, and this situation is expected to continue. This fund is also part of the Designated Fund.

Opportunity Reserve – £1,000,000

The Opportunity Reserve is intended to provide funds to meet special targets of opportunity or need that further the mission of the organisation, which may or may not have specific expectation of incremental or long-term increased income. The Opportunity Reserve is also intended as a source of internal funds for organisational capacity building, such as staff development, research and development, or investment in infrastructure that will build long-term capacity. The target amount of the

Opportunity Reserve will be determined by the Executive Committee.

The Trustees will review the designated funds of the charity in the forthcoming year and update as necessary.

5.5. Investment Policy

During the year the Trustees continued to hold investments with Heartwood and Ruffer, referred to on page 2 above. Other funds were also placed in deposits with major UK banks. When the investments were placed with Heartwood and Ruffer, it was anticipated that the funds would generate net gains of 3% per annum. Although this has not been consistent, the performance has been in line with general market outcomes. The Trustees reviewed the investment policy early in 2020, and remain happy with the advice of the Investment sub-committee, to keep the level of risk in line with reward. The balance of investments has moved from Funds held outside the Charity to properties owned by the Charity, which the Trustees believe is in the long-term interest of the Charity.

5.6. Post Audit Events

Since the year end, the Covid-19 pandemic has inevitably had an impact on our operations, and we set out below this impact under various headings:

Response and Operations

As the extent of the pandemic spread, a decision was taken on March 16th to suspend all physical group meetings and events in School buildings, and move online using the Zoom platform. We had been running online courses on Zoom for almost 13 Years, and the transition was as smooth as could be expected. At the same time, a decision was made to offer all new Part One courses online for the summer term, free of charge. Fees for Part Two, up to the New level were adjusted to take account of this. Non-residential Senior School and M Stream fees were not changed, but in May a letter was sent to all students offering a 10% discount, with additional remission of fees for those financially affected by the pandemic on request. A small number of students have taken up this offer, and the Trustees are grateful to all students for their continued support for the work of the Charity. We are also grateful for the generous donations made over and above the normal fees.

At the same time, a change in the advertising strategy was being planned: a move from print to online social media, and this move was accelerated, with the engagement of a social media consultant, and active participation by many members of the School around the country to generate the content. A decision was made to offer the new courses nationwide, rather than through individual branches; as a result over 1700 students enrolled for Part One, between Philosophy and Economics. Enrolments for Part Two, up

to and including New Level courses were offered at half price (£50). The central advertising cost for the summer term was reduced from almost £15,000 to around £10,000. Because it was a substantially UK-wide campaign, advertising expenditure by the branches was reduced, saving about another £5,000. Although there has been a high 'no show' and drop-out rate, we are confident that 30% of this intake will enrol for Part Two in the Autumn term in the light of our previous experience of 'free' Part One courses, which will help restore the lost income from the free courses. On balance, the reduced fee income, combined with the reduced advertising may have a cost-neutral effect.

However, the same cannot be said of our operational expenditure. Four members of staff were furloughed in March, and one further member in May; but to deliver the national online offering meant retaining the full complement of managerial and administrative staff. In addition, although variable costs have reduced, including expenditure on energy and provisions for residential courses, fixed costs remain. We therefore expect the operational deficit to increase in 2020. We have looked at the expected outcome for 2020 using several different assumptions, and estimate the loss could be anywhere between £1.1m and £1.4m, unless substantial legacy income is received. We have also attempted to forecast the outcome for 2021, on the assumption that the operation will return to 'normal' early in the year, to allow residentials to resume, which will bring our income back to our usual budgeted levels – this forecast is showing a loss of £657,500.

We have asked all Branches to review their ownership and use of property, and instigated a further review of our residential estate, in order to ensure efficient use, and reduce our costs in this area. The status of this review will be presented to the Fellowship at the AGM in July. A decision on both the national scale of courses, and whether they remain online in the Autumn, is expected by the end of June, at which point we will adjust our cashflow forecast for the next twelve months, and depending on the outcome, together with Government advice, will make further decisions on staffing levels for the period.

Valuation

Property: While it is likely that little activity and uncertainty will have an impact on property valuation in the short term, it is impossible to comment on the medium to long term impact. In any case, we consider it unlikely that we would choose to sell either an investment, or an operational property within the next 12 months. While the crisis has prompted the Charity to consider its portfolio of properties in use, and the need to retain all of them, we will be mindful of the timing of any sale, in order to maximise the return.

Investments: In the immediate aftermath of the lockdown, the value of our investment in the Heartwood portfolio fell by 18%, but has recovered substantially since then. The valuation as at June 16th is £1,639,150, a fall of 4% since the end of February. The value

of the Ruffer portfolio did not change substantially at the peak of the crisis, and the valuation as at June 16th is £1,256,613, an increase of 9%, which reflects their defensive strategy over the last few years; (£300,000 was drawn from the Ruffer portfolio at the beginning of this year, which explains the difference in value from the year end). Given that we will need to draw down further funds to support the operation of the charity during 2020, some of this loss in value may be materialised depending on the timing of the drawdown, but we will time the drawdown to have the least impact on the overall investment portfolio.

Reserves

We believe the Charity has adequate reserves for the next twelve months, and we have made no changes to our reserves policy.

Trading Subsidiary

Our trading subsidiary WGL has been hit hard by the impact of the closure of all non-essential retail operations on 23rd March, instructed by the Government. April and May are typically their busiest months for the sale of plants and garden furniture. The majority of staff were furloughed immediately, and a skeleton operation to maintain the gardens remained; in late April, their online sales operation was enhanced to include local deliveries of plants and compost etc. and some level of sales was restored. The garden shop re-opened on the 13th May, and early signs of trade are encouraging. The business was able to obtain a CBILS loan of £250,000 in time for the April payroll, to support their cashflow, and there has been continual communication between the Trustees and the Board to limit the impact on their operations. Thankfully, the Gardens were able to re-open on June 5th and the Tea Shop began a take-away service a week later. Current indications are that the loss for 2020 will be between £250,000 and £300,000, but the Board are confident that the operation remains a going concern, and that the CBILS loan can be repaid within six years. The Trustees commend the efforts of the Waterperry Steward and all staff in their efforts to mitigate the damage.

Going Concern

We are confident that the Charity remains a going concern, and has sufficient reserves to weather the storm, although much will depend on the willingness of senior students to maintain their payment of fees at the full level, despite the reduction in services provided (mainly the residential courses, which are charged via a composite fee). The crisis has stimulated a far-reaching review of our estate and operations, and although it is too early to report on the outcome, it has brought into focus many issues that have been 'on the back burner' for some time. The Trustees now intend, in consultation with the Fellowship and Senior Tutor, to make the necessary decisions in order to ensure the financial stability of the Charity for the foreseeable future.

6. Plan for the Future

The School's main aims are set out in Section 1. The Charity aims to respond to needs and demands on its services as they arise rather than seeking to generate new activities, beyond making those services known to as wide a community as possible. This allows for organic growth and development without the constraints of a structured long-term plan.

Specific plans for the coming year, in addition to the School's established regular activities described earlier, can be summarised as:

- to maintain and where possible expand the provision of introductory courses in Practical Philosophy and Economics-with-Justice to the public
- to focus on the practical application of philosophic and economic principles in everyday life.
- to develop new opportunities for short courses, seminars and workshops.
- to provide a widening range of learning opportunities to the public through the above-mentioned facilities including the free introductory courses initiative; to offer art workshops to the general public from time to time; and to provide more access and facilities for the general public at the Waterperry House and Nanpantan Hall residential centres.
- to encourage students of the School to publish articles, leaflets and books on subjects they have studied within the School, and to provide support to these efforts.
- to extend the School's links and wherever possible the open-door approach including joint activities with organisations having similar aims and objects.
- to take every opportunity to make full use of spare capacity in the Charity's properties to provide continuing income streams to contribute towards offsetting the operational deficit.

Approved by the Trustees on 17 July 2020 and signed on their behalf by:

S. Silver

Chair

A. Purves

Treasurer

The Fellowship
of the
School of Economic Science

Financial Statements
for the year ended
31 December 2019

Independent Auditor's Report to the Members of Fellowship of the School of Economic Science

Opinion

We have audited the financial statements of Fellowship of the School of Economic Science for the year ended 31 December 2019 which comprise the consolidated statement of financial activities, consolidated and charity balance sheet, consolidated statement of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2019 and of the group'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 Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient and proper accounting records have not been kept by the parent charity; 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 trustees' responsibilities statement, 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 group's and the parent 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 liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011, and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts 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.

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

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008 and 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.



Tina Allison

Crowe U.K. LLP
Statutory Auditor
London

31 July 2020

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Consolidated statement of financial activities**For the year ended 2019**

	Note	Unrestricted £'000	Restricted £'000	2019 Total £'000	Unrestricted £'000 <i>As restated</i>	Restricted £'000	2018 Total £'000 <i>As restated</i>
Income from:							
Donations and legacies	2	216	63	279	178	116	294
Charitable activities							
Courses & Residential	3	1,110	-	1,110	1,086	2	1,088
Other activities	3	9	-	9	13	-	13
Other trading activities	4	2,377	-	2,377	2,173	-	2,173
Investments	5	185	-	185	179	-	179
Total income		3,898	63	3,961	3,629	118	3,747
Expenditure on:							
Raising funds:	6						
Costs of trading activity		1,860	-	1,860	1,667	-	1,667
Other costs of raising funds		722	-	722	734	-	734
Investments		44	-	44	63	-	63
Charitable activities							
Courses & Residential	6	1,754	-	1,754	1,591	-	1,591
Other activities	6	17	-	17	19	-	19
Total expenditure		4,396	-	4,396	4,074	-	4,074
Net income/(expenditure) before net gains/(losses) on		(498)	63	(436)	(445)	118	(327)
Net gains on investments		264	-	264	(623)	-	(623)
Net Income/ (expenditure)		(234)	63	(172)	(1,068)	118	(950)
Transfers between funds		115	(115)	-	56	(56)	-
Net income / (expenditure)	9	(234)	63	(172)	(1,068)	118	(950)
Transfers between funds	27	-	-	-	-	-	-
Net movement in funds		(120)	(52)	(172)	(1,012)	62	(950)
Reconciliation of funds:							
Total funds brought forward		25,895	494	26,389	26,908	431	27,339
Total funds carried forward		25,776	441	26,215	25,895	494	26,389

Please note: The data for the Financial Statements is derived from the School accounts system which produces actual numbers down to pounds and pence. The Financial Statements are shown as whole numbers rounded up or down to the nearest thousand. Therefore there may be small variances in addition in some rows or columns.

Balance sheets

As At 31st December 2019

		The group		The charity	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed assets:			<i>As restated</i>		<i>As restated</i>
Tangible assets	13	16,025	15,855	15,886	15,732
Investment properties	14	5,892	5,895	5,892	5,895
Investments	15	3,278	3,634	3,635	3,991
		25,195	25,384	25,413	25,618
Current assets:					
Stock	17	346	351	87	90
Debtors	18	380	307	348	307
Cash at bank and in hand		749	829	593	719
		1,475	1,487	1,027	1,115
Liabilities:					
Creditors: amounts falling due within one year	19	420	443	220	231
Net current assets		1,055	1,044	807	884
Total assets less current liabilities		26,250	26,428	26,220	26,502
Creditors: amounts falling due after one year	20	35	39	35	39
Total net assets		26,215	26,389	26,185	26,463
Funds:	23				
Restricted income funds		440	494	440	494
Unrestricted income funds:					
Designated funds		2,000	2,000	2,000	2,000
Fair value reserve		4,219	3,955	4,219	3,955
General funds		19,526	20,014	19,526	20,014
Non-charitable trading funds		31	(74)	-	-
Total unrestricted funds		25,775	25,895	25,745	25,969
Total charity funds		26,215	26,389	26,185	26,463

Approved by the board of management on 17 July 2020

S. Silver
Chair

A. Purves
Treasurer

Consolidated statement of cash flows

For the year ended 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities	24		
Net cash provided by operating activities		(413)	(2)
Cash flows from investing activities:			
Dividends, interest and rents from investments		140	179
Proceeds from the sale of assets		13	301
Purchase of fixed assets		(446)	(1,500)
Proceeds from sale of investments		701	400
Purchase of investments		(75)	–
Net cash provided by / (used in) investing activities		333	(620)
Change in cash and cash equivalents in the year		(80)	(622)
Cash and cash equivalents at the beginning of the year		829	1,451
Cash and cash equivalents at the end of the year		749	829

Notes to the financial statements

For the year ended 31st December 2019

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015) and the Charities Act 2011.

The accounts (financial statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

These financial statements consolidate the results of the charity and its wholly-owned subsidiary Waterperry Gardens Limited (company number 02233285) on a line by line basis. Transactions and balances between the charity and its subsidiary have been eliminated from the consolidated financial statements. Balances between the two organisations are disclosed in the notes of the charity's balance sheet. A separate statement of financial activities, or income and expenditure account, for the charity itself is not presented as the summary of the result for the year is disclosed in the notes to the financial statements.

b) Statutory information

The Fellowship of the School of Economic Science is an unincorporated charity (charity number 313115, OSCR number SC039950) and registered in England and Wales, and Scotland. The registered office and main place of business is 11 Mandeville Place, London, W1U 3A.

c) Public benefit entity

The charity meets the definition of a public benefit entity under FRS 102.

d) Going concern

The Trustees are confident that the Charity remains a going concern and, combined with the mitigating actions described in the Trustees' Report, has sufficient cash, investment and property reserves to cope with the financial issues caused by Covid 19 for the foreseeable future. To protect the longer term interests of the charity, there is currently a review of the estate and operations ongoing, and the Trustees intend to make the necessary decisions in order to ensure the financial stability of the Charity for the longer term.

e) Prior year adjustment

The 2018 Investment property valuation has been restated due to an error concerning one property in the prior year. This is explained in note 14 and impacts 2018 figures for investment properties, gain/loss on investments and closing reserves.

f) Income

Income is recognised when the group has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that 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 probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the charity 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 probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Notes to the financial statements

For the year ended 31st December 2019

1 Accounting policies (continued)

Courses and residential fees are included in the statement of financial activities during the year as earned. Fees are paid by students attending the early parts of the philosophy courses by the term.

Students attending the early parts of the philosophy course, which make up a majority of this income, pay a fee covering their attendance at these classes. However, students in the senior parts of the School pay an annual composite fee that also includes the costs of their residential accommodation and study days attendance. Any income received in advance is deferred.

Investment income is recognised as income during the year to which it relates.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

Turnover from trading activities is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover represents revenue earned from the sale of goods and is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer.

g) Interest receivable

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.

h) Fund accounting

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

Unrestricted funds are donations and other income received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.

i) Expenditure and irrecoverable VAT

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

Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the charity in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose and costs of trading activities.
- Expenditure on investments relates to investment management fees incurred by the School
- Expenditure on charitable activities includes the costs of courses, residentials and other activities undertaken to further the purposes of the charity and their associated support costs

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

j) Allocation of support costs and governance costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned directly to the appropriate activity except for some expense items that have been apportioned according to the space occupied.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

Support and governance costs are apportioned as follows:

▪ Cost of raising funds	15%
▪ Investments	4%
▪ Courses & Residential	75%
▪ Art Festivals	6%

Notes to the financial statements

For the year ended 31st December 2019

1 Accounting policies (continued)

k) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

l) Taxation

The Fellowship is a registered charity and therefore is not liable to income or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities. The subsidiary company is subject to corporation tax but any profits arising will normally be Gift Aided to the parent charity, so generally no tax charge will arise.

m) Tangible fixed assets

Previously it has been the view of the Trustees that the useful life of properties was so long that depreciation was effectively nil. However, following a review we have adjusted this estimate and are now depreciating the building element of school properties over 100 years. An annual impairment review is also undertaken in accordance with Financial Reporting Standard 102.

For other tangible fixed assets depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

▪ Long leasehold property	2% on cost
▪ Improvements in building	4%–33.3% on cost
▪ Motor vehicles	25% on cost
▪ Equipment	10%–33.3% on cost

Items of equipment are capitalised where the purchase price exceeds £1,000, but there is some leeway for branches. Certain temporary items of equipment have been written off at the rate of 50% on cost.

Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

n) Investment properties

Investment properties are measured initially at cost and subsequently included in the balance sheet at fair value. Investment properties are not depreciated. Any change in fair value is recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be shown as a fair value reserve in the balance sheet. The valuation method used to determine fair value will be stated in the notes to the accounts.

Investments

Investments are valued in the balance sheet at their mid-market or bid price at the balance sheet date. Investment management costs are accounted for as incidental costs of the acquisition or disposal where transaction based, while investment income management costs are charged as expenditure out of the relevant income funds. Investment gains and losses are shown in the statement of the financial activities. Any change in fair value will be recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be shown as a fair value reserve in the balance sheet. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Net gains/(losses) on investments' in the statement of financial activities.

Investments in subsidiaries

Investments in subsidiaries are at cost.

Notes to the financial statements

For the year ended 31st December 2019

1 Accounting policies (continued)

o) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

p) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

q) Cash at bank and in hand

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

r) Creditors and provisions and financial instruments

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.

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.

s) Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

t) Pensions

The charity operates a defined contribution scheme for the benefit of employees. Contributions payable are charged to the statement of financial activities in the year they are due. For one member of staff, retirement benefits have been agreed and the full amount payable recognised as a long term liability. This is recognised at the new present value, discounted at an appropriate rate as explained in note 20 to the accounts.

u) Volunteers

In line with SORP 2015, the contribution of general volunteers is not be included as income in the accounts due to the absence of a reliable measurement basis. However the role of volunteers within the charity is disclosed in the report of the Trustees.

v) Charitable donations

From time to time the school makes donations to other charities and individuals whose activities are in line with its own charitable objectives. These donations are made at the discretion of the Trustees.

The Fellowship of the School of Economic Science

Notes to the financial statements

For the year ended 31st December 2019

6 Analysis of expenditure

	Cost of raising funds £'000	Investments £'000	Charitable activities		Governance costs £'000	Support costs £'000	2019 £'000	2018 £'000
			Courses and residential £'000	Other Activities £'000				
Staff costs (Note 9)	796	–	–	–	–	540	1,335	1,312
Direct supply costs	138	–	275	–	–	–	413	369
Cost of sales	788	–	–	–	–	–	788	713
Welfare	–	–	–	–	–	–	–	–
Publicity	39	–	242	5	–	–	286	262
Premises – running costs	125	–	212	–	–	–	338	307
Premises – major repairs	–	–	200	–	–	–	200	141
Legal & professional	–	39	–	–	–	56	94	100
Audit and other fees	8	–	–	–	31	–	39	33
Administration	87	–	169	1	–	329	586	520
Depreciation	40	–	226	7	–	–	273	265
Charitable donations (note 8)	–	–	44	–	–	–	44	51
	2,021	39	1,368	13	31	924	4,396	4,074
Support costs	542	5	373	4	–	(924)	–	–
Governance costs	19	–	13	–	(31)	–	–	–
Total expenditure 2019	2,582	44	1,754	17	–	–	4,396	4,074
Total expenditure 2018	2,401	63	1,591	19	–	–	4,074	

Notes to the financial statements

For the year ended 31st December 2019

2 Income from donations and legacies

	Unrestricted £'000	Restricted £'000	2019 Total £'000	2018 Total £'000
Legacies	57	51	108	167
Donations and gift aid	159	12	171	127
	<u>216</u>	<u>63</u>	<u>279</u>	<u>294</u>

3 Income from charitable activities

	Unrestricted £'000	Restricted £'000	2019 Total £'000	2018 Total £'000
Courses & residential	1,110		1,110	1,088
Other activities	9		9	13
Total income from charitable activities	<u>1,119</u>	<u>–</u>	<u>1,119</u>	<u>1,101</u>

4 Income from other trading activities

	Unrestricted £'000	Restricted £'000	2019 Total £'000	2018 Total £'000
Waterperry Gardens income	1,989	–	1,989	1,727
Sales of:				
Books, Tapes and CDs	56	–	56	75
Refreshments	38	–	38	68
Income from room hire	259	–	259	248
Various other sources of income	35	–	35	54
	<u>2,377</u>	<u>–</u>	<u>2,377</u>	<u>2,173</u>

5 Income from investments

	Unrestricted £'000	Restricted £'000	2019 Total £'000	2018 Total £'000
Rent – investment properties	140	–	140	132
Dividends	45	–	45	46
Bank deposit and short term interest	–	–	–	–
	<u>185</u>	<u>–</u>	<u>185</u>	<u>179</u>

Notes to the financial statements

For the year ended 2019

7 Net income for the year

This is stated after charging:

	2019 £'000	2018 £'000
Depreciation	273	265
Operating lease rentals:		
Other	-	-
Auditor's remuneration (excluding VAT):		
Audit	31	26
Other services	-	-
	<u>273</u>	<u>265</u>

8 Grant making

	Grants to institutions £'000	Grants to individuals £'000	2019 £'000	2018 £'000
Cost				
Waterperry Opera Festival	15	-	15	10
Jyotirnidhi Nyasa Trust	10	-	10	10
Just This Day	-	-	-	3
Dr Horan	-	14	14	14
Other	-	5	5	15
	<u>25</u>	<u>19</u>	<u>44</u>	<u>52</u>

Grants are given for education and research purposes.

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

Staff costs were as follows:

	2019 £'000	2018 £'000
Salaries and wages	1,185	1,156
Redundancy and termination costs	-	-
Social security costs	75	73
Employer's contribution to defined contribution pension schemes	76	82
	<u>1,335</u>	<u>1,311</u>

1 employee earned between £60,000–£69,999 not including employer's National Insurance contributions during the year (2018: 1).

The total employee benefits including pension contributions and employer's National Insurance contributions of the key management personnel were £180,397 (2018: £128,995).

The Trustees were not paid or received any other benefits from employment with the Charity in the year (2018: £nil). No Trustee received payment for professional or other services supplied to the charity (2018: £nil).

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs totalling £136 (2018: £2,274) incurred by 2 (2018: 2) Trustees relating to attendance at meetings of the Trustees.

Notes to the financial statements

For the year ended 2019

10 Staff numbers

The average number of employees (head count based on number of staff employed including full time and part time staff) during the year was as follows:

	2019 No.	2018 No.
Raising funds (trading activity)	71	71
Courses and residentials	22	20
Arts festivals	-	
	<u>93</u>	<u>91</u>

71 (2018: 71) employees above were employed by WGL and the remaining 22 (2018: 20) were employed by the parent charity.

11 Related party transactions

Mr C Meek, one of the Trustees of the charity, is also an employee at Heartwood Wealth Management which manages a portfolio of investments on behalf of the charity. The decision to place investments with Heartwood was made before Mr Meek became a Trustee. In the year, the charity incurred fees of £38,520 (2018: £38,051) for management of the investments. Mr Meek resigned as a trustee on the date of the 2018 AGM and from the board of WGL in December 2019

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

12 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's trading subsidiary Waterperry Garden Limited is liable to pay corporation tax at 19% on any profits not gift aided to the parent charity. In 2019 it had a tax liability of £83 (2018: a tax credit of £11).

Notes to the financial statements

For the year ended 2019

13 Tangible fixed assets

The group

	Freehold property £'000	Leasehold property £'000	Equipment/ improvements £'000	Total £'000
Cost				
At the start of the year	13,110	482	5,276	18,868
Additions in year	5	14	424	443
Transfer to investments / Disposals	–	–	(45)	(45)
At the end of the year	13,115	496	5,655	19,266
Depreciation				
At the start of the year	84	294	2,635	3,012
Charge for the year	84	13	176	273
Transfer to investments / Disposals	–	–	(44)	(44)
At the end of the year	168	307	2,766	3,241
Net book value				
At the end of the year	12,947	189	2,889	16,025
At the start of the year	13,025	189	2,642	15,855

The charity

	Freehold property £'000	Leasehold property £'000	Equipment/ improvements £'000	Total £'000
Cost				
At the start of the year	13,110	185	4,325	17,620
Additions in year	5	–	381	386
Transfer to investments / Disposals	–	–	(28)	(28)
At the end of the year	13,115	185	4,678	17,978
Depreciation				
At the start of the year	84	39	1,765	1,888
Charge for the year	84	4	145	233
Transfer to investments / Disposals	–	–	(28)	(28)
At the end of the year	168	43	1,882	2,093
Net book value				
At the end of the year	12,947	142	2,796	15,886
At the start of the year	13,026	145	2,561	15,732

All of the above assets are used for charitable purposes.

Notes to the financial statements

For the year ended 2019

14 Investment properties

	The group		The charity	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
	<i>As restated</i>		<i>As restated</i>	
Fair value at the start of the year	5,895	5,702	5,895	5,702
Prchase /Transfer from fixed assets	8	845	8	845
Property sold during year	–	(250)	–	(250)
Revaluation during the year	(10)	(403)	(10)	(403)
Fair value at the end of the year	5,892	5,895	5,892	5,895
Historic cost at the end of the year	4,036	4,028	4,036	4,028

The investment properties have been valued by a qualified surveyor as part of a professional appraisal of all school properties for the year end 31 December 2018. A small portion of land was purchased at St Oswald's Studios during 2019 which was split 3/5ths investment properties and 2/5ths fixed assets. All Investment properties were professionally valued during 2018 for the first time. Previously, due to an error in the square footage provided for one property, this property was overvalued. Since then, the correct square footage has been established, which has resulted in an adjustment in value. Given the scale of the adjustment the Trustees decided to make a prior year adjustment of £1,750,000 to bring the valuation of assets for the two years more into line with reality.

15 Listed investments

	The group		The charity	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Investments at the start of the year	3,634	4,266	3,991	4,623
Deposits	75	–	75	–
Withdrawals	(700)	(400)	(700)	(400)
Dividends and Interest Income	44	46	44	46
Fees	(35)	(58)	(35)	(58)
Net gains on value of shares	260	(220)	260	(220)
Investments at the end of the year	3,278	3,634	3,635	3,991
Investments consist of				
Listed investments	3,206	3,577	3,206	3,577
Investment in Subsidiary	–	–	357	357
Cash held by broker	72	57	72	57
Market value at the end of the year	3,278	3,634	3,635	3,991

Notes to the financial statements

For the year ended 2019

16 Subsidiary undertaking

The charity owns the whole of the issued ordinary share capital of Waterperry Gardens Limited, a company registered in England. The subsidiary is used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the statement of financial activities. One trustee, Clive Meek, was also a director of the subsidiary. He resigned in December 2019. Available profits are gift aided to the parent charity. A summary of the results of the subsidiary is shown below:

	2019 £'000	2018 £'000
Turnover	1,988	1,727
Turnover from sales to parent undertaking	20	19
Cost of sales	(1,582)	(1,409)
Gross profit	426	337
Administrative expenses	(274)	(266)
Management charge payable to parent undertaking	(44)	(33)
Operating profit / (loss)	108	38
Interest payable to parent undertaking	(3)	(4)
Profit / (loss) on ordinary activities	108	38
Donation to parent under gift aid	–	–
Profit / (loss) for the financial year	105	34
The aggregate of the assets, liabilities and funds was:		
Assets	703	632
Liabilities	(317)	(350)
Funds	387	282

Amounts owed to/from the parent undertaking are shown in note 18.

17 Stock

	The group		The charity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Books	87	90	87	90
Garden centre stock	259	261	–	–
	346	351	87	90

Notes to the financial statements

For the year ended 2019

18 Debtors

	The group		The charity	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts due from subsidiary	–	–	75	114
Trade debtors	52	48	51	44
H M Revenue & Customs	26	38	26	38
Prepayments	130	26	32	26
Other debtors	172	195	163	85
	380	307	348	307

Amounts due after more than one year included above within group Other Debtors total £74,945 and comprise a loan from the parent charity to the subsidiary to pay for expenditure on brown motorway tourist signs. The loan is being repaid over a ten year period.

Amounts due from subsidiary is payable within 5–7 years at an interest rate of 2.25%. The loan is included at cost, as the impact of discounting would be immaterial to the financial statements.

19 Creditors: amounts falling due within one year

	The group		The charity	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	102	135	97	102
Accruals	45	51	45	51
External loans	9	9	9	9
Taxes and social security costs	68	70	11	11
Retirement benefits payable within one year	–	–	–	–
Deferred income	23	27	23	27
Other creditors	173	151	36	31
	420	443	220	231

Notes to the financial statements

For the year ended 2019

20 Creditors: amounts falling due after one year

	The group 2019 £'000	2018 £'000	The charity 2019 £'000	2018 £'000
Retirement benefits payable in more than one year	35	39	35	39
	35	39	35	39

At the end of 2017 the pension previously payable to a former member of staff had ceased, as the person concerned died during the year. However, a new pension was granted following the retirement at 31 December 2017 of another employee. In earlier years an actuarial reserve had been calculated for retired staff in receipt of pensions. In the light of the low level of the sums involved in the context of the accounts as a whole, the Trustees consider it appropriate to now adopt a policy of reserving for payment of the current pension for a number of years determined by the Trustees having regard to the individual's age and health, with no allowance for either discounting or for future inflation. On this basis the reserve is at the end of 2019 £35,000.

21 Pension scheme

The Fellowship operates a defined contribution scheme and contributes 7% of the salary of those staff who have decided to enter into a personal pension arrangement, direct to the insurer. The charge for the period was £66,177 (2018 – £67,000).

22a Analysis of group net assets between funds (current year)

	Restricted £'000	Designated £'000	General funds £'000	Total funds £'000
Tangible fixed assets	–	–	16,025	16,025
Fixed asset investments	–	2,000	7,170	9,170
Net current assets	440	–	615	1,055
Creditors: amount falling due in over one year	–	–	(35)	(35)
Net assets at the end of the year	440	2,000	23,775	26,215

22b Analysis of group net assets between funds (prior year)

	Restricted £'000	Designated £'000	General funds £'000	Total funds £'000
			<i>As restated</i>	<i>As restated</i>
Tangible fixed assets	–	–	15,854	15,854
Fixed asset investments	–	2,000	7,530	9,530
Net current assets	494	–	550	1,044
Creditors: amount falling due in over one year	–	–	(39)	(39)
Net assets at the end of the year	494	2,000	23,895	26,389

Notes to the financial statements

For the year ended 2019

23a Movements in funds (current year)

	At the start of the year £'000	Income and gains £'000	Expenditure and losses £'000	Transfers £'000	At the end of the year £'000
Restricted funds:					
Specific charitable activities	357	61	–	(115)	303
Future branches properties	137	–	–	–	137
Total restricted funds	494	61	–	(115)	440
Unrestricted funds:					
Designated funds:					
Building and capital asset reserve	1,000	–	–	–	1,000
Opportunity reserve	1,000	–	–	–	1,000
Total designated funds	2,000	–	–	–	2,000
Fair value reserve	3,955	264		–	4,219
General funds	20,014	1,890	(2,493)	115	19,526
Non-charitable trading funds	(74)	2,008	(1,904)	–	31
Total unrestricted funds	25,895	4,162	(4,396)	115	25,775
Total funds	26,389	4,223	(4,396)	–	26,215

Purposes of restricted funds

The fund comprises monies raised in prior years for the specific purpose of purchasing a local building for two branches based in Berkshire and the Midlands. Specific charitable activities relate to specific activities of the various faculties and branches in the School.

Purposes of designated funds**Building and Capital Asset reserve**

The purpose of this fund is to hold building acquisition funds for purchasing additional accommodation, particularly in the larger branches where many students currently attend classes held in rented accommodation. Finding suitable premises with consent for educational use in the right location is difficult, so there are only limited opportunities for the Charity to make such investments.

This Fund can be used too for buildings improvement and refurbishment either from the interest earned thereon or from the capital itself. In recent years fees and other sources of income have been insufficient to cover such expenses, and this situation is expected to continue.

Notes to the financial statements

For the year ended 2019

Opportunity Reserve

The Opportunity Reserve is intended to provide funds to meet special targets of opportunity or need that further the mission of the organisation which may or may not have specific expectation of incremental or long-term increased income. The Opportunity Reserve is also intended as a source of internal funds for organisational capacity building, such as staff development, research and development, or investment in infrastructure that will build long-term capacity. The target amount of the Opportunity Reserve will be determined by the Principal and Treasurer, in consultation with the Executive Committee.

23b Movements in funds (prior year)

	At the start of the year £'000	Income and gains £'000 <i>As restated</i>	Expenditure and losses £'000 <i>As restated</i>	Transfers £'000	At the end of the year £'000 <i>As restated</i>
Restricted funds:					
Specific charitable activities	294	119	–	(56)	357
Future branches properties	137	–	–	–	137
Total restricted funds	431	119	–	(56)	494
Unrestricted funds:					
Designated funds:					
Building and capital asset reserve	2,000	–	–	(1,000)	1,000
Opportunity reserve	2,000	–	–	(1,000)	1,000
Total designated funds	4,000	–	–	(2,000)	2,000
Fair value reserve	2,828	1,127	–	–	3,955
General funds	20,187	133	(2,362)	2,056	20,014
Non-charitable trading funds	(107)	1,746	(1,713)	–	(74)
Total unrestricted funds	26,908	3,007	(4,075)	93	25,895
Total funds	27,339	3,126	(4,075)	37	26,389

24 Reconciliation of net income to net cash flow from operating activities

	2019 £'000	2018 £'000 <i>As restated</i>
Net income for the reporting period (as per the statement of financial activities)	(172)	(950)
(Gains) on investments	(250)	623
Investment manager fees	35	–
Gain on sale of fixed assets/property	(13)	(51)
Depreciation	267	265
(Increase)/decrease in stocks	5	(8)
(Increase)/decrease in debtors	(73)	246
Decrease/(increase) in creditors	(27)	52
Investment income	(185)	(179)
Legacy income in the form of property	–	–
Net cash provided by / (used in) operating activities	(413)	(2)

Notes to the financial statements

For the year ended 2019

25 Operating lease commitments

The group's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Equipment 2019 £'000	2018 £'000
Less than 1 year	1	2
1 – 5 Years	–	1
	<u>1</u>	<u>3</u>

26 Results of the parent charity

	2019 £'000	2018 £'000
Turnover	2,017	<i>As restated</i> 2,053
Net result of the charity	<u>(276)</u>	<u>(985)</u>

Appendix 1 – Operational/Non Operational Income and expenditure Account – London & Branches

This appendix does not form part of the audited financial statements

As At Year end 2019	Prior to consolidation & excluding WGL					
	<u>London</u>	<u>Nanpantan</u>	<u>Waterperry</u>	<u>Branches</u>	<u>Other Activities</u>	<u>TOTAL</u>
Operating Income						
Course Fees	318,978	–	–	358,204	–	677,182
Residential Fees	–	119,824	200,026	37,456	–	357,306
Anciliary Income	249,228	31,806	19,407	73,654	–	374,095
Faculty Income	58,235	–	–	–	–	58,235
Other Income	33,321	–	24,673	–	–	57,994
Total Operating Income	659,762	151,630	244,106	469,314	–	1,524,812
Operating Expenditure						
Direct Costs	(19,501)	(13,506)	(19,681)	–	–	(52,688)
Anciliary Costs	(66,165)	(22,322)	(55,714)	(31,497)	–	(175,698)
Faculty Costs	(54,400)	–	–	–	–	(54,400)
Premises Costs	(102,795)	(46,738)	(287,258)	(339,067)	–	(775,858)
Salaries	(377,054)	(42,233)	(205,071)	–	–	(624,358)
Advertising & Communications	(175,163)	–	–	(70,159)	–	(245,322)
Administrative	(184,990)	(4,424)	(19,934)	(40,245)	–	(249,593)
Depreciation	(74,370)	(38,066)	(76,843)	(36,321)	–	(225,600)
Other Costs	(16,345)	–	–	–	–	(16,345)
Total Operating Expenditure	(1,070,783)	(167,289)	(664,501)	(517,289)	–	(2,419,862)
Total Operating (deficit)/surplus	(411,021)	(15,659)	(420,395)	(47,975)	–	(895,050)
Non Operating Income						
Voluntary Income	192,333	–	147	86,425	–	278,905
Investment Income	188,564	–	–	–	–	188,564
Other Gains & Losses	0	–	(115)	–	–	(115)
NH Weddings	0	13,412	–	–	–	13,412
Other	–	–	–	–	9,446	9,446
Total Non Operating Income	380,897	13,412	31	86,425	9,446	490,212
Non Operating Expenditure						
Donations to Other Charities	(43,939)	–	–	(6,981)	–	(50,920)
Management Fees	(55,559)	–	–	–	–	(55,559)
Other	(11,555)	–	–	(875)	(13,920)	(26,350)
Other Gains & Losses	264,178	–	–	–	–	264,178
NH Weddings	–	(3,197)	(184)	–	–	(3,381)
Total Non Operating Expenditure	153,125	(3,197)	(184)	(7,856)	(13,920)	127,968
Total Non Operating Surplus/(deficit)	534,022	10,215	(153)	78,569	(4,474)	618,180
Net Total Surplus/(deficit)	123,001	(5,444)	(420,548)	30,594	(4,474)	(276,870)

2. Appendix 2 – Branches and Student Numbers

This appendix is for information and does not form part of the audited financial statements

Branch	Student Numbers				Gross Income 2019 £'000	Operating Costs 2019 £'000	Contrib. to London 2019 £'000	Surplus / Deficit 2019 £'000	Surplus / Deficit 2018 £'000
	Parts 1 – 6		Parts 7+		£'000	£'000	£'000	£'000	£'000
	Dec-19	Dec-18	Dec-19	Dec-18					
Bath / Bristol	11	34	42	47	11.0	6.1		4.8	1.9
Berkshire	7	13	21	12	8.0	5.3	0.5	2.3	(2.3)
Cambridge	24	–	19	–	2.8	0.0		2.8	–
Croydon	38	73	81	79	47.8	45.5		2.3	4.3
Devon	–	–	6	9	0.8	1.2		–0.4	(0.1)
East Anglia	8	31	57	69	19.6	17.4		2.2	3.8
Guildford	65	53	63	62	32.8	35.7	0.6	–3.5	3.9
Kingston	29	38	8	15	8.4	10.9		–2.5	3.8
Kent	27	21	30	30	12.9	7.9	1.2	3.8	5.7
Lincoln	–	–	–	–	–	–	1.5	–1.5	(0.6)
Midlands	51	100	46	19	29.6	33.2	0.5	–4.1	(6.4)
Newcastle	–	–	–	–	–	–		0.0	–
North East	153	193	107	143	131.5	138.0	3.5	–10.0	(7.4)
North West	95	151	185	180	139.9	136.1		3.8	(11.3)
Oxford	7	17	21	29	8.9	7.3		1.7	2.3
Scotland	122	112	120	124	79.3	54.8		24.5	37.9
St Albans	14	24	23	12	7.8	6.1	0.8	0.9	0.0
Sussex	14	10	22	24	11.0	9.9	0.5	0.6	(0.5)
Wessex	54	40	53	67	29.3	26.4		2.9	(6.8)
Total	719	910	904	921	581.5	541.8	9.1	30.6	28.3
London	233	425	551	571	1459.3	1766.7	0.0	–307.5	(1,012.8)
Charity Totals	952	1335	1455	1492	2,040.8	2,308.5	9.1	(276.9)	(984.5)

Notes:

1. Student numbers are an approximate guide to philosophy attendees at the third week of Autumn Term 2019
2. Contributions to London costs represent voluntary payments made by Branches towards London's overhead expenses
3. Charity totals for Gross Income 2019 and Operating Costs 2019 shown above do not equal the totals for Income and Expenses in Appendix 1. This difference is caused by the elimination of transactions between London and the Branches

3. Appendix 3 – Fixed Assets – Charity

This appendix is for information and does not form part of the audited financial statements

£'000	Cost or Nominal Value @ 1/1/19	Additions (Disposals) During Year	Cost or Nominal Value @ 31/12/19	Accumulated Depreciation & Amortisation	Net Book Value @ 31/12/19
<u>Freehold Property</u>					
1 St Oswald Studios, London	32	5	38	(0.3)	38
2 83 Brook Green, London	48		48	(0)	48
3 Waterperry House, Oxford	3,581		3,581	(46)	3,535
4 Nanpantan Hall, Loughborough	618		618	(12)	606
5 Brinscall Hall, Preston	202		202	(3)	199
6 64 Woodland Lane, Leeds	40		40	(0)	40
7 13 Addiscombe Road, Croydon	330		330	(3)	327
8 18 Chester St., Edinburgh	375		375	(6)	369
9 26a Portsmouth Rd., Guildford	385		385	(6)	379
10 11–13 Mandeville Place, London	5,520		5,520	(64)	5,456
11 Belmont House, Stockport	456		456	(8)	448
12 89 East Hill, Colchester	228		228	(5)	223
13 Park House, Glasgow	265		265	(5)	260
14 AinA Barn – Waterperry	66		66	(1)	65
15 13 Kingscourt Road, London	963		963	(7)	956
Total Freehold Property	13,110	5	13,115	(168)	12,947
<u>Long Lease</u>					
17 Carter Knowle Rd., Sheffield	185	–	185	(43)	142
Total Property	13,295	5	13,300	(211)	13,089
<u>Improvements</u>					
Waterperry House	87		87	(85)	2
Waterperry Estate	206		206	(188)	18
Waterperry Art in Action	3		3	(3)	–
Transfer to investments /Disposals			–	–	–
Nanpantan Cloakroom upgrade	16		16	(15)	1
Nanpantan Cloakroom upgrade	14		14	(14)	0
Nanpantan Cloakroom upgrade	4		4	(4)	0
Nanpantan – Lift	–	199	199	(2)	197
Nanpantan – Hall refurbishment	–	897	897	(7)	890
Nanpantan – Lodge	–	117	117	(1)	116
Mandeville Place sound-proofing	11		11	(10)	1
MP New Carpets	3		3	(3)	–
MP Cabinets	3		3	(1)	2
MP Windows	2		2	(1)	1
MP Flooring	14		14	(2)	12
MP Handrail	6		6	(0)	6
MP Carpets	–	14	14	(0)	14
St Oswald's Studios Refurbishment	19		19	(5)	14
St Oswald's Studios Electrical works	3		3	(1)	2
83 Brook Green Refurbishment	84		84	(34)	50
83 Brook Green Boiler	8		8	(2)	6
Kingscourt Road Refurbishment	157		157	(29)	128
Nanpantan Coachhouse Improvement	23		23	(20)	3
Nanpantan New Fire Alarm	20		20	(14)	6
NH Central Heating System	66		66	(43)	23
NH Stonework	41		41	(27)	14
NH New Windows	3		3	(2)	1
NH Pump	3		3	(1)	2
Waterperry Biomass Project	672		672	(247)	425
Waterperry North lodge	99		99	(36)	63
Waterperry New Gate	5		5	(5)	–
Waterperry New Glass door	3		3	(3)	–
Waterperry –Oil Tank	2		2	(1)	1
Waterperry Spinney cottage	69		69	(9)	60
Waterperry – Boiler	14		14	(7)	7
Waterperry New Road	7		7	(5)	2
Waterperry SB Flat Refurb	11		11	(5)	6
Waterperry carpets	2		2	(2)	–
Waterperry SB carpets	1		1	(0)	1
Waterperry Playground	5		5	(2)	3
Waterperry Deer Fence	3		3	(1)	2
Waterperry Fence	3		3	(1)	2
Waterperry – Sculpture Barn/Potting shed	63		63	(6)	57
Waterperry – Bartlett Cottage	13		13	(2)	11
Waterperry – New Garden entrance	3		3	(0)	3
Waterperry – Gift Barn	35		35	(7)	28
Waterperry – New Gate	1		1	(0)	1
Waterperry – Bee Hives	2	1	3	(0)	2
Waterperry – New Kitchen Dry Store	1		1	(0)	1
Waterperry – Museum Roof	15		15	(0)	15
Waterperry – Carpets		5	5	(0)	4
Waterperry – Artist Hall Lighting Control System		8	8	(0)	7
Waterperry – Elizabethan wing Electrical Alarms		15	15	(0)	15
WH Glasshouse Roof		16	16	(0)	16
WH Tower		22	22	(0)	22
Branches	230	31	261	(27)	234
	2,054	1,326	3,381	(882)	2,498

3. Appendix 3 – Fixed Assets – Charity (continued)

£'000	Cost or Nominal Value @ 1/1/19	Additions (Disposals) During Year	Cost or Nominal Value @ 31/12/19	Accumulated Depreciation & Amortisation	Net Book Value @ 31/12/19
<u>Equipment</u>					
London Houses	406	7	413	(385)	28
Nanpantan	137	14	151	(131)	20
Waterperry	212	13	225	(201)	24
Art in Action	117		117	(110)	7
Branches	182	4	186	(174)	12
Benevolent Fund	-		-	-	-
Motor Vehicles	23	4	26	(1)	25
	1,077	41	1,118	(1,000)	116
<u>Capital in Progress</u>					
Waterperry New Tea Shop	33	8	41	-	41
Waterperry Theatre Roof	9	0	9	-	9
Waterperry Carpet	2	(2)	-	-	-
Waterperry Tower Stairway	6	(6)	-	-	-
WH Museum Roof	-	7	7	-	7
Windows	1		1	-	1
NH Floor refurbishment	6		6	-	6
NH Project	1,104	(1,036)	68	-	68
St. Oswald's Project	31		31	-	31
MP Signage	-	5	5	-	5
WH Storage Barn roof	-	10	10	-	10
	1,193	(1,015)	178	-	178
<u>Total Non Property</u>	4,324	353	4,677	(1,882)	2,793
<u>Total Fixed Assets</u>	17,620	358	17,978	(2,093)	15,886