



*The Fellowship
of the
School of Economic Science*

*Report and Financial Statements
for year ended
31 December 2018*

School of Economic Science
11 Mandeville Place
London
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Richard Glover (General Secretary)
Ann Hithersay (To July 2018)
Hugh Venables (To July 2018)
Anthea Douglas (Elected July 2018)
Jeffrey Sapiro (From July 2018)

Andrew Purves (Treasurer)
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1. Foundation and Vision

A Search for Truth

1.1.a 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. The economics and philosophy courses were directed by the founder and senior tutor, Leon MacLaren from 1937 until his death in 1993. 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

1.1.b Philosophy in the School quickly took a practical bent focussing 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.

1.1.c Leon MacLaren later met with Shri Shantanada Saraswati, a teacher of the philosophy of non-duality, called Advaita, 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 of the application of philosophic principles in personal and social life.

1.1.d 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.

Aim of the School of Economic Science

1.2.a 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

1.2.b 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

Rules set out the Objects of the Charity.

2.1.a The Objects are:

- 1) To promote the study of natural laws governing the relations between men in society and all studies related thereto and to promote the study of the laws, customs and practices by which communities are governed and all studies related thereto.
- 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 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.

2.1.b 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.

Objects of Charity carried out through the School of Economic Science

2.2.a The Objects of the Charity are carried out through the School of Economic Science ("the School"), established and maintained in accordance with Object 4. Through the School in London and its seventeen regional Branches, the Fellowship offers courses to the public at over fifty locations throughout England and Scotland. The School also offers courses online available to students wherever they are. The courses themselves are directed by a Senior Tutor who is not a member of the Fellowship.

2.2.b There are now also sister Schools in fourteen overseas countries most of which were started by students from London returning home and wishing to continue their work in the School.

Guiding principles – service without reward

2.3.a 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

2.3.b Service without seeking individual benefit or reward is central to the ethos of the Charity. The School's teaching services, 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 what they have learned on 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. Where fees are charged they are intended to contribute to the direct costs of the course only, the charity supports its educational activities through services contributions from other income streams. No-one is paid or allowed to derive financial benefit from providing teaching services in the School.

2.3.c The day-to-day management of the Charity is undertaken voluntarily by the Senior Tutor, 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.

Charity

2.4.a 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 an Extraordinary General meeting on 8 March 2009 and further amended at the Annual General Meeting of 21 July 2009.

Public Benefit

2.5.a Practical Philosophy and Economics-with-Justice courses are open to everyone and are widely advertised. Course fees are kept to a practical minimum aimed at covering regular running costs. 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.

2.5.b Courses are offered at over fifty locations in the UK and three times a year in most of them. Online courses are also available. The School also provides study materials and other support to many associated schools offering the same or similar courses in other parts of

the world. 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.

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

3. Delivering the Objects- meeting the need

3.1 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.

Philosophy

3.2.a 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.

3.2.b 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 and are intended for people with everyday working and family lives

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

3.2.d Introductory philosophy courses are offered at every location other than the residential centres. In London they are offered on five 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. In London and some Branches the Introductory courses are offered free except for a small administration charge. 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 from Pacific (GMT-8) to Eastern European (GMT+2) to India (GMT+5.5) to Australia (GMT+10).

3.2.e Ctrl+alt+retreat is a retreat available for young people aged 18-35yrs 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.

3.2.f. The school provides further studies based on philosophical texts in philosophy and other disciplines on Saturday mornings in London under the umbrella 'Horizons' programme and in various other forms, including residential weeks and weekends elsewhere.

Meditation

3.3.a 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 practices at Mandeville Place that are open to the public and tutorials are always available for seasoned meditators.

Economics and Law

3.4.a The study of economics arose from perceiving injustice in society and a deep desire to establish justice and equity in its place. The study is directed to enabling anyone who is interested to discover and understand natural laws governing human society so as to formulate and propose a more natural and just economic system and law with the aim of securing freedom, prosperity and happiness for all.

3.4.b Economics-with-Justice is taught as a human and social subject derived from observable principles of the universe and human relationships with and within them. The School offers the view that economics has to be founded on principles of justice and equity and that economic injustices indicate failures to understand or observe basic natural laws or principles in economic policy. All the major problems of contemporary economic life can be examined from this perspective with a view to offering practical policies and principles as the foundation of a more just and equitable economic system. There is an introductory twelve week course offered in London three times a week with a further two parts offered once a week as well as at several Branches and Online.

3.4.c The School provides for students to continue their studies for as long as they wish. There is an economics study group which meets three times a term and for a residential week once a year. Apart from a small administration fee the Introductory course is offered free of charge.

3.4.d The School also publishes books and audio recordings of lectures and presentations

and maintains contact with and supports similar studies.

3.4.e 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 are hosted at the premises at Mandeville Place in London and also meetings and courses held by another coalition member, the Henry George Foundation. 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 Fellowship's Objects. In August 2018 the fourth joint conference with the Globalisation for the Common Good Initiative was held at the Villa Boccella, in Lucca, Italy.

Promoting the Arts

3.5.a 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 in the UK and there was a series of early evening concerts at the School's main building in Mandeville Place, London.

3.5.b 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.

3.5.c 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. The enterprise provides horticultural courses recognised and accredited by the Royal Botanic Gardens, Edinburgh as well as training, recreational and horticultural facilities for public use and enjoyment. Waterperry is a Partner Garden with the Royal Horticultural Society and the Royal Botanic Gardens Edinburgh; is a well-known centre of expertise in 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.

3.5.d 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.

3.5 e Through Waterperry Gardens Limited ("WGL") the School supports the advancement of the art and science of horticulture including courses to the general public. The high standards of horticultural courses are recognised by the Royal Horticultural Society and the Royal Botanic Gardens Edinburgh and the courses are popular. The nationally recognised ornamental gardens have been maintained and substantially enhanced since the School acquired Waterperry House and Estate.

3.5.f WGL also offers public courses in various arts and crafts and steps are being taken to

develop the estate as a centre for the performing arts and as a host venue for festivals and exhibitions.

Language

3.6.a The Sanskrit Faculty continues to make a substantial contribution to the study of the Sanskrit language in the UK and elsewhere through teaching and study of Sanskrit literature including online courses in introductory Sanskrit. The School also supports academic research and translation of Sanskrit texts, some of which have not previously appeared in the English language.

3.6.b Work continues on the highly respected translation of the Letters of Marsilio Ficino which have been a major contribution to the revival of academic studies of this little known but extremely influential Renaissance philosopher. Numerous presentations and courses were organised across the Branches.

Publications

3.7.a During the year work has continued on a 4-volume edition of the conversations between Maharaja Sri Santananda Saraswati and Leon MacLaren. The third and fourth volumes were published in 2018 and a detailed Index volume is being prepared. A revised edition of Volume 1 of the Letters of Marsilio Ficino was published in 2018 and work continues on later volumes.

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

Education

3.8.a In Response to a need identified by parents of young children for a more philosophically principled and holistic education than was then available from the State system, 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.

3.8.b One member of the Executive Committee who is a member of the Governing Board of IEAL retired from the Executive Committee in July 2018. IEAL uses Nanpantan Hall and Waterperry for activity weeks and events for pupils and awaydays for staff. IEAL also sometimes provides facilities for use by the School.

3.8.c Some years ago students in the School established another separate charity known as 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.

3.8.d 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.

3.8.e The purpose of these educational ventures is to advance for the public benefit a holistic education for children which takes full account of their spiritual, mental, emotional and physical needs in the context of the present age. The children's schools are highly respected and recognised 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.

3.8.f The School 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.

4. Governance

Structure

Senior Tutor

4.1.a 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.

4.1.b There is close communication with the Trustees in relation to these matters through regular meetings between the Senior Tutor and the Principal and 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

4.1.c The Trustees of the Charity during the year are the elected members of the Executive Committee including seven ordinary members, the Principal and Treasurer. Richard Glover agreed to continue in the office of General Secretary. One additional member, who is not a Trustee, was co-opted by the Executive Committee after the AGM. The members are:

Ian Mason (Chairman) (5)(8)	Clive Meek (4)(10)
Andrew Purves (Treasurer)(1)(5)	Hugh Venables (6)
Richard Glover (General Secretary)(1)(3)	Susan Young (6) (9)
William Brook (1)(6) (8)	Ann Hithersay (1)(5)(7)
Edward Saunders	Jeffrey Sapiro (6) (7) (9)
Anthea Douglas	Stephen Silver (Co-opted) (5)

- Note: (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 Estates Sub-Committee
(5) Member of the Staff Sub-Committee
(6) Member of the Creative Projects Sub-Committee
(7) Member of the Elderly and Vulnerable Persons Sub-Committee
(8) Member of the Advertising and Communications Committee
(9) Member of the Membership Committee
(10) Chair of Waterperry Gardens Limited

4.1.c The Principal and the Treasurer are elected annually under Rules 8 and 9 respectively. The Principal is also the Chairman of the Executive Committee and of the Fellowship. The other Trustees are the members of the Executive Committee elected annually at the Annual General Meeting in accordance with Rule 12(1). Each of the Trustees can be contacted via the School's head office at 11 Mandeville Place, London W1U 3AJ.

4.1.d. 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 for the following year. A quorum of two-thirds of Ordinary Members is required. Associate Members may attend General Meetings but may not vote.

4.1.e The membership of the Fellowship at 31 December 2018 consisted of 234 Ordinary Members and 46 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(8).

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

4.1.g The Membership Committee continues to monitor the breadth and strength of the membership of the Fellowship. During the year one person ceased being a member. Seventeen students were invited to join the Fellowship from across all UK Branches. Eleven students accepted the invitations and six declined.

The members of the Membership Committee are:

Sally Ostrowska
Bartholomew O'Toole
Stephen Silver (resigned after co-
option to the Executive Committee)
Sine Pickles
Nigel Pate (Co-opted)
Executive representative: Sue Young

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

4.1.i There are six sub-committees: Finance; Investment; Risk Management; Estates; Staff; and Creative Projects. At least one Trustee sits on each sub-committee. 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.

4.2 Trustee Election, Induction and Training

4.2.a 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 are supplied with the minutes and agendas for the previous year's business 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 supplied with Charity Commission guidance on the role and responsibilities of trustees.

4.2.b As a matter of policy, each year at least two members of the Executive Committee attend a one day external seminar on Charity Governance so as to ensure that the Executive Committee is kept up to date with developments in charity governance and trustee responsibilities. Several Trustees regularly receive the charity magazine, Governance. From time to time external advice is sought as to the appropriateness and efficiency of the Charity's governance.

Statement of Trustees' responsibilities

4.2.c 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).

4.2.d 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.

4.2.e 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.

4.2.f 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 new 5-year budget for property maintenance was developed and introduced in 2016, and a Finance Manual was drafted and adopted early in 2017.

Property Trustees

4.2.g 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

4.2.h Bart Dunlea was re-appointed to the role of Endowment Treasurer following the AGM, assisted by Patrick Wyatt.

4.3 Management arrangements

4.3.a The day-to-day management of the Charity is undertaken on a voluntary basis by the Senior Tutor, the members of the Executive Committee, 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.

4.3.b 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. Twice each year the Executive Committee meets for a full day to consider matters of a more strategic nature outside the normal run of business.

4.3.c The Branch Leaders, as local representatives of the Fellowship, are provided with clear Terms of Reference by the Trustees. Branch Leaders typically meet around the end of January with the Senior Tutor 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 Trustee 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 the Branches is Stephen Silver who is himself a Branch Leader.

4.3.d 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.

4.3.e 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.). *There were no requests for additional meetings during the year to 31 December 2018.*

4.4 Staff

4.4.a The management team continued to work well under the leadership of the General Manager, Laura Counsell. The new updated systems of data collection, processing and control and accounting have been identified and implemented. A Greentree management and accounting system has been installed and is now fully operational. The new website has been launched and is serving its purpose of making the School and its services known and accessible to whoever wants them.

4.4.b 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

4.4.c 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 2018.

4.4 d. The Executive Committee has appointed a Staff Sub-Committee under Rule 12 (6) comprising:

Ian Mason

Andrew Purves

Stephen Silver

4.5 Committees & Sub Committees

Membership Committee

4.5.a The Membership Committee is reported on at 4.1 above.

Advertising and Communications Committee

4.5.b Attracting new students to the School remains a high priority and 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.

4.5.c 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 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 and search engine 'pay per click' advertising; this is supported by websites 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.

4.5.d In December 2014 the decision was made to offer the Introductory Philosophy and Economics courses in London free of charge (except for a modest administration charge) on the basis that:

- more people attending the courses better fulfils the objects of the Charity;
- cost may be a barrier to access for some who would value the courses;
- the new approach might be cost neutral if:
 - (a) it translated into higher (paying) uptake of the second term and thereafter; or
 - (b) it facilitated a reduction in cross-track advertising for the same uptake.

Several Branches elected to trial the same approach.

4.5.e The initial success of this approach has faded in London and in most of the Branches where this has been tried. The policy remains closely monitored and under review to ensure that it continues or adapts in the best interests of the Charity.

Elderly and Vulnerable Students Committee

4.5.f. 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 ensures they received 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

4.5.g 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.

4.5.h Management of the risk management structure continues to be undertaken on a voluntary basis. In the absence of a designated Risk Manager, the role was undertaken by the Executive Committee and by the end of 2017 a new Risk Management Sub-Committee was formed to take responsibility for the Fellowship's risk management. Terms of Reference were drafted and approved by the Executive Committee.

a) The key to risk management in the day to day operations of the Charity is the attention and care taught in the courses, practised by students and established in the ethos of the School. This is supported through training, a set of policies and procedures covering the main risk areas, and assistance for key persons such as house stewards and bursars, tutorial staff, Branch Leaders and local risk managers. The key risk management controls are:

- individual care and attention given by students and tutors;
- formal agendas for all meetings of the Executive Committee, which are circulated in draft in advance for comments and additions;
- risk management as a regular agenda item with reports 'by exception' from each committee member;
- The issue of action lists shortly after each Executive Committee meeting for review at the next meeting;
- The circulation of information throughout the management structure on the principal legal requirements (e.g. health & safety, protection of the vulnerable, provision for the disabled etc.) and on issues arising from time to time;
- A comprehensive organisational structure with clear lines of reporting;
- The setting of annual budgets and interim budget monitoring for the various activities and cost centres;
- Strategic planning, budgeting and management accounting;
- Clear authorisation and approval procedures.

b) During the year, specific risks were identified and addressed as follows:

- Accessibility of governance policy documents was improved and reorganised on-line and with a new introductory document.
- Awareness of the latest aspects of governance was supported by all Trustees attending a day's training by an external consultant.
- Risks to the charity other than those of health, safety or finance, are now being considered through a Charity Risk sub-committee, using the guidelines issued by the Charity Commission.
- Improved communication of health and safety related issues and risk assessments throughout the UK was helped by Rob Andrews introducing an on-line database; all branch local risk managers, property bursars and house stewards were encouraged to use it.
- Health and Safety risks addressed the implications of CDM (construction, design and management), logging activities, and improved fire alarm testing.
- Risk issues associated with minor accidents were reviewed: the back stairs at Mandeville, and at Waterperry House both the basement stairs and the steps in the artist's hall.

Finance Sub-Committee

4.5.i The Executive Committee has appointed a Finance Sub-Committee under Rule 12(6) comprising:

Andrew Purves (Chairman)
Lyndon Walters
Richard Glover
William Brook

4.5.j The meetings of the Finance Sub-Committee are also normally attended by the accounts manager and minutes of its meetings are kept.

Investment Sub-Committee

4.5.k The Executive Committee has also appointed an Investment Sub-Committee under Rule 12 (6) comprising:

John Story (Chair)
Richard Abramson
Hugh McNeill

4.5.l 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 Mr

Clive Meek is an employee of Heartwood Wealth Management; conflict of interest is avoided through his non-involvement in decisions related to investment. The investment strategy was reviewed in 2017 and the Executive Committee decided to continue with the same investment managers.

4.6 Properties

4.6.a 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 two other properties are used either to accommodate essential staff or to provide income to the Fellowship. When the development of the main house at Nanpantan Hall is complete the coach-house will be offered for rent to help cover operating expenses at Nanpantan.

4.6.b In addition to its residential premises referred to at paragraph 3.2.c 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.

4.6.c 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. The up-grading of Nanpantan Hall was almost complete by the end of the year and will provide both an improved residential experience for the School's own activities and enhanced possibilities for letting for weddings and other events for additional income. 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.

Waterperry Gardens

4.6.d 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.

4.6.e Since the 2015 management changes 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.

4.6.f The improved trading performance has enabled WGL to deliver a return to the Fellowship in the form of reductions in its long-term loans.

4.6.g 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.

4.6.h 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.

4.7 Achievement and Performance

4.7.a The School is not a public fundraising charity and does not set fund-raising targets or specific aims for expansion. The main sources of funding are fees from courses (which are kept to a necessary minimum), 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.

4.7.b At the close of 2018 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.

4.7.c 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 with a view to collaborating 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 which the Fellowship has available.
- The Executive Committee is delighted with the progress made in room hire at Mandeville Place, and at Nanpantan Hall which hosts weddings, commercial

events, and conferences held by like-minded organisations. 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 during 2018- 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.

4.8 Development Plan

4.8.a The most recent three year 'development plan' concluded in 2018. The Plan was successful in providing a focus for the Executive Committee and in guiding their activities, but the Committee also recognised that the format and purpose of the Plan needs to be regularly reviewed. It was decided that the approach and format should be refreshed in order to provide new enthusiasm and momentum and it is intended that a revised development plan will be relaunched with renewed focus from 2019-2020.

5. *Financial Review and Results for the Year*

5.1.a The consolidated Statement of Financial Activities which accompanies this report shows that the Group generated a surplus in the 12 months to end December 2018 of £799,000 compared to the surplus of £2,897,000 in the previous 12 months. The factors contributing to the continued financial improvement are described below.

5.1.b Waterperry Gardens Limited generated a surplus of £33,000 before group transfers, compared to £27,000 in the previous year. This reflects the steady progress in the continued development of the business, with significant improvements undertaken during the year.

5.1.c The Charity's income from courses was again lower than in 2017, reflecting a continued decline in overall student numbers, despite a small fee increase during the year. Voluntary income for the year was £294,000 significantly lower than in the previous year. Donations and gift aid were £127,000 compared to £129,000 for the prior year, and the Trustees are very grateful for ongoing annual donations, as well as legacy income.

5.1.d Two new events took place at Waterperry during the year – the Opera Festival and the Storytelling Festival – both organised by independent bodies, which generated rental income for the School, as well as trading income for the Garden Centre. The brown signs to Waterperry Gardens on the M40 motorway helped to bring record numbers to visit the Gardens. The Opera Festival will take place again in 2019, while new Arts events will also be hosted at Waterperry, and Storytelling will return in 2020.

5.2.e The total Charity expenditure increased during the year, reflecting the further

investment in property maintenance and new building projects including new bedrooms at Nanpantan.

5.2 Investment Gains

5.2.a Investment gains for the year at £1,127,000 compared to £1,799,000 in 2017 were mainly due to gains in the value of investment properties as a result of a professional revaluation. The exceptional figure for 2017 came about after the transfer of 96 Sedlescombe Road to investments. The net fall in the value of other investments was £220,000 compared to a gain of £161,000 in 2017, which was due mainly to a withdrawal of funds to invest in new building projects during the year.

5.2.b 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 with opportunity.

5.3 Investment Income

5.3.a Gross investment income for the year was again higher at £179,000 compared to £152,000 in the previous year. Investment income is now flowing from the letting of Sedlescombe Road, as well as St Oswalds Studios, where one Studio has been let on a commercial basis. Income from other investments fell slightly.

5.4 Reserves Policy

5.4.a 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 of properties, equipment, etc. (with a net book value at 31 December 2018 of £15,855,000) used extensively for educational and residential purposes in accordance with the Charity's objects.

5.4.b 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.

5.4.c In addition, the following reserves will be held for the purposes described:

- At the year end, the Charity held total reserves of £28,139,000, comprising:
 - £15,855,000 are held as fixed assets of the Charity which are required to enable the Charity to carry out its activities and are therefore not freely available.
 - Investment Properties of £7,645,000;
 - Investment portfolio £3,634,000

The total value of investments is £11,279,000. The gains on these investments of £1,127,000 are held within a fair value reserve as they have not been realised.

5.6 Designated Funds

5.6.a Building and Capital Asset Reserve - £1,000,000

- 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.

5.7 Opportunity Reserve - £1,000,000

5.7.a 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.

5.8 Free Reserve – (excluding funds held in investment portfolio) £2.1m

The free reserve is the balance of total funds (£28,139,000) less the value of those funds already identified as:

- Restricted funds; £493,000
- Designated Funds + Opportunity reserve; £2,000,000
- Tangible Fixed assets ; £15,855,000
- Investment properties ; £7,645,000

Total free reserve £2,144,000

5.8.a 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.

5.8.b 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.

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

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

5.9 Investment Policy

5.9.a During the year the Trustees continued to hold investments with Heartwood and Ruffer, referred to above (p2). 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 2019, 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.

6. *Plan for the Future*

6.1.a. 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.

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

- maintain and where possible expand the provision of introductory courses in Practical Philosophy and Economics-with-Justice to the public
- continue to focus on the practical application of philosophic and economic principles in everyday life.
- continue to develop new opportunities for short courses, seminars and workshops.
- continue 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 complete the review and redesign of the School's website, and expand further the use of internet and other publicity channels.
- 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.

Auditor

The view of the Trustees is that Sayer Vincent LLP have continued to add value as our auditors. However, the Trustees are of the view that a change in auditor would represent good governance and Crowe UK LLP were appointed as auditors for 2018.

Approved by the Trustees on^{24th} JUNE 2019 and signed on their behalf by:

I. Mason


..... Chairman

A. Purves


..... Treasurer

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 2018 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance sheets, Consolidated 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 2018 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.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor

London

Date:

6 August 2019

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 2018

	Note	Unrestricted £'000	Restricted £'000	2018 Total £'000	Unrestricted £'000	Restricted £'000	2017 Total £'000
Income from:							
Donations and legacies	2	178	116	294	1,385	306	1,691
Charitable activities							
Courses & Residential	3	1,086	2	1,088	1,154	-	1,154
Art Festivals	3	13	-	13	3	-	3
Other trading activities	4	2,173	-	2,173	2,064	-	2,064
Investments	5	179	-	179	152	-	152
Total Income		3,629	118	3,747	4,758	306	5,064
Expenditure on:							
Raising funds:	6						
Costs of trading activity		1,667	-	1,667	1,619	-	1,619
Other costs of raising funds		734	-	734	791	-	791
Investments		63	-	63	47	-	47
Charitable activities							
Courses & Residential	6	1,591	-	1,591	1,321	110	1,431
Art Festivals	6	19	-	19	78	-	78
Total expenditure		4,074	-	4,074	3,856	110	3,966
Net Income / (expenditure) before net gains / (losses) on investments		(445)	118	(327)	902	196	1,098
Net gains on investments		1,127	-	1,127	1,799	-	1,799
Net Income/ (expenditure)		682	118	800	2,701	196	2,897
Transfers between funds		56	(56)	-	93	(93)	-
Net movement in funds		738	62	800	2,794	103	2,897
Reconciliation of funds:							
Total funds brought forward		26,908	431	27,339	24,114	328	24,442
Total funds carried forward		27,646	493	28,139	26,908	431	27,339

The Fellowship of the School of Economic Science

Balance sheets

As At 31st December 2018.

	Note	The group 2018 £'000	2017 £'000	The charity 2018 £'000	2017 £'000
Fixed assets:					
Tangible assets	13	15,855	15,451	15,732	15,340
Investment properties	14	7,645	5,702	7,645	5,702
Investments	15	3,634	4,269	3,991	4,626
		<u>27,134</u>	<u>25,422</u>	<u>27,368</u>	<u>25,668</u>
Current assets:					
Stock	17	351	343	90	96
Debtors	18	307	553	307	556
Cash at bank and in hand		829	1,451	719	1,338
		<u>1,487</u>	<u>2,347</u>	<u>1,115</u>	<u>1,990</u>
Liabilities:					
Creditors: amounts falling due within one year	19	443	388	231	170
		<u>1,044</u>	<u>1,959</u>	<u>884</u>	<u>1,820</u>
Net current assets		<u>28,178</u>	<u>27,381</u>	<u>28,252</u>	<u>27,488</u>
Total assets less current liabilities		<u>28,178</u>	<u>27,381</u>	<u>28,252</u>	<u>27,488</u>
Creditors: amounts falling due after one year	20	39	42	39	42
		<u>28,139</u>	<u>27,339</u>	<u>28,213</u>	<u>27,446</u>
Total net assets		<u>28,139</u>	<u>27,339</u>	<u>28,213</u>	<u>27,446</u>
Funds:	23				
Restricted income funds		494	431	494	431
Unrestricted income funds:					
Designated funds		2,000	4,000	2,000	4,000
Fair value reserve		3,955	2,828	3,955	2,828
General funds		21,764	20,187	21,764	20,187
Non-charitable trading funds		(74)	(107)	-	-
		<u>27,645</u>	<u>26,908</u>	<u>27,719</u>	<u>27,015</u>
Total unrestricted funds		<u>27,645</u>	<u>26,908</u>	<u>27,719</u>	<u>27,015</u>
Total charity funds		<u>28,139</u>	<u>27,339</u>	<u>28,213</u>	<u>27,446</u>

Approved by the board of management on 24th June 2019 and signed on their behalf by

I. Mason
Chairman

A. Purves
Treasurer

The Fellowship of the School of Economic Science

Consolidated statement of cash flows

For the year ended 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities	24		
Net cash provided by operating activities		(2)	842
Cash flows from investing activities:			
Dividends, interest and rents from investments		179	151
Proceeds from the sale of property		301	–
Purchase of fixed assets		(1,500)	(752)
Proceeds from sale of investments		400	2,050
Purchase of investments		–	(1,465)
Net cash provided by / (used in) investing activities		(620)	(16)
Change in cash and cash equivalents in the year		(622)	826
Cash and cash equivalents at the beginning of the year		1,451	625
Cash and cash equivalents at the end of the year		829	1,451

Notes to the financial statements

For the year ended 31st December 2018.

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 consider that there are no material uncertainties about the charity's ability to continue as a going concern.

The Trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

e) 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 2018.

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.

f) 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.

g) 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.

h) 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 and residentials and art festivals 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.

i) 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 2018.

1 Accounting policies (continued)

j) Operating leases

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

k) 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.

l) 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.

m) 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 2018.

1 Accounting policies (continued)

n) 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.

o) 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.

p) 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.

q) 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.

r) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. 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.

s) 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.

t) 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.

u) 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.

Notes to the financial statements

For the year ended 31st December 2018.

2 Income from donations and legacies

	Unrestricted £'000	Restricted £'000	2018 Total £'000	2017 Total £'000
Legacies	84	83	167	1,562
Donations and gift aid	94	33	127	129
	<u>178</u>	<u>116</u>	<u>294</u>	<u>1,691</u>

3 Income from charitable activities

	Unrestricted £'000	Restricted £'000	2018 Total £'000	2017 Total £'000
Courses & residential	1,086	2	1,088	1,154
Arts festival	13	-	13	3
	<u>1,099</u>	<u>2</u>	<u>1,101</u>	<u>1,157</u>

4 Income from other trading activities

	Unrestricted £'000	Restricted £'000	2018 Total £'000	2017 Total £'000
Waterperry Gardens income	1,727	-	1,727	1,671
Sales of:				
Books, Tapes and CDs	75	-	75	65
Refreshments	68	-	68	74
Income from room hire	248	-	248	213
Various other sources of income	54	-	54	41
	<u>2,172</u>	<u>-</u>	<u>2,172</u>	<u>2,064</u>

5 Income from investments

	Unrestricted £'000	Restricted £'000	2018 Total £'000	2017 Total £'000
Rent – investment properties	132	-	132	97
Dividends	46	-	46	55
Bank deposit and short term interest	-	-	-	-
	<u>178</u>	<u>-</u>	<u>178</u>	<u>152</u>

The Fellowship of the School of Economic Science

Notes to the financial statements

For the year ended 31st December 2018.

6 Analysis of expenditure

	Cost of raising funds £'000	Charitable activities				Support costs £'000	2018 £'000	2017 £'000
		Investments £'000	Courses and residential £'000	Arts festivals £'000	Governance costs £'000			
Staff costs (Note 9)	747	-	-	-	-	565	1,312	1,276
Direct supply costs	135	-	234	-	-	-	369	311
Cost of sales	713	-	-	-	-	-	713	665
Welfare	-	-	-	-	-	-	-	-
Publicity	31	-	227	4	-	-	262	294
Premises – running costs	97	-	210	-	-	-	307	281
Premises – major repairs	-	-	141	-	-	-	141	139
Legal & professional	-	58	-	-	-	42	100	98
Audit and other fees	7	-	-	-	26	-	33	33
Administration	75	-	136	2	-	308	521	628
Depreciation	39	-	217	9	-	-	265	204
Charitable donations (note 8)	-	-	51	-	-	-	51	37
	1,844	58	1,216	15	26	915	4,074	3,966
Support costs	542	5	364	4	-	(915)	-	-
Governance costs	15	-	11	-	(26)	-	-	-
Total expenditure 2018	2,401	63	1,591	19	-	-	4,074	3,966
Total expenditure 2017	2,410	47	1,431	78	-	-	3,966	

Notes to the financial statements

For the year ended 2018

7 Net income for the year

This is stated after charging:

	2018 £'000	2017 £'000
Depreciation	265	119
Operating lease rentals:		
Other	-	-
Auditor's remuneration (excluding VAT):		
Audit	26	20
Other services	-	3

8 Grant making

	Grants to institutions £'000	Grants to individuals £'000	2018 £'000	2017 £'000
Cost				
St James Durban	10	-	10	10
Jyotirnidhi Nyasa Trust	10	-	10	10
Just This Day	3	-	3	3
Dr Horan	-	14	14	14
Other	15	-	15	
At the end of the year	38	14	52	37

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:

	2018 £'000	2017 £'000
Salaries and wages	1,156	1,105
Redundancy and termination costs	-	-
Social security costs	73	76
Employer's contribution to defined contribution pension schemes	82	95
	1,311	1,276

1 employee earned between £60,000–£69,999 not including employer's National Insurance contributions during the year (2017: one).

The total employee benefits including pension contributions and employer's National Insurance contributions of the key management personnel were £128,995 (2017: £141,817).

The Trustees were not paid or received any other benefits from employment with the Charity in the year (2017: £nil). No Trustee received payment for professional or other services supplied to the charity (2017: £nil).

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs totalling £2274 (2017: £1244) incurred by 2 (2017: 3) Trustees relating to attendance at meetings of the Trustees.

Notes to the financial statements

For the year ended 2018

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:

	2018 No.	2017 No.
Raising funds (trading activity)	71	78
Courses and residentials	20	20
Arts festivals	–	
	<hr/>	<hr/>
	91	98

71 (2017: 78) employees above were employed by WGL and the remaining 20 (2017: 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 £38,051 (2017: £20,154) for management of the investments.

In the year, the charity incurred fees of £38,051 (2017: £20,154) for management of the investments. This difference was due to a change in how underlying fees are reported and does not reflect a significant increase in management fees.

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 2018 it had a tax credit of £11 (2017: £Nil).

Notes to the financial statements

For the year ended 2018

13 Tangible fixed assets

The group

	Freehold property £'000	Leasehold property £'000	Equipment/ improvements £'000	Total £'000
Cost				
At the start of the year	13,158	483	4,597	18,238
Additions in year	–	–	1,500	1,500
Transfer to investments	(49)	–	(822)	(871)
At the end of the year	13,109	483	5,275	18,867
Depreciation				
At the start of the year	–	279	2,508	2,787
Charge for the year	84	15	166	265
Transfer to investments	–	–	(41)	(41)
At the end of the year	84	294	2,633	3,011
Net book value				
At the end of the year	13,025	189	2,642	15,856
At the start of the year	13,158	204	2,089	15,451

The charity

	Freehold property £'000	Leasehold property £'000	Equipment/ improvements £'000	Total £'000
Cost				
At the start of the year	13,158	185	3,666	17,008
Additions in year	–	–	1,447	1,447
Transfer to investments	(49)	–	(787)	(836)
At the end of the year	13,109	185	4,325	17,619
Depreciation				
At the start of the year	–	36	1,632	1,668
Charge for the year	84	4	139	227
Transfer to investments	–	–	(6)	(6)
At the end of the year	84	40	1,765	1,889
Net book value				
At the end of the year	13,025	145	2,560	15,730
At the start of the year	13,158	149	2,033	15,340

All of the above assets are used for charitable purposes.

Notes to the financial statements

For the year ended 2018

14 Investment properties

	The group		The charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Fair value at the start of the year	5,702	3,700	5,702	3,700
Transfer from fixed assets	845	364	844	364
Property sold during year	(250)		(250)	
Revaluation during the year	1,348	1,638	1,348	1,638
Fair value at the end of the year	<u>7,645</u>	<u>5,702</u>	<u>7,645</u>	<u>5,702</u>
Historic cost at the end of the year	<u>4,028</u>	<u>3,183</u>	<u>4,028</u>	<u>3,183</u>

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. Properties transferred to our investment property portfolio during 2018 were the new build Spinney Cottage and 2 flats, 3 studios of the 5 St Oswald's Studios and 28a Bartlett Cottage flat. Pine Cottage was sold during 2018.

15 Listed investments

	The group		The charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Investments at the start of the year	3,928	4,352	4,285	4,709
Additions at historic cost	3,619	1,465	3,619	1,465
Disposals proceeds	(3,750)	(2,050)	(3,750)	(2,050)
Net gains on value of shares	(220)	161	(220)	161
Investments at the end of the year	<u>3,577</u>	<u>3,928</u>	<u>3,934</u>	<u>4,285</u>
Cash held by broker	<u>57</u>	<u>341</u>	<u>57</u>	<u>341</u>
Market value at the end of the year	<u>3,634</u>	<u>4,269</u>	<u>3,991</u>	<u>4,626</u>
Historic cost at the end of the year	<u>3,826</u>	<u>3,960</u>	<u>4,183</u>	<u>4,317</u>

Investments comprise:

	The group		The charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Heartwood Wealth Management Fund				
Equity	930	1,185	930	1,185
Private equity	22	31	22	31
Bonds	357	387	357	387
Commodities	124	82	124	82
Property	68	81	68	81
Hedge funds	276	194	276	194
Cash	104	243	104	243
Ruffer Fund				
Index	769	747	769	747
Credit/liquid	177	152	177	152
Equities	554	930	554	930
Global	8	10	8	10
Other	190	129	190	129
Cash	55	98	55	98
Investment in the UK Subsidiary	-	-	357	357
	<u>3,634</u>	<u>4,269</u>	<u>3,991</u>	<u>4,626</u>

Notes to the financial statements

For the year ended 2018

16 Subsidiary undertaking

The charity owns the whole of the issued ordinary share capital of Waterperry Garden 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, is also a director of the subsidiary. Available profits are gift aided to the parent charity. A summary of the results of the subsidiary is shown below:

	2018 £'000	2017 £'000
Turnover	1,727	1,670
Turnover from sales to parent undertaking	19	16
Cost of sales	(1,409)	(1,375)
Gross profit	337	311
Administrative expenses	(266)	(242)
Management charge payable to parent undertaking	(33)	(42)
Operating profit / (loss)	38	27
Interest payable to parent undertaking	(4)	(3)
Profit / (loss) on ordinary activities	38	27
Donation to parent under gift aid	-	-
Profit / (loss) for the financial year	34	27
The aggregate of the assets, liabilities and funds was:		
Assets	632	600
Liabilities	(350)	(352)
Funds	282	248

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

17 Stock

	The group 2018 £'000	2017 £'000	The charity 2018 £'000	2017 £'000
Books	90	96	90	96
Garden centre stock	261	247	-	-
	351	343	90	96

Notes to the financial statements

For the year ended 2018

18 Debtors

	The group		The charity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts due from subsidiary	–	–	114	124
Trade debtors	48	22	44	17
H M Revenue & Customs	38	36	38	36
Prepayments	26	29	26	29
Other debtors	195	466	85	350
	307	553	307	556

Amounts due after more than one year included above within group other debtors total £84,313 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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade creditors	135	118	102	82
Accruals	51	39	51	39
External loans	9	9	9	9
Taxes and social security costs	70	61	11	6
Retirement benefits payable within one year	–	–	–	–
Deferred income	27	5	27	5
Other creditors	151	156	31	29
	443	388	231	170

Notes to the financial statements

For the year ended 2018

20 Creditors: amounts falling due after one year

	The group 2018 £'000	2017 £'000	The charity 2018 £'000	2017 £'000
Retirement benefits payable in more than one year	39	42	39	42
	39	42	39	42

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 individuals age and health, with no allowance for either discounting or for future inflation. On this basis the reserve is at the end of 2018 £38,500.

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 £67,000 (2017 – £79,000).

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

	Restricted £'000	Designated £'000	General funds £'000	Total funds £'000
Tangible fixed assets	–	–	15,855	15,855
Fixed asset investments	–	2,000	9,279	11,279
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	25,645	28,138

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

	Restricted £'000	Designated £'000	General funds £'000	Total funds £'000
Tangible fixed assets	–	–	15,451	15,451
Fixed asset investments	–	4,000	5,971	9,971
Net current assets	431	–	1,528	1,959
Creditors: amount falling due in over one year	–	–	(42)	(42)
Net assets at the end of the year	431	4,000	22,908	27,339

Notes to the financial statements

For the year ended 2018

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	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	1,883	(2,362)	2,056	21,764
Non-charitable trading funds	(107)	1,746	(1,713)	–	(74)
Total unrestricted funds	26,908	4,757	(4,075)	56	27,645
Total funds	27,339	4,875	(4,075)	0	28,139

Purposes of restricted funds

The fund comprises of 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. Transfers between funds relates to the Nanpanton Fund, where the restricted element of the fund has now been spent, and has been moved to designated funds.

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 2018

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	Expenditure and losses £'000	Transfers £'000	At the end of the year £'000
Restricted funds:					
Specific charitable activities	191	306	(110)	(93)	294
Future branches properties	137	-	-	-	137
Total restricted funds	328	306	(110)	(93)	431
Unrestricted funds:					
Designated funds:					
Building and capital asset reserve	2,000	-	-	-	2,000
Opportunity reserve	2,000	-	-	-	2,000
Total designated funds	4,000	-	-	-	4,000
Revaluation reserve	1,372	1,456	-	93	2,921
General funds	18,876	3,415	(2,197)	-	20,094
Non-charitable trading funds	(134)	1,686	(1,659)	-	(107)
Total unrestricted funds	24,114	6,557	(3,856)	93	26,908
Total funds	24,442	6,863	(3,966)	-	27,339

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

	2018 £'000	2017 £'000
Net income for the reporting period (as per the statement of financial activities)	800	2,897
(Gains) on investments	(1,127)	(1,799)
Investment manager fees	-	-
Gain on sale of property	(51)	-
Depreciation	265	204
(Increase)/decrease in stocks	(8)	(7)
(Increase)/decrease in debtors	246	(270)
Decrease/(increase) in creditors	52	(31)
Investment income	(179)	(152)
Legacy income in the form of property	-	-
Net cash provided by / (used in) operating activities	(2)	842

Notes to the financial statements

For the year ended 2018

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 2018 £'000	2017 £'000
Less than 1 year	2	2
1 – 5 Years	1	3
	<u>3</u>	<u>5</u>

26 Results of the parent charity

	2018 £'000	2017 £'000
Turnover	2,053	3,436
Net result of the charity	<u>765</u>	<u>2,870</u>