



ETON
COLLEGE

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2016

**TRUSTEES, OFFICERS AND ADVISORS
FOR THE YEAR ENDED 31 AUGUST 2016**

The Visitor of Eton College is the Lord Bishop of Lincoln. The current Lord Bishop, the Right Reverend Christopher Lowson, was enthroned in November 2011.

The Governing Body of Eton College, known as the Provost and Fellows, are the charity trustees. The Provost and Fellows who served during the year and subsequently up to the date of signing were:

		1	2	3	4	5	6	7
The Rt Hon Lord Waldegrave of North Hill PC MA – Provost		SC		I	H	N	S	
Dr Andrew Gailey CVO MA PhD – Vice Provost		SC			H	N		R
Professor Michael Proctor MA MMath SCD FRS FRAS FIMA								
Sir Michael Burton	Retired 12 Nov 2016							R
Professor Christopher Dobson	Retired 31 Aug 2016		A					
The Duchess of Wellington OBE BA					H	N		
Mr David Reid Scott MA				I			S	
Professor Kim Nasmyth BA PhD FRS						N		
Dr Caroline Moore MA PhD					H			R
Mr Hamish Forsyth MA				I		N	S	
Mr John Varley MA			A					
Mr Mark Esiri	From 3 Feb 2016		A					
Sir George Leggatt	From 9 Dec 2016							R
Mr Thomas Seaman	From 9 Dec 2016		A	I				

During the year the activities of the Governing Body were carried out through seven committees as listed below. The membership of these committees is shown in the table above for each Fellow.

- (1) Standing Committee (which any Fellow is entitled to attend) (SC)
- (2) Audit and Risk Committee (A)
- (3) Investment Committee (I)
- (4) Heritage Committee (H)
- (5) Nominations Committee (N)
- (6) Senior Salaries Committee (S)
- (7) Regulatory and Compliance Committee (R)

OFFICERS (Key Management Personnel currently and throughout the year)

The day-to-day management of the College is delegated by the Provost and Fellows to:

Simon Henderson MA	Head Master
Janet Walker MA FCA	Bursar
Robert Stephenson BSc PhD	Lower Master

BANKERS AND ADVISORS

Bankers	Barclays Bank PLC, 8 High Street, Eton, Windsor, Berkshire, SL4 6AU
Solicitors	Farrer & Co, 66 Lincoln's Inn Fields, London WC2A 3LH Charles Russell Speechleys, 5 Fleet Place, London EC4A 1RS
Auditor	Crowe Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH
Investment Managers	Partners Capital LLP, 5th Floor, 5 Young Street, London W8 5EH

PRINCIPAL ADDRESS

Eton College, Eton, Windsor, Berkshire, SL4 6DW.

Website: www.etoncollege.com

REFERENCE AND ADMINISTRATIVE INFORMATION

Eton College was founded as a corporation in 1440 by Royal Charter of King Henry VI, confirmed by later Acts of Parliament and by the Statutes approved by HM The Queen in Council, most recently in October 2016. The College is a charity and its Charity Commission registration number is 1139086. The statutory title of the charity is "The Kynge's College of our Ladye of Eton besyde Windesore". The short title is "Eton College".

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Body

The College Statutes provide: "The Foundation of the College shall consist of the Provost and Fellows (one of whom shall be the Vice-Provost), the Head Master, the Lower Master, the Bursar, the Master in College, the Conduct, the Precentor and the King's Scholars. The Governing Body of the College shall comprise of the Provost and Fellows".

The Provost is a Crown appointment for life. The Vice-Provost is elected by the Provost and Fellows (usually referred to as the P&F) and is normally a master or former master. The Provost attends to the good governance of the College and exercises a general superintendence over the property and affairs of the College. The Vice-Provost has the same duties under the Provost, taking care that all persons concerned in the administration or service of the College conform to the Charter and Statutes. They are both resident at the College. This unusual feature of governance at Eton provides for close awareness at governor level of issues affecting the College, and for support of the Head Master. Details of the Provost and Fellows are set out in the table below.

Date Appointed	Title and Name	Profile
2009	Provost Lord Waldegrave of North Hill (OE, 1965)	Distinguished Fellow of All Souls College, Oxford and a Government Minister from 1981, serving in the cabinet between 1990 and 1997. He is Chairman of Coutts & Co, Chancellor of Reading University and a member of the House of Lords. The Provost is a member and Chairman of Holyport College and a member of Slough and East Berkshire C of E Multi Academy Trust. Former parent.
2006	Vice-Provost Dr Andrew Gailey	Master in the history department at Eton from 1981 and a house master from 1993 to 2006. A graduate of both St Andrews and Cambridge, the Vice-Provost is a governor of two other schools, Aysgarth and St Mary's Ascot and a director of Slough and East Berkshire C of E Multi Academy Trust.
2013	Senior Fellow Professor Michael Proctor	The Provost of King's College, Cambridge (also founded by Henry VI) is the Senior Fellow ex officio. Professor Proctor holds the Chair of Astro-Physical Fluid Dynamics at Cambridge University. He is a Governor of Shrewsbury and King's Ely.

ETON COLLEGE
REPORT OF THE PROVOST AND FELLOWS
YEAR ENDED 31 AUGUST 2016

Date appointed	Name	Appointed/ Nominated by:	Profile
2010	Dr Caroline Moore	P&F from Cambridge University (Statute VII (3))	A past Fellow and Director of Studies in English at Peterhouse College, Cambridge University. Dr Moore is a journalist, book reviewer and educational author. She is a governor of two other schools. Former parent.
2009	Professor Kim Nasmyth (OE, 1970)	Royal Society (Statute VII(4))	A Fellow of Trinity College, Oxford. Professor Nasmyth is Whitley Professor of Biochemistry at the University of Oxford. His earlier scientific career includes positions at Universities of Cambridge, Washington and Vienna.
2008	The Duchess of Wellington	P&F	Until 2007 a trustee and then Chairman of the Guinness Partnership, a national charitable Housing Association. The Duchess is Chairman of the Royal Ballet School and the Patron of the Loddon School (a special needs school in Hampshire). Former parent.
2009	David Reid Scott (OE, 1965)	P&F	Chairman of Kazimir Group and Castlecap, Senior Advisor to CDIL (Mozambique) and member of Lloyds of London. He has pursued a financial career that has included senior positions in the Saudi Arabian Monetary Agency, Merrill Lynch, Phoenix Securities, Donaldson, Lufkin & Jenrette, Credit Suisse First Boston and Hawkpoint. He is a member of the Rector's Council, Lincoln College, Oxford and Chairman of the Jack & Jill Foundation, Ireland.
2012	John Varley	P&F	He joined the governing body in March 2012, having been the Chief Executive of Barclays Bank PLC. He is the Chairman of Marie Curie, a trustee of HRH The Prince of Wales' Charitable Foundation and is on the boards of BlackRock and Rio Tinto PLC. Former parent.
2011	Hamish Forsyth	Masters	He is responsible for the European business of the Capital Group Companies, a large and long-established investment management firm based in Los Angeles.
2016 (From 3 Feb 2016)	Mark Esiri (OE, 1983)	P&F	Co-Founder and Chairman of venture capital firm Venrex Investment Management where he holds board positions in several companies. He is a Trustee and Vice Chairman of Save the Children UK.
2016 (From 9 December 2016)	Sir George Leggatt (OE, KS,1975)	The Lord Chief Justice (Statute VII(5))	A judge in the Queen's Bench Division of the High Court of Justice since 2012. Former parent.
2016 (From 9 December 2016)	Mr Thomas Seaman	P&F from Oxford University (Statute VII(2))	The Estates Bursar, a Fellow and a sub-warden of All Souls College, Oxford University. He is a member of the University's Investment Committee and chairs the Property Advisory Group. Also a Trustee (Hon Treasurer) and member of the Council of the International Institute for Strategic Studies. Graduate of Yale. Former parent.

Recruitment and Training of the Provost and Fellows

The Fellows, with the exception of the Provost, Senior Fellow and Masters' Representative, retire after no more than 15 years or at age 70 if earlier. The Masters' Representative serves for a five-year term and may be elected for further five-year terms.

The Nominations Committee identifies suitable nominees to become Fellows in accordance with the nomination

requirements set out in the College Statutes and the particular skills and experience identified by the Nominations Committee as required upon the Governing Body. Nominees are interviewed by the Nominations Committee.

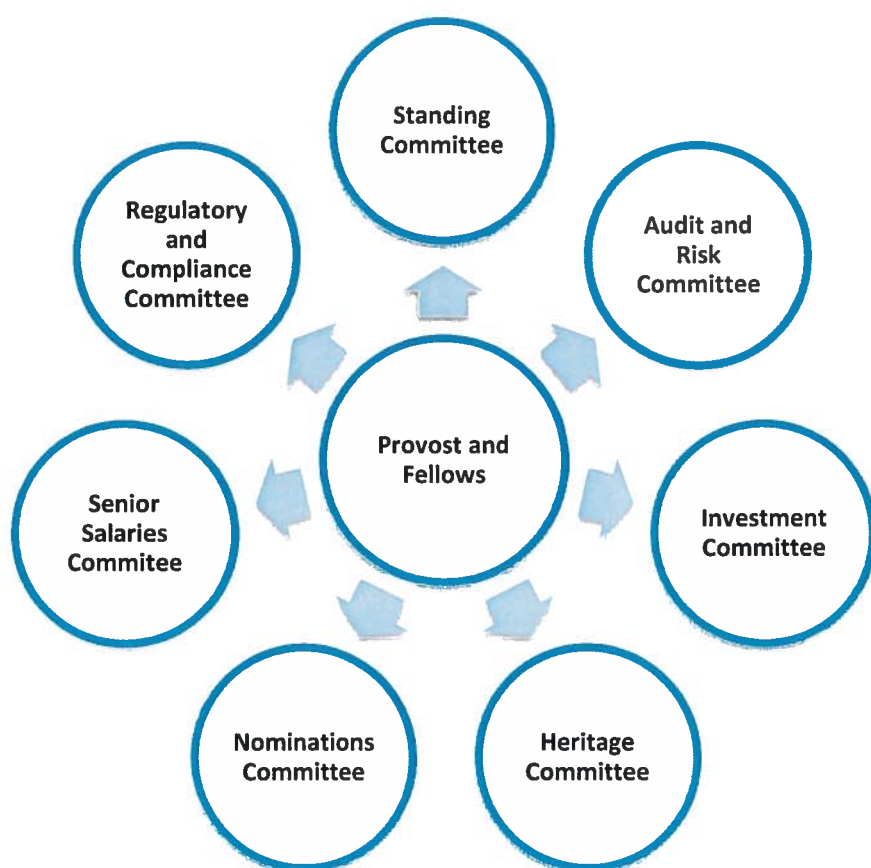
Upon their appointment, Fellows are provided with an induction pack that brings them up to date with current business and with issues of major importance; there is also an induction day during which the incoming Fellow spends time with each of the Provost, Vice Provost, Head Master and Bursar and their senior teams.

A rolling programme of familiarisation with the work of the College and its staff is arranged. Training opportunities provided by external organisations are taken up and in-house training is undertaken in respect of key areas (e.g. safeguarding, safer recruitment, duties of charity trustees).

Organisational management

Strategic direction and decision-making lies with the Governing Body, the Provost and Fellows, who normally meet twice each term at Eton. They usually devote the previous evening to activity that deepens their knowledge of the College and of issues of current importance, for example by means of a departmental presentation, themed discussion with a particular group of masters or boys, attendance at an event (e.g. school play) or presentation on outward facing initiatives (e.g. Holyport College, Online Education).

The work of implementing their policies is carried out by seven committees:



The Standing Committee, chaired by the Provost, oversees the administration of the College within the strategic and policy framework, and plans and reviews the agenda for the Provost and Fellows' meetings.

The Audit and Risk Committee, chaired by Mr John Varley, monitors all strategic risks facing the College, and reviews and scrutinises the Annual Report and Financial Statements prior to approval by the Provost and Fellows.

The Investment Committee, chaired by Mr David Reid Scott, provides endowed investment advice from a group of expert Old Etonians and reviews the mandate given to Investment Managers, Partners Capital. It has a sub-committee, the Investment Property Committee, which oversees the College's investment property holdings.

The Heritage Committee, chaired by the Provost, oversees the management of Eton's historic buildings, environment, and collections.

The Nominations Committee, chaired by the Provost, manages the processes for appointment of those Fellows who are elected by the Provost and Fellows, the Head Master, and senior administrative staff.

The Senior Salaries Committee, chaired by Mr Hamish Forsyth, is responsible for remuneration decisions in respect of senior management.

The Regulatory and Compliance Committee, chaired by the Vice Provost, monitors and reviews non-financial regulatory compliance by the College, particularly compliance with the Independent Schools Standards Regulations and National Minimum Standards for Boarding Schools.

The day to day running of the College is delegated to the Head Master, Bursar and Lower Master, as key management personnel, supported by other members of the senior management team. The Head Master and Bursar attend the Provost and Fellows' meetings and provide written reports for their attention. The remuneration of the key management personnel is set by the Provost and Fellows. Decisions are based on information for similar job roles in the independent school sector and any performance information that is relevant.

The Provost and Fellows, as a whole, agree and set the annual 'cost of living' pay increases.

Group structure and relationships

Eton College has three wholly owned trading subsidiaries and one charitable company, all of which are consolidated into the Financial Statements.

- **Eton College Services Limited**, which undertakes hospitality related trading activities and donates its annual profits to Eton College under the Gift Aid Scheme;
- **Rownsmoss Limited**, which undertakes property development, and manages a portfolio of investment properties;
- **Eton Online Ventures Limited**, which commenced trading on 1 September 2015, provides educational services to EtonX Limited and holds a 50% share of a joint venture in EtonX Limited, in which it has invested £1,150k during the course of the year. EtonX Limited provides on-line educational resources and expertise to pupils in China. On 1 September 2016 Eton Online Ventures became the sole shareholder of EtonX Limited, and provided further funding of £195k in September 2016;
- **Dorney Lake Trust Company**, is a grant giving charitable company and runs the junior rowing initiative at Dorney Lake, which encourages pupils of local schools to take up rowing.

The results of the subsidiaries and joint venture are shown on pages 29 to 30.

Employment Policy

The College is an equal opportunities employer. Communication with employees is through a variety of channels, in a variety of forms. For example: daily announcements by Head Master and Lower Master to all masters and senior support staff, e-mail briefings to all staff about the matters discussed in the meetings of the Provost and Fellows, and informal briefings by managers to members of their teams.

OBJECTS, AIMS, OBJECTIVES AND ACTIVITIES

Charitable Objects

The College was founded by Henry VI for the worship of God and the education of young men to the service of the church and state.

In the preamble to the amended statutes of October 2016, the charitable objects are stated as:

- The advancement of education by the provision, support and conduct of a school known as Eton College and by ancillary or incidental educational activities (including the conduct of services in its chapel or chapels) for the benefit of students (being persons enrolled on a course of study provided by Eton College) and/ or the wider community.
- For the benefit of the public, the preservation, maintenance, improvement and repair of:
 - the buildings and fabric of Eton College (including the chapels of the College) which are of architectural or historical importance;
 - the furniture, pictures and chattels of any description having historic or artistic interest connected with the College.

Primary Objectives

Eton is a full boarding school educating over 1,300 boys aged 13-18.

	The College is committed to:	
	Promoting the best habits of independent thought and learning in the pursuit of excellence;	
	Providing a broadly based, high quality, education designed to enable all boys to discover their strengths and to make the most of their talents within Eton and beyond;	
	Engendering respect for individuality, difference, the importance of teamwork and the contribution that each boy makes to the life of the College and community;	
	Supporting pastoral care that nurtures physical health, emotional maturity and spiritual richness; and	
	Fostering self-confidence, enthusiasm, perseverance, tolerance and integrity.	

The College's medium to long-term aims and short-term targets are reviewed annually by the Provost and Fellows.

	Medium to long term aims include:	
	Widening further access to the education provided by the College by increasing over time the percentage of boys receiving financial help with fees to at least 25% and ensuring the number of boys paying no fees at all remains at least 70;	
	Keeping the College on a sound financial footing and attracting sufficient donations to realise the fee remission target set out above;	
	Building on the successes of the College's current relationships with maintained schools (Holyport College, the London Academy of Excellence and the Independent State School Partnership) with a view to increasing the range and depth of its partnerships;	
	Enabling the Tony Little Centre for Innovation and Research in Learning to become a recognised leader in pedagogical research for the benefit of the College and the wider educational community;	
	Maintaining an ongoing exhibition programme and an online catalogue for the College's Collections.	

Strategies to achieve the primary objectives

Public Benefit

Access, engagement and outreach

The Provost and Fellows actively seek to extend the College's educational reach as far as possible by awarding scholarships and bursaries to those who could not otherwise afford to come to Eton and by making the College's expertise and facilities available to students who are not its pupils. The opening of the Tony Little Centre for Innovation and Research in Learning at the College in May 2015 is an example of this aim. The College also attaches great importance to good relations with the people and organisations in the local area.

Making Eton accessible - scholarships and bursaries

Eton's central purpose is the provision of education. The Provost and Fellows are committed to the provision of scholarships and bursaries designed to widen access to the education that Eton provides. The Provost and Fellows want to ensure at least 70 boys receive full fee remission and at least 25% of boys in the school are financially assisted.

Scholarships are fee reductions awarded through competition on academic or musical merit, and bursaries are fee reductions awarded according to need. Assessments of financial need are made through detailed means tests.

During the year 282 boys (22%) received fee reductions; 74 of these boys paid no fees at all. The equivalent figures for the previous year were 277 and 70. The amount spent on fee remission increased from £6,084k to £6,406k, with the average award remaining 64% of the full fee.

Scholarships were awarded to 148 of these boys (2015: 145). King's Scholarships are awarded on academic promise and Music Scholarships on musical promise; both provide a 10% reduction in the school fee and are supplemented by bursaries according to need up to full fees if this is necessary to let a boy take up his place. Junior Scholars, Sixth Form Scholars and New Foundation Scholars, all of whom are boys from state schools, pay only what can be afforded.

As well as those that may be added to scholarships, bursaries are available to boys who would not otherwise be able to afford to come to Eton or (if circumstances change) stay at the school. The number of boys with bursaries (excluding those bursaries associated with scholarships) was 134 (2015: 132). The College liaises effectively with the state sector (particularly state secondary schools without sixth forms) to identify potential candidates for the New Foundation and Sixth Form Scholarships.

Other Public Benefit

Beyond the considerable public benefit of providing a high-quality education to its pupils, equipping them with good academic qualifications and a sense of responsibility and service to others, the College recognises its charitable duty to provide educational benefit to children and young people who are not pupils of the College.

The College's wider educational contribution is recorded on the Schools Together website, established in 2016. Particular highlights from the 2015/16 academic year were:

- Eton is sole educational sponsor of **Holyport College**, the first boarding school established under the Government's free schools scheme. Holyport College opened in September 2014 and has been very successful in its first two years of operation. The partnership with Holyport College is designed to be mutually beneficial. However, the College does not consolidate Holyport into its results as it does not have control for the benefit of the College. Initiatives undertaken in 2015/16, in addition to secondment of staff and sharing facilities, include joint INSET for teaching staff, the establishment of a joint Investment society for pupils and mentoring by Eton boys of Holyport pupils. Donations during the 2015/16 financial year total £11k, with further in kind donations through non-financial support of £20k. Heads of Terms for 2016/17 have been agreed and it is anticipated that a longer term collaboration agreement will be developed over the next academic year.
- Eton's continued involvement with **London Academy of Excellence**, a selective free school for sixth formers in Stratford, East London, which opened in September 2012. Eton sponsors its English Department by providing two masters on part time secondment and plays a significant role in its governance, providing a governor and two committee members.
- Eton's engagement with the **Slough and East Berkshire Church of England Multi Academy Trust** which has been established to form a group of schools which can support each other to ensure the best possible outcomes for young people in Slough and nearby areas. Slough and Eton Business and Enterprise College and Colnbrook Primary are the first two schools under the trust. Eton hopes to be able to help improve education in its local area by being involved.

In addition to these headlines, the College continues to run its successful annual **Universities Summer Schools**, the **Choral** and **Rowing Courses** and continues actively to participate in the **Eton, Slough, Windsor and Hounslow**

Independent State School Partnership. Further details of the College's public benefit activity in 2015/16 and beyond can be found on the College's website www.etoncollege.com and Schools Together www.schoolstogether.org

The Provost and Fellows confirm that they have complied with the duty in the Charities Act 2011 in respect of having due regard to public benefit guidance published by the Charity Commission in determining the activities undertaken by the College.

Reaching out to the College's local community

The Chapel, School Hall, the Farrer Theatre and other facilities are made available to local schools, clubs and societies. A number of staff and pupils engage with the wider community in a number of different ways but particularly as mentors (boys) or acting as school governors (staff) of local maintained schools and academies. Community service is provided by boys taking food and clothing to homeless people in Slough, by visiting the elderly and by playing the organ in four local churches.

The College provides in-kind support to the Poor's Estate in the Ancient Parish of Eton (Charity No. 200640). The Poor's Estate is established for the relief of persons in the Parish who are in need, hardship or distress by reason of age, infirmity or poverty and its principal activity is the provision of a day centre for the elderly. The College provides payroll, income and expenditure processing, management and statutory reporting services in kind and also leases Charteris House to the charity at a concessionary rent for use as the day centre.

Boys are actively encouraged to raise money for good causes. This is done through Eton Action (a separately registered charity, number 258247) which holds an annual community fair and other fund-raising events. The money raised is distributed to charities chosen by the Eton boys.

Reaching out to society

In 2015/16 Eton has further expanded the outreach and engagement programme undertaken in respect of its Collections. The dedicated Exhibitions & Outreach Co-ordinator ensures many young people are coming to experience Eton. Particular highlights for Collections engagement over the last year include:

- The ongoing development of an after school extra-curricular programme for primary school children, with weekly sessions increasingly led and delivered by Eton boys, supported by the Collections;
- Working with a primary and a secondary school, the College has delivered four challenge days for Gifted and Talented children drawn from 36 schools across the region;
- A family learning event exploring the Ancient Egyptians, showcasing the Eton Museum of Antiquities;
- Two special exhibitions were held in the Verey Gallery and two in the Tower Gallery. These were included in the engagement programme and open to the public by appointment. The College also held an Open House afternoon focused on one exhibition, which drew press coverage and an interview with BBC Radio Berkshire;
- Learning events organised around the exhibitions programme have continued to draw audiences from primary and secondary schools and colleges in the area, including those in the ISSP, the London Academy of Excellence, Holyport College and East Berkshire College;
- Development of a new relationship with Windsor Girls' School, supporting their Aspiring High programme nurturing Russell Group university applicants;
- General and special interest adult groups have also been welcomed by the Collections for talks and tours exploring a variety of themes;
- New relationship with the Windsor Festival and Windsor Fringe Festival, with lecture evenings in the Eton Museum of Antiquities and College Library, and a free art trail which drew 270 visitors;
- Hosting more than 150 visiting researchers and answering hundreds of further research enquiries by post, telephone and email;
- The Eton Museum of Antiquities, Natural History Museum, and the Museum of Eton Life are now open free to the general public every Sunday afternoon.

ACHIEVEMENTS AND PERFORMANCE

Academic performance

Eton has continued to deliver a very high standard of education. Eton was inspected by the Independent Schools Inspectorate (ISI) during the year, and was awarded the highest grade available in every area of focus. The consistently excellent performance in public examinations was maintained again during the 2015/16 academic year:

	96% of all A-level grades were awarded grades A*/A/B, with 80% at A*/A, and 43% at A*.	
	Eton pursues the Pre-U qualification in a number of subjects as an alternative to A level. 80% of all Pre-U entries were graded Distinction 3 or above (equivalent to an A grade at A-level). 47% of entries were at Distinction 2 or higher (equivalent to an A* at A-level). 43 boys (21%) achieved the heights of a Distinction 1 (above an A* at A-level).	
	At GCSE 79% of the 2,120 entries were awarded the A* grade. This was in line with the previous year which was the College's strongest performance to date.	

Eton's view of education encompasses much more than just intellectual achievement, important though this is. A strong, broad and extensive curriculum, including a vast range of co-curricular activities, enables the boys to discover and develop their strengths wherever they lie, whether in academic, aesthetic, technical or sporting pursuits.

Fund-raising performance

Since 2006, when a full-time Development Director was appointed, a well-resourced fund-raising programme has been under way with a view to providing fee reductions through scholarships and bursaries, developing Eton's facilities and maintaining the College's heritage properties. A total of 26 fundraising events were held in 2015/16, and the income generated from donations was £5.2m (2015: £5.8m), which exceeded expectation.

Investment policy and performance

The Eton College Common Investment Fund (EC CIF) was established in July 2006 and is the pooling scheme through which the College's various funds (the endowed funds, designated funds, pension funds) are invested with the objective of maximising long-term total return, subject to not exceeding an agreed level of risk.

Pursuant to the total return order dated 27 July 2008, the College has adopted since 1 September 2007 a total return approach for the investment of its permanently endowed funds. Under the total return order, the College can invest those funds without regard to whether the investment return is in the form of capital appreciation or income and with discretion to apply any part of the total investment return as income for spending each year. Until this power is exercised, the investment return forms a component of the endowed fund known as the "unapplied total return". The Provost and Fellows have decided that it is in the best interests of the College to account for all its invested funds (both permanent and expendable endowments) in the same way.

The return, in terms of both income receivable and capital appreciation or depreciation, whether realised or unrealised, is credited or charged to the funds. The amount available for the College to draw down for expenditure in any one year is determined by an internally self-imposed rule which, subject to a floor and ceiling, currently permits the draw-down of up to 3.5% of the average of the last five years' year-end valuations of the EC CIF.

The EC CIF is invested partly in securities and partly in property. The securities investment portfolio element of the Eton College Common Investment Fund continues to be managed by Partners Capital, with agreed risk parameters, on a discretionary basis with oversight provided by an Investment Committee whose members have significant experience of investment management. The core tenets of Eton's investment strategy remain: to manage the portfolio to deliver long-term absolute returns without specific regard to income generation; to diversify the portfolio across multiple asset classes; and to identify and select the most skilled asset managers within each asset class.

As of 31 August 2016 the securities investment portfolio was valued at £311m (compared with £298m in 2015). It was invested with 36 different active investment managers and remained well-diversified across asset classes and investment strategies. While ethical, social, and environmental considerations are taken into account when investments are made, there are no formal restrictions in place to preclude investment in specific companies, sectors, or countries.

In the twelve months to 31 August 2016 the investment portfolio rose in value by 7.4% calculated as the compounded monthly investment performance, excluding the impact of any additions and withdrawals, which compares to a gain of 17.0% for the Eton Composite Benchmark, which represents the investment portfolio's long-term strategic asset allocation. Over the last twelve months the investment portfolio has not held nominal or index-linked Gilts. This is a deliberate, tactical deviation from the long-term strategic asset allocation, which has a 12% aggregate allocation to Gilts. It is the absence of Gilts from the investment portfolio which has driven its underperformance of the Eton Composite Benchmark as Gilt prices hit record highs after the Bank of England cut its benchmark interest rate to 0.25% in response to Britain voting to leave the EU.

Over the last three years the investment portfolio has outperformed the Eton Composite Benchmark, returning 11.1% p.a. compared with a 9.7% p.a. gain for the Benchmark.

Eton's direct property portfolio was valued by an external valuer at £85.3m at the end of August 2016, compared to £80.1m at 31 August 2015. During the year the net additions to the portfolio were £1.3m with an investment gain of £3.9m.

FINANCIAL REVIEW

Results for the year

The College's consolidated net expenditure for the year ended 31 August 2016 was £3,418k, before investment gain of £22,207k (2015: 21,859k), compared to net income of £5,852k for the previous year. The main contributing factor behind this decrease of £9,270k was the reduction in investment income of £6,449k. As the College operates its investment portfolio on a total return basis, the investment income can vary greatly year on year and is difficult to predict. It has no bearing on the operational cashflow of the College. The working cash available to the College from the endowment is calculated from the College's internal spending rules.

The results for the year ended 31 August 2015 have been restated in accordance with the new financial reporting standard FRS102. The transition date is 1 September 2014.

School fee income increased by 4.2% from £45,106k to £47,016k. The funding of scholarships and bursaries (fee remission) went up from £6,084k to £6,406k, equivalent to an increase of 5.3% over the year ended 31 August 2015.

Total charitable expenditure rose by 2.5% from £57,307k to £58,746k. The bulk of this comprises the costs of running the College, and 55.1% of these costs are employment costs.

The College will always have to spend significant amounts of money on maintaining its 398 buildings, including the 78 that are listed. These costs are funded not just from school fees but also from donations and draw-down from endowed funds.

Grants and donations to the College were £5,154k compared to £5,766k in the previous year. The College is very grateful for the continued generosity of its donors.

Investment income was £8,109k compared to £14,558k. The strategy for the investment portfolio, comprising securities and properties, is primarily to achieve long term capital growth rather than to generate income, so this level of income is often very different when comparing one year to the next. 2015 was an exceptional year for income because one of the private debt funds in which the College is invested realised significant gains on successful investments which it returned to the College in the form of distributions.

Trading income is mostly made up of the aggregation of the turnover of the College's subsidiaries. Income increased from £1,348k to £1,686k. Refer to note 4 for more detail relating to the trading subsidiaries of the College.

Reserves Policy

The College believes that it is prudent to have sufficient reserves to continue with its short-term financial obligations in the event of a shortfall in income or unexpected upturn in expenditure. The College is fortunate to have significant endowed funds and seeks to build up unrestricted reserves out of any annual operating surpluses, investment returns and fund-raising to a level which is considered adequate to meet the future needs of the College and allow further capital expenditure and major refurbishment to equip the College with the facilities needed to maintain the high standard of education currently provided.

The charitable funds of the College and its subsidiaries are accounted for as restricted or unrestricted funds.

Restricted funds are to be used in accordance with specific restrictions related to the fund at its inception or in its governing document. The aim and use of each of the restricted funds are set out in the notes to the financial statements. Restricted funds are divided between **Endowed Funds** and **Restricted Income Funds**. Endowed funds are capital funds with a restricted purpose and are further sub-divided into permanent and expendable endowed funds depending upon the terms of the relevant fund's governing document. **Permanent Endowed Funds** are capital funds where the original capital value is to be retained permanently for use by the College (e.g. freehold land) or for its financial benefit (i.e. by investment). The College has a Total Return Order (dated 27 July 2008) which stipulates that any investment returns will accrue as a capital supplement (the Unapplied Total Return) to the permanently endowed capital. Any part of the Unapplied Total Return converted into income for spending will be transferred to the appropriate **Restricted Income Fund**. **Expendable Endowed Funds** are accounted for similarly, except that all capital can be converted into income for spending either in accordance with any restrictions imposed by the fund's governing document or, where there are no such restrictions, at the College's own discretion.

Unrestricted Funds are funds that are available for use at the discretion of the College in furtherance of its objects and are divided between Designated and General Funds. **Designated Funds** are unrestricted funds which have been set aside by the College for specific purposes. The aim and the use of each of the Designated Funds are set out in note 14 to the Financial Statements. **General Funds** are funds available for the provision of working capital and reserves for the general administration of the College.

The **Endowed Funds** and the **Designated Funds** are generally regarded as being for the longer term, fundamentally underpinning and sustaining the operation of the College at its desired level of activity.

The Improvement Fund is a fund established by a scheme of 1904 for the maintenance and preservation of school properties. The preserved capital of this fund has been disclosed as permanently endowed capital in line with the enactment of the new Statutes.

The Trusts Fund consists of some individual grants, legacies and gifts given to the College over the years for specific purposes which are laid down in the individual trust documents.

The Farrer Maintenance Fund is a special trust (and linked charity) specifically for the improvement and maintenance of the College's buildings.

The New Foundation Trust is a special trust (and linked charity) which can be used for a variety of purposes for the benefit of the College, but in accordance with the wishes of the donor. During the year £226k was received in new donations and added to the New Foundation Trust as preserved capital.

The Head Master's Fund is a special trust (and linked charity) used to fund scholarships, bursaries, prizes, travel grants and other special purposes. During the year two funds totalling £1,622k which had previously been accounted for under the Trusts Fund were transferred to the Head Master's Fund.

All of the **Endowed Funds** are included within the Eton College Common Investment Fund ("EC CIF"), which means that all investment and monies belonging to the Endowed Funds are pooled for investment purposes, along with other designated and pensions funds. Refer to note 9 for a breakdown.

The **Restricted Income Funds** corresponding to each of the Endowed Funds represent the amount of income available for spending on those restricted purposes in accordance with the College's own internal spending rule. The other Restricted Income Funds, which comprise around 100 separate funds, are to be used in accordance with the wishes of the donor or the fund-raising campaign through which the monies were raised. Examples of such purposes are:

ETON COLLEGE
REPORT OF THE PROVOST AND FELLOWS
YEAR ENDED 31 AUGUST 2016

Bursaries, College Collections, Student Enrichment, Teaching and Research. The Restricted Income Funds are fully expendable and wherever possible College expenditure is charged to a restricted fund in precedence to being charged against General Funds.

The **Designated Funds** are unrestricted but designated by the College for specific purposes:

The **Designated Improvement & Maintenance Fund** has been specifically designated for the general improvement of the College.

The **Designated Bursary Fund** represents the funds generated by investing the £45m long-term loan in the EC CIF less interest payable on the loan.

The **Fixed Asset Fund** represents the net book value of the tangible fixed assets on the balance sheet at the year end.

General Funds are unrestricted and represent the accumulated net income from the College's activities and others sources for the general purpose of the College.

A summary of the different funds is set out below:

Fund Type	Fund Name	Value at 31 August 2016 £'000	Net Assets	Purpose
Endowed (Permanent - since new Statutes enacted)	Improvement	148,461	Investments: Properties and Securities	Improvement and maintenance of College Buildings
Endowed (Expendable)	Farrer	38,328	Investments: Properties and Securities	Improvement and maintenance of College Buildings
Endowed (Permanent)	Trusts	10,170	Investments: Properties and Securities	Scholarships, Bursaries, Prizes, Travel Grants, Other special purposes
Endowed (Expendable)	New Foundation Trust	30,098	Investments: Properties and Securities	Scholarships, Bursaries, Prizes, Travel Grants, Other special purposes
Endowed (Permanent)	Head Master's Fund	19,905	Investments: Properties and Securities	Scholarships, Bursaries, Prizes, Travel Grants, Other special purposes
Restricted Income	Improvement	-	Cash	Improvement and maintenance of College Buildings
Restricted Income	Farrer	-	Cash	Improvement and maintenance of College Buildings
Restricted Income	Trusts	457	Investments: Properties and Securities and Cash	Scholarships, Bursaries, Prizes, Travel Grants, Other special purposes
Restricted Income	New Foundation Trust	892	Investments: Properties and Securities and Cash	Scholarships, Bursaries, Prizes, Travel Grants, Other special purposes
Restricted Income	Head Master's Fund	350	Investments: Properties and Securities and Cash	Scholarships, Bursaries, Prizes, Travel Grants, Other special purposes
Restricted Income	Other	3,493	Cash	Various purposes related to the College depending upon the terms of the gift or the appeal

ETON COLLEGE
REPORT OF THE PROVOST AND FELLOWS
YEAR ENDED 31 AUGUST 2016

Designated	Designated Improvement & Maintenance Fund	63,444	Investments: Properties and Securities	General Improvement of the College.
Designated	Bursary Fund	1,569	Investments: Properties and Securities less long-term loan	£45m loan taken out and invested in the securities portfolio to generate funds for bursaries.
Designated	Fixed Asset	56,335	Freehold land and buildings	Resources that have been applied for specific capital purposes
Reserves	General Fund	481		Resources that are applied for general charitable purposes

Pension Liabilities

The College has recognised on its balance sheet a pension liability of £30.3 million in respect of the 1972 Defined Benefit Scheme (2015: £15.4m). The pension liability is calculated at a point in time even though it will not crystallise for many years. The large increase from the prior year is because the discount rate assumption under the new FRS102 accounting standard is based on yields on high-quality corporate bonds which have fallen significantly from 3.8% to 2.2% over the year to 31 August 2016 (and particularly since the result of the EU referendum). The impact of this has been mitigated to a limited extent by positive asset returns. Details of the pension scheme can be found in the note 18 to the financial statements. The next pension triennial review is due to be completed in late 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The Audit and Risk Committee considers annually approximately 60 risks under the headings of finances, operations, regulatory and reputation, ranks them as to likelihood and impact, and reviews the control measures for each of the risks. The resulting risk register is presented to the Provost and Fellows annually.

The key risks the College faces are:

Damage to the College's reputation

Failure to safeguard the well being of boys attending the College

Risk of cyber attack on IT systems and data

Occurance of a major incident such as flood, fire or irreparable damage to one of the College's historic buildings

Changes in Charity legislation affecting independent school status

Failure to comply with Charity Commission or Independent School requirements

These risks to which Eton College is exposed, as identified by the Provost and Fellows, have been reviewed and systems have been established to mitigate them to an acceptable level.

The key controls used by the College to manage risk include:

Detailed terms of reference and formal agenda for all Governing Body and Committee activity

Formal written policies for operational activities

Comprehensive planning, budgeting and management accounting

Established organisational structure and lines of reporting

Regular review of regulatory requirements for independent schools by the Regulatory and Compliance Committee

Safer recruitment checks as required by law

Commissioning of a detailed IT review to identify any areas of risk

FUTURE PLANS

Key elements of the College's future plans are:

To continue to provide broad based, high quality education drawing on best practices in teaching and learning

To maintain the percentage of boys receiving help with fees at 25% and ensure the number of boys paying no fees at all remains at least 70

To build on the successes of our current relationships with state schools with a view to increasing the range and depth of our partnerships and to continue to develop opportunities for boys to work with students from different backgrounds

To improve the science facilities. The intention is to complete this capital project over a 3 year period

To improve the sports facilities with the provision of a new sports hall, swimming pool and indoor cricket facility. The intention is to complete this capital project over an 8 year period

PROVOST AND FELLOWS' RESPONSIBILITIES STATEMENT

The Provost and Fellows are responsible for preparing the Provost and Fellows' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Provost and Fellows to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and group and of the income and application of resources of the charity for that period. In preparing these financial statements, the Provost and Fellows are required to:

- 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

Statement as to disclosure of information to the auditor

The Provost and Fellows who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Provost and Fellows has confirmed that he or she has taken all the steps that he or she ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.



The Lord Waldegrave of North Hill
Provost
4 February 2017

ETON COLLEGE

Independent Auditor's Report to the Provost and Fellows of Eton College

We have audited the financial statements of Eton College for the year ended 31 August 2016 which comprise the Consolidated Statement of Financial Activities, Statement of Financial Activities – Eton College, the Consolidated and Eton College Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. This report is made solely to the Provost and Fellows as a body, in accordance with Section 154 of the Charities Act 2011. 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.

Respective responsibilities of Provost and Fellows and auditor

As explained more fully in the Provost and Fellow's Responsibilities Statement, the Provost and Fellows are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Provost and Fellows; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Provost and Fellows' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 August 2016 and of the group's income and application of resources for the year then ended;
- have been properly prepared in accordance with and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

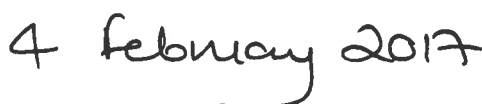
- the information given in the Provost and Fellows' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept by the parent charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Crowe Clark Whitehill LLP

Statutory Auditor

St Bride's House, 10 Salisbury Square, London EC4Y 8EH



ETON COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2016

		Unrestricted Funds		Restricted Funds			
		General Funds	Designated Funds	Restricted income funds	Endowed funds	Total 2016	Total 2015 (restated)
	Note	£000	£000	£000	£000	£000	£000
INCOME FROM							
Charitable activities							
School fees		47,016	-	-	-	47,016	45,106
Scholarships and bursaries		(3,322)	-	(3,084)	-	(6,406)	(6,084)
Discount on pre-paid fees	10	(173)	-	-	-	(173)	(189)
Net school fees		43,521	-	(3,084)	-	40,437	38,833
Other income	2	7,396	-	51	-	7,447	9,349
Grants and donations		675	-	4,436	43	5,154	5,766
Investment income	3	396	2,171	-	5,542	8,109	14,558
Trading income	4	1,686	-	-	-	1,686	1,348
Total income		53,674	2,171	1,403	5,585	62,833	69,854
EXPENDITURE ON							
Charitable activities	6	(50,697)	-	(8,049)	-	(58,746)	(57,307)
Raising and managing funds	6	(2,219)	(2,364)	-	(1,939)	(6,522)	(6,695)
Share of joint venture losses	5	(983)	-	-	-	(983)	-
Total expenditure		(53,899)	(2,364)	(8,049)	(1,939)	(66,251)	(64,002)
Net (expenditure)/ income before investment gains and transfers		(225)	(193)	(6,646)	3,646	(3,418)	5,852
Net investment gain		916	6,444	-	14,847	22,207	21,859
Transfers between funds	14	(53,625)	53,479	7,102	(6,956)	-	-
NET INCOME/ (EXPENDITURE)		(52,934)	59,730	456	11,537	18,789	27,711
Pension scheme actuarial loss	18/19	(15,123)	-	-	-	(15,123)	(1,850)
NET MOVEMENT IN FUNDS		(68,057)	59,730	456	11,537	3,666	25,861
Funds brought forward		68,538	61,618	4,736	235,425	370,317	344,456
Funds carried forward	14	481	121,348	5,192	246,962	373,983	370,317

The notes on pages 23 to 52 form part of these financial statements.

ETON COLLEGE
STATEMENT OF FINANCIAL ACTIVITIES – ETON COLLEGE
FOR THE YEAR ENDED 31 AUGUST 2016

		Unrestricted Funds		Restricted Funds		Total	Total
		General Funds	Designated Funds	Restricted income funds	Endowed funds	2016	2015
	Note	£000	£000	£000	£000	£000	(re-stated) £000
INCOME FROM							
Charitable activities							
School fees		47,016	-	-	-	47,016	45,106
Scholarships and bursaries		(3,322)	-	(3,084)	-	(6,406)	(6,084)
Discount on pre-paid fees	10	(173)	-	-	-	(173)	(189)
Net school fees		43,521	-	(3,084)	-	40,437	38,833
Other income	2	7,396	-	51	-	7,447	9,349
Grants and donations		1,675	-	4,436	43	6,154	5,898
Investment income	3	390	2,171	-	5,542	8,103	14,558
Trading income	4	137	-	-	-	137	128
Total income		53,119	2,171	1,403	5,585	62,278	68,766
EXPENDITURE ON							
Charitable expenditure		(51,188)	-	(8,049)	-	(59,237)	(57,288)
Raising and managing funds		(659)	(2,364)	-	(1,939)	(4,962)	(5,661)
Total expenditure		(51,847)	(2,364)	(8,049)	(1,939)	(64,199)	(62,949)
Net income/ (expenditure) before investment gain and transfers		1,272	(193)	(6,646)	3,646	(1,921)	5,817
Investment gain		917	6,444	-	15,096	22,457	21,859
Transfers between funds	14	(53,625)	53,479	7,102	(6,956)	-	-
NET INCOME/ (EXPENDITURE)		(51,436)	59,730	456	11,786	20,536	27,676
Pension scheme actuarial loss	18	(15,123)	-	-	-	(15,123)	(1,850)
NET MOVEMENT IN FUNDS		(66,559)	59,730	456	11,786	5,413	25,826
Funds brought forward		68,294	61,618	4,736	234,276	368,924	343,098
Funds carried forward	14	1,735	121,348	5,192	246,062	374,337	368,924


The notes on pages 23 to 52 form part of these financial statements.


ETON COLLEGE
CONSOLIDATED AND ETON COLLEGE BALANCE SHEETS
AS AT 31 AUGUST 2016

		Consolidated		Eton College	
	Note	2016	2015	2016	2015
		£'000	£'000	£'000	£'000
			(re-stated)		(re-stated)
FIXED ASSETS					
Tangible fixed assets	8	56,334	54,644	56,176	54,481
Investments – properties	9	85,298	80,149	84,398	78,999
- securities	9	311,546	298,453	311,546	298,453
- Pre-Paid Fees Scheme (Gilts)	10	3,650	5,443	3,650	5,443
- Subsidiaries	9	-	-	1,350	-
- Joint Venture	5	167	-	-	-
		456,995	438,689	457,120	437,376
CURRENT ASSETS					
Stocks		172	448	159	189
Debtors	11	15,420	14,338	16,838	16,096
Cash and deposits		17,703	18,305	16,206	15,581
		33,295	33,091	33,203	31,866
CURRENT LIABILITIES					
Creditors: due within one year	12	(24,942)	(26,827)	(24,621)	(25,682)
NET CURRENT ASSETS		8,353	6,264	8,582	6,184
TOTAL ASSETS LESS CURRENT LIABILITIES		465,348	444,953	465,702	443,560
LONG-TERM LIABILITIES					
Creditors: due after more than one year	13	(55,520)	(53,879)	(55,520)	(53,879)
Defined benefit pension liabilities	18	(30,302)	(15,395)	(30,302)	(15,395)
Other retirement provisions	19	(5,543)	(5,362)	(5,543)	(5,362)
NET ASSETS		373,983	370,317	374,337	368,924
REPRESENTED BY:					
ENDOWED FUNDS	14	246,962	235,425	246,062	234,275
RESTRICTED INCOME FUNDS	14	5,192	4,736	5,192	4,736
UNRESTRICTED FUNDS					
Designated Funds	14	121,348	61,618	121,348	61,618
General Reserves	14	481	68,538	1,735	68,295
		373,983	370,317	374,337	368,924

The notes on pages 23 to 52 form part of these financial statements.

The financial statements set out on pages 19 to 52 were approved and authorised for issue by the Provost and Fellows on 4 February 2017 and signed on their behalf by:


The Lord Waldegrave of North Hill
Provost


Janet Walker
Bursar

ETON COLLEGE
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £000	2016 £'000	2015 £'000	2015 £'000
Net cash outflow from operations	17		(5,683)		(6,855)
Cash flows from investing activities					
Payments for tangible fixed assets		(3,413)		(10,759)	
Proceeds on sale of tangible fixed assets		49		745	
Additions to the securities portfolio		-		(45,000)	
Withdrawal from the securities portfolio		8,233		-	
Acquisitions to the estates properties		(2,075)		(5,900)	
Income from estates properties		2,482		2,121	
Proceeds from sale of estates properties		440		1,790	
Withdrawal from prepaid fees investment (Gilts)		1,922		2,701	
Investment in joint venture		(1,150)		-	
Net cash inflow/ (outflow) provided by investing activities			6,488		(54,300)
Cash flows from financing activities					
New endowment		226		1,551	
Interest payable on loan note		(1,633)		-	
Loan note		-		45,000	
Net cash provided by financing activities			(1,407)		46,551
Change in cash in the year			(602)		(14,605)
Cash at 31 August 2015			18,305		32,909
Cash at 31 August 2016			17,703		18,305

The notes on pages 23 to 52 form part of these financial statements.

Eton College

Notes to the financial statements

For the year ended 31 August 2016

1 ACCOUNTING POLICIES

Charity information

Eton College was founded as a corporation in 1440 by Royal Charter of King Henry VI, confirmed by later Acts of Parliament and by the Statutes approved HM The Queen in Council most recently in 2016. The College registered as a charity in England and Wales (1139086). The principal address is Eton, Windsor, Berkshire, SL4 6DW.

Basis of Preparation

The financial statements have been prepared in accordance with the 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). The College meets with FRS102 definition of a Public Benefit Entity.

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.

In preparing the accounts, the Provost and Fellows have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP 2015 the restatement of comparative items was required. In accordance with the requirements of FRS 102 a reconciliation of opening balances has been provided within note 24 to the financial statements. The transition date is 1 September 2014.

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of investments to market value.

Having reviewed the funding facilities available to the College together with the expected ongoing demand for places and the College's future projected cash flows, the Provost and Fellows have a reasonable expectation that the College has adequate resources to continue its activities for the foreseeable future and consider that there are no material uncertainties over the College's financial viability. Accordingly, they also continue to adopt the going concern basis in preparing the financial statements as outlined in the Statement of Responsibilities on page 17.

The functional currency of the College is considered to be pounds sterling because that it the currency of the primary economic environment in which the school operates.

Cash Flow

The College has taken advantage of the exemptions in FRS 102 from the requirements to present a charity only Cash Flow Statement, on the basis that it is a qualifying entity and the Group cash flows included in these financial statements includes the cash flows of the College.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Eton College ("the College") and its wholly owned trading subsidiary companies and related charitable company. The consolidated financial statements consolidate the accounts of the Group entities made up to 31 August 2016. The turnover and expenditure of trading subsidiaries and of the related charitable undertaking are shown separately within the consolidated statement of financial activities. Their assets and liabilities are consolidated on a line-by-line basis in the consolidated balance sheet. The College has accounted for the joint venture on an equity basis. The share of the net loss is recorded in the statement of financial activities and the share of net assets is recorded as a separate line on the balance sheet.

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

Income

School fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Scholarships and bursaries granted by the College against those fees are deducted in the school term to which they relate.

Fees received in advance of education to be provided in future years under a pre-paid fees scheme contract are held as interest-earning liabilities and treated as deferred income until either taken to income in the school term when used or are otherwise refunded.

Grants and donations are recognised as income on receipt of funds or when entitlement of receipt by the College is considered probable. Grants and donations received for the general purposes of the College are credited to Unrestricted Funds. Grants and donations subject to specific wishes of donors or for a particular purpose are credited to Restricted Income Funds, or to Endowed Funds where the capital is permanent. Gifts in kind are valued at estimated open market value as at the date of the gift or at the value to the College.

Legacies are recognised as income on receipt of funds or when entitlement of receipt by the College is considered probable. Entitlement is taken to be the earlier date of the College being notified of an impending distribution following settlement of the estate or the legacy being received.

Investment income from securities and property is accounted for in the period in which it is receivable.

Trading income and other income is recognised in the period to which it relates.

Income received in respect of future accounting periods is carried forward as deferred income within creditors and is taken to income in the school term when used or is otherwise refunded. Where entitlement occurs before income is received, the income is accrued within debtors.

Expenditure

Expenditure is accrued as soon as a liability is considered probable, discounted to present value for longer term liabilities. It has been classified under headings that aggregate all costs related to the category. Irrecoverable VAT is charged to the appropriate expenditure heading. Governance costs comprise the costs of complying with the constitutional and statutory requirements of the College and are included in support costs as per note 6.

Grants payable are accounted for in the period in which the commitment is made.

Intra group sales and charges between the College and its subsidiaries are excluded from consolidated trading income and expenditure.

Tangible fixed assets

School properties, many of which are historic buildings, acquired after 1 September 1962 have been capitalised and depreciated over an estimated useful life of 50 years. School properties which have been held for 50 years or more have not been capitalised as they are considered to have been fully depreciated.

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Only assets costing £10,000 or more, or groups of assets forming part of a larger project costing over £10,000, are capitalised. This level is periodically reviewed by the Provost and Fellows, along with the need for a formal impairment review.

Where properties held for investment purposes are transferred to fixed assets for school use, they are transferred at market value, which is deemed to be the cost at the date of transfer.

Freehold land is not valued on the balance sheet as the historical cost is immaterial.

Depreciation

Depreciation is provided on all tangible fixed assets, other than investment properties, heritage assets and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on current market prices, of each asset on a straight-line basis over its estimated useful life, as follows:

Freehold buildings	50 years
Furniture and equipment	4 to 30 years
Plant and machinery	10 years

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

The costs of maintenance are charged in the Statement of Financial Activities in the period in which they are incurred.

College Collections

The College Collections comprising books and manuscripts, archives, paintings, silver and other objects of artistic or cultural merit, and the historic buildings within which they are housed are considered to be heritage assets. No value is attributed to them in the balance sheet and no depreciation has been charged on the grounds that, for many of the assets, reliable historic cost information is not available and the Provost and Fellows consider that the depreciated historical cost of these assets is now immaterial. Additions to the Collections are not capitalised and the costs of repairs and maintenance are charged as incurred. Any improvements are similarly written off.

Investments

Investments are stated at market value as at the balance sheet date, and any unrealised gains and losses arising on the revaluation of investments are credited or charged to the Statement of Financial Activities.

The market values of listed securities and pooled fund investments are stated at published prices. Unquoted securities are stated at investment managers' declared net asset values.

Property investments are valued using professional advice and on the basis of market value as defined in the RICS Appraisal and Valuation Manual ("The Red Book"). Independent valuations of relevant property investments have been carried out at 31 August 2015 and 31 August 2016 by Kempton Carr Croft.

Investments in subsidiaries are valued at cost less provision for impairment.

Pre-paid fees scheme

Amounts received during the period under pre-paid fees scheme contracts were until 2012 regularly invested in securities which at maturity are expected to cover the liability for fees, but are now held in an interest-bearing deposit account. The cost of the fee discount payable under the scheme is charged in each period as a reduction against the gross school fees.

The liability under the scheme is included as deferred income in the balance sheets in an amount equal to the original receipt together with notional interest subsequently accrued. Related investment securities purchased for liability matching purposes are stated at market value, with resulting gains and losses being included in the consolidated Statement of Financial Activities. The unrealised gains and losses are held within the General Fund.

At maturity of each contract, payment equal to the value of fees payable under the contract is released from deferred income, with any surplus or deficit arising being included as income within activities for generating funds.

Stock

Stocks are stated at the lower of cost and net realisable value. Where appropriate, provision is made for obsolete, slow-moving and defective stocks.

Debtors

Trade debtors, other debtors, intercompany debtors and accrued income 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.

Cash

Cash and cash equivalents comprise cash in hand and call deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

Creditors

Creditors and provisions are recognised where the College 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.

Financial Instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised value with the exception of investments which are held at fair value. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

Total return investment accounting

Pursuant to the Total Return Order dated 27 July 2008, the College has adopted a total return approach for the investment of its permanently endowed funds with effect from 1 September 2007. Under the total return order, the College can invest those funds without regard to whether the investment return is in the form of capital appreciation or income and with discretion to apply any part of the total investment return as income for spending each year. Until this power is exercised, the investment return forms a component of the endowed fund known as the “unapplied total return”. The Provost and Fellows have decided that it is in the best interests of the College to account for both the permanent and the expendable endowments invested in the Eton College Common Investment Fund (“EC CIF”) in the same way.

The return, in terms of both income receivable and capital appreciation or depreciation, whether realised or unrealised, is credited or charged to the funds. The amount available for the College to draw down as expendable in any one year is determined by an internally self-imposed rule which, subject to a floor and ceiling, currently permits the draw-down of 3.5% of the average of the last five years’ year-end valuations of the invested funds.

The preserved permanent capital of the endowment funds has been taken as its carrying value as at 1 September 2007 together with the gift value of subsequent endowments.

Fund Accounting

The charitable funds of the College and its subsidiaries are accounted for as restricted or unrestricted funds.

Restricted funds are to be used in accordance with specific restrictions related to the fund at its inception or in its governing document. The aim and use of each of the restricted funds are set out in the notes to the financial statements. Restricted funds are divided between **Endowed Funds** and **Restricted Income Funds**. Endowed funds are capital funds with a restricted purpose and are further sub-divided into permanent and expendable endowed funds. **Permanent endowed funds** are capital funds where the original capital value is to be retained permanently for use by the College (e.g. freehold land) or for its financial benefit (i.e. by investment). The Total Return Order stipulates that any investment returns will accrue as a capital supplement (the Unapplied Total Return) to the permanently endowed capital. Any part of the Unapplied Total Return converted into income for spending will be transferred to the appropriate Restricted Income Fund.

Expendable endowed funds are accounted for similarly, except that all capital can be converted into income for spending either in accordance with any restrictions imposed on the original endowment or, where there are no such restrictions, at the College’s own discretion.

Other Restricted Income Funds are funds held to be used in accordance with the wishes of the donor or for the specific purposes of the fund-raising campaign. These funds are fully expendable and any unused balances are carried forward from one year to the next.

Unrestricted funds are funds that are available for use at the discretion of the College in furtherance of its objects and are divided between Designated and General Funds. **Designated Funds** are unrestricted funds which have been set aside by the College for specific purposes. The aim and the use of the Designated Funds are set out in the note 14 to the financial statements. **General Funds** are funds available for the provision of working capital and reserves for the general administration of the College.

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

Pensions costs

The College contributes to three pension schemes on behalf of its staff.

The Teachers' Pension Scheme contributions are made at rates set by the Government actuary and as advised by the scheme administrator. The scheme is a multi-employer defined benefit scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the College, and hence contributions are charged in the year they are incurred as if they were to a defined contribution scheme as required by FRS102.

The Eton College Employees (1972) Pension and Life Assurance Scheme is a defined benefit scheme for non-teaching staff. Employer's contributions are at rates set by the scheme actuary and as advised by the scheme administrator. The movement in the scheme's deficit is analysed within the consolidated Statement of Financial Activities to show the current and past service cost as part of charitable expenditure, the interest cost and expected return on assets as part of costs of generating funds, and actuarial gains and losses as part of other recognised gains and losses.

The Eton College Group Personal Pension Plan is a defined contribution scheme for non-teaching staff joining after October 2006. Employer's pension costs are charged in the period in which the salaries to which they relate are payable. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

All pension costs are charged against unrestricted funds in both the current and the preceding period.

Key judgements and assumptions

In the application of the accounting policies, the College has to make judgements, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

As at 31 August 2016, the College had the following uncertain estimates and accounting judgements

- Impairment of financial assets £649k (2015: £121k).
- Depreciation charge during the year of £2,106k (2015: £1,833k)
- Liability in relation to the defined benefit pension scheme. The assumptions of which are laid out in note 18.

2 OTHER INCOME

	2016 £'000	2015 £'000
Boys Charges and School Trips	3,996	4,301
Registration and Acceptance Fees	512	521
Summer Schools income	1,766	1,633
Profit on sale and transfer of school buildings	701	2,489
Sales and Sundry income	472	405
	7,447	9,349

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

3 INVESTMENT INCOME

	2016 £'000	2015 £'000
Property investment income	2,482	2,121
Security investment income	5,544	12,192
Interest	83	245
	8,109	14,558

The investment income attributable to Eton College only totals £8,103k (2015: £14,558).

4 SUBSIDIARIES

The College has three active wholly owned/controlled non charitable undertakings, all of which are incorporated in England and Wales, and one wholly owned Charitable Company, also resident in England and Wales *, all of which are consolidated. These are:

Company Name	Registration Number	Activity
Eton College Services Limited	1213991	Provision of hospitality services
Rownmoss Limited	1185176	Property development
Eton Online Ventures Limited	8415323	Commercial educational services
Dorney Lake Trust Company *	3273795 (charity no 3273795)	Grant giving charity

All of the above entities have the registered address of Eton, Windsor, SL6 4DB

During the year Eton College Services Limited made supplies to Eton College in respect of provision of functions. The total of these supplies were £76k (2015: £87k), and Eton College made supplies to Eton College Services Limited in respect of staff. The total of these supplies were £20k (2015: £25k).

The College also has 3 wholly owned dormant subsidiaries which have not been consolidated into the financial statements as they are immaterial to the group.

Company Name	Registration Number
Eton College Trustees Limited	3316718
Eton Riverside Management Limited	3900319
The Second 58 Eton Avenue Limited	2998787

Dorney Lake Trust Company made a grant to Eton College of £1.0m (2015: £nil). This is in accordance with the charitable objects of the charity and is a contribution towards the improvement and re-furbishment of the catering facilities at Dorney Lake. At the year end the intercompany balances were as follows:

	2016 £'000	2015 £'000
Net amount due to Eton College from:		
Eton College Services Limited	742	437
Rownmoss Limited	1,411	1,433
Eton Online Ventures Limited	174	-
Dorney Lake Trust Company	7	-

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

4 SUBSIDIARIES (continued)

Summarised information on subsidiaries and related charity:

Profit and loss account	Eton College Services Limited	Rowns moss Limited	Eton Online Ventures	Dorney Lake Trust Company	Total 2016	Total 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	1,361	29	142	17	1,549	1,220
Cost of sales	(1,136)	(273)	(141)	(10)	(1,560)	(1,034)
Gross profit	225	(244)	1	7	(11)	186
Expenses/ other	(4)	(4)	(2)	5	(5)	(19)
Unrealised loss on investments	-	(250)	-	-	(250)	
Net profit before charges to/(from) the College	221	(498)	(1)	12	(266)	167
Charges to / (from) the College:						
Amount gift aided/ granted	(221)			(1,000)	(1,221)	(132)
Retained in subsidiary company/ related charity	-	-	-	-	-	35
Profit and loss account b/f	49	56	0	1,288	1,393	1,358
Retained profit as at 31 August c/f	49	(442)	(1)	300	(94)	1,393

Balance Sheet	Eton College Services Limited	Rowns moss Limited	Eton Online Ventures	Dorney Lake Trust Company	Total 2016	Total 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets	159	-	-	-	159	163
Investments	-	738	1,150	-	1,888	-
Current assets						
Stocks	13	900	-	-	913	1,409
Debtors	182	10	58	6	256	155
Cash at bank	562	308	317	310	1,497	2,724
Creditors – amounts falling due within one year	(867)	(1,660)	(176)	(16)	(2,719)	(3,057)
Net assets	49	296	1,349	300	1,994	1,393

Eton Online Ventures Limited did not start trading until September 2015.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

4 SUBSIDIARIES (continued)

Reconciliation to Statement of Financial Activities

	2016	2015
	£'000	£'000
Trading income		
Turnover and other income (per subsidiary statutory accounts)	1,631	1,326
Less: Inter-co trading income	(76)	(106)
Investment income in subsidiary accounts	(4)	-
Turnover (page 29)	1,549	1,220
Add: Trading income in Eton College	137	128
Trading income per SOFA	1,686	1,348
Trading expenditure		
Cost of sales of subsidiaries (per subsidiary statutory accounts)	2,896	1,159
Less: Reclassification to Investment Gain	(250)	
Less: Inter-co trading expenditure	(1,086)	(125)
Cost of sales (page 28)	1,560	1,034
Trading expenditure in Eton College	22	17
Trading Costs (note 6)	1,582	1,051

5 JOINT VENTURE

The College's subsidiary Eton Online Ventures Limited has a 50% joint venture in EtonX Limited, a company which provides on-line educational courses in China. EtonX Limited is registered in England and Wales, company number 09624046. The results of EtonX Limited for the year ended 31 August 2016 have been accounted for as follows:

	2016
	£'000
Profit and loss account:	
Turnover	429
Cost of Sales	(134)
Gross Profit	295
Expenses	(2,260)
Retained loss	(1,965)
50% included in the Consolidated Statement of Financial Activities	(983)
Balance Sheet:	
Fixed Assets	261
Current Assets	27
Creditors: amounts due within 1 year	(553)
Net Assets	(265)
50% included in the Consolidated Balance Sheet	(133)
Loan from Eton Online Ventures to EtonX Limited	300
Net Assets included in Consolidated Balance Sheet	167

On the 1 September 2016, the remaining 50% of the shares were acquired by Eton Online Ventures Limited. The total investment in EtonX Limited as at 31 August 2016 was £1,150k.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

6 ANALYSIS OF EXPENDITURE

	Staff costs £'000	Other £'000	Depreciation £'000	2016 £'000	2015 (re-stated) £'000
Raising Funds					
Fund-raising costs	350	181	-	531	524
Investment costs	160	2,615	-	2,775	5,120
Interest costs		1,634		1,634	
Trading costs	697	853	32	1,582	1,051
Total	1,207	5,283	32	6,522	6,695
Teaching	16,890	4,550	397	21,837	21,781
Boarding and Welfare	7,531	3,279	60	10,870	10,582
Premises	3,509	10,704	175	14,388	14,297
Support	2,915	1,982	12	4,909	4,423
Depreciation on freehold buildings	-	-	1,456	1,456	1,228
FRS 102 pension interest charges	-	1,484	-	1,484	1,436
<u>Other:</u>					
Collections	439	273	1	713	607
Chapels	80	51	1	132	141
Collegiate	372	167	1	540	509
Summer courses	578	820	-	1,398	1,355
Grants	5	159	-	164	340
Online initiatives	-	50	-	50	111
Restricted funds expenditure	70	735	-	805	497
Total other expenditure	1,544	2,255	3	3,802	3,560
Total charitable activities	32,389	24,254	2,103	58,746	57,307
Total	33,596	29,537	2,135	65,268	64,002

Governance costs consists of auditor's remuneration only. Audit fees comprises £46k (including £6.6k paid to previous auditors) (2015: £58k) for the audit of the College and £11.5k (2015: £19k) for the audit of the subsidiary undertakings. In addition, £34k (2015: £22k) was incurred in respect of non-audit services. All of these costs are included within support costs above.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

7 STAFF COSTS

	2016 £'000	2015 £'000 (re-stated)
Staff costs		
Wages and salaries	28,097	27,305
Social Security Costs	2,740	2,507
Pension costs	2,759	2,343
	33,596	32,155
Aggregate Employee Benefits of Key Management Personnel	542	555

The table below shows the number of employees whose emoluments for the year (including taxable benefits in kind but not employer's pension costs or employer's national insurance contributions) fell within each band of £10,000 from £60,000 upwards.

	2016	2015
£60,000 - £69,999	41	41
£70,000 - £79,999	32	31
£80,000 - £89,999	18	17
£90,000 - £99,999	15	13
£100,000 - £109,999	18	26
£110,000 - £119,999	5	8
£120,000 - £129,999	3	1
£170,000 - £179,999	1	-
£180,000 - £189,999	-	1
£190,000 - £199,999	1	-
£230,000 - £239,999	-	1

All except 2 (2015: 4) of the above employees earning more than £60,000 per annum participated in one of the College's pension schemes or the Teachers' Pension Scheme. During the year ended 31 August 2016 employer's pension contributions for these staff amounted to £1,521k (2015: £1,220k).

The average number of employees in the period, including those employed by Eton College Services Limited, was 981 (2015: 955 (restated)), of which 188 (2015: 184) were teaching posts, 71 (2015: 73) were part-time Visiting Music Teachers, and 722 (2015: 698) were non-teaching posts.

A significant proportion of staff work part-time throughout the year and some staff are employed only at specific times of the year, for example those we employ to run our Summer Schools. This is reflected in the fact that the highest monthly number of staff paid, 1,068, was in August 2016 (August 2015: 1,021). The lowest monthly number of staff paid was 947 in October (March 2015: 893).

The Provost and Vice Provost are remunerated for their work as employees and give their time for their work as trustees gratuitously. The total remuneration of the Provost was £117,730 (2015: £114,763). The total remuneration of the Vice-Provost amounted to £115,827 (2015: £111,140). No other Fellows received any remuneration or other benefits from Eton College or any connected body. Expenses amounting to £4,136 (2015: £8,148) were reimbursed to 6 (2015: 7) Fellows. All the expenses related to travel.

During the year there were redundancy or termination payments of £113,279 (2015: £110,521). There was £5,000 (2015: £30,000) outstanding at the year end.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

8 TANGIBLE FIXED ASSETS

(i) Consolidated

	Freehold land and buildings £'000	Assets in construction £'000	Plant & Machinery £'000	Total £'000
Cost				
At 1 September 2015	72,946	5,486	8,800	87,232
Additions	2,200	1,019	647	3,866
Disposals	-	-	(344)	(344)
Transfers and adjustments	5,486	(5,486)	(344)	(344)
At 31 August 2016	80,632	1,019	8,759	90,410
Accumulated depreciation				
At 1 September 2015	(26,264)	-	(6,324)	(32,588)
Disposals	-	-	303	303
Charge for the year	(1,456)	-	(679)	(2,135)
Transfers and adjustments			344	344
At 31 August 2016	(27,720)	-	(6,356)	(34,076)
Net book value at 31 August 2016	52,912	1,019	2,403	56,334
Net book value at 31 August 2015	46,682	5,486	2,476	54,644

(ii) Eton College only

	Freehold land and buildings £'000	Assets in constructions £'000	Plant & machinery £'000	Total £'000
Cost				
At 1 September 2015	72,946	5,486	8,252	86,684
Additions	2,200	1,019	623	3,842
Disposals	-	-	(328)	(328)
Transfers and adjustments	5,486	(5,486)	(344)	(344)
At 31 August 2016	80,632	1,019	8,203	89,854
Accumulated depreciation				
At 1 September 2015	(26,264)	-	(5,939)	(32,203)
Disposals	-	-	287	287
Charge for the year	(1,456)	-	(650)	(2,106)
Transfers and adjustments	-	-	344	344
At 31 August 2016	(27,720)	-	(5,958)	(33,678)
Net book value at 31 August 2016	52,912	1,019	2,245	56,176
Net book value at 31 August 2015	46,682	5,486	2,313	54,481

There are no fixed assets held under finance leases.

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

College Collections

Over the centuries, the College has acquired a considerable heritage of books and works of art and regards their preservation, conservation and use, together with the historic buildings in which they are housed, as fundamental to the enrichment of the education that the College provides. The Collections team, comprising 12 staff employed by the College, are responsible for the organisation, documentation, storage, conservation and interpretation of the College Collections.

As a result of their age, and in many cases unique nature, reliable historical cost information is not available for these assets and could not be obtained except at disproportionate expense. However, in the opinion of the Provost and Fellows, the depreciated historical cost of these assets is now immaterial.

The College Collections comprise: the library collection of about 175,000 items (including 200 medieval manuscripts, 206 incunabula, circa 100,000 autograph letters and literary manuscripts, circa 2,500 drawings and engravings, circa 200 maps, as well as circa 75,000 further bound volumes); the art collection of about 5,000 watercolours, drawings, prints and oil paintings, and around 70 items of decorative arts; 170 items of silver; 70,000 photographs; 17,000 natural history items; and 6,000 items in the Antiquities Collection of which 3,000 are Egyptian artefacts in the Myers Collection.

In 2015/16 Collections hosted approximately 5,000 visitors to its museums, exhibition galleries, reading rooms and historic spaces. In addition to services for researchers, access is provided via educational programmes for schoolchildren from local schools and further afield, family learning events in collaboration with local schools, events open to the local community and visits for specialist and academic groups. The Natural History Museum, Museum of Eton Life and the Eton Museum of Antiquities are all open to the public at specific times. Additionally, exhibitions are held regularly throughout the year and may be viewed by appointment.

The guiding policies on acquisitions and acceptance of gifts are that any additions to the College Collections should build on existing strengths, support the curriculum of the School, or should have an Eton dimension, and that the focus should be on a few items of genuine quality. The policy is not generally to dispose of items from the Collections. Much importance is placed on professional management of the Collections and their conservation.

College expenditure on additions to the Collections during the last five accounting years was:

YEAR ENDED 2016	YEAR ENDED 2015	YEAR ENDED 2014	YEAR ENDED 2013	YEAR ENDED 2012
£'000	£'000	£'000	£'000	£'000
227	25	40	34	21

£196k of the £227k expensed in 2016 was funded externally, mainly by the hosting of a collections dinner fund-raising event.

Donations to the Collections in those years have not been the subject of valuations, as they were not received for financial purposes. No heritage assets have been disposed of in those years.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

9 INVESTMENTS

Consolidated	Investment properties	Investment portfolio	Consolidated 2016 Total	Investment properties	Investment portfolio	Consolidated 2015 Total
<u>Market value</u>	£'000	£'000	£'000	£'000	£'000	£'000
Market value at 1 September	80,149	298,453	378,602	69,751	227,392	297,143
Acquisitions	2,075	100,150	102,225	6,116	95,745	101,861
Disposals	(848)	(105,342)	(106,190)	(1,393)	(40,243)	(41,636)
Net gains at 31 August	3,922	18,285	22,207	5,675	15,559	21,234
Market value at 31 August	85,298	311,546	396,844	80,149	298,453	378,602

Invested in UK	85,298	10,402	95,700	80,149	13,150	93,299
Invested overseas	-	301,144	301,144	-	285,303	285,303
Total investments	85,298	311,546	396,844	80,149	298,453	378,602

Attribution to funds:

Endowed Funds (note 14)			246,962			237,381
Designated Improvement & Maintenance Fund (note 14)			63,444			60,618
Designated Bursary Fund			46,568			45,000
<u>General reserves</u>						
Other retirement provisions (note 19)			13,080			11,947
General Fund			26,790			23,656
Total investments			396,844			378,602

	Investment properties	Investment portfolio	Consolidated 2016 Total	Investment Properties	Investment portfolio	Consolidated 2015 Total
<u>Cost</u>	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 1 September	29,281	267,292	296,573	23,196	202,464	225,660
Acquisitions	1,375	100,150	101,525	6,116	95,745	101,861
Disposals	(360)	(107,405)	(107,765)	(31)	(30,917)	(30,948)
Cost at 31 August	30,296	260,037	290,333	29,281	267,292	296,573
Invested in UK	30,296	10,523	40,693	29,281	12,991	42,272
Invested overseas	-	249,514	249,514	-	254,301	254,301
Cost at 31 August	30,296	260,037	290,333	29,281	267,292	296,573

The investment portfolio includes units in collective investment schemes managed or advised by Eton College's investment adviser. Investments held in such investment funds include unquoted investments. Eton College's figures

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

differ only by £900k (2015: £1,150k) market value and cost £1,150k (2015: £1,150k), the difference being one investment property held in Rowns moss Limited.

The investments in subsidiaries in Eton College balance sheet of £1,350k (2015: £nil) relates to the investment made in Eton Online Ventures. The investments in the other subsidiaries do not appear in aggregate as they only total £226 (2015: £226).

10 PRE-PAID FEES SCHEME

Consolidated and Eton College

Investments

The balance shown under pre-paid fees scheme investments is made up as follows:

	2016		2015	
	Book cost £'000	Market value £'000	Book cost £'000	Market Value £'000
Investments	2,349	3,650	3,788	5,443
Cash	9,537	9,537	6,835	6,835
	11,886	13,187	10,623	12,278

Cash is held within cash and deposits on the balance sheet.

Discounted liability for future fees

		2016	2015
		£'000	£'000
	Note		
After ten years		908	452
Within five to ten years		975	688
Within one to five years		7,024	7,005
	13	8,907	8,145
Within one year	12	4,280	4,133
		13,187	12,278

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

10 PRE-PAID FEES SCHEME (continued)

Summary of movements in liability

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Balance at 1 September		12,278		13,024
New contracts		5,459		3,479
		17,737		16,503
Amounts recognised in payment of fees:				
To the College	(3,982)		(3,586)	
To other schools	(741)		(828)	
		(4,723)		(4,414)
Capital and interest repaid		-		-
Discount allowed to parents		173		189
Balance at 31 August		13,187		12,278

11 DEBTORS

	Consolidated		Eton College	
	2016 £'000	2015 £'000 (re-stated)	2016 £'000	2015 £'000 (re-stated)
Trade debtors	464	183	269	86
Fees and extras	13,386	13,038	13,386	13,038
Other debtors	186	90	182	75
Prepayments and accrued income	1,115	869	1,095	869
Amounts due from subsidiary companies	-	-	1,637	1,870
Staff loans	269	158	269	158
	15,420	14,338	16,838	16,096

The figure for fees includes July 2016 advance invoicing of fees for the 2016/17 Michaelmas term. These fees are not due for payment until September 2016, and therefore the resultant deferred income is shown within the figure for fees received or invoiced in advance within creditors (note 12 below).

All debtors are due within one year except for staff loans of £72k (2015: £126k).

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

12 CREDITORS: amounts falling due within one year

		Consolidated		Eton College	
	Note	2016 £'000	2015 (restated) £'000	2016 £'000	2015 (restated) £000
Trade creditors		3,148	2,898	3,117	2,869
Amounts due to group undertakings		-	-	31	31
Fees received or invoiced in advance		14,291	14,721	14,291	14,721
Taxation and social security		974	826	959	810
Other creditors		704	837	661	811
Accruals and deferred income		1,545	3,412	1,281	2,307
Pre-paid fees scheme	10	4,280	4,133	4,281	4,133
		24,942	26,827	24,621	25,682

13 CREDITORS: amounts falling due after more than one year

		Consolidated		Eton College	
	Note	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fees received in advance		1,614	734	1,614	734
Loan note		45,000	45,000	45,000	45,000
Pre-paid fees scheme	10	8,906	8,145	8,906	8,145
		55,520	53,879	55,520	53,879

The loan note of £45 million is repayable in full in 2060. The loan note is unsecured and incurs interest of 3.63% pa which is payable every six months.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

14 MOVEMENTS IN FUNDS

	2015 (restated) £'000	Income £'000	Bursaries and discounts £'000	Net Income £'000	Expenditure £'000	Gains/ (Losses) £'000	Total return transfers £'000	Other transfers £'000	2016 £'000
Endowed Funds									
<i>Permanent</i>									
Improvement Fund	141,513	3,556	-	3,556	(1,271)	8,949	(4,286)	-	148,461
Trusts	11,411	174	-	174	(59)	517	(251)	(1,622)	10,170
Head Master's Fund	17,300	448	-	448	(150)	1,330	(645)	1,622	19,905
<i>Expendable</i>									
Farrer	36,626	776	-	776	(261)	2,304	(1,117)	-	38,328
New Foundation	28,575	631	-	631	(198)	1,747	(841)	184	30,098
Total endowed funds	235,425	5,585	-	5,585	(1,939)	14,847	(7,140)	184	246,962
Restricted Income Funds									
Improvement Fund	-	-	-	-	(4,286)	-	4,286	-	-
Farrer	-	-	-	-	(1,117)	-	1,117	-	-
Trusts	607	-	(40)	(40)	(296)	-	251	(65)	457
New Foundation	878	-	(845)	(845)	(128)	-	841	146	892
Head Master's Fund	321	-	(552)	(552)	(129)	-	645	65	350
<i>Funded by endowed funds</i>	<i>1,806</i>	<i>-</i>	<i>(1,437)</i>	<i>(1,437)</i>	<i>(5,956)</i>	<i>-</i>	<i>7,140</i>	<i>146</i>	<i>1,699</i>
Other Restricted Funds	2,930	4,487	(1,647)	2,840	(2,093)	-	-	(184)	3,493
Total restricted funds	4,736	4,487	(3,084)	1,403	(8,049)	-	7,140	(38)	5,192
Designated Funds									
Improvement & Maintenance Fund	60,618	1,289	-	1,289	(434)	3,827	-	(1,856)	63,444
Loan Repayment Fund	1,000	-	-	-	-	-	-	(1,000)	-
Bursary Fund -Bursaries	-	882	-	882	-	687	-	-	1,569
Bursary Fund -Interest	-	-	-	-	(1,930)	1,930	-	-	-
Fixed Asset Reserve	-	-	-	-	-	-	-	56,335	56,335
Total designated funds	61,618	2,171	-	2,171	(2,364)	6,444	-	53,479	121,348
General Fund	68,538	57,169	(3,495)	53,674	(53,899)	(14,207)	-	(53,625)	481
Total Funds - Consolidated SOFA	370,317	69,412	(6,579)	62,833	(66,251)	7,084	-	-	373,983
Less subsidiaries	(1,393)	(1,555)	-	(1,555)	1,552	250	-	-	(1,146)
Add inter – company	-	1,000	-	1,000	500	-	-	-	1,500
Total Funds – Eton College only	368,924	68,857	(6,579)	62,278	(64,199)	7,334	-	-	374,337

The net income of £62,833k, made up of school fees, other income, donations, investment income and trading income per the Consolidated Statement of Financial Activities consists of gross income of £69,412k less bursaries and discounts in the year of £6,579k.

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

The **Endowed Funds** are capital funds with a restricted purpose. They are classified as expendable endowment where both capital and income may be spent and as permanent endowment where only the income may be used, in either case for the specific purpose or activity laid down by the donor or relevant governing document. As the College operates a total return approach to all its invested funds, the accounting treatment is the same for all of the endowed funds.

The **Improvement Fund** is a fund established by a scheme of 1904 for the maintenance and preservation of school properties, the preserved capital of which since the enactment of the new Statutes in October 2016 is to be a permanently endowed fund.

The **Trusts Fund** consists of individual grants, legacies and gifts given to the College over many years for specific purposes which is laid down in the individual trust documents.

The **Farrer Maintenance Fund** is a special trust (and linked charity) specifically for the improvement and maintenance of the College's buildings.

The **New Foundation Trust** is a special trust (and linked charity) which can be used for a variety of purposes for the benefit of the College, but in accordance with the wishes of the donor. During the year £226k was received in new donations and added to the New Foundation Trust, either directly (£42k) or by transferring accumulated donations from Other Restricted Income Funds (£184k). £146k was transferred from the General Fund to the New Foundation Trust Restricted Income Fund in respect of transfers that should have taken place in prior years.

The **Head Master's Fund** is a special trust (and linked charity) used to fund scholarships, bursaries, prizes, travel grants and other special purposes. During the year two funds totalling £1,622k which had previously been accounted for under the Trusts Fund were transferred to the Head Master's Fund. The related restricted income transfer was £65k.

All of the endowed funds are part of the Eton College Common Investment Fund ("EC CIF"), which means that all investment and monies belonging to the endowed funds are pooled for investment purposes.

The **Restricted Income Funds** corresponding to each of the Endowed Funds represent the amount of income available for spending in accordance with the College's own internal spending rule. Each year the Improvement Fund and the Farrer Fund restricted income is expended in full on the College's rolling maintenance programmes.

The **Other Restricted Income Funds**, which comprise around 100 separate funds, are to be used in accordance with the wishes of the donor or the fund-raising campaign through which the fund was raised. Examples of such purposes are: Bursaries, College Collections, Student Enrichment, Teaching and Research. The Restricted Income Funds are fully expendable and wherever possible College expenditure is charged to a restricted fund in precedence to being charged against General Funds.

The **Designated Funds** are unrestricted but designated by the College for specific purposes:

The **Designated Improvement & Maintenance Fund** has been specifically designated for the general improvement of the College's facilities, and for the College's longer term capital projects.

The **Bursary Fund** represents the funds generated by investing the £45m long-term loan in the EC CIF less the associated interest charges on the loan.

The **Designated Loan Repayment Fund**, which appeared in last year's accounts, has been closed and is no longer required since the capital of the fund is invested in the EC CIF.

The **Designated Fixed Asset Fund** represents the net book value of the tangible fixed assets on the balance sheet.

General Funds are unrestricted and represent the accumulated net income from the College's activities and others sources for the general purposes of the College.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

15 ANALYSIS OF FUNDS BETWEEN CONSOLIDATED NET ASSETS

Consolidated fund balances at 31 August 2016 are represented by:

	Note	Restricted		Unrestricted		2016 Total	2015 Total (restated)
		Endowed Funds	Restricted Income funds	Designated funds	General Funds		
		£'000	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets	8	-	-	56,334	-	56,334	54,644
Investments – Property & Securities	9	246,962	1,699	110,014	38,169	396,844	378,602
- Pre-paid fees scheme	10	-	-	-	3,650	3,650	5,443
- Joint Venture	5	-	-	-	167	167	-
Current assets, excluding cash		-	-	-	15,592	15,592	14,786
Cash	17	-	3,493	-	14,210	17,703	18,305
Creditors	12/ 13	-	-	(45,000)	(35,462)	(80,462)	(80,706)
Defined benefit pension liabilities	18	-	-	-	(30,302)	(30,302)	(15,395)
Other retirement provisions	19	-	-	-	(5,543)	(5,543)	(5,362)
Total Net Assets		246,962	5,192	121,348	481	373,983	370,317

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

16 STATEMENT OF TOTAL RETURNS

The College has adopted a duly authorised total return approach for all of the funds invested in the EC CIF. The return to be applied as income is calculated as 3.5% of the average of the last five years' year-end valuations of the invested funds. The preserved value of the invested endowed capital represents its carrying value on 1 September 2007, when the Total Return Order (dated 27 July 2008) was first applied, together with the gift value of any subsequent endowments and reinvested realised profits from the disposal of investment properties.

Total Unapplied Return

	Total Unapplied Return 1 Sept 2015 £'000	Investment Income £'000	Investment Costs £'000	Investment Gains £'000	Transfers £'000	Unapplied total return applied to income £'000	Total Unapplied return 31 August 2016 £'000
Permanent Endowment							
Improvement Fund	32,432	3,556	(1,271)	8,905	-	(4,286)	39,336
Trusts	7,644	174	(59)	516	(1,409)	(250)	6,616
Head Master's Fund	14,807	448	(150)	1,330	1,409	(645)	17,199
Sub total	54,883	4,178	(1,480)	10,751	-	(5,181)	63,151
Expendable Endowment							
Farrer	14,532	776	(261)	2,304	-	(1,117)	16,234
New Foundation	7,518	590	(198)	1,747	-	(841)	8,816
Sub total	22,050	1,366	(459)	4,051	-	(1,958)	25,050
Total	76,933	5,544	(1,939)	14,802	-	(7,139)	88,201
Preserved Capital							
				Preserved Capital 1 Sept 2015 £'000	Additions to Endowment Funds £'000	Transfers £'000	Preserved Capital 31 August 2016 £'000
Permanent Endowment							
Improvement Fund				109,080	45	-	109,125
Trusts				3,767	-	(213)	3,554
Head Master's Fund				2,493	-	213	2,706
Sub total				115,340	45	-	115,385
Expendable Endowment							
Farrer				22,094	-		22,094
New Foundation				21,056	226	-	21,282
Sub total				43,150	226	-	43,376
Total				158,490	271	-	158,761
Total unapplied return and preserved capital (note 14)							246,962

As explained in note 14, the improvement fund has been permanently endowed under the enactment of the new statutes in October 2016.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

17 Reconciliation net income to net cash flow from operating activities

	2016		2015 (restated)	
	£'000	£'000	£'000	£'000
Net (expenditure)/ income before investment gains		(3,418)		5,852
Elimination of non-operating cashflows				
Investment income	(8,132)		(14,208)	
Investment Manager's Fees	2,568		1,584	
Interest on Long Term loan	1,633		-	
Endowment donations	(226)		(1,551)	
Depreciation	2,135		1,866	
Net (gain)/ loss on disposal of fixed assets	(4)		1	
Loss on Joint Venture	983		-	
Decrease in stock	276		(1)	
Increase in debtors	(1,082)		(692)	
Decrease in cash investments	(138)		(115)	
(Decrease)/ Increase in creditors	(1,152)		1,252	
Increase/ (decrease) in prepaid fees	909		(746)	
FRS 102 pension movements	(35)		(97)	
		(2,265)		(12,707)
Net cash outflow from operations		(5,683)		(6,855)

Analysis of cash and cash equivalents

	2016	2015
	£'000	£'000
Cash at bank	17,703	18,305

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

18 PENSION SCHEMES

Defined Contribution Scheme

Eton College Group Personal Pension Scheme

Contributions totalling £722k (2015: £597k) were made to the Eton College Group Personal Pension Scheme which is open to non-teaching staff who began their employment after 2006. Eton College implemented auto-enrolment in January 2015, and at the same time gave all non-teaching staff the opportunity to join this Scheme with higher employer contributions instead. As a result, a large number of staff have opted to join the scheme which now provides personal pension plans for 297 non-teaching staff (2015: 262), with a further 117 staff (2015: 114) enrolled in the auto-enrolment scheme. An amount of £89k was accrued at the year-end (August 2015: £nil).

Multi-Employer Defined Benefit Schemes

The College participates in the following multi-employer defined benefit schemes:

Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £1,925k (2015: £1,587k) and at the year-end £268k (2015: £241k) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pension Scheme Regulations 2014. Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate is set following scheme valuations undertaken by the Government Actuary's Department. The latest actuarial valuation of the TPS was prepared as at 31 March 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%.

This employer rate will be payable until the outcome of the next actuarial valuation, which was prepared as at 31 March 2016, with any resulting changes to the employer rate expected to take effect from 1 April 2019. This valuation will also determine the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

Federated Flexiplan No 1

Federated Flexiplan No 1 ("the Plan") is a multi-employer defined benefit pension scheme in which the College previously participated. The College ceased to employ any active members of the Plan on 31 August 2008. Section 75 of the Pensions Act 1995, the Occupational Pension Schemes (Employer Debt) Regulations 2005 and recent case law confirm that on occurrence of specified events, an Employment Cessation Event ("ECE") occurs in relation to an employer under a pension scheme such as the Plan.

In the College's case, the ECE occurred on the cessation of employment of active Plan members on or after 6 April 2008 whilst other Plan employers continued to employ active members.

As the Plan was in deficit on 1 May 2009, the College triggered a Section 75 Debt which, broadly, relates to the College's share of the deficit. The pension actuary has calculated the College's estimated Section 75 Debt on the both the "best case" and "worst case" scenarios of £5k and £36k respectively. The actual debt could lie anywhere within this range and could possibly be above or below this range. It is however, unlikely to differ by any significant amount.

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

During the year the College has made no payments (2015: £17k) and at 31 August 2016 has recognised a provision of £19k (2015: £19k) in its financial statements.

Defined Benefit Scheme

Eton College (1972) Scheme

The College operates an externally-funded defined benefit scheme - the Eton College Employees (1972) Pension and Life Assurance Scheme, which is based on final salary up to August 2006 and on career average salary from September 2006. This scheme is for non-teaching staff who commenced employment before November 2006. A full actuarial valuation was carried out as at 31 August 2013 by a qualified independent actuary. The valuation was performed on a "market-related" basis.

The employer's contributions, which were at the annual rate of 16.2% (2015: 16.2%), amounted to £573K (2015: £612K). In addition, contributions to repay the deficit of £450K (2015: £438K) were made. The number of active members as at 31 August 2013 was 167 (2010: 217). The employees' contribution rate was 8.0% from 1 September 2012.

Benefits derived from pensionable service since April 2006 must be increased by RPI, subject to a maximum of 2.5%, those relating to membership for the period April 1997 to April 2006 must be increased by RPI, subject to a maximum of 5.0%, and those relating to membership prior to April 1997 must be increased by CPI, subject to a maximum of 3.0%. The increases for benefits derived from membership prior to April 1997 apply to both the GMP (Guaranteed Minimum Pension) and any portion in excess of the GMP.

The principal assumptions used to value the Eton College (1972) Pension and Life Assurance Scheme under FRS102 (2015: FRS17) were as follows:

	2016	2015
Rate of increase of pensions in payment (pre 1997 benefit)	2.00%	2.20%
Rate of increase of pensions in payment (post 1997 benefit)	3.10%	3.30%
Rate of increase of pensions in payment (post 2006 benefit)	2.20%	2.30%
Discount rate	2.20%	3.80%
RPI inflation assumption	3.20%	3.40%
CPI inflation assumption	2.40%	2.60%
Revaluation in deferment	2.40%	2.60%
Expected rate of salary increases	3.20%	3.40%
Expected return on assets at beginning of year*	3.80%	6.25%

* Under the revised FRS102 standard, which applies for the year ending 31 August 2016, the expected return on assets is now effectively based on the discount rate used to value the liabilities with no allowance made for any outperformance expected from the Scheme's actual asset holding.

No allowance has been made for members to take tax free cash.

Mortality assumptions have been made on the basis of SAPS normal year of birth tables with CMI 2013 projections and a long-term rate of improvement of 1.5% pa.

Under the mortality tables adopted, the assumed future life expectancy at age 65 is as follows:

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

	31 August 2016	31 August 2015
Life expectancy at age 65		
Male currently aged 45	90	90
Female currently aged 45	93	92
Male currently aged 65	88	88
Female currently aged 65	90	90

The sensitivities regarding the principal assumptions used to measure the total liabilities are set out below:

Assumption	Change in assumption	Impact on total liabilities
Life expectancy	Increase by one year	Increase by 3.6%
Rate of inflation	Increase by 0.25%	Increase by 4.1%
Discount rate	Increase by 0.25%	Decrease by 5.2%

Amounts recognised in the statement of financial activities in respect of the Eton (1972) Scheme are as follows:

Amounts charged to net income	Eton (1972) Scheme 31 August 2016 £'000	Eton (1972) Scheme 31 August 2015 (restated under FRS102) £'000
Current service cost	918	943
Interest on liabilities	1,915	1,868
Interest on assets	(1,349)	(1,375)
Past service cost	-	-
Total charged to net income	1,484	1,436

Remeasurements over the year:	Eton (1972) Scheme 31 August 2016 £'000	Eton (1972) Scheme 31 August 2015 (restated under FRS102) £'000
(Gain)/ loss on scheme assets in excess of interest	(2,209)	913
Experience losses/ (gains) on liabilities	-	-
Losses /(gains) from changes to demographic assumptions	-	-
Losses/ (gains) from changes to financial assumptions	16,655	937
Changes in effect of asset ceiling	-	-
Total remeasurements	14,446	1,850

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

The amount included in the balance sheet arising from the College's obligations in respect of the Eton (1972) Scheme is as follows:

Amounts recognised in the Balance Sheet:	Eton (1972) Scheme 31 August 2016 £'000	Eton (1972) Scheme 31 August 2015 (restated under FRS102) £'000
Present value of funded obligations	(69,212)	(51,067)
Fair value of assets	38,910	35,672
(Deficit)	(30,302)	(15,395)
Impact of asset ceiling	-	-
Net defined benefit liability*	(30,302)	(15,395)

*Net defined benefit liability shown prior to deferred taxation

Movements in the present value of defined benefit obligations were as follows:

	Eton (1972) Scheme 31 August 2016 £'000	Eton (1972) Scheme 31 August 2015 (restated under FRS102) £'000
Liabilities at 1 September	(51,067)	(48,464)
Current service cost	(918)	(943)
Employee contributions	(284)	(301)
Past service costs	-	-
Interest costs	(1,915)	(1,868)
Benefits paid	1,627	1,446
Experience (gain)/loss on liabilities	-	-
Changes to demographic assumptions	-	-
Changes to financial assumptions	(16,655)	(937)
Liabilities at 31 August	(69,212)	(51,067)

Movements in the fair value of scheme assets were as follows:

	Eton (1972) Scheme 31 August 2016 £'000	Eton (1972) Scheme 31 August 2015 (restated under FRS102) £'000
Assets at 1 September	35,672	35,305
Interest on assets	1,349	1,375
Employer contributions	1,023	1,050
Employee contributions	284	301
Benefits paid	(1,627)	(1,446)
Return on plan assets less interest	2,209	(913)
Assets at 31 August	38,910	35,672

Eton College

Notes to the financial statements (continued)

For the year ended 31 August 2016

Eton (1972) Scheme assets

The assets of the Eton (1972) Scheme are held separately from those of the College, being invested by the scheme trustees with an investment manager. The analysis of the scheme assets at the balance sheet date was as follows:

	Value at 31 August 2016 £'000	Value at 31 August 2015 £'000
Target Return Funds	38,069	34,724
Cash	76	168
Insured annuities	765	780
Total fair value of assets	38,910	35,672
Present value of Eton (1972) scheme funded obligations	(69,212)	(51,067)
Deficit in the Eton (1972) scheme	(30,302)	(15,395)
Related deferred tax liability	-	-
Net Eton (1972) scheme pension liability	(30,302)	(15,395)

The major categories of assets as a percentage of total assets during the year were Target Return Funds with Newton (49%) and Pyrford (49%) that invest in a range of asset classes, and insured annuities (2%). The actual return on the Scheme's assets over the period to the Review Date was £3,558k.

The actuarial value of the scheme's assets as at 31 August 2013 represented 82% of the benefits that had accrued to members, after allowing for future expected increases in earnings, corresponding to a deficit of £6,330K (after allowing for an allowance for the insured pensions valued at £870k). The previous recovery plan of additional contributions of £450K pa continued to apply to 31 August 2014. A further £3.0m of deficit reducing contributions was paid into the Scheme by the College in April 2014, together with a contribution of £2.5m in respect of the discretionary increases. Additional contributions of £950k pa over 4 years are due from 1 September 2017. Expenses and death-in-service premiums have been met by the College since 31 August 2014.

19 OTHER RETIREMENT PROVISIONS

	Consolidated and Eton College	
	2016	2015
	£'000	£'000
Other retirement provisions	5,543	5,362

The College holds a provision to fund post retirement payments to a number of ex-masters, ex-masters' wives and a small number of former support staff. It is not anticipated that any further such pensions will be awarded. Eton College holds £13,080k (2015: £11,947k) in its pooled investment funds to cover these liabilities and to contribute to any shortfall in the 1972 defined benefit scheme.

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Notes to the financial statements (continued)
For the year ended 31 August 2016

20 FINANCIAL INSTRUMENTS

	Note	Consolidated		Eton College	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial assets measured at amortised cost	(a)	32,008	31,777	31,949	30,808
Financial assets measured at fair value	(b)	396,844	378,602	395,944	377,452
Financial liabilities measured at amortised cost	(c)	(77,864)	(62,863)	(77,821)	(62,839)
		350,988	347,516	350,072	345,421

(a) Financial assets measured at amortised cost includes include cash, trade and fee debtors, staff loans, other debtors & accrued income.

(b) Financial assets measured at fair value consists of investments.

(c) Financial liabilities include trade creditors, prepaid fees, other creditors, bank loans & pension liabilities.

Impairment losses charged to financial assets in the year amounted to £649k (2015: £121k)

21 COMMITMENTS

Costs contracted for but not provided for as at 31 August 2016 in respect of capital improvements and developments amounted to £19.3m (2015: £2.1m). £13.8m of this commitment relates to the re-modelling of the Science Department buildings which is not due to be completed until Easter 2019.

22 LEASES

The total future minimum lease income under non-cancellable operating lease are as follows:

	2016 £'000	2015 £'000
Receivable in less than 1 year	1,775	1,917
Receivable between 1 and 5 years	4,489	4,616
Receivable in greater than 5 years	11,275	12,330
	17,539	18,863

23 RELATED PARTY TRANSACTIONS

Details of the remuneration of and expenses paid to related parties (i.e. the Provost and Fellows) are included in the final paragraph of note 7, and details of subsidiaries are detailed in note 4.

The aggregate value of the donations made by the Provost and Fellows to the College was £2k (2015: £1k).

There were no other related party transactions in the current or prior year.

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Notes to the financial statements (continued)
For the year ended 31 August 2016

24 PRIOR YEAR ADJUSTMENTS

The accounts have been re-stated to incorporate the impact of presentational misclassifications in the prior year between various categories of income, cost, asset and liability. There is no overall impact on the net movement in funds or the net assets balance. A summary of the re-statements is set out in the table below:

Category	Prior Year Accounts £'000	Difference £'000	Re- Stated Accounts £'000
Other income	6,646	2,703	9,349
Total expenditure	60,488	3,514	64,002
Pension Actuarial Loss	2,661	(811)	1,850
Debtors	14,178	160	14,338
Creditors: Amounts due in less than one year	26,667	160	26,827

Other income and total expenditure each have increased by £2,703k. This is as a result of grossing up extra charges on school bills, such as school trips, which previously only passed through the balance sheet.

Within the total resources expended FRS102 pensions interest charges have been increased from £233k to £625k to reflect the original interest charge in the pension scheme note in the prior year statutory accounts. The corresponding credit entries have been included within teaching, welfare, premises and support costs. The pension cost included within the staff costs note 7 has been reduced by £600k to £2,343k.

The FRS102 pension interest charge has been further increased from £625k to £1,436k in line with the revised calculation of the interest charges under FRS102. The corresponding credit entry reduced the actuarial loss.

The wages and salaries cost in note 7 has been reduced by £1,106 from £28,321 to £27,305k to exclude the cost of agency staff.

Within the sub-categories of debtors and creditors several presentational re-classifications have been made and there are a further £160k of re-classifications between fee debtors and other creditors.

As explained in note 14, the College adopts a total return approach to its investments. The presentation of the funds analysis in note 14 has been amended to reflect this. The total applied return allowed under the College's internal spending rule has been moved to restricted income funds as set out in the table below.

	Prior year accounts £'000	Re- classification £'000	Re-stated accounts £'000
Endowed Funds			
Trusts	12,018	(607)	11,411
New Foundation Trust	29,453	(878)	28,575
Head Masters Fund	17,621	(321)	17,300
Restricted Income Funds			
Trusts	-	607	607
New Foundation Trust	-	878	878
Head Masters Funds	-	321	321
General Funds			
General fund	48,090	20,448	68,538
Revaluation of freehold building	20,448	(20,448)	-

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

25 TRANSITION NOTE

This is the first year that the charity has presented its results under FRS 102 and the Charities SORP 2015. The last financial statements under old UK GAAP were for the year ended 31 August 2015. The date of the transition to FRS 102 and the Charities SORP 2015 was 1 September 2014. The surplus for the year ended 31 August 2015 and the total equity as at 1 September 2015 and 31 August 2015 have not changed as a result of changes in accounting policies due to the transition from old UK GAAP to FRS 102 and the Charities SORP 2015.

26 POST BALANCE SHEET EVENTS

On the 1 September Eton Online Ventures Ltd, the College's wholly owned subsidiary, became the sole shareholder of EtonX Limited. The College, through Eton Online Ventures Limited, has committed to fund the business requirements of EtonX Ltd for the next 12 months including a further capital funding of £195k in September 2016.

Eton College
Notes to the financial statements (continued)
For the year ended 31 August 2016

27 CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2015

		Unrestricted funds		Restricted funds		2015
		General	Designated	Restricted	Endowed	Total
		£'000	£'000	£'000	£'000	£'000
	Note					(re-stated)
Income from:						
Charitable activities						
School fees		45,106	-	-	-	45,106
Scholarships and bursaries		(2,548)	-	(1,591)	-	(6,084)
					(1,945)	
Discount on pre-paid fees	8	(189)	-	-	-	(189)
Net school fees		42,369	-	(1,591)	(1,945)	38,833
Other income		9,349	-	-	-	9,349
Grants and donations		368	-	3,945	1,453	5,766
Investment income	3	943	2,883	-	10,732	14,558
Trading income	4	1,348	-	-	-	1,348
Total income		54,377	2,883	2,354	10,240	69,854
Expenditure on:						
Raising and managing funds		1,734	665	-	4,296	6,695
Charitable activities		54,497	-	1,579	1,231	57,307
Total expenditure	4	56,231	665	1,579	5,527	64,002
Net income/ (expenditure) before gains and transfers		(1,854)	2,218	775	4,713	5,852
Net gain on investments		908	3,709	-	17,242	21,859
Transfers between funds	14	7,740	(743)	(4,026)	(2,971)	-
Net income/ (expenditure)		6,794	5,184	(3,251)	18,984	27,711
Pension scheme actuarial loss on defined benefit scheme	18	(1,850)	-	-	-	(1,850)
Net movement in funds		4,944	5,184	(3,251)	18,984	25,861
Funds brought forward		63,594	56,434	6,181	218,247	344,456
Funds carried forward	14	68,538	61,618	2,930	237,231	370,317

