GRAND LODGE OF SCOTLAND
ANNUITY BENEVOLENT & CHARITY FUNDS

Trustees' Report and Financial Statements

Scottish charity number SC001996

31 May 2021

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Trustees' report

Reference and administrative information

Principal Office

Freemasons' Hall
96 George Street
Edinburgh EH2 3DH

Trustees

The Trustees of the Grand Lodge of Scotland are four of its principal Office-bearers ex officiis, viz., the Grand Master Mason, the Grand Wardens and Grand Secretary and their successors from time to time in the offices. As at 31 May 2020 the individuals holding these offices were:

01/06/20 –31/05/2021	28/11/2019 – 31/05/2020
[redacted]	

Details of the appointment procedure to these positions are outlined in the Constitution and Laws – see page 2

Bankers

Bank of Scotland
The Mound
Edinburgh EH1 1YZ

Auditor

Henderson Loggie LLP
11-15 Thistle Street
Edinburgh EH2 1DF

Solicitors

Shepherd and Wedderburn
1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Investment Managers

Brewin Dolphin
144 Morrison Street
Edinburgh EH3 8BR

Rathbone Investment Management Ltd
159 New Bond Street
London W1S 2UD

Trustees' report *(continued)*

The Trustees have pleasure in submitting their annual report and the audited financial statements for the year ended 31 May 2021. In preparing the annual report and submitting the financial statements for the Benevolent Funds, the Trustees have ensured the adoption of the provisions in accordance with the Statement of Recommended Practice: 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) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The Organisation has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland.

Structure, governance and management

The Grand Lodge of Antient Free and Accepted Masons of Scotland (hereinafter referred to as Grand Lodge) was constituted in 1736 and its objectives, organisational structure, together with legal and administrative arrangements, are governed by its Constitution and Laws, copies of which are available for consultation at the principal address of the Organisation which is Freemasons' Hall, 96 George Street, Edinburgh EH2 3DH.

The Trustees of Grand Lodge are four of its principal Office-bearers ex officials, viz., the Grand Master Mason, the Grand Wardens and Grand Secretary and their successors from time to time in the offices. The appointment procedures of these positions are outlined in the Constitution and Laws.

The strategic direction of Grand Lodge of Scotland Annuity Benevolent & Charity Funds ("the Trust") is vested in the members of Grand Lodge assembled from time to time and management is supervised by the Board of Benevolence and Masonic Homes and the Benevolence and Care Committee together with support from the Administration Committee and given effect to on a day to day level by the Grand Secretary and other professional staff. Key Management remuneration is set by the trustees using benchmark information and reviewed annually.

Objectives and activities

The Trust is committed to continuing to develop its charitable work which takes the form of:

(i) Providing benevolent grants for eligible Freemasons, their widows and dependents based on individual needs and requirements.

(ii) Providing training and education grants to the children and dependents of Freemasons, based on individual needs and requirements.

(iii) Providing grants and donations to the work of external charitable causes with each application being considered on its own merits.

Achievements and performance

Due to the lockdown restrictions, the Benevolence and Care Committee has continued to meet via Zoom Video Conference throughout the Financial Year and meetings have taken place in August 2020, January 2021 and March 2021. Meetings of the Board of Benevolence and Masonic Homes took place in December 2020 and April 2021.

COVID-19 Challenge Appeal -

Within the Trustees Report for the Financial Year to 31st May 2020, it was noted that it had been agreed, after discussion of how best to assist in providing support for those who had been adversely affected by COVID-19, and having considered individual submissions from members of the Committee, to establish the 'COVID-19 Challenge Appeal' whereby monies were made available from the General Relief Fund to enable each Province, District, Superintendency and daughter Lodge under the direct supervision of Grand Lodge to apply for match funding, up to a maximum of £2,000, on submission of an application, or applications, which met the eligibility criteria; namely, to provide assistance for local projects and organisations which were offering support, and making a positive difference in local communities, to assist those who had been affected by COVID-19. It was agreed that applications would be progressed, using the eligibility criteria, by Grand Almoner and the Homes and Charities Manager. The closing date for the Appeal was 31st July 2020 and it can be confirmed that a total sum of £69,650 was paid to those who met the criteria for funding – it should be noted that the sum of £60,650 was paid during the Financial Year 2020-2021 and £9,000 was paid during the Financial Year 2019 – 2020.

PROSTATE SCOTLAND -

In 2012 Prostate Scotland was selected as the nominated external Charity for the Grand Lodge of Scotland for an initial period of five years – a strong partnership has been established with the Charity which continues to go from strength to strength. Since 2012, Prostate Scotland has been represented at many Provincial Grand Lodge and Daughter Lodge installations, with invitations having been extended to the Charity to be present at a number of similar events in the future. The Charity has also been represented each year at the Festival of Saint Andrew. Including the additions during the Financial year, a total of circa £700,000 has been awarded to Prostate Scotland by Scottish Freemasonry since 2012, with many fund raising initiatives having been organized by Daughter Lodges and Provincial Lodges for the benefit of the Charity. Due to the success of the working relationship between Grand Lodge and Prostate Scotland, it was agreed previously that its status as nominated charity be extended until 2020 (please note that, due to the Pandemic, and the resultant delay in bringing the nominated charity status to a fitting conclusion, this has now been further extended by the Benevolence and Care Committee to November 2022).

In order to raise further funds for Prostate Scotland, and to augment efforts to raise awareness of prostate disease, an abseil event was arranged which, due to the pandemic, could not take place. Notwithstanding, those who had provided sponsorship for participants agreed that these monies could be treated as donations and the sum of £34,500 was presented to Prostate Scotland in this regard, which is included in the total referenced in the paragraph above.

GENERAL -

For the preceding 7 years the Trust has participated in the annual Poppy Scotland Appeal. A commemorative cross to represent each Home Lodge has each year been placed in the Garden of Remembrance in Princes Street and a donation has been made accordingly. It has been agreed to continue the Trust's participation in the Poppy Scotland Appeal.

Following the horrendous explosion in the Port of Beirut, Lebanon in August 2020, the Grand Master Mason, in conjunction with the Grand Masters of the Grand Lodge of Washington D.C. and the Grande Loge Nationale Française wrote to all Grand Lodges in Amity regarding the provision of assistance for Lebanon. There was a positive response and the sum of £35,766 was raised between the three Grand Lodges and transferred to the District Grand Lodge of Lebanon to assist in its disaster relief programme. In addition, a grant from the Grand Lodge of Scotland General Relief Fund, in the sum of £10,000, was awarded to the District for the same purpose.

The Grand Lodge of Scotland responded to an Appeal from the Grand Lodge of Croatia to assist with its relief effort to provide support for those who had been disadvantaged and displaced by severe flooding and a grant in the sum of £5,000 was awarded from the General Relief Fund in this regard.

Scottish Freemasonry donates to many worthwhile charitable causes worldwide. The provision of statistics by Daughter Lodges, Provincial Grand Lodges and District Grand Lodges in relation to their charitable giving is requested annually.

Achievements and performance

and an overview of charitable giving is compiled from the details which are provided. Unfortunately, the percentage return of the forms which are issued to Daughter Lodges, Provinces and Districts has proved to be very disappointing and, in noting this, the Benevolence and Care Committee has agreed changes in practice which will be implemented in order to better ensure that all Provinces, Districts and daughter Lodges provide details of their charitable giving so that statistics can be complied which are based on the fullest information possible.

In recognising the success of efforts by a Provincial Grand Lodge to introduce a Dementia Friendly Programme within its Province, Grand Lodge worked closely with the Province concerned to implement a Dementia Friendly Awareness Initiative which could be shared with all Provincial Grand Lodges. A presentation in this regard, to which all Provincial Grand Lodges were invited to be represented, was held by Zoom Video Conference in March and feedback was excellent. A number of further presentations were then arranged for individual Provinces upon request. A Factsheet was prepared which provided useful information and links in relation to accessing services and resources and this was circulated to all Provinces.

As has been noted within previous Reports from the Trustees, that there has been a decline in the number of applications for Masonic benevolence, including First-time grants, Annual Grants and Training grants, all of which have decreased considerably in recent years. This trend appears to be continuing and is being monitored.

As a result of the lockdown restrictions, which necessitated the closure of non-essential retail outlets for two periods during the Financial Year, and, after considering a request from the tenant of 94A George Street, a concessionary agreement was put in place which accepted a rental reduction during the defined periods of retail closure in Scotland.

The Trust has commenced planning for the forthcoming change in the charitable organisation which is awarded nominated charity status and, in order to facilitate the effective management of this process, a Working Party has been appointed by the Benevolence and Care Committee, with Grand Almoner as its Chair. As previously mentioned, nominated charity status for Prostate Scotland has been extended until November 2022 and it is envisaged that the replacement charity, once selected, will have this status granted from January 2023.

In order to facilitate the role of the Trustees, they are invited to attend meetings of the Board of Benevolence and Masonic Homes and the Benevolence and Care Committee and receive a copy of all documentation relating to the meetings. This is an arrangement which is working well and will continue.

Future development and strategy

An agreement was in place granting an option to a preferred Developer in relation to the future sale of land at Dunblane, which it was anticipated would generate significant funds. However, the nominated Developer was placed into administration in April 2011 and the option has now expired. Title to the land has been retained by the Grand Lodge of Scotland Annuity Benevolent and Charity Funds and it is not anticipated that there will be any further sales in the near future. The revenue arising from any future disposal of land at Dunblane will be held within the Benevolent and Charity funds. A formal valuation of the land was obtained by the Benevolence and Care Committee in March 2018 and whilst a decision was reached not to sell any part of the land, the position will remain under review. Notwithstanding, whilst a decision has been reached not to dispose of the land on a 'piecemeal' basis, any intimations of interest or offers which may be received are, nonetheless, presented to the Committee for consideration.

The Trust looks forward to continuing to develop its relationship with Prostate Scotland and to agreeing, with the Charity, to a fitting legacy being put in place to mark the meaningful partnership between our Organisations once its nominated status comes to an end. In addition, plans are scheduled to be considered by the Committee to organise a final fund raising venture, which is endorsed by Grand Lodge, and will take place during the final year of the Charity's nominated status.

Having noted an increase from Members in regard to queries and feedback being brought forward in relation to issues in respect of mental health, and having taken cognisance of the fact that some

Provinces were already working to arrange initiatives and training to enable support to be provided for Members who may be facing issues with their mental health, or to offer proactive advice on services which are available should these be required, it was agreed to consider what options Grand Lodge may have to raise awareness of this very important issue. With the endorsement of the Grand Master Mason, the Chairman of the Benevolence and Care Committee and Grand Almoner, a Mental Health and Wellbeing Initiative is

Future development and strategy *(continued)*

planned to take place during the next Financial Year. The Event will be arranged in a format which it is hoped will assist in providing a greater understanding of mental health issues with the aim of breaking down barriers in this regard. The presentation, by Zoom Video Conference, at which all Provincial Grand Lodges will be invited to be represented, will also aim to signpost sources of help and support for those who need assistance. It is intended that a Factsheet will be produced to highlight sources of advice and assistance.

It is hoped to invite all Provinces to be represented at a further event to be arranged to provide 'Guidance on Practical Issues in regard to Employment - for example, how to compile a CV and navigating the benefits system'. It is anticipated that this presentation by Zoom Video Conference will be held during September/October 2021.

The Trust looks forward to continuing to support worthwhile external charities and the Benevolence and Care Committee is giving consideration to the method by which applications from charities are brought forward for presentation to the Committee. A Working Party has been appointed to review the way in which external charitable giving is managed and this continues to be work in progress.

It is planned to review the publication 'Guidance for Almoners' during the next Financial Year.

Grand Lodge is registered with the Easy Fundraising Initiative which is a means of generating income via members of the Craft who shop online, at no cost either to them or to Grand Lodge. Details of this scheme are being publicised on an ongoing basis within the Website, Year Book and the Proceedings.

Grand Lodge is registered with the 'Amazon Smile' initiative as a means of generating income via members of the Craft who shop online at Amazon, at no cost either to them or to Grand Lodge. Details of this scheme are being publicised on an ongoing basis within the Website, Year Book and the Proceedings.

Financial review

The overall financial position of the Trust remains satisfactory. Net outgoing resources for the Year to 31 May 2021, before losses/gains on investments amounted to £102,657 (2020 net incoming resources - £114,831). Investment Income of £457,512 (2020 - £505,667) was generated. The funds invested increased in value by a net amount of £1,616,945 (2020 decreased - £369,880). The unrealised gains were £1,453,413 (2020 – losses £323,185) and realised gains were £163,532 (2020 – losses £46,695).

The investment policy is to maximise the overall rate of return within acceptable risk parameters and the portfolio is regularly monitored by the Administration Committee in conjunction with advice from professional investment advisors.

Free reserves of the Trust as at 31 May 2021 were £15,893,277 (2020 £14,378,989). The reserves policy of the Trust is to retain sufficient free reserves to meet obligations to Beneficiaries and to generate growth and income that can meet future grant requirements.

Risk management

The Benevolent and Care Committee regularly examines the major risk factors to the Trust in not achieving its objectives, both operational and financial, and confirms that systems are reviewed to ensure mitigation of those risks. The principal financial risk is that there is insufficient income and capital growth to meet the grant requirements of the Trust, this is mitigated through an investment strategy which has a mix of asset classes and has been designed to provide the required level of return. The risk that a grant is awarded to individual or organisation which does not have a genuine need is mitigated via a reporting system, using, in each case, the Lodge with which there is a connection or, if appropriate a Masonic Representative in the local area.

Disclosure of information to auditor

The trustees who held office at the date of approval of the Trustee's Report confirm that, so far as they each are aware, there is no relevant audit information of which the trust's auditor is unaware; and each trustee has taken all steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the trust's auditor is aware of that information.

Auditor

The Auditor, Henderson Loggie LLP, will continue in office.

On behalf of the Trustees

Grand Secretary, Trustee Edinburgh, August 2021

Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements

The trustees are responsible for preparing the Trustees' 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 Scotland requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and of its incoming resources and application of resources of the charity for that period. In preparing the financial statements, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards and Statements of Recommended Practice 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 on that basis.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charity and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the trustees of Grand Lodge of Scotland Annuity Benevolent & Charity Funds

Opinion

We have audited the financial statements of Grand Lodge of Scotland Annuity Benevolent & Charity Funds (the 'charity') for the year ended 31 May 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 May 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities and Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

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

Responsibilities of trustees

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

In preparing the financial statements, the Trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to cease operations or have no realistic alternative but to do so.

Independent auditor's report to the trustees of Grand Lodge of Scotland Annuity Benevolent & Charity Funds*(continued)*

Auditor's responsibilities for the audit of the financial statements

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

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

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

This report is made solely to the trustees, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the 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 its trustees as a body for our audit work, for this report, or for the opinions we have formed.

Henderson Loggie LLP
Chartered Accountants
Statutory Auditor
Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
11-15 Thistle Street
Edinburgh
EH2 1DF

2021

Statement of financial activities

for the year ended 31 May 2021

	Note	Total Restricted Funds 2021	Total Restricted Funds 2020
		£	£
Income from:			
Donations and legacies	2	**129,279**	200,817
Investments	3	**458,827**	505,667
Other Income – Covid Grants		**3938**	-
Total income		**592044**	706,484
Expenditure on:			
Raising funds – Investment management fees		**50,043**	49,952
Charitable activities	4	**643,343**	541,701
Total expenditure		**693,386**	591,653
Net gains/ (loss) on investments		**1,666,945**	(369,880)
Net income/(deficit)		**1,565,603**	(255,049)
Other recognised gains			
Actuarial loss on defined benefit pension schemes	13	-	-
Net movement in funds		**1,565,603**	(255,049)
Total funds brought forward		**14,378,989**	14,634,038
Total funds carried forward		**15,944,592**	14,378,989

All gains and losses recognised in the year are included above.

The notes on pages 15 to 27 form part of these accounts.

Balance sheet

as at 31 May 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	9	**13,579,821**	11,821,252
Current assets			
Debtors	10	**210,314**	324,178
Cash at bank and in hand		**2,591,499**	2,745,490
		2,801,813	3,069,668
Creditors: amounts falling due within one year	11	**(437,032)**	(511,931)
Net current assets		**2,364,781**	2,557,737
Net assets		**15,944,592**	14,378,989
Funds			
Restricted funds	12	**15,944,592**	14,378,989

Grand Secretary, Trustee Edinburgh, August 2021

The notes on pages 15 to 27 form part of these accounts.

Cash flow statement

For the year ended 31 May 2021

	2021 £	2020 £
Reconciliation of net expenditure to net cash flow from operating activities		
Net income/(deficit) (as per the statement of financial activities)	**1,565,603**	(255,049)
Adjustments for:		
Investment income	**(458,827)**	(505,667)
Revaluation of investments	**(1,503,413)**	369,880
Decrease/(increase) in debtors	**(113,874)**	(190,961)
(Decrease)/increase in creditors due within one year	**(74,899)**	62,302
Net cash outflow from operating activities	**(519,879)**	(519,495)
Cash flows from investing activities:		
Investment income	**457,512**	505,667
Payments to acquire investments	**(1,960,546)**	(1,121,414)
Proceeds from sales of investments	**1,868,922**	1,150,876
Net cash provided by investing activities	**365,888**	535,129
(Decrease)/ Increase in cash and cash equivalents in the reporting period	**(153,991)**	15,634
Cash and cash equivalents at 1 June 2020	**2,745,490**	2,729,856
Cash and cash equivalents at 31 May 2021	**2,591,499**	2,745,490

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments held for investment purposes at market value.

The Trust is a public benefit entity and the financial statements have been prepared in accordance with the Statement of Recommended Practice: 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) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

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

Funds

Funds are classified as either restricted funds or unrestricted funds, defined as follows:

- Restricted funds are funds subject to specific conditions, which may be declared by the donors or with their authority or created through legal processes, but still within the wider objects of the charity. The conditions for the restricted funds can be found in Note 12.

- Unrestricted funds are expendable at the discretion of the Trustees in furtherance of the objects of the charity. If part of the unrestricted funds is earmarked at the discretion of the Trustees for a particular purpose, it is designated as a separate fund. This designation has an administrative purpose only and does not legally restrict the Trustees' discretion to apply the fund.

Income

All income is included in the statement of financial activities when the Trust is legally entitled to the income and the amount can be quantified with reasonable accuracy and receipt is probable.

Expenditure

Expenditure is recognised on the accruals basis and allocated to the relevant category of expenditure as appropriate. Expenditure includes irrecoverable VAT. Expenditure on raising funds includes the costs incurred in generating voluntary income, fundraising, donations and gifts, and investment management costs. These costs are regarded as necessary to generate funds that are needed to finance charitable activities.

Grants payable

Grants payable are charged to the statement of financial activities in the year in which they are approved. Grants are paid by the Scottish Masonic Benevolent Fund for the benefit of individuals and by the Scottish Masonic General Relief Fund for the benefit of individuals and charities.

1 Accounting policies *(continued)*

Support costs
Support costs are allocated to charitable activities, costs of generating funds and governance costs on the bases shown in note 4.

Investments and investment income
Investments are stated at fair value. Gains and losses are shown through the statement of financial activities and unrealised gains transferred to investment reserve. Investment income, including bank interest, is accounted for when receivable.

Debtors
Other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any trade discounts due.

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

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

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

Taxation
The Trust is recognised by HM Revenue & Customs as a charity for the purposes of the Corporation Tax Act 2010, part 11 and is exempt from income and corporation tax on its charitable activities.

Post-retirement benefits – defined contribution pension scheme
The Trust operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The amount charged to the statement of financial activities represents the contributions payable to the scheme in respect of the accounting period.

Post-retirement benefits – defined benefit pension scheme
The Trust operates a pension scheme providing benefits on final pensionable pay which was closed to new entrants in 2003. The assets of the scheme are held separately from those of the charity being invested within insurance companies.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus is recognised to the extent that it is recoverable.

1 Accounting policies *(continued)*

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

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

- Determine whether leases entered into by the group as a lessor are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Investment properties are valued using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

The Value of the deficit in the defined benefit pension fund is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the liabilities such estimates are subject to significant uncertainty. In determining the discount rate management consider the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The morality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

2 Income from donations and legacies

	2021	2020
	£	£
Donations	**121,026**	171,366
Legacy	**-**	1,078
Fundraising income	**8,253**	28,373
	129,279	200,817

3 Income from investments

	2021	2020
	£	£
Dividend & bank interest income	**282,498**	320,578
Rental income from investment property	**176329**	185,089
	458,827	505,667

4 Expenditure on Charitable activities

	Direct costs (note 8)	Grants payable (note 5)	Support costs (note 6)	2021 Total	2020 Total
	£	£	£	£	£
Scottish Masonic Homes Fund	-	-	**170,000**	**170,000**	148,241
Scottish Masonic Benevolent Fund	**81,467**	**134,070**	**119,662**	**335,199**	330,750
Scottish Masonic General Relief Fund	-	**134,008**	**198**	**134,206**	62,710
	81,467	**268,078**	**289,860**	**639,405**	541,701

5 Grants payable

	Grants to Institution		Grants to Individuals	
	Number	£	Number	£
Scottish Masonic Benevolent Fund			86	134,070
Scottish Masonic General Relief Fund	42	134,008		

The major grants payable in the year were:	£		£
Prostate Scotland	10,000	Croatian Earthquake	5,000
Lebanon Appeal	45,766	Phoenix Choir	5,000
Grand Lodge COVID Challenge (34 Provinces or Districts)	60,650		

6 Allocation of support costs

Activity	Scottish Masonic General Relief Fund	Scottish Masonic Homes Fund	Scottish Masonic Benevolent Fund	2021 Total	2020 Total
	£	£	£	£	£
Administration	-	-	106,532	106,532	146,249
Donation	-	170,000	-	170,000	231,821
Miscellaneous	198	-	13,130	13,328	29,507
	198	170,000	119,662	289,860	407,577

7 Governance costs

	2021	2020
	£	£
Auditor's remuneration : audit of these financial statements	13,000	13,000

8 Staff costs

	2021	2020
	£	£
Salaries	51,362	46,930
Social security costs	5,677	4,676
Pension contributions - Defined contribution	944	1,243
Pension contributions - Defined benefit	16,666	11,731
Pension costs – Defined benefit scheme	11,085	9,569
	86,004	67,819

Employee Numbers

An average of 1 person (2020 – 1 persons) was employed in respect of the Scottish Masonic Homes Fund. There was 1 person (2020 – 1 person) employed in respect of the Scottish Masonic Benevolent Fund during the year. There are no staff costs attributed to the Scottish Masonic General Relief Fund. No employee received remuneration in excess of £60,000.

Key Management remuneration in the year totalled £37,491.

Trustees received neither remuneration nor reimbursement of expenses in their role as Trustees.

9 Fixed asset investments

	Investment property	Listed investments	Total 2021	Investment property	Listed investments	Total 2020
	£	£	£	£	£	£
Fair value beginning of year	**3,475,000**	**8,346,252**	**11,821,252**	3,475,000	8,745,594	12,220,594
Additions at cost	**-**	**1,960,546**	**1,960,546**	-	1,121,414	1,121,414
Disposals at opening fair value	**-**	**(1,705,390)**	**(1,705,390)**	-	(1,197,571)	(1,197,571)
	3,475,000	**8,601,408**	**12,076,408**	3,475,000	8,669,437	12,144,437
Unrealised gain/(loss) in year	**50,000**	**1,453,413**	**1,503,413**	-	(323,185)	(323,185)
Fair value at end of year	**3,525,000**	**10,054,821**	**13,579,821**	3,475,000	8,346,252	11,821,252
Historical cost at end of year	**2,400,000**	**7,029,373**	**9,429,373**	2,400,000	6,352,897	8,738,279

Investment properties, held by the Scottish Masonic Benevolent Fund, are not depreciated or amortised. These properties are not held for consumption but for investment and the trustees consider that systematic annual depreciation would be inappropriate. The properties are revalued regularly.

The property at 94A George Street, Edinburgh was valued by Ryden LLP, Chartered Surveyors as at 31 May 2018 on the basis of existing use of an open market value. The calculations were carried out in accordance with the Practice Statement in the RICS Appraisal and Valuation Manual. The Property in Uckfield , East Sussex was valued on the 14 July 2021 by Vince Taylor tofts, Chartered Surveyors. There is a restriction on the property which prevents it from being sold before it is vacated by the current residents who have a lifetime tenancy. The trustees are of the opinion that the value of the investment properties as stated in the financial statements represents an accurate reflection of the fair value of the properties as at 31 May 2021.

Fixed asset investments are represented by:	**2021** £	**%**	2020 £	%
UK equities	**5,257,766**	**52.3**	4,658,995	55.8
Overseas equities	**4,214,854**	**41.9**	2,873,038	34.4
	9,472,620	**94.2**	7,532,033	90.2
Fixed interest securities	**582,201**	**5.8**	814,219	9.8
Total managed portfolio	**10,054,821**	**100.0**	8,346,252	100.0

There are no individual investments which make up over 5% of the portfolio.

The main risk to the charity from financial instruments lies in the combination of uncertain investment markets and volatility to growth. Liquidity risk is anticipated to be low as listed investments are traded in markets with good liquidity and high trading volumes and this is expected to continue. The Charity invests in pooled investment vehicles and is therefore directly exposed to credit risk. This risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled manager operates and diversification of investments amongst a number of pooled funds. Market risk arises principally in relation to equities held in the pooled vehicles. The Charity manages this exposure to market risk by constructing a diverse portfolio of investments across various markets and by retaining expert advisors to manage

its investment portfolio.

Notes to the financial statements *(continued)*

(forming part of the financial statements)

10 Debtors – Due within one year

	2021	2020
	£	£
Scottish Masonic Homes Limited	**80,714**	67,772
Accrued income	**129,590**	256,406
	210,304	**324,178**

11 Creditors – Due within one year

	2021	2020
	£	£
Scottish Masonic Homes Limited	**170,000**	236,411
The Grand Lodge of Scotland General Fund	**106,532**	146,249
Accruals	**160,500**	129,271
	437,032	511,931

12 Statement of funds

	As at 1 June 2020	Income	Expenditure	Investment gains/ losses	As at 31 May 2021
	£	£	£	£	£
Scottish Masonic Homes Fund	4,034,127	**159,434**	**(195,861)**	**725,916**	**4,723,616**
Scottish Masonic Benevolent Fund	7,888,930	**306,725**	**(349,239)**	**252,556**	**8,371,972**
Scottish Masonic General Relief Fund	2,388,246	**120,632**	**(144,348)**	**365,473**	**2,730,003**
John Forrest Trust	67,686	-	-	-	**67,686**
	14,378,989	**586,791**	**(689,448)**	**1,616,945**	**15,893,277**

	As at 1 June 2019	Income	Expenditure	Investment gains/ losses	As at 31 May 2020
	£	£	£	£	£
Scottish Masonic Homes Fund	4,062,641	241,468	(173,506)	(96,476)	4,034,127
Scottish Masonic Benevolent Fund	8,007,838	380,856	(345,077)	(154,687)	7,888,930
Scottish Masonic General Relief Fund	2,495,873	84,160	(73,070)	(118,717)	2,388,246
John Forrest Trust	67,686	-	-	-	67,686
	14,634,038	706,484	(591,653)	(369,880)	14,378,989

Purpose of Funds
The Scottish Masonic Homes Fund has as its purpose the provision of Masonic Homes for indigent members who are aged and worthy, their dependants, and such other cases as may be deemed necessitous, and the building, altering, furnishing, equipping and maintaining of such Homes and the maintenance of the Residents therein.

The Scottish Masonic Benevolent Fund provides that the available income of the fund, as defined within the Constitution and Laws, shall be devoted, by way of grants, to members or their dependants who are in straitened financial circumstances.

The Scottish Masonic General Relief Fund provides that the income of that fund shall be available to alleviate distress among members or their dependants, to make contributions to international, national or local disaster funds or emergency appeals, community projects, such other good causes as Grand Lodge may approve and to make grants or contributions to augment any other benevolent fund of Grand Lodge.

The John Forrest Trust
The immediate object of this Trust is to provide means for the education and start in life of orphan children of Scottish Freemasons (even though their mother may be alive), preference to be given to the children of deceased "Freemasons who have been members of the learned professions such as, but not necessarily limited to Law, Church, Medicine, Chartered Accountant or Civil Engineer, their number to be decided by the Patrons".

13 Employee benefits

Defined contribution pension scheme
The Grand Lodge operates a defined contribution pension scheme which the Trust participates in. The pension cost charge for the period represents contributions payable to the scheme and amounted to £879 (2020:£1,243).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Defined benefit pension scheme
The employer participates within The Grand Lodge of Scotland Pension Scheme which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 May 2015.

The contributions made by the employer over the financial year have been 41% of pensionable pay. As the scheme is closed to new entrants, the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

All figures shown below are approximations to the figures in respect of the members of The Grand Lodge of Scotland Pension Scheme.

	2021	2020
	£000	£000
Present value of funded defined benefit obligations	(1613)	(1,650)
Fair value of plan assets	2238	1,841
Surplus	**625**	191
Asset not recognised	**625**	(191)

The surplus is not recognised as the charity is a participating employer in the Grand Lodge of Scotland Pension Schemes which itself is in a deficit position for FRS102 accounting. The charity does not have a right to a refund of contribution.

13 Employee benefits (continued)

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 June	1,650	1,425
Current service cost	44	29
Interest cost	26	38
Contributions by scheme participants	3	3
Actuarial losses/(gains)	(78)	186
Past service cost	-	-
Benefits paid	(32)	(31)
At 31 May	1613	1,650

Movements in fair value of plan assets

	2021 £000	2020 £000
At 1 June	1841	1,829
Expected return on plan assets	(29)	48
Actuarial gains/(losses)	445	(31)
Contributions by employer	30	23
Contributions by members	3	3
Benefits paid	(32)	(31)
	2,258	1,841

Defined benefit cost recognised in profit or loss

	2021 £000	2020 £000
Current service cost	-	-
Interest on defined benefit pension plan obligation	-	-
Past service cost	-	-
Expected return on defined benefit pension plan assets	-	-
Total	-	-

Defined benefit cost recognised in other comprehensive income

	2021 £000	2020 £000
Experience gains and losses arising on scheme assets		(31)
Experience gains and losses arising on scheme liabilities		(186)
Effects of changes in the surplus not recognised		217
Total amount recognised in other comprehensive income gain/ (loss)	-	-

13 Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	2021 Fair Value £000	2020 Fair value £000
Equities	1,746	1,354
Corporate bonds	173	241
Property	63	52
Cash	256	194
	2238	1,841
Actual return on plan assets	(29)	48

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected 1.95% rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2021 %	2020 %
Discount rate	1.95	1.55
Expected rate of return on plan assets	1.95	1.55
Future salary increases	4.35	3.80
Inflation	3.25	2.80

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 20.8 years (male), 22.7 years (female).
- Future retiree upon reaching 65: 21.9 years (male), 24.0 years (female).

13 Employee benefits *(continued)*

History of plans

The history of the plans for the current and prior periods is as follows:

The charity expects to contribute approximately £12,000 to its defined benefit plans in the next financial year.

Balance sheet

	2021	2020	2019	2018	2017
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(1613)	**(1,650)**	(1,425)	(1,387)	(1,400)
Fair value of scheme assets	2238	**1,841**	1,829	1,816	1,752
Surplus	**625**	**191**	404	429	352

Experience adjustments

	2020	2020	2019	2018	2017
	£000	£000	£000	£000	£000
Experience adjustments on scheme	**(28)**	(11)	(10)	7	(13)
Experience adjustments on scheme assets	(43)	(31)	(32)	22	233

14 Financial instruments

	2021	2020
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	**208,989**	324,178
Debt instruments valued at fair value	**13,529,821**	11,821,252
Carrying amount of financial liabilities		
Measured at amortised cost	**437,032**	511,931

Debt instruments valued at fair value comprise balances due from Scottish Masonic Homes Limited and accrued income. Debt instruments valued at fair value comprise listed investments and investment properties.

Financial liabilities measured at amortised cost comprise accruals and balances due from Scottish Masonic Homes Limited and The Grand Lodge of Scotland General Fund.

15 Operating leases

The charity holds investment properties as disclosed in note 9, which are let to third parties. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2020	2020
	£	£
Not later than one year	**194,200**	194,200
Due within 2 – 5 years	**159,300**	539,300
Due in more than 5 years	**4,550**	12,950
	358,050	552,250

16 Related parties

The Grand Lodge of Scotland General Fund has common trustees with the Grand Lodge of Scotland Annuity, Benevolent and Charity Funds. In the year £13,650 (2020; £13,650) of rental income was received from the General Fund. Contributions to Administration Expenses of £106,532 (2020: £146,249) were made to the General Fund under Law 52 of that body. At the year end £109,500 (2020:£152,989) was due to the Grand Lodge of Scotland General Fund.

Scottish Masonic Homes Limited has common trustees with the Grand Lodge of Scotland Annuity, Benevolent and Charity Funds. In the year donations totalling £170,000 (2020; £229,671) were awarded to Scottish Masonic Homes Limited and were outstanding at the year end. Salary costs were recharged to Scottish Masonic Homes totalling £80,714 (2020; £67,773) in the year and at the year end £80,714 (2020; £67,773) was due from Scottish Masonic Homes Limited.