

THE MERCHANT COMPANY ENDOWMENTS TRUST
Charity No: SC002002

Trustees' Annual Report and Group Financial Statements

For the year ended 31 July 2023

THE MERCHANT COMPANY ENDOWMENTS TRUST

Trustees' Annual Report and Group Financial Statements

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Reference and administrative details

Principal Office

The Merchants' Hall
22 Hanover Street
Edinburgh
EH2 2EP

Secretary and Chamberlain

Auditors

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

Investment Managers

Cazenove Capital Management Limited
24-25 Charlotte Square
Edinburgh
EH2 4ET

Bankers

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

Solicitors

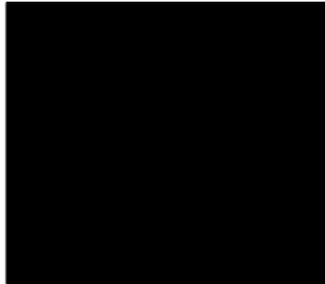
Morton Fraser
Quartermile Two
2 Lister Square
Edinburgh
EH3 9GL

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report

For the year ended 31 July 2023

The Trustees during the period were:-



Master of the Company

Until November 2023

Treasurer of the Company

Until November 2022

Treasurer of the Company

From November 2022

Master of the Company

From November 2023

Treasurer of the Company

From November 2023

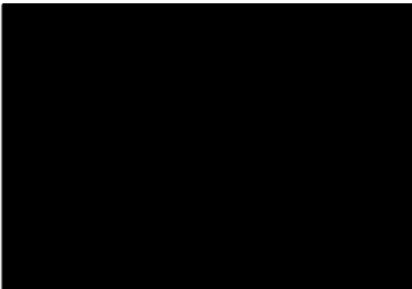


Until November 2022

Until November 2022

Until November 2022

Until November 2022



Until October 2023

Until November 2023

Until November 2023

Until November 2023

From November 2022

From November 2022

From November 2022

From November 2022



Until August 2022

From November 2022



From November 2023

From November 2023

From November 2023

From November 2023



From February 2023

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report *(continued)*

For the year ended 31 July 2023

Structure, governance and management

Nature of governing document

The Trust is a body corporate of charitable status. The constitution of the Trust is contained in the Edinburgh Merchant Company Order Confirmation Act 1996 (Part IV).

Appointment of Trustees

The Endowments Trust members are as follows:

- a. The Master, the Treasurer and the 12 Assistants of the Company of Merchants of the City of Edinburgh for the time being, *ex officio*.
- b. Five members to be elected by the Council for the City of Edinburgh.
- c. Two ministers of the Edinburgh Presbytery of the Church of Scotland to be elected by the said Presbytery.
- d. Three persons to be elected by the Company of Merchants of the City of Edinburgh from among the Members.

The election of the elected members of the Endowments Trust shall take place annually at any General Meeting of the Company of Merchants of the City of Edinburgh..

Any member of the Endowments Trust, upon the expiry of his/her term of office, shall be eligible for re-election unless otherwise disqualified under the Edinburgh Merchant Company Order Confirmation Act 1996.

The Chair of the Endowments Trust is the Master of the Royal Company of Merchants of the City of Edinburgh or in his or her absence, the Treasurer.

There were no transactions with connected parties except in the ordinary course of business.

Policies and procedures for induction and training of Trustees

In March 2023 a training session on Scottish charity regulations and the duties of charity trustees was provided and was attended by the majority of Trustees. The Trust also offers a variety of training opportunities through a number of professional advisors.

Decision-making structure

Policies and strategy are agreed by the Trustees at their regular meetings. The charitable work of the Trust is carried out by the Royal Company of Merchant Charities Committee, chaired by one of the Trustees. The administration of the Trust is carried out by the Secretary and Chamberlain, the Almoner and the team of the Royal Company of Merchants of the City of Edinburgh.

Risk Management

The Trustees recognise their responsibility to regularly assess main risks and aim to mitigate exposure to these risks.

Principal significant risks are major repairs and vacancies in the property portfolio and fluctuations in the value and dividends in the investment portfolio. The trustees recognise that there are a number of other risks and these are the subject of ongoing monitoring.

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report *(continued)*

For the year ended 31 July 2023

Objectives and activities

Endowments Trust

The objective of the Trust is to provide assistance to those in need by reason of age, ill-health, disability or financial hardship, and other organisations and charities which support such individuals in the City of Edinburgh, Midlothian, East Lothian or West Lothian areas. The Trust funds an Almoner to give personal contact to individuals supported by the Trust and further finance and care to individuals where needed. The Trust consists of general funds which are also applied in connection with running the Sir William Fraser Homes (The Fraser Trust). There are also two funds which are administered separately by the Trust; The Russell and Foster Endowment and The Sir John Foster Fraser Bequest. The Trust owns two groups of flats which are rented at social housing and mixed rent rates to frail and elderly people and managed by Dunedin Canmore Housing Association.

The Fraser Trust (Sir William Fraser Homes)

The Fraser Trust was wound up in 1997 but the Endowments Trust continues to maintain the homes in terms of Section 114 of the Constitution, either by providing them to poor persons resident in the City of Edinburgh or Midlothian with preference given to authors and artists, or by letting to tenants on a commercial basis with the rents received, after payment of the costs incurred in maintaining the properties, being directed towards providing accommodation for needy citizens of Edinburgh.

The Russell and Foster Endowment

The Russell and Foster Endowment was formed from the estate of the late Henry W Russell in 1954. It is required that the fund is administered by the Endowments Trust as a separate fund. The free income is applied by the Trust in payment of annual pensions to respectable indigent Protestant men and women at a rate of £600 per annum. In the year no grants were made (2022 – £nil). The fund value at 31 July 2023 was £471,429 (2022 - £472,872).

The Sir John Foster Fraser Bequest

The Foster Fraser Bequest was formed from a bequest by the late Sir John Foster Fraser in 1961. It is required to be administered as a separate fund by the Endowments Trust who must have regard to applying funds towards helping people “engaged in the literary profession, scientists, artists, musicians, educationalists and other cultural Scottish people who have fallen on hard times.” In the year, grants were made of £1,000 (2022- £nil) and the fund value at 31 July 2023 was £160,168 (2022 - £160,162).

Grant making policy

Grants are paid in accordance with the objectives set out in the Trust purposes above.

Following an application to OSCR to change the constitution, approval was granted in December 2022 to expand the purposes of the Charity to allow its resources to be applied for wider purposes and to benefit a wider class of beneficiaries as well as other changes which would allow some flexibility of the use of the Trusts' assets.

New Charitable Initiatives

Community Grants Scheme – During the year the trustees agreed to support and launch a new Community Grants Scheme. An initial sum of £50,000 per annum for three years, has been allocated to the scheme. The aim is to distribute grants of up to £5,000 to small Edinburgh based charities and other organised groups who wish to undertake projects which fit in with the widened aims of the Trust.

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report *(continued)*

For the year ended 31 July 2023

Objectives and activities *(continued)*

The sectors from which applications are invited include: Social needs; youth; the elderly; education; environment; social enterprise; healthcare; sport; culture and the arts; and projects that will be of general benefit to Edinburgh and its economic environment.

Foundation Scotland will manage the administration and due diligence of the Scheme going forward.

The Scheme was launched in March 2023 and the first round of applications has been held. It is intended to make the first awards before the end of 2023.

Financial review

The group's net expenditure after gains and losses for the year was £60,370 compared with the previous year's net expenditure of £41,665. This was after realised and unrealised losses on listed investments of £52,763 (2022: losses of £66,422) and a loss on revaluation of investment property of £315,000 (2022: £215,000).

It is the policy of the Trustees that any realised gains on investments are re-invested within the portfolio. It is the policy of the Trustees to keep and maintain their properties.

The financial statements have been prepared in accordance with the statutory requirements of the Trust Constitution (Edinburgh Merchant Company Order Confirmation Act 1996, Part VI Sections 92 to 127).

The Trust's income is derived mainly from heritable investments and quoted investments. The wholly owned subsidiary company MCET Ltd donates its profits to the Trust under the Gift Aid Scheme.

The Royal Company of Merchants of the City of Edinburgh provides administration and accounting services for the Trust. During the year under review the Endowments Trust group paid costs totalling £114,133 (2022: £104,232) which were recharged by the Royal Company of Merchants of the City of Edinburgh.

Investment policy

It is the Trustees' policy to invest in such a way that both investment growth and regular investment income is available to meet the needs of the Trust. This has been achieved by keeping the portfolio of both properties and listed investments under regular review.

(a) Listed investments

The portfolio has been managed by Cazenove Capital Management Limited since October 2014. Details of the portfolio are shown in Note 10.

(b) Properties

The Trust owns a parade of shops at Drumsheugh in Edinburgh plus a private car park. The Trust has appointed Ryden, Property Consultants as the factor for these properties. The factor's responsibility includes carrying out the scheduled rent reviews, negotiation and settlement, the collection of rents and the maintenance of the car park.

The Trust owns two blocks of flats at Little Road/Liberton Gardens and Brandfield Street which are leased to Dunedin Canmore Housing Association.

The Trust owns the entire share capital of MCET Ltd, a company which owns let property at 58 Albany Street, Edinburgh and a domestic property in Hillside Street, Edinburgh.

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report (*continued*)

For the year ended 31 July 2023

Reserves policy

It is the Trustees' policy to maintain a level of endowed reserves that will provide sufficient income to cover the Trust's regular commitments. Reserves in excess of this are available for disbursement.

The unrestricted reserves for the Endowments Trust General Fund at 31 July 2023 were £20,523,234. This generated income before investment gains and losses of £196,753 which was sufficient to cover disbursement of charitable funds and cover the finance of the expansion of the Trust's property used for charitable purposes, thus fitting the reserves policy.

Achievements and performance

Beneficiaries

During the year, The Endowments Trust paid annuities to 208 beneficiaries. £330 each was paid on 1 December 2022 and £330 each was paid on 1 June 2023. In addition, a Christmas gift including a cost of living bonus of £100 each was paid on 8 December 2022.

A number of other beneficiaries received gift vouchers or white goods during the year.

Investment performance

The investment performance is compared with industry benchmarks regularly and the income generated was considered to be in accordance with the investment policy. Performance is kept under review with regular meetings with the investment managers.

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual 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 the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

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

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report (continued)

For the year ended 31 July 2023

Disclosure of information to auditors

In so far as the Trustees are aware:

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

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

On behalf of the Trust:



 (Trustee/Treasurer)

THE MERCHANT COMPANY ENDOWMENTS TRUST

Independent Auditor's Report to the Trustees

For the Year Ended 31 July 2023

Opinion

We have audited the financial statements of The Merchant Company Endowments Trust (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 July 2023 which comprise the group and trust Statement of Financial Activities, the group and trust Balance Sheet, the group and trust Statement of Cash Flows and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 July 2023, and of the group's and parent charity's incoming resources and application of resources, including the group's and parent charity's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

THE MERCHANT COMPANY ENDOWMENTS TRUST

Independent Auditor's Report to the Trustees (*continued*)

For the Year Ended 31 July 2023

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 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 by the parent charity; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 5, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor 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 regulations made under that Act.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

As part of our planning process:

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

THE MERCHANT COMPANY ENDOWMENTS TRUST

Independent Auditor's Report to the Trustees (continued)

For the Year Ended 31 July 2023

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

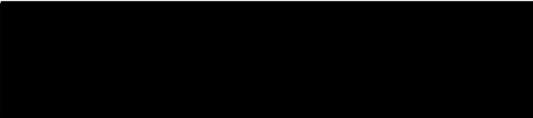
- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of board and sub-committee meetings for discussions of irregularities including fraud;
- Review of legal and professional fee expenditure;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular investment property valuations, assessment of bad debt provision, and assumptions regarding defined benefit pension liability;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness;
- Testing key revenue lines, in particular cut-off, for evidence of management bias; and
- Review the financial statement disclosures and determining whether accounting policies have been appropriately applied.

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

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

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Henderson Loggie LLP
Chartered Accountants
Statutory Auditor

Henderson Loggie LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

Ground Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

THE MERCHANT COMPANY ENDOWMENTS TRUST
Group and Trust Statements of Financial Activities (incorporating an Income and Expenditure Account)
For the year ended 31 July 2023

	<u>Endowments Trust</u>						<u>Group</u>			
	Notes	<u>Restricted Funds</u>			2023 Endowments Trust Total	Unrestricted Funds	Restricted Funds	2022	2023	2022
		Unrestrict- ed Funds	Foster Fraser	Russell & Foster				Total	Total	Total
	£	£	£	£	£	£	£	£	£	
Income:										
Donations and legacies	3	-	-	-	10,112	-	10,112	-	10,112	
Income from investments	4	579,157	4,969	7,063	591,189	613,128	7,927	621,055	756,199	
Other income		-	-	-	-	9,000	-	9,000	-	
		<u>579,157</u>	<u>4,969</u>	<u>7,063</u>	<u>591,189</u>	<u>632,240</u>	<u>7,927</u>	<u>640,167</u>	<u>756,199</u>	
Income from charitable activities	5	314,838	-	-	314,838	312,201	-	312,201	314,838	
Total income and endowments		<u>893,995</u>	<u>4,969</u>	<u>7,063</u>	<u>906,027</u>	<u>944,441</u>	<u>7,927</u>	<u>952,368</u>	<u>1,071,037</u>	
Expenditure on:										
Raising funds	6	(130,796)	(111)	(2,352)	(133,259)	(224,666)	(2,615)	(227,281)	(241,466)	
Charitable activities	7	(566,446)	(1,000)	-	(567,446)	(557,323)	-	(557,323)	(563,224)	
Total expenditure		<u>(697,242)</u>	<u>(1,111)</u>	<u>(2,352)</u>	<u>(700,705)</u>	<u>(781,989)</u>	<u>(2,615)</u>	<u>(784,604)</u>	<u>(804,690)</u>	
Net income before gains and losses		<u>196,753</u>	<u>3,858</u>	<u>4,711</u>	<u>205,322</u>	<u>162,452</u>	<u>5,312</u>	<u>167,764</u>	<u>334,517</u>	
Realised (losses) on investments	10b	(38,869)	-	(5,084)	(43,953)	(91,261)	(11,291)	(102,552)	(43,953)	
Unrealised (losses)/gains on investments	10b	(3,888)	(3,852)	(1,070)	(8,810)	43,425	(7,295)	36,130	(8,810)	
Revaluation of investment properties	10a	(1,485,000)	-	-	(1,485,000)	215,000	-	215,000	(315,000)	
Deferred tax on revalued assets	10c	-	-	-	-	-	-	-	(27,124)	
Fair value movement in subsidiary	10c	1,272,071	-	-	1,272,071	(358,007)	-	(358,007)	-	
		<u>(58,933)</u>	<u>6</u>	<u>(1,443)</u>	<u>(60,370)</u>	<u>(28,391)</u>	<u>(13,274)</u>	<u>(41,665)</u>	<u>(60,370)</u>	
Net (expenditure)/income		<u>(58,933)</u>	<u>6</u>	<u>(1,443)</u>	<u>(60,370)</u>	<u>(28,391)</u>	<u>(13,274)</u>	<u>(41,665)</u>	<u>(60,370)</u>	
Reconciliation of funds:										
Total funds brought forward		20,582,167	160,162	472,872	21,215,201	20,610,558	646,308	21,256,866	21,215,201	
Total funds carried forward		<u>20,523,234</u>	<u>160,168</u>	<u>471,429</u>	<u>21,154,831</u>	<u>20,582,167</u>	<u>633,034</u>	<u>21,215,201</u>	<u>21,154,831</u>	

THE MERCHANT COMPANY ENDOWMENTS TRUST
Group and Trust Balance Sheets as at 31 July 2023

	Notes	Endowments Trust			Group			
		Unrestricted Funds	Restricted Funds		Endowments Trust Total		2023 Total	2022 Total
			Foster Fraser	Russell & Foster	2023	2022		
£	£	£	£	£	£	£	£	
Fixed Assets								
Tangible Fixed Asset	9	5,775,800	-	-	5,775,800	5,923,931	5,775,800	5,923,931
Investments								
Property	10(a)	5,620,001	-	-	5,620,001	7,105,001	5,860,001	11,175,001
Listed investments	10(b)	1,861,308	90,370	392,661	2,344,339	2,414,134	2,344,339	2,414,134
Investment in MCET Ltd	10(c)	5,633,389	-	-	5,633,389	4,361,318	-	-
Total Fixed Assets		18,890,498	90,370	392,661	19,373,529	19,804,384	13,980,140	19,513,066
Current Assets								
Debtors	11	141,514	-	37	141,551	112,156	240,070	253,788
Inter-company control account MCET	11	100,528	-	-	100,528	100,528	-	-
Investments	12	-	-	-	-	-	5,000,000	-
Cash at bank and in hand		1,991,506	69,798	78,731	2,140,035	1,883,023	2,623,324	2,190,564
Total Current Assets		2,233,548	69,798	78,768	2,382,114	2,095,707	7,863,394	2,444,352
Liabilities								
Creditors: Amounts falling due within one year	13	(200,251)	-	-	(200,251)	(218,497)	(261,018)	(275,824)
Net current assets		2,033,297	69,798	78,768	2,181,863	1,877,210	7,602,376	2,168,528
Total assets less current liabilities assets		20,923,795	160,168	471,429	21,555,392	21,681,594	21,582,516	21,681,594
Creditors due after more than one year	14	(400,561)	-	-	(400,561)	(466,393)	(400,561)	(466,393)
Provision for liabilities and charges	15	-	-	-	-	-	(27,124)	-
Total net assets		20,523,234	160,168	471,429	21,154,831	21,215,201	21,154,831	21,215,201
The funds of the charity								
Non distributable investment property reserve	16	5,503,412	-	-	5,503,412	6,988,412	6,300,816	6,642,940
Revenue reserve	16	9,173,084	52,837	59,114	9,285,035	7,807,642	8,487,631	8,153,114
Endowed Reserve	16	5,846,738	107,333	-	6,366,384	6,419,147	6,366,384	6,419,147
Total charity funds		20,523,234	160,168	59,114	21,154,831	21,215,201	21,154,831	21,215,201

Approved and authorised for issue on behalf of the Trustees on
J Grant Macrae (Trustee/Treasurer)

THE MERCHANT COMPANY ENDOWMENTS TRUST
Group and Trust Statement of Cash Flows
At as 31 July 2023

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Cash flows from operating activities				
Net (expenditure)/income	(60,370)	(41,665)	(60,370)	(41,665)
Losses/(gains) on investments	52,763	66,422	52,763	66,422
FV movement in subsidiary	(1,272,071)	358,007	-	-
FV Movement in properties	1,485,000	(215,000)	315,000	215,000
Decrease/(increase) in debtors	(29,395)	63,363	13,718	111,578
(Decrease)/increase in creditors	(18,246)	(37,062)	12,318	(16,411)
Depreciation charges	148,131	148,131	148,131	148,131
Dividends and interest	(63,852)	(27,433)	(67,724)	(27,476)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash provided by/(used in) operating activities	241,960	314,763	413,836	455,579
Cash flows from investing activities				
Dividends and interest	63,852	27,433	67,724	27,476
Payments to acquire investments	(887,698)	(1,511,698)	(887,698)	(1,511,698)
Proceeds from the sale of investments	978,794	637,693	978,794	637,693
Movement in cash held for re-investment	(74,064)	(117,751)	(74,064)	(117,751)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash provided by /(used in) investing activities	80,884	(964,323)	84,756	(964,280)
Cash flows from financing activities				
Repayment of bank loans	(65,832)	(65,832)	(65,832)	(65,832)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash used in financing activities	(65,832)	(65,832)	(65,832)	(65,832)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash movement in the year	257,012	(715,392)	432,760	(574,533)
Cash and cash equivalents at start of the year	1,883,023	2,598,415	2,190,564	2,765,097
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the year	2,140,035	1,883,023	2,623,324	2,190,564
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:				
Cash at bank and in hand	2,140,035	1,883,023	2,623,324	2,190,564
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE MERCHANT COMPANY ENDOWMENTS TRUST

Notes to the Financial Statements

For the year ended 31 July 2023

1 Accounting Policies

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

a) Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, and in accordance with applicable accounting standards, as modified by the revaluation of UK listed investments and investment properties. The charity is a Public Benefit Entity and the financial statements comply with the charity's Constitution, the Statement of Recommended Practice (SORP) FRS 102 'Accounting and Reporting by Charities (revised 2015)', 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 the functional currency of the entity. Monetary amounts in these financial statements are rounded to the nearest £.

b) Basis of consolidation

The consolidated financial statements include the financial statements of the trust and of its subsidiary undertaking. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in year are included in the consolidated statement of financial activities from the date of acquisition or up to the date of disposal.

c) Going concern

As recommended by the Financial Reporting Council, the trustees have prepared detailed budgets setting out the charity's expected performance over 12 months from approval of the financial statements. On the basis of these projections and having considered the charity's reserves and cash position, the trustees believe it is appropriate to prepare the financial statements on a going concern basis.

d) Income

Income is recognised when the charity has entitlement to the funds, when it is probable that the income will be received and the amount can be measured reliably. Donations and similar incoming resources are recognised when the charity is entitled to it, usually on receipt. Income from investments is accounted for when the charity is entitled to the income based on rental agreements in place.

e) Expenditure

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for the expenditure. The charity is not registered for VAT and accordingly costs are shown gross of irrecoverable VAT. Where directly attributable, expenditure is allocated to the relevant functional category.

Expenditure on raising funds includes the cost of investment management services and letting agency fees. Expenditure on charitable activities includes costs incurred by the charity in the letting of operational assets to the charity's beneficiaries. It includes both direct costs and the indirect costs necessary to support these activities.

Support costs are allocated between governance costs and other support costs. Governance costs comprise those costs involving the public accountability of the charity and its compliance with regulations and best practice. They therefore include the costs of statutory audit. Other support costs relate to the administrative costs of running the charity and are allocated to charitable activities accordingly.

f) Taxation

The Trust is a recognised charity and has no liability to taxation. Deferred taxation (arising within the subsidiary) is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

g) Fixed assets

Properties classified as investment properties are not depreciated. Properties used as social housing for public benefit are not classified as investment properties but as fixed assets and are depreciated.

Depreciation is provided on all fixed assets on book cost at rates and bases calculated to write off the cost of each asset over its expected useful life as follows:

Heritable Property	2%	Fixtures and Fittings	10%	IT Equipment	33%
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THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

1 Accounting Policies (continued)

h) Investment properties

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the income and expenditure account.

i) Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value at the balance sheet date by reference to the Stock Exchange mid prices. Realised and unrealised gains and losses are charged or credited in the statement of financial activities. The charity has no complex financial instruments. The main form of financial risk faced by the charity is that of volatility in the investment markets due to wider economic conditions. Investment income is recognised when receipt is probable.

j) Debtors

Other debtors are recognised at the settlement amount due.

k) Cash

Cash comprises cash at bank and in hand and short term liquid investments with a short term maturity date.

l) 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.

m) Pension

The Trust contributes to a defined benefit pension scheme, details of which are held in note 16 to the financial statements.

n) Reserves

General reserve - The general reserve is held for meeting the objectives of the Trust. Any year end surplus or deficit is applied to the general reserve.

Endowment reserve - Investments are held within an endowment reserve, income from which is used in furtherance of the Trust's activities. Unrealised gains and losses on investments are applied to each fund within the endowment reserves on the same proportion of investments held.

2 Purpose of the Trust Fund

In terms of the Merchant Company Order Act 1996 (Part VI) the free income of the Trust shall, after expenses of management and pensions of employees, be applied to the payment of annual ex gratia pensions or gifts of money and in providing lodging, clothing, food, fuel, furnishings and other benefits to qualifying persons.

3 Donations and legacies

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Legacy & donation	-	10,112	-	10,112
	-----	-----	-----	-----
	-	10,112	-	10,112
	=====	=====	=====	=====

In the prior year, Donations included a distribution from the subsidiary. In the current year, this has been reallocated to investment income and the comparative has been restated. See note 4.

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements *(continued)*

For the year ended 31 July 2023

4 Income from investments

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Distribution from subsidiary	194,075	263,209	-	-
Dividends	37,413	26,441	37,413	26,441
Interest	26,439	992	30,311	1,065
Commercial letting income	333,262	330,413	688,475	685,628
	<u>591,189</u>	<u>640,167</u>	<u>756,199</u>	<u>713,134</u>

The distribution from the subsidiary, has been reallocated from donations to income from investments and the comparative restated. See note 3.

5 Income from charitable activities

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Domestic letting income	<u>314,838</u>	<u>312,201</u>	<u>314,838</u>	<u>312,201</u>

6 Expenditure on raising funds

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Professional fees for letting	28,863	29,953	29,827	30,851
Other costs of letting	44,738	140,115	45,177	141,764
Total direct costs	<u>73,601</u>	<u>170,068</u>	<u>75,004</u>	<u>172,615</u>
Support costs (note 8)	45,930	44,424	56,714	56,062
Total letting costs	<u>119,531</u>	<u>214,492</u>	<u>131,718</u>	<u>228,677</u>
Investment management fee	13,728	12,789	13,728	12,789
	<u>133,259</u>	<u>227,281</u>	<u>145,446</u>	<u>241,466</u>

7 Expenditure on charitable activities

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Professional fees – Cyrenians	44,959	43,329	44,959	43,329
Other professional fees	21,355	26,239	37,330	27,790
Direct support costs – JMH & Little Road	66,473	91,436	66,473	91,436
Depreciation	148,131	148,131	148,131	148,131
Grants to beneficiaries	195,883	168,879	195,883	168,879
Total direct costs	<u>476,801</u>	<u>478,014</u>	<u>492,776</u>	<u>479,565</u>
Support costs (note 8)	80,221	71,629	80,221	71,629
Governance costs – audit fee	10,424	7,680	18,077	12,030
	<u>567,446</u>	<u>557,323</u>	<u>591,074</u>	<u>563,224</u>

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

8 Support costs

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Costs recharged by the Merchant Company	103,423	92,644	114,133	104,232
Bank charges	453	335	527	385
Ex gratia pensions	97	94	97	94
Past service cost	-	15,317	-	15,317
Loan interest	22,178	7,663	22,178	7,663
Total support costs	126,151	116,053	136,935	127,691
<i>Allocated on a pro rata basis as follows:</i>				
Raising funds	45,930	44,424	56,714	56,062
Charitable activities	80,221	71,629	80,221	71,629
	126,151	116,053	136,935	127,691

9 Fixed assets

	JM Heritable Property £	JM Furniture and Fittings £	Little Road, Liberton, Phase 1&2 Heritable Property £	Computer Equipment £	Trust 2023 £	Group 2023 £
Cost						
At 31 July 2022	3,499,038	5,748	3,885,349	1,331	7,391,466	7,391,466
Additions	-	-	-	-	-	-
At 31 July 2023	3,499,038	5,748	3,885,349	1,331	7,391,466	7,391,466
Depreciation						
At 31 July 2022	839,772	5,748	621,129	886	1,467,535	1,467,535
Charge for the year	69,979	-	77,707	445	148,131	148,131
At 31 July 2023	909,751	5,748	698,836	1,331	1,615,666	1,615,666
Net book value						
At 31 July 2023	2,589,287	-	3,186,513	-	5,775,800	5,775,800
At 31 July 2022	2,659,266	-	3,264,220	445	5,923,931	5,923,931

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

10 Investments

(a) Properties held for investment purposes – held in the UK.

Investment properties	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Fair value				
Sir William Fraser Homes	3,020,000	4,320,000	3,020,000	4,320,000
Drumsheugh shops and car park	2,600,000	2,785,000	2,600,000	2,785,000
Feu	1	1	1	1
Albany Street	-	-	-	3,820,000
Hillside Street	-	-	240,000	250,000
	<u>5,620,001</u>	<u>7,105,001</u>	<u>5,860,001</u>	<u>11,175,001</u>
Costs				
Sir William Fraser Homes	74,283	74,283	74,283	74,283
Drumsheugh shops and car park	188,155	188,155	188,155	188,155
Feu	1	1	1	1
Hillside Street	-	-	82,500	82,500
	<u>262,439</u>	<u>262,439</u>	<u>344,939</u>	<u>344,939</u>

The market value is determined by the Master's Court on the advice of property professionals. Albany Street has been placed on the market for sale and is now shown in current asset investments. See note 12.

(b) Listed investments

<i>Investments held on recognised Stock Exchange – held in the UK</i>	Investments	Cash	Group & Trust 2023	Group & Trust 2022
	£	£	£	£
Value of portfolio at 31 July 2022	2,251,811	162,323	2,413,134	1,488,800
Purchases	887,698	(887,698)	-	-
Disposal proceeds	(978,794)	978,794	-	-
Realised (losses)	(43,953)	-	(43,953)	(102,552)
Unrealised (losses)/gains	(8,810)	-	(8,810)	36,130
Management fee	-	(13,728)	(13,728)	(10,552)
Dividend movement	-	39,235	39,235	26,021
Cash movement	-	(42,539)	(42,539)	976,259
Dividends received not yet remitted	-	-	-	-
	<u>2,107,952</u>	<u>236,387</u>	<u>2,344,339</u>	<u>2,413,134</u>

The portfolio has been managed by Cazenove Capital Management Limited and they are invested in accordance with the objectives agreed by the Trustees. All investments are carried at their fair value. Investments in equities and bonds are traded in quoted public markets. Holdings in multi-asset funds are at bid price. The basis of fair value for quoted investments is equivalent to market value, using the bid price. Asset sales and purchases are recognised at the date of trade at their transaction value.

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

10 Investments (continued)

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

	2023	2022
The portfolio is invested in:		
Equities and bonds	89.9%	92.8%
Cash	10.1%	7.2%
	<u>100.00%</u>	<u>100.00%</u>

(c) Investment in subsidiary

MCET Ltd (SC215839) is a wholly owned subsidiary which owns property at 58 Albany Street, Edinburgh and Hillside Street, Edinburgh. The profit generated by the company from the let of property, will be used in accordance with the policy of the Endowments Trust. The results of MCET Limited included within the group results for the year are summarised below:

	2023	2022
	£	£
Turnover	<u>355,215</u>	<u>355,215</u>
Profit/(loss) for the year	1,466,146	(94,798)
Donation to parent company	(194,075)	(263,209)
	<u>1,272,071</u>	<u>(358,007)</u>
Net assets	<u>5,633,389</u>	<u>4,361,318</u>

	2023	2022
	£	£
Investment properties	240,000	4,070,000
Net current assets	5,420,513	291,318
Provisions for liabilities	(27,124)	-
Net assets	<u>5,633,389</u>	<u>4,361,318</u>
Represented by:		
Share capital	4,129,207	4,129,207
Non-distributable property reserve	1,310,376	167,500
Distributable reserve	193,806	64,611
Total shareholders' funds	<u>5,633,389</u>	<u>4,361,318</u>

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

11 Debtors

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Sundry debtors	141,551	112,156	240,070	253,788
Amounts due from subsidiary	100,528	100,528	-	-
	<u>242,079</u>	<u>212,684</u>	<u>240,070</u>	<u>353,788</u>

12 Current asset investments

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Property held for resale	-	-	5,000,000	-

Property held for resale represents the investment property at Albany Street that was previously held as a fixed asset investment that has been placed on the market for sale. Its cost is £4,168,127.

13 Creditors: amounts falling due within one year

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Amounts due to related parties	-	7,004	-	7,004
Vat payable	-	-	16,837	20,901
Deferred income	57,708	64,088	90,764	94,664
Audit fee accrual	10,200	7,680	17,400	12,030
Committed grants (unrestricted)	20,000	-	20,000	-
Sundry creditors	46,511	73,893	50,185	75,393
Loan due to Royal Bank of Scotland	65,832	65,832	65,832	65,832
	<u>200,251</u>	<u>218,497</u>	<u>261,018</u>	<u>275,824</u>

	Trust 2023 £	Trust 2022 £	Group 2023 £	Group 2022 £
Deferred income				
Deferred income at 1 August 2022	4,830	4,830	35,407	35,407
Resources deferred during the year	57,708	64,088	90,764	94,664
Amounts released from previous year	(4,830)	(4,830)	(35,407)	(35,407)
	<u>57,708</u>	<u>64,088</u>	<u>90,764</u>	<u>94,664</u>

14 Creditors: due after more than one year

	Group & Trust 2023 £	Group & Trust 2022 £
RBS -Bank loan	<u>400,561</u>	<u>466,393</u>

In the financial year to 31 July 2009 the Endowments Trust borrowed £1.3m from the Royal Bank of Scotland, to assist with the development of sheltered housing flats (Jack Martin House) for the Frail and Elderly at Brandfield Street, Edinburgh. The loan is repayable in 240 monthly instalments starting September 2010, the last of which is in August 2030.

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

14 Creditors: due after more than one year (continued)

<i>Analysis of debt</i>	Group & Trust 2023 £	Group & Trust 2022 £
Due within 1 year	65,832	65,832
Due between 1 and 2 years	65,832	65,832
Due between 2 and 5 years	197,496	197,496
Due after 5 years	137,233	203,065
	<u>466,393</u>	<u>532,225</u>

15 Provision for liabilities and charges

	Trust 2023	Trust 2022	Group 2023	Group 2022
Movement on deferred tax provision				
At 1 August 2022	-	-	-	-
Movement in year	-	-	27,124	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 July 2023	-	-	27,124	-
	<u>-</u>	<u>-</u>	<u>27,124</u>	<u>-</u>

16 Funds

	Unrestricted		Restricted		Group Total 2023 £
	General Fund 2023 £	Foster Fraser 2023 £	Russell & Foster 2023 £	Endowments Trust Total 2023 £	
Non-distributable property reserve					
At beginning of year	6,988,412	-	-	6,988,412	6,642,940
Revaluation of properties in year		-	-		
Transferred to Revenue Reserve	(1,485,000)	-	-	(1,485,000)	(315,000)
Deferred tax on revalued assets	-	-	-	-	(27,124)
	<u>5,503,412</u>	<u>-</u>	<u>-</u>	<u>5,503,412</u>	<u>6,300,816</u>
Revenue Reserve					
At beginning of year	7,704,260	48,979	54,403	7,807,642	8,153,114
Incoming resources	893,995	4,969	7,063	906,027	1,071,037
Outgoing resources	(697,242)	(1,111)	(2,352)	(700,705)	(736,520)
Transferred from property reserve	-	-	-	-	-
Profit on investment in subsidiary	1,272,071	-	-	1,272,071	-
	<u>9,173,084</u>	<u>52,837</u>	<u>59,114</u>	<u>9,285,035</u>	<u>8,487,631</u>
Endowed reserve					
At beginning of year	5,889,495	111,183	418,469	6,419,147	6,419,147
Movement in year	(42,757)	(3,852)	(6,154)	(52,763)	(52,763)
	<u>5,846,738</u>	<u>107,331</u>	<u>412,315</u>	<u>6,366,384</u>	<u>6,366,384</u>
Total funds at end of year 2023	<u>20,523,234</u>	<u>160,168</u>	<u>471,429</u>	<u>21,154,831</u>	<u>21,154,831</u>

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

16 **Funds (continued)**

	General Fund	Foster Fraser	Russell & Foster	Endowments Trust Total	Group Total
	2022	2022	2022	2022	2022
Non-distributable property reserve					
At beginning of year	6,773,412	-	-	6,773,412	6,660,440
Revaluation of properties in year	215,000	-	-	215,000	(215,000)
Deferred tax on revalued assets	-	-	-	-	197,500
	<u>6,988,412</u>	<u>-</u>	<u>-</u>	<u>6,988,412</u>	<u>6,642,940</u>
At end of year	<u>6,988,412</u>	<u>-</u>	<u>-</u>	<u>6,988,412</u>	<u>6,642,940</u>
Revenue Reserve					
At beginning of year	7,899,815	45,020	53,050	7,997,885	8,110,857
Incoming resources	944,441	4,077	3,850	952,368	1,044,447
Outgoing resources	(781,898)	(118)	(2,497)	(784,513)	(804,690)
Loss on investment in subsidiary	(358,007)	-	-	(358,007)	(197,500)
	<u>7,704,260</u>	<u>48,979</u>	<u>54,403</u>	<u>7,807,642</u>	<u>8,153,114</u>
At end of year	<u>7,704,260</u>	<u>48,979</u>	<u>54,403</u>	<u>7,807,642</u>	<u>8,153,114</u>
Endowed reserve					
At beginning of year	5,937,331	114,904	433,334	6,485,569	6,485,569
Revaluation in year	(47,836)	(3,721)	(14,865)	(66,422)	(66,422)
	<u>5,889,495</u>	<u>111,183</u>	<u>418,469</u>	<u>6,419,147</u>	<u>6,419,147</u>
At end of year	<u>5,889,495</u>	<u>111,183</u>	<u>418,469</u>	<u>6,419,147</u>	<u>6,419,147</u>
Total funds at end of year 2022	<u>20,582,167</u>	<u>160,162</u>	<u>472,872</u>	<u>21,215,201</u>	<u>21,215,201</u>

General Funds

These funds are used to provide assistance by way of cash grant, pension, gift of appliances, provision of accommodation and other support to qualifying persons who have lived or worked in the City of Edinburgh or the County of Midlothian. These include running the Sir William Fraser Homes (The Fraser Trust), Spylaw Street Cottages, Little Road/Liberton Gardens and Jack Martin House

The Russell and Foster Endowment

The Russell and Foster Endowment was formed from the estate of the late Henry W Russell in 1954. It is required that the fund is administered by the Endowments Trust as a separate fund. The free income is applied by the Trust in payment of annual pensions to respectable indigent Protestant men and women.

The Sir John Foster Fraser Bequest

The Foster Fraser Bequest is required to be administered as a separate fund by the Endowments Trust. No payments were made during the year. The free income is applied in helping people "engaged in the literary profession, scientists, artists, musicians, educationalists and other cultural Scottish people who have fallen on hard times."

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

17 Pensions

The Endowments Trust has no active members of the Merchant Company Retirement Benefits Scheme, a defined benefits scheme. The assets of the scheme are held separately from those of the Royal Company of Merchants of the City of Edinburgh in an independent administered fund. The scheme is funded and at the last FRS 102 valuation by Mercer, as at 31 July 2023 shows a surplus. At the triennial valuation, as at 31 July 2021, a funding level of 99% was confirmed. During the year, the Trust made a contribution towards the past service deficit of £nil (2022 £15,411). On the 31 October 2011, the scheme was closed to future accrual.

The following information is based on the FRS 102 valuation of the fund at 31 July 2023:-

	2023	2022
	% p.a	% p.a
Price Inflation rate (RPI)	3.10	3.20
Price Inflation rate (CPI)	2.80	2.80
Salary increase rate	4.10	4.20
Discount rate	5.20	3.50

Life expectancy is based on the CMI Mortality Projections Model 2021 converging to 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.7	22.6
Future pensioners	22.0	24.1

The net pension (deficit)/asset was:

	2023	2022
	£000	£000
Fair value of plan assets	1,153	1,251
Defined benefit obligation	(738)	(939)
Effect of asset ceiling	(415)	(312)
Net pension asset	-	-

An asset ceiling adjustment has been made to prevent the Trust recognising a pension asset as any surplus in the scheme is not recoverable by the employer.

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

17 Pensions (continued)

Reconciliation of fair value of scheme assets:

	2023 £000	2022 £000
Opening fair value of scheme assets	1,251	1,370
Interest income	43	22
Contributions by employer	13	26
Return on plan assets	(97)	(124)
Benefit payments from plan assets	(57)	(43)
	<u>1,153</u>	<u>1,251</u>

Reconciliation of defined benefit obligation:

	2023 £000	2022 £000
Opening defined fair value obligation	939	1,281
Interest cost	32	21
Actuarial (losses)	(176)	(320)
Benefit payments from plan assets	(57)	(43)
	<u>738</u>	<u>939</u>

18 Financial instruments

	Trust 2023	Trust 2022	Group 2023	Group 2022
Carrying amount of financial assets				
Assets measured at fair value through profit and loss	<u>7,964,340</u>	<u>9,519,135</u>	<u>13,204,340</u>	<u>13,589,135</u>

Financial assets measured at fair value through profit and loss represent listed investments and investment properties

19 Related party transactions.

Some staff and overhead expenses of the Trust are met by the Royal Company of Merchants of the City of Edinburgh and are recharged. The value of the recharge during the year was £103,423 (2022: £92,644). At the year end the balance due to the Royal Company of Merchants of the City of Edinburgh was £Nil (2022: £3,672).

The Trust's subsidiary, MCET Limited, donated funds of £194,075 (2022: £263,209) during the year. The amount due to the Trust at the year end and included within debtors was £100,528 (2022: £100,528).

During the year no Trustees received any remuneration (2022: £nil) or any reimbursement of expenses (2022: £nil).

20 Ultimate controlling party

The charity is constituted under the Edinburgh Merchant Company Order Confirmation Act 1996 (Part IV) and is controlled by its elected Trustees.

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2023

21 Commitments

Operating lease - rental income

Future minimum rents receivable under non-cancellable operating leases are as follows

	Trust 2023	Trust 2022	Group 2023	Group 2022
Within 1 year	494,218	474,734	887,313	867,829
Within 2-5 years	2,082,921	1,454,849	2,508,021	2,272,349
Later than 5 years	3,651,769	4,136,551	3,651,769	4,136,551
	<u>6,228,908</u>	<u>6,066,134</u>	<u>7,047,103</u>	<u>7,276,729</u>