

THE MERCHANT COMPANY ENDOWMENTS TRUST
Charity No: SC 002002

Trustees' Annual Report and Financial Statements

For the year ended 31 July 2021

THE MERCHANT COMPANY ENDOWMENTS TRUST

Trustees' Annual Report and 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
Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9QG

Bankers

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

Solicitors

Morton Fraser
Quatermile Two
2 Lister Square
Edinburgh EH3 9GL

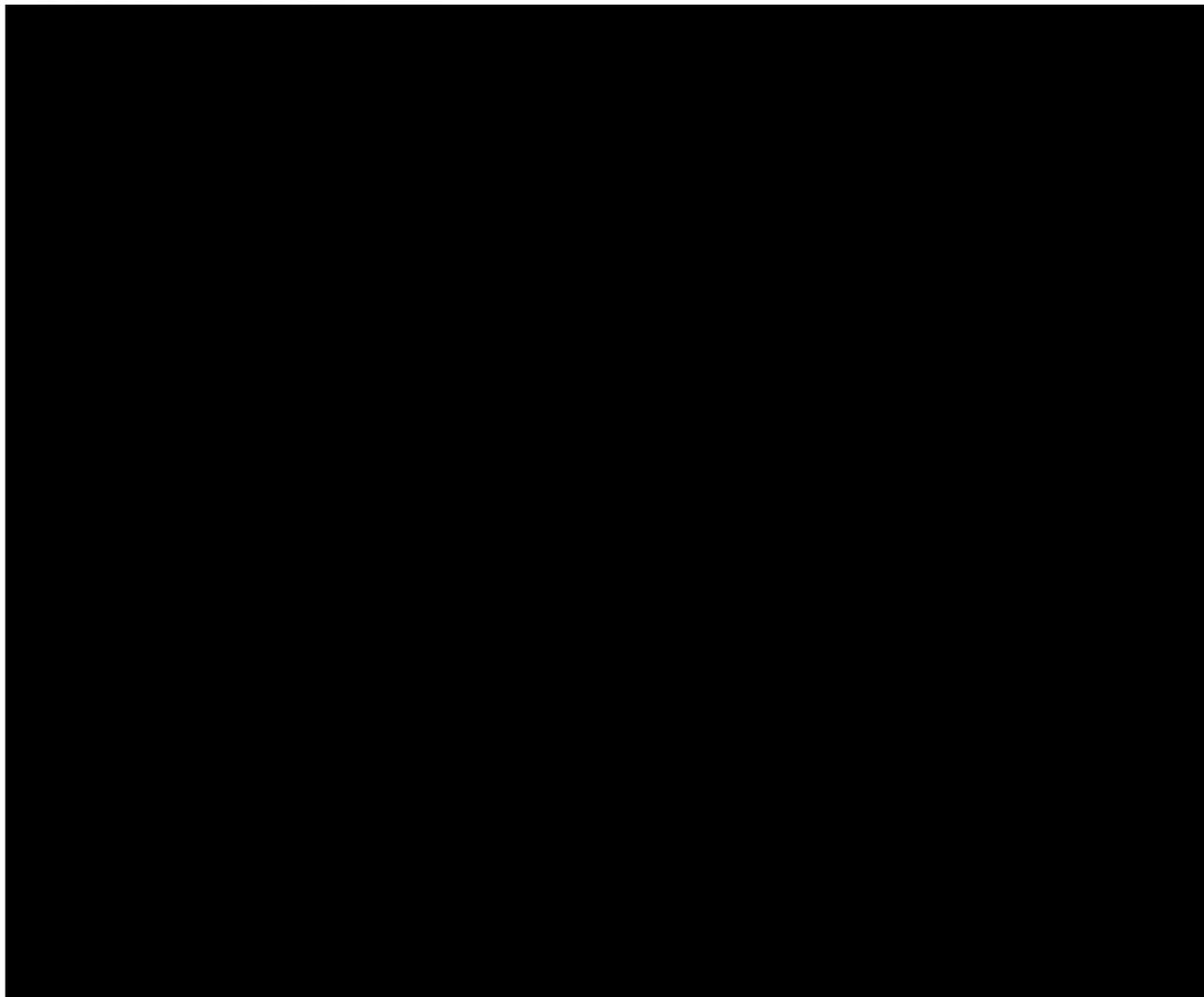
THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report

For the year ended 31 July 2021

The statement of financial activities and the balance sheet form part of this report and it is confirmed that they comply with current statutory requirements and the requirements of the Statement of Recommended Practice (SORP) 2015.

The Trustees during the period were:-



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). The constitution is available on the website www.mcoe.org.uk.

Appointment of trustees

The Endowments Trust consists of 24 members 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.

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report *(continued)*

For the year ended 31 July 2021

Structure, governance and management *(continued)*

Appointment of trustees *(continued)*

- 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 in November.

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

The Chairman of the Endowments Trust is the Master of the Merchant Company 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

On appointment, Trustees are briefed on the Trust's activities and encouraged to undertake Trustee Training.

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 Merchant Company Charities Committee, chaired by one of the Trustees, and the administration of the Trust is carried out by the Secretary and Chamberlain of The Merchant Company. The Trust outsources almoner services to Cyrenians (from 20 April 2021, previously LifeCare (Edinburgh) Ltd) who assess need and report to the Trust prior to any grant being made.

Risk Management

The Trustees assess the major risks to which the charity is exposed, in particular those relating to the operations and financing of the Trust, and mitigate exposure to major risks. Such risks are assessed annually in consultation with the Merchant Company Audit and Risk Management Committee.

Principal risks are:

- Major unforeseen repairs for buildings in the property portfolio. This is being mitigated by regular surveys and forecasts of future maintenance requirements
- Deputising and succession for key staff. This is being mitigated by the compilation of job manuals.
- During the COVID-19 lockdown staff have been working from home and trustees meetings have been held via zoom. The work of the Endowments Trust has therefore continued much as normal and rents have continued to be collected.

Objectives and activities

Endowment fund

The objective of the Trust is to provide assistance to decent, peaceable men and women aged at least 55 on 1 July in the year of their election, unless, at a younger age they are certified on medical grounds as being unable to earn their living. Beneficiaries must be persons who have lived or worked in the City of Edinburgh or the County of Midlothian. Assistance may be given by way of cash grant, pension, gift of appliances, provision of accommodation and other support. The Trust funds an Almoner to give personal contact and further finance and care to beneficiaries 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 MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report *(continued)*

For the year ended 31 July 2021

Objectives and activities *(continued)*

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 payments to 7 (2020: 8) beneficiaries were made. The fund value at 31 July 2021 was £486,384 (2020 - £429,484).

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 £700 (2020 - £2,100) donation was made and the fund value at 31 July 2021 was £159,924 (2020 - £147,314).

Grant making policy

Grants are paid in accordance with the objectives set out in the Trust purposes above. The almoner makes an assessment and reports to the Trustees, to enable decisions on which Grants should be made.

Financial review

The group's net income after gains and losses was for the year was £678,502 compared with the previous year's figure of £1,993,972. This was after realised and unrealised gains on listed investments of £204,797 (2020: losses of (£57,759) and a gain on revaluation of investment property of £Nil (2020: £1,590,000).

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) and also the Statement of Recommended Practice.

The Trust's income is derived mainly from heritable investments and quoted investments. The wholly owned subsidiary Company MCET Ltd donates its profit to the Trust under the Gift Aid Scheme and this has enabled the Trustees to increase the level of reserves in order to fund the project outlined under "Achievements and performance." The Trustees consider that development of this approach is their long-term strategy.

The Merchant Company provides administration and accounting services for the Trust. During the year under review the Endowments Trust group paid costs totalling £101,689 (2020: £99,209) which were recharged by the Edinburgh Merchant Company.

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report *(continued)*

For the year ended 31 July 2021

Financial review *(continued)*

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 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.

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 were £20,610,558 (2020: £20,001,566). This generated income of £916,658 (2020:£979,449) 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

	General	Russell & Foster	Total 2021	Total 2020
Number of beneficiaries at 1 August 2020	191	8	199	203
Number of deaths or departures	(11)	(1)	(12)	(17)
Number of new beneficiaries	5	-	5	13
Total number of beneficiaries at 31 July 2021	<u>185</u>	<u>7</u>	<u>192</u>	<u>199</u>

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

THE MERCHANT COMPANY ENDOWMENTS TRUST

The Trustees' Annual Report *(continued)*

For the year ended 31 July 2021

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.

Plans for future periods

Following the completion of the Little Road project, the Trust is still considering its future strategy, particularly as regards investments and future frail and elderly projects.

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.

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.

THE MERCHANT COMPANY ENDOWMENTS TRUST

Independent Auditors' Report to the Trustees

For the Year Ended 31 July 2021

Opinion

We have audited the financial statements of The Merchant Company Endowments Trust (the 'charity') for the period ended 31 July 2021 which comprise the group and trust Statement of Financial Activities, the group and trust Balance Sheet, the group and trust Statement of Cashflows and the related 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 and of the group's affairs as at 31 July 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 and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 charitable company'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 Report of the Trustees, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. 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.

THE MERCHANT COMPANY ENDOWMENTS TRUST

Independent Auditors' Report to the Trustees *(continued)*

For the Year Ended 31 July 2021

Opinions on other matters prescribed by the Charities Accounts (Scotland) Regulations 2006 (as amended)

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and the group and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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 and the group'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.

Auditor's responsibilities for the audit of the financial statements

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.

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiring with management about any known or suspected instances of non-compliance with laws and regulations, including GDPR and fraud;
- Review of correspondence with regulators including OSCR and the Health & Safety Executive;
- Review of legal fee expenditure and board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates including investment property valuations and assumptions used regarding the defined benefit pension liability; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; GDPR; and compliance with the UK Companies Act, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts Regulations 2006.

THE MERCHANT COMPANY ENDOWMENTS TRUST

Independent Auditors' Report to the Trustees *(continued)*

For the Year Ended 31 July 2021

Owing to the inherent limitations of an audit, there is an 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 recognize the non-compliance.

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 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 the group and its trustees as a body for our audit work, for this report, or for the opinions we have formed.

Henderson Loggie LLP

Henderson Loggie LLP

Statutory Auditor

(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

Ground Floor, 11-15 Thistle Street

Edinburgh

EH2 1DF

23 February 2022

THE MERCHANT COMPANY ENDOWMENTS TRUST
Group and Trust Statements of Financial Activities (incorporating an Income and Expenditure Account)
For the year ended 31 July 2021

Notes	<u>Endowments Trust</u>						2020	2021	Group		
	<u>Restricted Funds</u>			<u>2021</u>						Total	Total
	Unrestricted Funds	Foster Fraser	Russell & Foster	Endowments Trust Total	£	£					
	£	£	£	£	£	£	£	£			
Income:											
Donations and legacies	3	271,483	-	-	271,483	335,434	-	9			
Income from Investments	4	334,080	3,820	5,119	343,019	339,721	698,260	694,797			
		605,563	3,820	5,119	614,502	675,155	698,260	694,806			
Income from Charitable activities	5	311,095	-	-	311,095	315,301	311,095	315,301			
Total income and endowments		916,658	3,820	5,119	925,597	990,456	1,009,355	1,010,107			
Expenditure on:											
Raising funds	6	(125,803)	(124)	(2,547)	(128,474)	(109,278)	(177,703)	(122,658)			
Charitable activities	7	(426,514)	(700)	(4,200)	(431,414)	(485,808)	(433,947)	(487,418)			
Total Expenditure		(552,317)	(824)	(6,747)	(559,888)	(595,086)	(611,650)	(610,076)			
Net income before gains and losses		364,341	2,996	(1,628)	365,709	395,370	397,705	400,031			
Net gains/(losses) on investments	10b	136,655	9,614	58,528	204,797	(57,759)	204,797	(57,759)			
Revaluation of investment property	10b	-	-	-	-	2,000,000	-	1,590,000			
Deferred tax on revalued assets	10c	-	-	-	-	-	76,000	61,700			
Fair value movement in subsidiary	10c	107,996	-	-	107,996	(343,639)	-	-			
Net income/(expenditure)		608,992	12,610	56,900	678,502	1,993,972	678,502	1,993,972			
Reconciliation of funds:											
Total funds brought forward		20,001,566	147,314	429,484	20,578,364	18,584,392	20,578,364	18,584,392			
Total funds carried forward		20,610,558	159,924	486,384	21,256,866	20,578,364	21,256,866	20,578,364			

THE MERCHANT COMPANY ENDOWMENTS TRUST
Group and Trust Balance Sheets as at 31 July 2021

Notes	<u>Endowments Trust</u>						<u>Group</u>	
	<u>Restricted Funds</u>							
	Unrestricted Funds	Foster Fraser	Russell & Foster	Endowments Trust	2020	2021	2020	2021
	£	£	£	£	Total	Total	Total	Total
Fixed Assets								
Tangible Fixed Asset	6,072,062	-	-	-	6,072,062	6,072,062	6,218,862	6,218,862
Investments								
Property	6,890,001	-	-	-	6,890,001	6,890,001	6,890,001	11,390,001
Listed investments	971,649	98,173	418,978	-	1,488,800	1,488,800	1,293,234	1,293,234
Investment in MCET Ltd	4,719,325	-	-	-	4,719,325	4,719,325	4,611,329	-
Total Fixed Assets	18,653,037	98,173	418,978	-	19,170,188	18,950,863	19,013,426	18,902,097
Current Assets								
Debtors	175,482	37	-	-	175,519	175,519	122,858	355,546
Inter-company control account MCET	100,528	-	-	-	100,528	100,528	100,528	-
Inter fund balances	-	61,714	67,406	-	129,120	129,120	124,246	124,246
Cash at bank and in hand	2,598,415	-	-	-	2,598,415	2,598,415	2,230,082	2,765,097
Total Current Assets	2,874,425	61,751	67,406	-	3,003,582	3,259,583	2,577,714	2,817,717
Liabilities								
Creditors: Amounts falling due within one year	(255,559)	-	-	-	(255,559)	(255,559)	(246,708)	(292,235)
Inter fund balances	(129,120)	-	-	-	(129,120)	(129,120)	(124,246)	(124,246)
	(384,679)	-	-	-	(384,679)	(384,679)	(370,954)	(423,628)
Net current assets	2,489,746	61,751	67,406	-	2,618,903	2,838,228	2,206,760	2,394,089
Total assets less current liabilities assets	21,142,783	159,924	486,384	-	21,789,091	21,789,091	21,220,186	21,296,186
Creditors due after more than one year	(532,225)	-	-	-	(532,225)	(532,225)	(598,057)	(598,057)
Provision for liabilities and charges	-	-	-	-	-	-	(43,765)	(119,765)
Total Net Assets	20,610,558	159,924	486,384	-	21,256,866	21,256,866	20,578,364	20,578,364
The funds of the charity								
Non distributable investment property reserve	6,773,412	-	-	-	6,773,412	6,773,412	6,773,412	6,584,440
Revenue reserve	7,899,815	45,020	53,050	-	7,997,885	7,997,885	7,524,180	7,713,152
Endowed Reserve	5,937,331	114,904	433,334	-	6,485,569	6,485,569	6,280,772	6,280,772
Total charity funds	20,610,558	159,924	486,384	-	21,256,866	21,256,866	20,578,364	20,578,364

Approved and authorised for issue on behalf of the Trustees.

Alan S Robertson

Alan Robertson - 2022-02-23, 10:35:16 UTC

THE MERCHANT COMPANY ENDOWMENTS TRUST
Group and Trust Statement of Cash Flows
At as 31 July 2021

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Cash flows from operating activities				
Net income/(expenditure)	678,502	1,993,972	678,502	1,993,972
(Gains)/losses on investments	(312,793)	(1,598,602)	(204,797)	(1,532,241)
(Increase)/decrease in debtors	(57,535)	(17,016)	(14,694)	28,605
Increase/(decrease) in creditors	(30,040)	42,687	(122,038)	(505)
Depreciation charges	148,131	148,261	148,131	148,261
Dividends and interest	(21,686)	(36,407)	(21,712)	(36,665)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash provided by/(used in) operating activities	404,579	532,895	463,392	601,427
Cash flows from investing activities				
Dividends and interest	21,686	36,407	21,712	36,665
Payments to acquire fixed assets	(1,331)	-	(1,331)	-
Payments to acquire investments	(404,228)	(351,453)	(404,228)	(351,453)
Proceeds from the sale of investments	330,103	462,061	330,103	462,061
Movement in cash held for re-investment	83,356	(101,119)	83,356	(101,119)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash provided by/(used in) investing activities	29,586	45,896	29,612	46,154
Cash flows from financing activities				
Repayment of bank loans	(65,832)	(65,832)	(65,832)	(65,832)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash provided by/(used in) financing activities	(65,832)	(65,832)	(65,832)	(65,832)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash movement in the year	368,333	512,959	427,172	581,749
Cash and cash equivalents at start of the year	2,230,082	1,717,123	2,337,925	1,756,176
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the year	2,598,415	2,230,082	2,765,097	2,337,925
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:				
Cash at bank and in hand	2,598,415	2,230,082	2,765,097	2,337,925
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE MERCHANT COMPANY ENDOWMENTS TRUST

Notes to the Financial Statements

For the year ended 31 July 2021

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. 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 undertakings. 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 the next 12 months. On the basis of these projections and having considered the charity's reserves and cash position, together with the impact of COVID-19 pandemic as discussed in the Trustees' report, 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.

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%
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THE MERCHANT COMPANY ENDOWMENTS TRUST

Notes to the Financial Statements *(continued)*

For the year ended 31 July 2021

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.

Investments in subsidiaries are all held at cost less impairment. Impairment is considered at each reporting end date. Any impairment is recognised in the Statement of Financial Activities

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

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

Non-distributable investment property reserve - represents the difference between the fair value of investment properties and their historic cost less a provision for deferred tax.

THE MERCHANT COMPANY ENDOWMENTS TRUST

Notes to the Financial Statements (continued)

For the year ended 31 July 2021

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the charity's accounting policies, the Court members 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.

The following are the group's key sources of estimation uncertainty:

- Investment properties are valued annually 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.
- Deferred tax has been estimated based on available future corporation tax rates. It is not known what the corporation tax rate will be when if ever the properties are sold.
- The value of the defined benefit pension fund is determined using a FRS 102 valuation. The valuation involves making assumptions about discount rates, mortality 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 appropriate discount rate, management considers the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

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 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Legacy & donation	-	9	-	9
Donation from subsidiary	271,483	335,425	-	-
	<u>271,483</u>	<u>335,434</u>	<u>-</u>	<u>9</u>

THE MERCHANT COMPANY ENDOWMENTS TRUST

Notes to the Financial Statements *(continued)*

For the year ended 31 July 2021

4 Income from Investments

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Dividends	20,774	27,446	20,774	27,446
Interest	912	8,961	938	9,219
Commercial letting income	321,333	303,314	676,548	658,132
	<u>343,019</u>	<u>339,721</u>	<u>698,260</u>	<u>694,797</u>

5 Income from charitable activities

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Domestic letting income	<u>311,095</u>	<u>315,301</u>	<u>311,095</u>	<u>315,301</u>

6 Expenditure on Raising funds

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Professional fees for letting	28,896	26,823	37,730	27,320
Other costs of letting	60,192	41,749	88,403	42,688
Total direct costs	<u>89,088</u>	<u>68,572</u>	<u>126,133</u>	<u>70,008</u>
Support costs (note 8)	31,366	32,555	43,550	44,499
Total letting costs	<u>120,454</u>	<u>101,127</u>	<u>169,683</u>	<u>114,507</u>
Investment management fee	8,020	8,151	8,020	8,151
	<u>128,474</u>	<u>109,278</u>	<u>177,703</u>	<u>122,658</u>

7 Expenditure on Charitable activities

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Professional fees – Life Care	35,356	33,916	35,356	33,916
Other professional fees	8,433	17,278	8,965	17,278
Direct support costs – JMH & Little Road	33,396	74,435	33,396	74,435
Depreciation	148,132	148,261	148,132	148,261
Grants to beneficiaries	133,963	138,120	133,964	138,120
Unwinding discount factor	2,186	4,272	2,186	4,272
Total direct costs	<u>361,466</u>	<u>416,282</u>	<u>361,999</u>	<u>416,282</u>
Support costs (note 8)	65,448	65,572	65,448	65,572
Governance costs – audit fee	4,500	3,954	6,500	5,564
	<u>431,414</u>	<u>485,808</u>	<u>433,947</u>	<u>487,418</u>

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2021

8 Support costs

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Cost recovered by the Merchant Company	89,513	87,330	101,689	99,209
Bank charges	485	454	493	519
Ex gratia pensions	91	89	91	89
Loan interest	6,725	10,254	6,725	10,254
Total support costs	96,814	98,127	108,998	110,071
<i>Allocated on a pro rata basis as follows;</i>				
Investment management costs	31,366	32,555	43,550	44,499
Charitable activities	65,448	65,572	65,448	65,572
	96,814	98,127	108,998	110,071

9 Fixed assets

	JM Heritable Property £	JM Furniture and Fittings £	Little Road, Liberton, Phase 1&2 Heritable Property £	Computer Equipment £	Trust 2021 £	Group 2021 £
Cost:						
At 31 July 2020	3,499,038	5,748	3,885,349	-	7,390,135	7,390,135
Additions	-	-	-	1,331	1,331	1,331
At 31 July 2021	3,499,038	5,748	3,885,349	1,331	7,391,466	7,391,466
Depreciation						
At 31 July 2020	699,810	5,748	465,715	-	1,171,273	1,171,273
Charge for the year	69,981	-	77,707	443	148,131	148,131
At 31 July 2021	769,791	5,748	543,422	443	1,319,404	1,319,404
Net book value						
At 31 July 2021	2,729,247	-	3,341,927	888	6,072,062	6,072,062
At 31 July 2020	2,799,228	-	3,419,634	-	6,218,862	6,218,862

The construction of Little Road Phase 2, Liberton, was completed in March 2015. The build costs were £678,036 as the project benefited from a grant from the City of Edinburgh Council which was paid direct to the builders.

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2021

10 Investments

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

Investment properties	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Fair value				
Sir William Fraser Homes	3,965,000	3,965,000	3,965,000	3,965,000
Drumsheugh shops and car park	2,925,000	2,925,000	2,925,000	2,925,000
Feu	1	1	1	1
Albany Street	-	-	4,250,000	4,250,000
Hillside Street	-	-	250,000	250,000
	<u>6,890,001</u>	<u>6,890,001</u>	<u>11,390,001</u>	<u>11,390,001</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
Albany Street	-	-	4,168,127	4,168,127
Hillside Street	-	-	82,500	82,500
	<u>262,439</u>	<u>262,439</u>	<u>4,513,066</u>	<u>4,513,066</u>

A valuation of the investment property portfolio was performed by Graham & Sibbald as at 1 December 2020. As a result of the COVID-19 pandemic, the valuations were not able to be performed prior to his date. The Directors consider the current values shown above are representative of the market value at 31 July 2021 of their investment properties.

(b) Listed investments

<i>Investments held on recognised Stock Exchange – held in the UK</i>	Investments £	Cash £	Group & Trust 2021 £	Group & Trust 2020 £
Value of portfolio at 31 July 2020	1,165,310	127,924	1,293,234	1,360,482
Purchases	404,707	(404,707)	-	-
Disposal proceeds	(330,103)	330,103	-	-
Realised gains/(losses)	22,900	-	22,900	(24,054)
Unrealised gains/(losses)	181,897	-	181,897	(33,705)
Management fee	-	(7,925)	(7,925)	(7,529)
Dividend movement	-	20,904	20,904	(1,960)
Cash movement	-	(18,961)	(18,961)	-
Dividends received not yet remitted	-	(3,249)	(3,249)	-
Equalisations	(479)	479	-	-
Value of portfolio at 31 July 2021	<u>1,444,232</u>	<u>44,568</u>	<u>1,488,800</u>	<u>1,293,234</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 2021

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 Trusts' 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.

	2021	2020
The portfolio is invested in:		
Equities and bonds	97.01%	90.11%
Cash	2.99%	9.89%
	<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 the 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 years are summarised below:

	2021	2020
	£	£
Turnover	355,215	354,818
Profit/(loss) for the year	379,479	(8,214)
Donation to parent company	(271,483)	(335,425)
	<u>107,996</u>	<u>(343,639)</u>
Net assets	4,719,325	4,611,329

	2021	2020
	£	£
Investment properties	4,500,000	4,500,000
Net current assets	219,325	187,329
Provisions for deferred tax	-	(76,000)
Net assets	4,719,325	4,611,329
Represented by:		
Share capital	4,129,207	4,129,207
Non-distributable property reserve	400,000	324,000
Distributable reserve	190,118	158,122
Total shareholders' funds	4,719,325	4,611,329

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2021

11 Debtors

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Sundry debtors	175,519	122,858	364,766	355,546
VAT recoverable	-	-	600	
Amounts due from subsidiary	100,528	100,528	-	-
	<u>276,047</u>	<u>223,386</u>	<u>365,366</u>	<u>355,546</u>

Group sundry debtors include £141,564 due in more than one year (2020: £187,089).

12 Creditors: amounts falling due within one year

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
VAT payable	-	-	-	19,575
Deferred income	4,830	16,735	35,407	47,313
Audit fee	4,500	3,954	6,500	5,564
Sundry creditors	180,397	160,187	184,496	161,098
Loan due to Royal Bank of Scotland	65,832	65,832	65,832	65,832
	<u>255,559</u>	<u>246,708</u>	<u>292,235</u>	<u>299,382</u>

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Deferred income				
Deferred income at 1 August 2020	16,735	10,797	-	41,735
Resources deferred during the year	4,830	16,735	35,407	47,313
Amounts released from previous year	(16,735)	(10,797)	-	(41,735)
	<u>4,830</u>	<u>16,735</u>	<u>35,407</u>	<u>47,313</u>

13 Creditors: due after more than one year

	Group & Trust 2021 £	Group & Trust 2020 £
RBS -Bank loan	532,225	598,057
	<u>532,225</u>	<u>598,057</u>

In the financial year to 31.7.2009 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 2021

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

<i>Analysis of debt</i>	Group & Trust 2021 £	Group & Trust 2020 £
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	268,897	334,729
	<u>598,057</u>	<u>663,889</u>

14 Provision for liabilities and charges

	Trust 2021 £	Trust 2020 £	Group 2021 £	Group 2020 £
Provision for pension deficit payments	-	43,765	-	43,765
Provision for deferred tax on revalued assets	-	-	-	76,000
	<u>-</u>	<u>43,765</u>	<u>-</u>	<u>119,765</u>
Movement on pension deficit payment provision				
At 1 August 2020	43,765	85,444	43,765	85,444
Contributions paid in the year	(45,951)	(45,951)	(45,951)	(45,951)
Unwinding of discount factor	2,186	4,272	2,186	4,272
	<u>-</u>	<u>43,765</u>	<u>-</u>	<u>43,765</u>
Movement on deferred tax provision				
At 1 August 2020	-	-	76,000	137,700
Movement in year	-	-	(76,000)	(61,700)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,000</u>
At 31 July 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,000</u>

THE MERCHANT COMPANY ENDOWMENTS TRUST

Notes to the Financial Statements *(continued)*

For the year ended 31 July 2021

15 Funds	<u>Unrestricted</u>	<u>Restricted</u>		Endowment Trust Total 2021 £	Group Total 2021 £
	General Fund	Foster Fraser 2021 £	Russell & Foster 2021 £		
Non-distributable property reserve					
At beginning of year	6,773,412	-	-	6,773,412	6,584,440
Revaluation of properties in year	-	-	-	-	-
Deferred tax on revalued assets	-	-	-	-	76,000
At end of year	<u>6,773,412</u>	<u>-</u>	<u>-</u>	<u>6,773,412</u>	<u>6,660,440</u>
Revenue Reserve					
At beginning of year	7,427,478	42,024	54,678	7,524,180	7,713,152
Incoming resources	916,658	3,820	5,119	925,597	1,009,355
Outgoing resources	(552,317)	(824)	(6,747)	(559,888)	(611,650)
Gain on investment in subsidiary	107,996	-	-	107,996	-
At end of year	<u>7,899,815</u>	<u>45,020</u>	<u>53,050</u>	<u>7,997,885</u>	<u>8,110,857</u>
Endowed reserve					
At beginning of year	5,800,676	105,290	374,806	6,280,772	6,280,772
Movement in year	136,655	9,614	58,528	204,797	204,797
At end of year	<u>5,937,331</u>	<u>114,904</u>	<u>433,334</u>	<u>6,485,569</u>	<u>6,485,569</u>
Total funds at end of year 2021	<u>20,610,558</u>	<u>159,924</u>	<u>486,384</u>	<u>21,256,866</u>	<u>21,256,866</u>
Non-distributable property reserve					
At beginning of year	4,773,412	-	-	4,773,412	4,932,740
Revaluation of properties in year	2,000,000	-	-	2,000,000	1,590,000
Deferred tax on revalued assets	-	-	-	-	61,700
At end of year	<u>6,773,412</u>	<u>-</u>	<u>-</u>	<u>6,773,412</u>	<u>6,584,440</u>
Revenue Reserve					
At beginning of year	7,377,641	40,403	54,405	7,472,449	7,313,121
Incoming resources	979,449	3,838	7,169	990,456	1,010,107
Outgoing resources	(585,973)	(2,217)	(6,896)	(595,086)	(610,076)
Loss on investment in subsidiary	(343,639)	-	-	(343,639)	-
At end of year	<u>7,427,478</u>	<u>42,024</u>	<u>54,678</u>	<u>7,524,180</u>	<u>7,713,152</u>
Endowed reserve					
At beginning of year	5,837,892	110,146	390,493	6,338,531	6,338,531
Revaluation in year	(37,216)	(4,856)	(15,687)	(57,759)	(57,759)
At end of year	<u>5,800,676</u>	<u>105,290</u>	<u>374,806</u>	<u>6,280,772</u>	<u>6,280,772</u>
Total funds at end of year 2020	<u>20,001,566</u>	<u>147,314</u>	<u>429,484</u>	<u>20,578,364</u>	<u>20,578,364</u>

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2021

15 Funds (continued)

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 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.”

16 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 Merchant Company in an independent administered fund. The scheme is funded and at the last FRS 102 valuation by Mercer, as at 31 July 2021 shows a surplus. At the prior triennial valuation, as at 31 July 2018, a deficit was confirmed in the fund, with a funding level of 90%. During the year, the Trust made a contribution towards the past service deficit of £45,951. On the 31 October 2011, the scheme was closed for future accruals.

Principal Actuarial assumptions for the defined benefit scheme

The following information is based upon a FRS 102 valuation of the fund at 31 July 2021:

	2021	2020
	% p.a.	% p.a.
Price inflation rate (RPI)	3.20	2.90
Price inflation rate (CPI)	2.75	2.45
Salary increase rate	4.20	3.90
Discount rate	1.60	1.50
	=====	=====

Life expectancy is based on the CMI Mortality Projections Model 2020 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	21.4 years	23.4 years
Future pensioners	22.7 years	24.9 years
	=====	=====

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2021

16 Pensions (continued)

The net pension (deficit)/asset was:

	2021	2020
	£000	£000
Estimated employer assets	1,370	1,270
Present value of scheme liabilities	(1,281)	(1,314)
Effect of asset ceiling	(89)	-
	—	—
Net pension (deficit)/asset	-	(44)
	=====	=====

An asset ceiling adjustment has been made to prevent the Trust recognising a pension asset as any surplus in the scheme belongs to the members.

Reconciliation of fair value of scheme assets:

	2021	2020
	£000	£000
Opening fair value of scheme assets	1,270	1,283
Expected return on assets	19	27
Contributions by employer	46	46
Actuarial gains/(losses)	82	(7)
Estimated benefits paid	(47)	(79)
	—	—
	1,370	1,270
	=====	=====

Reconciliation of defined benefit obligation:

	2021	2020
	£000	£000
Opening defined benefit obligation	1,314	1,236
Interest cost	19	25
Actuarial losses/(gains)	(5)	132
Estimated benefits paid	(47)	(79)
	—	—
	1,281	1,314
	=====	=====

THE MERCHANT COMPANY ENDOWMENTS TRUST
Notes to the Financial Statements (continued)
For the year ended 31 July 2021

17 Financial instruments

	Trust 2021	Trust 2020	Group 2021	Group 2020
Carrying amount of financial assets				
Assets measured at fair value through profit and loss	<u>8,378,801</u>	<u>8,183,235</u>	<u>12,878,801</u>	<u>12,683,235</u>

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

18 Related party transactions.

Some staff and overhead expenses of the Trust are met by the Edinburgh Merchant Company and are recharged. The value of the recharge during the year was £89,513 (2020: £87,330).

The Trust's subsidiary, MCET Limited, donated funds of £271,483 (2020: £335,425) during the year. The amount due to the Trust at the year end and included within debtors was £100,528 (2020: £100,528).

██████████ a trustee, is also a director of Cazenove Capital Management Limited although he is not involved with the management of the Merchant Company Endowment Fund's portfolio. Investment management fees paid to Cazenove Capital Management Limited in the year to 31 July 2021 totalled £8,020 (2020: £8,151).

During the year no trustees received any remuneration (2020: £nil) or any reimbursement of expenses (2020: £nil).

29 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.

30 Commitments

Operating lease - rental income

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

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Within 1 year	872,834	879,130	479,739	486,035
Within 2-5 years	2,738,779	3,143,961	1,528,879	1,541,661
Later than 5 years	4,474,918	4,828,063	4,474,918	4,828,063
	<u>8,086,531</u>	<u>8,851,154</u>	<u>6,483,536</u>	<u>6,855,759</u>