

**GRAND LODGE OF SCOTLAND
ANNUITY BENEVOLENT & CHARITY FUNDS**

Trustees' Report and Financial Statements

Scottish charity number SC001996

31 May 2023

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Trustees' report

Reference and administrative information

Principal Office

Trustees

The Trustees of the Grand Lodge of Scotland are four of its principal Office-bearers ex officiiis, viz., the Grand Master Mason, the Grand Wardens and Grand Secretary and their successors from time to time in the offices. During the year to 31 May 2023 the individuals holding these offices were:

01/06/22 – 24/11/2022	24/11/22 – 31/05/2023

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

Bankers

Bank of Scotland
The Mound
Edinburgh EH1 1YZ

Auditor

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

Solicitors

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

Investment Managers

Brewin Dolphin
144 Morrison Street
Edinburgh EH3 8BR

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

Trustees' report *(continued)*

The Trustees have pleasure in submitting their annual report and the audited financial statements for the year ended 31 May 2023. In preparing the annual report and submitting the financial statements for the Benevolent Funds, the Trustees have ensured the adoption of the provisions in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). The Organisation has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland.

Structure, governance and management

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

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

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

Objectives and activities

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

- (i) Providing benevolent grants for eligible Freemasons, their widows and dependents based on individual needs and requirements.
- (ii) Providing training and education grants to the children and dependents of Freemasons, based on individual needs and requirements.
- (iii) Providing grants and donations to the work of external charitable causes with each application being considered on its own merits.

During the financial year to 31st May 2023, the Benevolence and Care Committee met in August and November 2022 and in March 2023. Meetings of the Board of Benevolence and Masonic Homes took place in September and December 2022 and in April 2023.

A formal Minute was produced for all meetings and gives a detailed account of the items discussed and the recommendations and decisions which were made.

MASONIC GRANT-GIVING ACTIVITIES –

As part of the annual review and in response to prevailing economic factors, the Benevolence and Care Committee took the following action -

- Revised the Eligibility Scales for the calculation of First-time and Annual grants accordingly and made certain adjustments.
- Agreed that an uplift of 5% be applied to the level of existing Annual Grants, effective from the payment of the first instalment of the 2023 annual grants in June.
- Agreed that an uplift from £650 to £700 be applied to the level of grants awarded under the Special Training Scheme, effective from the 2023 payment of such grants.

As has been noted within previous Reports from the Trustees, there has been a decline in the number of applications for Masonic benevolence, including First-time grants, Annual Grants and Training grants, all of which have decreased considerably in recent years. This trend is continuing and is being monitored. To review this matter in more detail, the Committee has appointed a Working Party comprising Grand Almoner and Immediate Past Grand Almoner, assisted by the Homes and Charities Manager. It has been agreed that work in this regard will be undertaken as soon as possible and practicable.

Trustees' report *(continued)*

NON-MASONIC BENEVOLENT ACTIVITIES -

PROSTATE SCOTLAND – Make It a Million Appeal -

In 2012 Prostate Scotland was selected as the nominated external Charity for the Grand Lodge of Scotland for an initial period of five years – a strong partnership has been established with the Charity which continues to go from strength to strength. Since 2012, Prostate Scotland has been represented at many Provincial Grand Lodge and Daughter Lodge installations, with invitations having been extended to the Charity to be present at a number of similar events in the future. The Charity has also been represented each year at the Festival of Saint Andrew. In 2021, the 'Make it a Million' initiative was launched with the aim of reaching the sum of one million pounds in donations from the Scottish Craft to Prostate Scotland (the first time that this milestone will ever have been achieved in terms of this level of donation having been made to a single recipient) and there was an excellent response to this appeal which culminated in the presentation, at the Festival of Saint Andrew in November 2022, of a total sum of £1,125,000 to the Charity. In recognition of the special relationship and meaningful partnership which exists between The Grand Lodge of Scotland and Prostate Scotland, a suitably engraved silver Quaich was presented by the Charity to the Grand Master Mason. The Charity has publicly acknowledged that the support of the Scottish Craft has enabled awareness to be raised of prostate disease, its symptoms and the treatments which are available and has enabled various projects which have been ongoing during the years since 2012 to be progressed.

PROSTATE SCOTLAND LEGACY PROJECTS

It was felt to be appropriate to continue working with Prostate Scotland and, to facilitate this in the most appropriate manner, the Prostate Scotland Legacy Working Party was formed, chaired by Grand Almoner. After consideration and a presentation from Prostate Scotland, the following projects were agreed during the financial year -

The PROSPACK Initiative -

The support of the PROSPACK initiative over a 5 year period in respect of the provision of surgical packs, radiotherapy/brachytherapy packs and chemotherapy packs, with the exclusion of BPH packs meantime but incorporating a planned review of the position after 2 years of operating.

Research –

The support of the 'Living with BPH' and 'Living with Prostatitis' research projects, with one project being funded in year one and the other project in year 2, the estimated cost for each being £48,917 and £48,341, respectively.

Prostate Champions -

Working with Prostate Scotland to establish in each Province and District at least one 'Prostate Champion'. Each Province, District and Grand Superintendency has been asked to nominate a member who will receive training from the Charity to enable them to be a source of guidance, information and support in their local areas.

Fundraising initiatives in aid of the Charity are still ongoing, most recently the Masons4Munros Event which took place over several weekends and saw members raise funds via sponsorship for climbing a number of Munros. It is anticipated that sufficient funds will be raised to meet the cost of the provision of PROSPACKS for the first year.

HUMANITARIAN AID FOR UKRAINE

The Trustees, in consultation with the Chairman of the Benevolence and Care Committee, considered what assistance could be given to support relief efforts and provide humanitarian support for the millions of people who are displaced within Ukraine or who are fleeing the country and seeking refuge.

As a starting point, the Masonic Orders in Scotland came together and agreed to make a joint donation in the sum of £15,000 which was made directly to the Grand Lodge of Ukraine in response to the appeal which had been made by their Grand Master Mason to assist in the funding of relief efforts. A contribution from Grand Lodge in the sum of £5,200 was made from the General Relief Fund towards the total sum donated.

Separately, and in response to messages from the membership asking for information on how they could help to provide support for those affected by the escalating humanitarian crisis in Ukraine, The Grand Lodge of Scotland co-ordinated a fund raising initiative on behalf of the Scottish Craft to support the vital relief efforts being provided by the British Red Cross in Ukraine and the surrounding countries which are providing invaluable support to refugees. Having received a positive response, the appeal continued into the Financial Year ending 31st May 2023 when a payment of £50,000 was made to the British Red Cross, comprising a sum raised of £45,525.74 and a donation from the Grand Lodge of Scotland General Relief Fund of £4,474.26.

Trustees' report *(continued)*

Non-masonic Benevolent Activities *(continued)*

TURKEY/SYRIA EARTHQUAKE APPEAL

The sum of £1,000 was donated from the General Relief Fund to the British Red Cross appeal to assist those who had been injured and displaced as a result of the earthquake which caused widespread death and destruction in those areas.

CYCLONE FREDDY

Having received comprehensive reports from the Grand Superintendent of Malawi which detailed the destruction which had been caused by Cyclone Freddy, which had left many people displaced in Malawi and Mozambique, a donation of £15,000 was made from the General Relief Fund to support local relief efforts. Despite frequent power outages, the Lodges in Malawi had mobilised immediately to provide meals and other forms of assistance in local communities.

CYCLONE GABRIELLE

In response to an appeal for funds from the District Grand Lodge of New Zealand North Island, the sum of £10,000 was awarded from the General relief Fund to assist with the local relief efforts which were being co-ordinated following the extreme flooding which had been caused by Cyclone Gabrielle and the devastation which had been caused as a result.

The Committee continues to consider applications from external, charitable causes and a number of awards were made throughout the financial year.

POPPYSCOTLAND

Poppyscotland has been supported by Grand Lodge and many daughter Lodges and Provinces to assist the charity in the work which it does to provide life-changing assistance to members of the Armed Forces Community, which encompasses those who have served, are still serving and their families. This support can, for some, quite literally be a lifeline and ranges from signposting sources of help to providing advice on employment, housing and other needs, financial assistance and support with mental health and mobility issues.

For almost a decade, the Trust has participated in the annual Little Remembrance Cross Campaign and this participation, along with other donations made to the charity, has resulted in the sum of circa £350,000 having been raised for Poppyscotland by the Scottish Craft. This campaign has seen a commemorative cross to represent each Home Lodge having each year being placed in the Garden of Remembrance in Princes Street and it has been agreed to continue this participation.

Scottish Freemasonry donates to many worthwhile charitable causes worldwide. The provision of statistics by Daughter Lodges, Provincial Grand Lodges and District Grand Lodges in relation to their charitable giving is requested annually and an overview of charitable giving is compiled from the details which are provided. Unfortunately, the percentage return of the forms which are issued to Daughter Lodges, Provinces and Districts has proved to be very disappointing and, in noting this, the Benevolence and Care Committee agreed changes in practice for completion (which were implemented during the preceding Financial Year) in order to better ensure that all Provinces, Districts and daughter Lodges provide details of their charitable giving so that statistics can be compiled which are based on the fullest information possible. The statistics since the procedural review have been analysed to establish the outcome of the change and, unfortunately, little positive impact can be evidenced. Further consideration is therefore being given as to how this situation can be improved.

The Amazon Smile fund-raising vehicle which the Trust has been a member of for more than a decade has been discontinued by the Organisation.

GENERAL –

The small, wallet-sized pamphlet which was produced as part of the Grand Lodge Mental Health and Wellbeing Initiative continues to be available and contains a selection of messages, telephone numbers and relevant links which signpost how assistance can be sourced for those who are experiencing struggles with their mental health.

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

During the Financial Year, the Trust pledged its commitment to support the Armed Forces Covenant and a special event is being held in Freemasons' Hall on 6th October 2023 to commemorate this pledge.

The contribution which it was agreed would be made by the Trust towards the cost of the installation of a lift in Freemasons' Hall was finalised and the relevant sum transferred accordingly.

Trustees' report *(continued)*

Future development and strategy *(continued)*

FUTURE DEVELOPMENT AND STRATEGY

A Working Party has been appointed comprising Grand Treasurer and Grand Almoner (initially), assisted by the Homes and Charities Manager, to consider the Prize draw and 2000 Club Grand Lodge fund-raising initiatives with a view to these being rebranded, updated and in due course relaunched. Work will be progressed in this area as soon as possible and practicable.

The Benevolence and Care Committee has confirmed its commitment to continuing the Mental Health and Wellbeing Initiative and a decision will be taken in due course as to exactly what form this will take.

The Benevolence and Care Committee has reiterated its commitment to the continuation of the Dementia Awareness Initiative and liaison will continue with interested parties in order to determine next steps in this regard.

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

The lease held by the present tenant of 94A George Street was renegotiated and an extension has been agreed. In line with the valuation and guidance received from the appointed professional adviser and the rental market within George Street, the agreement reflects a reduction in rental income. Arrangements for the lease of this premises will continue to be monitored with a view to maximising revenue.

The Trust plans to review the legacy information which it shares to members who may wish to make a bequest and it is intended to produce a small booklet in this regard.

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

Financial review

The overall financial position of the Trust remains satisfactory. Net incoming resources for the Year to 31 May 2023, before losses/gains on investments amounted to £193,337 (2022- net outgoing resources - £32,347). Investment Income of £511,880 (2022 - £501,075) was generated. The funds invested decreased in value by a net amount of £575,595 (2022 decreased - £32,699). The unrealised losses were £529,477 (2022 – losses £85,160) and realised losses were £46,118 (2022 – gains £52,491).

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

The reserves of the Trust as at 31 May 2023 were £14,697,318 (2022 £15,079,576). The reserves policy of the Trust is to retain sufficient free reserves to meet obligations to beneficiaries, and to generate growth and income that can meet future grant requirements. The Trust does not have any free reserves as all reserves have been restricted split between the three core purposes of the Trust.

Risk management

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

Disclosure of information to auditor

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

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



On behalf of the Trustees
Grand Secretary, Trustee

Edinburgh 2023

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

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards and Statements of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue on that basis.

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

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

Opinion

We have audited the financial statements of Grand Lodge of Scotland Annuity Benevolent & Charity Funds (the 'charity') for the year ended 31 May 2023 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis of opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's 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 charity's ability to continue as a going concern for a period of at least 12 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 Trustees are responsible for the other information. The other information comprises the information included in the Trustees' report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 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.

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading correspondence with regulators including OSCR;
- Reviewing board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to property valuations and the pension valuation assumptions; 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: anti-bribery and corruption and compliance with Scottish Charity legislation.

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

Henderson Loggie LLP

Chartered Accountants

Statutory Auditor

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 11-15 Thistle Street

11-15 Thistle Street

Edinburgh

EH2 1DF

Statement of financial activities
for the year ended 31 May 2023

	Note	Total Restricted Funds 2023 £	Total Restricted Funds 2022 £
Income from:			
Donations and legacies	2	454,335	207,593
Investments	3	511,880	501,075
Total income		<u>966,215</u>	<u>708,668</u>
Expenditure on:			
Raising funds – Investment management fees		52,181	57,009
Charitable activities	4	720,697	684,006
Total expenditure		<u>772,878</u>	<u>741,015</u>
(Decrease) in value of investments		(575,595)	(32,669)
Net (expenditure)		<u>(382,258)</u>	<u>(65,016)</u>
Other recognised gains			
Actuarial loss on defined benefit pension schemes	13	-	-
Net movement in funds		<u>(382,258)</u>	<u>(65,016)</u>
Total funds brought forward		15,079,576	15,144,592
Total funds carried forward		<u>14,697,318</u>	<u>15,079,576</u>

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

The notes on pages 14 to 22 form part of these accounts.

Balance sheet*as at 31 May 2023*

	<i>Note</i>	2023 £	2022 £
Fixed assets			
Investments	9	12,036,781	12,760,023
Current assets			
Debtors	10	74,605	265,188
Cash at bank and in hand		2,995,611	2,802,355
		3,070,216	3,067,543
Creditors: amounts falling due within one year	11	(409,679)	(747,990)
Net current assets		2,660,537	2,319,553
Net assets		14,697,318	15,079,576
Funds			
Restricted funds	12	14,697,318	15,079,576


Grand Secretary, Trustee

Edinburgh, 2023

The notes on pages 14 to 22 form part of these accounts.

Cash flow statement
For the year ended 31 May 2023

	2023 £	2022 £
Reconciliation of net expenditure to net cash flow from operating activities		
Net (deficit)/ income (as per the statement of financial activities)	(382,258)	(65,016)
Adjustments for:		
Investment income	(511,880)	(501,075)
Revaluation of investments	575,595	32,669
Decrease/ (increase) in debtors	67,226	(54,884)
(Decrease) / (increase) in creditors due within one year	(214,954)	310,958
Net cash outflow from operating activities	<u>(466,271)</u>	<u>(277,348)</u>
Cash flows from investing activities:		
Investment income	511,880	501,075
Payments to acquire investments	(1,129,981)	(1,447,793)
Proceeds from sales of investments	<u>1,277,628</u>	<u>1,434,922</u>
Net cash provided by investing activities	<u>659,527</u>	<u>488,204</u>
Increase/(Decrease) in cash and cash equivalents in the reporting period	193,256	210,856
Cash and cash equivalents at 1 June 2022	<u>2,802,355</u>	<u>2,591,499</u>
Cash and cash equivalents at 31 May 2023	<u><u>2,995,611</u></u>	<u><u>2,802,355</u></u>

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

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

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

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

Funds

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

- Restricted funds are funds subject to specific conditions, which may be declared by the donors or with their authority or created through legal processes, but still within the wider objects of the charity. The conditions for the restricted funds can be found in Note 12.
- Unrestricted funds are expendable at the discretion of the Trustees in furtherance of the objects of the charity. If part of the unrestricted funds is earmarked at the discretion of the Trustees for a particular purpose, it is designated as a separate fund. This designation has an administrative purpose only and does not legally restrict the Trustees' discretion to apply the fund.

Income

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

Expenditure

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

Grants payable

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

Support costs

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

Investments and investment income

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

Debtors

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

Notes to the financial statements *(continued)*
(forming part of the financial statements)

1 Accounting policies *(continued)*

Cash

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

Creditors and provisions

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

Financial instruments

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

Taxation

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

Post-retirement benefits – defined contribution pension scheme

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

Post-retirement benefits – defined benefit pension scheme

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

- Determine whether leases entered into by the group as a lessor are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Investment properties are valued using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

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

Notes to the financial statements (continued)
(forming part of the financial statements)

2 Income from donations and legacies

	2023	2022
	£	£
Donations	414,630	180,553
Legacy	30,000	14,419
Fundraising income	9,705	12,621
	<u>454,335</u>	<u>207,593</u>

3 Income from investments

	2023	2022
	£	£
Dividend & bank interest income	325,851	281,127
Rental income from investment property	186,029	219,948
	<u>511,880</u>	<u>501,075</u>

4 Expenditure on Charitable activities

	Direct costs (note 8)	Grants payable (note 5)	Support costs (note 6)	2023 Total	2022 Total
	£	£	£	£	£
Scottish Masonic Homes Fund	-	-	4,240	4,240	315,011
Scottish Masonic Benevolent Fund	77,245	202,358	182,294	461,897	310,009
Scottish Masonic General Relief Fund	-	254,298	262	254,560	58,986
	<u>77,245</u>	<u>456,656</u>	<u>186,796</u>	<u>720,697</u>	<u>684,006</u>

5 Grants payable

	Grants to Institution Number	£	Grants to Individuals Number	£
Scottish Masonic Homes Fund				
Scottish Masonic Homes Ltd	-	-	-	-
Scottish Masonic Benevolent Fund			67	54,973
Grand Lodge of Scotland	1	147,385		
Scottish Masonic General Relief Fund	7	254,298	-	-
The major grants payable in the year were:				
		£		
Prostate Scotland	170,500			
Ukraine Appeal	50,000			
Cyclone Gabrielle New Zealand	10,000			
Cyclone Freddy Malawi	19,795			

Notes to the financial statements *(continued)*
(forming part of the financial statements)

6 Allocation of support costs

<i>Activity</i>	Scottish Masonic Homes Fund £	Scottish Masonic Benevolent Fund £	Scottish Masonic General Relief Fund £	2023 Total £	2022 Total £
Administration	-	162,784	-	162,784	146,145
Miscellaneous	4,240	19,510	262	24,012	17,981
	<u>4,240</u>	<u>182,294</u>	<u>262</u>	<u>186,796</u>	<u>164,126</u>

7 Governance costs

	2023 £	2022 £
Auditor's remuneration : audit of these financial statements	<u>15,670</u>	<u>14,768</u>

8 Staff costs

	2023 £	2022 £
Salaries	49,082	54,520
Social security costs	5,210	5,158
Pension contributions - Defined contribution	1,422	1,389
Pension contributions - Defined benefit	16,225	15,652
Pension costs – Defined benefit scheme	5,306	5,102
	<u>77,245</u>	<u>81,821</u>

Employee Numbers

An average of 1 person (2022 – 1 persons) was employed in respect of the Scottish Masonic Homes Fund. There was 1 person (2022 – 1 person) employed in respect of the Scottish Masonic Benevolent Fund during the year. There are no staff costs attributed to the Scottish Masonic General Relief Fund. No employee received remuneration in excess of £60,000.

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

Notes to the financial statements (continued)
(forming part of the financial statements)

9 Fixed asset investments

	Investment property	Listed Investments	Total 2023	Investment property	Listed Investments	Total 2022
	£	£	£	£	£	£
Fair value beginning of year	2,725,000	10,035,023	12,760,023	2,725,000	10,054,821	12,779,821
Additions at cost	-	1,129,981	1,129,981	-	1,447,793	1,447,793
Disposals at opening fair value	-	(1,374,749)	(1,374,749)	-	(1,382,431)	(1,382,431)
	2,725,000	9,790,255	12,515,255	2,725,000	10,120,183	12,845,183
Unrealised (loss) in year	-	(478,474)	(478,474)	-	(85,160)	(85,160)
	2,725,000	9,311,781	12,036,781	2,725,000	10,035,023	12,760,023
Historical cost at end of year	2,400,000	7,508,712	9,908,712	2,400,000	7,507,305	9,907,305

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

The property at 94A George Street, Edinburgh was valued by Ryden LLP, Chartered Surveyors as at 31 May 2021 on the basis of existing use of an open market value. The calculations were carried out in accordance with the Practice Statement in the RICS Appraisal and Valuation Manual. The Property in Uckfield, East Sussex was valued on the 14 July 2021 by Vince Taylor Tofts, Chartered Surveyors. There is a restriction on the property which prevents it from being sold before it is vacated by the current residents who have a lifetime tenancy. The trustees are of the opinion that the value of the investment properties as stated in the financial statements represents an accurate reflection of the fair value of the properties as at 31 May 2023.

	2023	%	2022	%
	£		£	
Fixed asset investments are represented by:				
UK equities	4,186,027	45.0	5,229,011	52.1
Overseas equities	4,421,851	47.5	4,292,462	42.8
	8,607,878	92.5	9,521,473	94.9
Fixed interest securities	703,903	7.5	513,550	5.1
	9,311,781	100.00	10,035,023	100.00

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

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

Notes to the financial statements (continued)
(forming part of the financial statements)

10 Debtors – Due within one year	2023	2022
	£	£
Scottish Masonic Homes Limited	66,933	217,664
Accrued income	7,672	47,524
	<u>74,605</u>	<u>265,188</u>

11 Creditors – Due within one year	2023	2022
	£	£
Scottish Masonic Homes Limited	-	501,388
The Grand Lodge of Scotland General Fund	162,784	146,612
Accruals	246,895	99,990
	<u>409,679</u>	<u>747,990</u>

12 Statement of funds

	As at 1 June 2022	Income	Expenditure	Investment gains/ losses	As at 31 May 2023
	£	£	£	£	£
Scottish Masonic Homes Fund	4,511,885	254,525	(31,462)	(156,969)	4,577,979
Scottish Masonic Benevolent Fund	7,688,341	413,002	(476,340)	(228,631)	7,396,372
Scottish Masonic General Relief Fund	2,811,664	298,688	(265,076)	(189,995)	2,655,281
John Forrest Trust	67,686	-	-	-	67,686
	<u>15,079,576</u>	<u>966,215</u>	<u>(772,878)</u>	<u>(575,595)</u>	<u>14,697,318</u>

	As at 1 June 2021	Income	Expenditure	Investment gains/ losses	As at 31 May 2022
	£	£	£	£	£
Scottish Masonic Homes Fund	4,723,616	216,555	(344,716)	(83,570)	4,511,885
Scottish Masonic Benevolent Fund	7,623,287	376,492	(325,845)	14,407	7,688,341
Scottish Masonic General Relief Fund	2,730,003	115,621	(70,454)	36,494	2,811,664
John Forrest Trust	67,686	-	-	-	67,686
	<u>15,144,592</u>	<u>708,668</u>	<u>(741,015)</u>	<u>(32,669)</u>	<u>15,079,576</u>

Purpose of Funds

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

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

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

Notes to the financial statements (continued)
(forming part of the financial statements)

Note 12 Statement of Funds (continued)
Purpose of Funds (continued)

The John Forrest Trust

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

13 Employee Benefits

Defined contribution pension scheme

The Grand Lodge operates a defined contribution pension scheme which the Trust participates in. The pension cost charge for the period represents contributions payable to the scheme and amounted to £1,422 (2022:£1,389).

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

Defined benefit pension scheme

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

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

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

	2023	2022
	£000	£000
Present value of funded defined benefit obligations	(983)	(1,146)
Fair value of plan assets	2,199	2,261
Surplus	<u>1,216</u>	<u>1,115</u>
Asset/ (liability) not recognised	<u>1,216</u>	<u>1,115</u>

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

	2023	2022
	£000	£000
<i>Movements in fair value of plan assets</i>		
At 1 June	2,261	2,238
Expected return on plan assets	78	44
Actuarial gains/(losses)	(147)	(36)
Contributions by employer	39	36
Contributions by members	2	3
Benefits paid	(25)	(24)
At 31 May	<u>2,199</u>	<u>2,261</u>

Notes to the financial statements *(continued)*
(forming part of the financial statements)

Movements in present value of defined benefit obligation

	2023	2022
	£000	£000
At 1 June	1,146	1,613
Current service cost	17	41
Interest cost	39	32
Contributions by scheme participants	2	3
Actuarial losses/(gains)	(195)	(519)
Past service cost	-	-
Benefits paid	(25)	(24)
At 31 May	<u>983</u>	<u>1,146</u>

Defined benefit cost recognised in profit or loss

	2023	2022
	£000	£000
Current service cost	-	-
Interest on defined benefit pension plan obligation	-	-
Past service cost	-	-
Expected return on defined benefit pension plan assets	-	-
Total	<u>-</u>	<u>-</u>

Defined benefit cost recognised in other comprehensive income

	2023	2022
	£000	£000
Experience gains and losses arising on scheme assets	(147)	(36)
Experience gains and losses arising on scheme liabilities	195	519
Effects of changes in the surplus not recognised	(48)	(483)
Total amount recognised in other comprehensive income gain/ (loss)	<u>-</u>	<u>-</u>

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

	2023	2022
	Fair Value	Fair Value
	£000	£000
Equities	1,751	1,749
Corporate bonds	331	246
Property	44	73
Cash	73	193
	<u>2,199</u>	<u>2,261</u>
Actual return on plan assets	(69)	8

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

Notes to the financial statements *(continued)*
(forming part of the financial statements)

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

	2023	2022
	%	%
Discount rate / return on scheme assets	5.45	3.45
Retail price inflation – pre 2030	3.15	3.45
Retail price inflation – post 2030	2.95	3.25
Consumer price inflation – pre 2030	2.45	2.75
Consumer price inflation – post 2030	2.95	3.25
Pensionable salary increases	4.25	4.55
Revaluation of deferred benefits – pre 2030	2.45	2.75
Revaluation of deferred benefits – post 2030	2.95	3.25
Pension increase	<u>3.00</u>	<u>2.50</u>

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

- Current pensioner aged 65: 21.2 (2022; 21.2) years (male), 23.5 (2022; 23.7) years (female).
- Future retiree upon reaching 65: 22.5 (2022; 22.5) years (male), 25.0 (2022; 25.1) years (female).

14 Operating leases

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

	2023	2022
	£	£
Not later than one year	114,200	146,700
Due within 2 – 5 years	40,100	16,800
Due in more than 5 years	0	4,200
	<u>154,300</u>	<u>167,700</u>

15 Related parties

The Grand Lodge of Scotland General Fund has common trustees with the Grand Lodge of Scotland Annuity, Benevolent and Charity Funds. In the year £13,650 (2022; £13,650) of rental income was received from the General Fund. Contributions to Administration Expenses of £162,784 (2022: £146,145) were made to the General Fund under Law 52 of that body. During the year a grant of £147,385 (2022; £nil) was made to the General Fund to assist with financing the modification of 96 George Street, Edinburgh to facilitate disabled access. At the year end £162,784 (2022: £146,612) was due to the Grand Lodge of Scotland General Fund and £7,672 (2022; £nil) was receivable from the Grand Lodge of Scotland General Fund

Scottish Masonic Homes Limited has common trustees with the Grand Lodge of Scotland Annuity, Benevolent and Charity Funds. In the year donations totalling £0 (2022; £315,000) were awarded to Scottish Masonic Homes Limited and £0 (2022: £501,388) were outstanding at the year end. Salary costs were recharged to Scottish Masonic Homes totalling £66,933 (2022; £67,103) in the year and at the year end £66,933 (2022; £217,664) was due from Scottish Masonic Homes Limited.