
The Governors of the Melville College Trust
Report of the Governors and Financial Statements
For the year ended 31 July 2022



The Governors of the Melville College Trust

**Report of the Governors and Financial Statements
for the year ended 31 July 2022**

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The Governors of the Melville College Trust

Report of the Governors and Financial Statements for the year ended 31 July 2022

Trust Information

Honorary Members

A Dobson
I Gardiner
R Holroyd
G Macrae
S Ray
K Richards
K Richardson (appointed 26 November 2021)
N Ross
J Scott
A Veitch (appointed 26 November 2021)

Ex-officio Governors (appointed in accordance with rule 4.2)

Royal Company of Merchants of the City of Edinburgh: J Hamblin
Royal Company of Merchants of the City of Edinburgh: K Richards
Daniel Stewart's and Melville College Former Pupils Club: K Russell

Elected Governors

T Bryson
C Collingwood
V Coltherd
C Cunningham (appointed 25 November 2022)
J Johnston (appointed 25 November 2022)
M MacColl
S Newlands
S Paterson
K Richardson (retired 26 November 2021)
A Scott
A Veitch (retired 26 November 2021)

Chairman's Committee

S Paterson (Chair)
A Veitch (Chair – retired 26 November 2021)
T Bryson
C Collingwood
V Coltherd
C Cunningham (appointed 25 November 2022)
J Johnston (appointed 25 November 2022)
M MacColl
S Newlands
K Richardson (retired 26 November 2021)
A Scott

Investment Committee

T Bryson – Chair
D Dunsire
J Johnson
N Kordowski – co-opted
M MacColl (retired 25 November 2022)
S Newlands (retired 25 November 2022)
A Veitch (retired 26 November 2021)

Clerk and Treasurer and Trust Office

D N Dunsire LLB
c/o Lindsays
Caledonian Exchange
19a Canning Street
Edinburgh
EH3 8HE

Principal Bankers

Bank of Scotland
69 George Street
Edinburgh
EH2 2JP

Barclays

10-15 Princes Street
Edinburgh
EH2 2AN

Investment Managers

Brewin Dolphin Limited
Sixth Floor
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Rathbones Investment
Management
10 George Street
Edinburgh
EH2 2PF

Auditors

Geoghegans
Chartered Accountants
6 St Colme Street
Edinburgh
EH3 6AD

Registered Charity No: SC002074

**Report of the Governors
for the year ended 31 July 2022**

Objectives and activities

The main purpose of the Trust is to promote the advancement of education through the provision of bursaries and grants to perpetuate the memory of those former pupils of Edinburgh Institution and Melville College who lost their lives in the two World Wars. This is achieved by the upkeep of memorials and by making grants, in the name of the Trust, Daniel Stewart's, Melville College and The Mary Erskine School and their scholars.

Grant making policy

The Melville Memorial Fund represents the continuing activity of making grants to the school from the War Memorial Fund originally vested in the Trust in 1976. Such grants are made in accordance with the conditions outlined in sections 26 to 30, as abbreviated below, of the Melville College Trust Scheme 1976.

- To perpetuate the memory of former pupils who lost their lives in the two World Wars;
- To maintain or assist former pupils and employees, current employees and pupils attending the School, in cases of financial hardship;
- To the aid of the School including boarding houses, playing fields, clubs, societies and departments within the School;
- To award school prizes if request by the School.

No restrictions were placed upon the Governors for the use of the Wright Rutherford Bequest or the Colin Young Bequest and therefore at their Annual General Meeting in March 1998 they designated the bequests as capital funds. The use of the income would be determined annually by the Governors following consultations with the Principal of Daniel Stewart's and Melville College and the Mary Erskine School, and with Erskine Stewart's Melville Governing Council who are responsible for the management of both schools

Achievements and performance

Chairman's review

This is my first Chairman's report and I would like to start by thanking my predecessor, Alan Veitch, for his excellent stewardship during difficult times. Just as we are coming out the impact of Covid-19 on our investments in particular, we are now suffering significant economic volatility. The Chair of our Investment Committee, Tommy Bryson, covers our investment performance in his report.

Our regular Committee meetings are now hybrid, a combination of in person and video technology, throughout the year and that is likely now the norm for meetings going forward.

The Chairman's Committee workload continued with the sub-committee approach that was established by my predecessor with its aim to spread the workload and remove reliance on one or two individuals. The sub-committee leads are Governance (Victor Coltherd), Strategy (Steven Newlands), Money-In/Out (Andy Scott), Marketing/Communications (Christine Collingwood) and Investment (Tommy Bryson).

The Governors of the Melville College Trust

Report of the Governors for the year ended 31 July 2022

Chairman's review (continued)

Headline achievements from sub-committees:

Governance

- A major review of our Statutory Instrument is in progress, hopefully to be completed in time to take account of the forthcoming Government legislation to give OSCR the powers to approve changes. Suffice to say some of the clauses in the Statutory Document are no longer applicable because of the passage of time.

Strategy

- We are looking at a mutually supportive relationship with the Mary Erskine's Guild.
- We are looking to work closely with the new School management in helping to promote it and enhance the school resources and infrastructure.
- We have identified a suitable (i.e. younger) person to help with the Trust's marketing and social media.

GDPR

- On the basis of expert advice received we are in dialogue with the School regarding the School acting as the Data Processing Managers for the Trust given the School's high standard of Cyber Security. The Trust will not retain any personal data and only request the School to access the Trust database when required e.g. Newsletter mailshot.

Marketing/Communications

- The recent Newsletter prepared by my predecessor was issued to over 700 recipients using the Trust database of names and addresses held by the School.
- We have not been able to issue Newsletters to around 100 alumni (data which the Trust alone holds). When the Data Processing Agreement is finalised with the School, we will contact those alumni to obtain permission for their contact details to be held by the School.
- Post Covid-19, we are holding a School Reunion on 4 November 2022 at Inverleith. We will use the occasion to celebrate the life of Dougie Morgan FP, who sadly passed away during the pandemic.

Investment

- A separate report from the Investment Committee Chair, Tommy Bryson, follows this report. With active management by our fund managers, we have mitigated the worst impact of downward market pressures. Our agreed strategy to move to a total returns policy from our investments, continues to underpin our investment performance in difficult times.

During the School Year (2021/22), the Trust provided £230,000 in bursaries to Erskine Stewart's Melville Schools, which has enabled 22 pupils to enjoy the excellent facilities and education available. The bursary provision covered 11 boys and 11 girls. The School continues to perform an assessment of all bursary recipients on an annual basis to ensure they are achieving satisfactory results during the School year.

In addition to the bursaries, the Trust donated £10,000 to a diverse number of School projects. During the year with many of Clubs and Societies not operating as normal, there was an underspend with the balance being held over for next year. The main spend in the year was on 2 lathes for the woodturning club and 2 VR spec computers for the use of the CCF (RAF section).

The administration of these projects has been done by the new School Bursar, Barry McMaster, with support from Chris Bissett. Both have been very supportive of the Trust and the positive impact it can have on the School.

The Governors of the Melville College Trust

Report of the Governors for the year ended 31 July 2022

Chairman's review (continued)

A couple of other topics to mention:

- (1) The Trust provided the cost of restoring the headstone of Thomas McNaughton (Headmaster of Edinburgh Institution 1897-1902) in the Morningside Cemetery. The new headstone was unveiled by Lindsay Trotter, the Great Grandson of Thomas McNaughton.
- (2) At last year's AGM, Robert Armour and Ken Richardson retired as Trust Governors, both reaching the end of elected terms. I would like to thank both Robert and Ken who have greatly assisted the Trust on several initiatives giving valuable input from their experiences with other organisations. I am pleased that Janet Hamblin has joined the Trust given her considerable experience of how charities operate.

This has been my first year of Chairing the Trust and I would like to thank all the Governors and committee members for their support during that time. In particular, I would like to thank David Dunsire, the Trust Clerk / Treasurer for his advice and support to the Trust Committees.

With the support of the Governors and committee members, and the fund managers ongoing advice and management, the Trust remains in robust health despite the challenging times we are going through.

Financial Review

Review of Financial Position and Funds

In accordance with Accounting and Reporting by Charities; Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Trust accounts for grants and bursaries payable in the period in which the commitment has been made to the recipient, which may accelerate the expenditure to the accounting period before the period in which income from which the grant will be paid, is available. In this accounting period, £10,000 was paid to the schools under S.27 and S.29 of the 1976 Statutory Instrument which has been used by the schools for the provision of equipment for various clubs and societies run by the schools.

In 2016, due to the uncertainty of investments yield, and to allow the current level of support to the schools to be maintained, the Governors decided to set up a Special Income Reserve. Transfers of £81,964 from the Wight Rutherford Bequest and £18,036 from the Colin Young Bequest were made to this designated fund at that time. £7,000 has been used in the current year to meet the deficit arising on the Melville Memorial revenue fund.

Bursaries

To avoid the Trust approving an amount in advance, decisions on bursaries are taken at the start of the academic year.

**Report of the Governors
for the year ended 31 July 2022**

Investment Committee Report

The current members of the Investment Committee are Tommy Bryson (Chairman), David Dunsire, Jill Johnson, Nicholas Kordowski, Malcolm MacColl, and Steven Newlands.

The Committee meets with the Investment Managers at approximately half year intervals to review investment performance and the service levels provided. Both Managers have provided reports for the year to 31 July 2022 detailing their current views on the investment 'climate' and outlook. Summaries of these reports are included below.

The reporting period has seen a strong recovery from Covid-19 (albeit with supply chain challenges) followed by War in Ukraine, cost inflation and rising interest rates. The Committee is pleased with how the managers have performed and believe that the shift to Total Return is bearing fruit. Although inflation remains a challenge and there is plenty of uncertainty ahead (both Managers have flagged that performance has become more challenging since the reporting period ended) we believe that the portfolios are well set to ride out the volatility. The Manager reports below provide additional context.

Alan Veitch stepped down from the Committee at the 2021 AGM, following a long period of involvement and we thank him for his hugely valuable contributions through time. At the 2022 AGM both Malcom McColl and Steven Newlands will be stepping down from the Committee and we also thank them for their contributions over the years, particularly in reorienting the Trust portfolios to total return.

**Performance – Wight Rutherford (part of the total fund) and Melville Memorial Funds
Fund Manager – Brewin Dolphin**

	Wight Rutherford			Melville Memorial		
	31 Jul 22	31 Jul 19	31 Jul 17	31 Jul 22	31 Jul 19	31 Jul 17
Portfolio market value	£3,193,376	£5,106,447	£5,045,713	£501,746	£474,416	£459,535
Portfolio income (cumulative)	£73,962	£194,518	£228,156	£11,409	£18,172	£20,283
Portfolio yield	2.4%	3.6%	3.6%	2.3%	3.6%	3.6%
	1Y	3Y	5Y	1Y	3Y	5Y
Portfolio Total Return (net p.a.)	-4.1%	4.9%	4.8%	-4.2%	4.8%	5.1%
RPI +3%	15.7%	9.0%	7.8%	15.7%	9.0%	7.8%
MSCI PIMFA Private Investor Balanced Index	-0.4%	3.6%	4.8%	-0.4%	3.6%	4.8%

Over the year, the Wight Rutherford fund and Melville Memorial Fund underperformed the benchmark. The FTSE All Share Index increased by 5.5%, the FTSE Europe (excl. UK) fell by 9.4%, and the FTSE World Index rose by 3.6%. Government gilts declined over the period with the FTSE Government All Stocks Index falling 13.7% in total return terms. Corporate bonds fared little better, with the iBoxx UK Sterling Corporate All Maturities Index down 12.8%. The IA UK Direct Property Index rose 11.2% and the IA Targeted Absolute Return Index was broadly flat falling just 0.3%.

After a strong period of recover as Covid-19 related lockdowns eased globally, the Autumn of 2021 saw the rising spectre of inflation send jitters through markets. Substantial monetary and fiscal support designed to temper the economic pain of lockdowns drove strong demand as economies emerged from the teeth of the pandemic and supply chains were unable to adequately respond, resulting in share price rises in many areas.

**Report of the Governors
for the year ended 31 July 2022**

Investment Committee Report (continued)

Of course, in February 2022, markets were thrown into disarray as Vladimir Putin embarked on a full scale invasion of Ukraine. Aside of course from the disastrous humanitarian impact of the invasion, this served to exacerbate the inflationary pressures, as the cost of oil, gas and other essential commodities soared. Central banks have sought to respond with interest rate rises and this has weighed heavily on the sorts of technology and consumer discretionary stocks which had led the market over the past decade and which tend to command premium valuation.

Indeed, the performance of markets over 2022 to date has been defined by its narrowness as utilities, consumer staples and particularly energy stocks have been among the few bright spots, against an otherwise bleak market backdrop. The bias towards quality stocks within the portfolio has therefore been a drag on performance over the past year, though we continue to believe that a strategy which favours higher quality companies, with strong competitive positions, high returns on capital and an ability to re-invest for growth, offer the greatest opportunities for long term returns.

While such times are never comfortable, experience tells us that it is prudence to remain patient, and to ensure we are positioned to benefit should markets reach an inflection point, as we saw notably after the financial crisis and in the initial Covid-19 sell-off in March 2020.

This is a challenging period. The world economy is still working through the aftermath of Covid-19 lockdowns, with supply chain challenges. This is a potent combination and the fog remains dense. While it is hard to be optimistic in this climate, this is the very time when expected long term returns are increasing. By staying the course, we continue to believe that patient investment in quality companies built to weather further storms ahead, will reward long term holders.

**Performance – Wight Rutherford (part of the total fund) and The Colin Young Bequest Fund
Fund Manager – Rathbones**

	Wight Rutherford			Colin Young Bequest Fund			
	31 Jul 22			31 Jul 22	31 Jul 19	31 Jul 17	
Portfolio market value	£2,126,259			£1,654,015	£1,516,214	£1,483,231	
Portfolio income (cumulative)	£51,327			£40,182	£134,237	£236,498	
Portfolio yield	2.41%			2.42%	3.48%	3.2%	
		1Y	3Y	5Y	1Y	3Y	5Y
Portfolio Total Return (net p.a.)	-0.9%				-0.8%	5.3%	5.0%
RPI +3%	15.7%				15.7%	9.0%	7.8%
MSCI PIMFA Private Investor Balanced Index	0.4%				0.4%	3.3%	4.8%

The flat annual performance figures mask an incredibly volatile 12-month period. Inflation and energy prices have dominated the later half of the financial year with the war in Ukraine beginning shortly after the half year report.

The Ukraine war has seen commodity prices such as grain, oil, and natural gas skyrocket as supplies were disrupted by the conflict. This was compounded by “The Great Resignation” effect as many workers utilised rising inflation and low unemployment to push for higher wages.

**Report of the Governors
for the year ended 31 July 2022**

Investment Committee Report (continued)

Over the year Central Banks have backed away from their original position of inflation being “transitory” and reacted with steepening interest rate rises in an effort to tame inflationary pressure. This has affected how investors value long-term growth assets, with the most speculative of these suffering quite steep compressions in valuation levels. We reduced exposure to assets valued in this way over the period, whilst not completely divesting from growth as a theme.

Gilts as an asset class have also sold off in recent months on the back of the change in interest rate expectations. Given we have been underweight in government and corporate bonds, we have weathered this change better than many.

Investing for the long term in quality assets remains our core objective. The majority of the direct equity holdings in the portfolio delivered consistent earning over the past twelve months, with most declines arising from this valuation compression. Despite this, the global environment is volatile with energy price rises in October and April set to impact on consumers, leading us to remaining light on consumer discretionary holdings.

Finally, our infrastructure assets have proven a prudent investment with the increasing importance of energy security.

Overall portfolio performance has been mostly flat, though since inception, figures remain ahead of benchmarks.

Supervision

The performance of all three funds will continue to be closely monitored by the Committee through half-yearly reports and at least two meetings a year with the managers. The comparison of the performance and service provision by respective managers against the benchmark indices and their peers is clearly useful to the Governors in ensuring that the funds are being effectively managed.

Risk Management

The Governors have examined the major strategic, business and operational risks which the Trust faces and confirm that procedures have been established to enable regular reports to be produced so that the necessary steps can be taken to control these risks. The single major risk in the view of the Governors is the volatility of the Stock Market and discretionary Fund Managers are appointed to assist in the management of the funds.

Reserves Policy

The Trust has total funds of £7,600,656 at the year end, all included within designated funds. In order to maintain future income streams to finance grants payable, the Governors seek to maintain the capital value of the funds, in line with the benchmark indices. The Governors consider that revenue reserves, sufficient to meet funding for approximately twelve months’ expenditure, should be maintained, subject to regular review by the Chairman’s Committee to reflect changing requirements.

The Governors of the Melville College Trust

Report of the Governors for the year ended 31 July 2022

Structure, Governance and Management

The Trust was constituted by Statutory Instrument 1976 No. 1480 (s122), as amended by interlocutor of the Court of Session dated 29 June 2001.

Amendments to the Statutory Instrument were approved by Lord Marnoch on 29 June 2001 and copies were circulated by the Secretary to all Governors.

The principal amendments relate to the inclusion of The Mary Erskine School and the extension of the investment powers of Governors.

The Ex-officio Governors and Elected Governors are the Governors of the Trust. The election of Governors is made at the AGM. The term of office of an elected Governor is 3 years with a maximum of 9 years. Governors may become eligible for re-election after vacating office for a period of one year.

New Governors are inducted by the Chairman along with the Clerk and Treasurer and provided with a copy of the constitution and an induction pack containing relevant documentation.

All Governors are familiar with the work of the Trust. They also attend appropriate seminars during the year. If there are any areas where additional training is required, this will be discussed at a Governors' meeting and a solution identified.

The Governors meet formally at least once per annum to determine policy, with an Investment Committee meeting normally twice a year to manage the investment portfolio, and a Chairman's Committee meeting as necessary to implement policy. The day-to-day administration rests with the Clerk and Treasurer.

Auditor

A resolution will be put to the Annual General Meeting in November 2022 to reappoint Geoghegans, as auditor of the Trust for the forthcoming year.

Statement of disclosure of information to auditor

In so far as the Governors as aware:

- There is no relevant information of which the Trust's auditor is unaware; and
- The Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Governors of the Melville College Trust

Report of the Governors for the year ended 31 July 2022

Statement of Governors' responsibilities

The Governors are responsible for preparing the Report of the Governors 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 Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and of the incoming resources and applicable of resources of the Trust for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2019 (FRS102);
- 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 Trust will continue in operation.

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust 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 Trust's constitution. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Governors and authorised for issue on 25 November 2022 and signed on their behalf by:



S Paterson
Chairman

**Independent Auditor's Report to the Governors of the Melville College Trust
for the Year Ended 31 July 2022**

Opinion

We have audited the financial statements of the Governors of the Melville College Trust (the 'Trust') for the year ended 31 July 2022 which comprise the statement of financial activities, the balance sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 July 2022, and of its incoming resources and application of resources, including 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust 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 Governors' 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 Trust'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 Governors with respect to going concern are described in the relevant sections of this report.

**Independent Auditor's Report to the Governors of the Melville College Trust (continued)
for the Year Ended 31 July 2022**

Other information

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

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

We have nothing to report in this regard.

Matters on which we are requested to report by exceptions

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Report of the Governors; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Governors

As explained more fully in the Governors' responsibilities statement, the Governors 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 Governors 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 Governors are responsible for assessing the Trust'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 Governors either intend to liquidate the Trust or 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 regulations made under that Act.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures to respond to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we consider the following:

- The nature of the industry, control environment and business performance of the Trust
- The results of our enquiries with management and the Governors about their own identification and assessment of the risks of irregularities
- The matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we consider the opportunities and incentives that may exist within the Trust for fraud. In common with all audits under ISAs (UK), we perform specific procedures to respond to the risk of management override and inappropriate income recognition.

We also obtain an understanding of the legal and regulatory environment in which the Trust operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements and those which may be fundamental to the Trust's ability to operate. The key laws and regulations we considered in this context included the Statement of Recommended Practice: Accounting for Charities FRS 102 (2019), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

**Independent Auditor's Report to the Governors of the Melville College Trust (continued)
for the Year Ended 31 July 2022**

Use of the report

This report is made solely to the Trust's Governors, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Trust's Governors 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 Trust and the Trust's Governors as a body, for our audit work, for this report, or for the opinions we have formed.


Geoghegan
Statutory Auditor
6 St Colme Street, Edinburgh, EH3 6AD

25 November 2022

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

**Statement of Financial Activities
For the year ended 31 July 2022**

	Notes	2022 Revenue Funds £	2022 Endowment Funds £	2022 Total Funds £	2021 Revenue Funds £	2021 Endowment Funds £	2021 Total Funds £
Income and endowments from:							
Donations	3	2,412	-	2,412	3,412	-	3,412
Investment income	4	175,910	-	175,910	183,209	-	183,209
Total		178,322	-	178,322	186,621	-	186,621
Expenditure on:							
Cost of raising funds							
Investment managers fees		-	47,114	47,114	-	42,449	42,449
Charitable activities	5	252,192	14,613	266,805	246,973	9,736	256,709
Total		252,195	61,727	313,919	246,973	52,185	299,158
Net (expenditure) before investment (losses)/gains		(73,870)	(61,727)	(135,597)	(60,352)	(52,185)	(112,537)
Net (losses)/gains on investments	8	-	(322,167)	(322,167)	-	1,199,074	1,199,074
Net (expenditure)/ income		(73,870)	(383,894)	(457,764)	(60,352)	1,146,889	1,086,537
Transfers between funds		(57,758)	57,758	-	92,275	(92,275)	-
Net movement in funds		(131,628)	(326,136)	(457,764)	31,923	1,054,614	1,086,537
Reconciliation of funds							
Total funds at 1 August 2021		260,558	7,797,862	8,058,420	228,635	6,743,248	6,971,883
Total funds at 31 July 2022		<u>128,930</u>	<u>7,471,726</u>	<u>7,600,656</u>	<u>260,558</u>	<u>7,797,862</u>	<u>8,058,420</u>

Results for the year relate in their entirety to continuing activities of the Trust.

The notes on pages 16 to 24 form part of these financial statements

The Governors of the Melville College Trust

Balance Sheet
As at 31 July 2022

	Notes	2022 £	2021 £
Fixed Assets			
Investments	8	<u>7,471,726</u>	<u>7,797,862</u>
Current assets			
Sundry debtors	9	9,860	10,931
Cash at bank		<u>128,717</u>	<u>257,332</u>
		138,577	268,263
Liabilities: Creditor amounts falling due within one year	10	<u>(9,647)</u>	<u>(7,705)</u>
Net current assets		<u>128,930</u>	<u>260,558</u>
Total net assets		<u>7,600,656</u>	<u>8,058,420</u>
The funds of the Trust:			
Unrestricted – general fund		<u>5,069</u>	<u>4,291</u>
<i>Designated funds</i>			
Wight Rutherford Bequest			
- Endowment		5,316,455	5,573,025
- Revenue		<u>40,548</u>	<u>129,965</u>
		5,357,003	5,702,990
Melville Memorial Funds			
- Endowment		501,256	534,572
- Revenue		<u>854</u>	<u>145</u>
		502,110	534,717
Colin Young Bequest			
- Endowment		1,654,015	1,690,265
- Revenue		<u>459</u>	<u>37,157</u>
		1,654,474	1,727,422
Special Income Reserve		<u>82,000</u>	<u>89,000</u>
	11,12	<u>7,600,656</u>	<u>8,058,420</u>

Approved and authorised for issue on behalf of the Governors on 25 November 2022 and signed on their behalf by:



S Paterson
Chairman

The notes on pages 16 to 24 form part of these financial statements

1. Accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years unless otherwise stated.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of investments. The financial statements are presented in pounds sterling (GBP) which is the functional currency of the Trust and rounded to the nearest £.

The financial statements have been prepared in accordance with the Trust's constitution, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and UK Generally Accepted Accounting Practice.

The Trust is unincorporated and meets the definition of a public benefit entity under FRS 102. Details of the principal office can be found in the Trust Information page of the financial statements.

Going concern

Due to the level of cash and reserves held, the Governors are of the opinion that the Trust can continue to meet its obligations as they fall due for the foreseeable future. The Governors are closely monitoring the impact of economic factors on investment returns. As a result, the Governors have prepared the financial statements on the going concern basis.

Income

Income is recognised when the Trust has entitlement to the funds, when it is probable that the income will be received and the amount can be measured reliably.

Donations, legacies and similar incoming resources are included in the period in which they are receivable, which is when the Trust becomes entitled to the income.

Interest on funds held at bank is included upon notification of the interest paid or payable by the Bank. Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

**Notes to the Financial Statements
For the year ended 31 July 2022**

1. Accounting policies (continued)

Expenditure

Expenditure is recognised once there is a constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classed under headings that aggregate all costs relating to the category.

Expenditure on raising funds relates to costs arising in the generation of income for the Trust and therefore consists of investment management fees.

Charitable expenditure comprises those costs incurred by the Trust in the delivery of its grant making activities. It includes both costs which can be directly allocated to those activities and those costs of an indirect nature necessary to support them.

Grants payable are payments made to third parties in the furtherance of the charitable objectives of the Trust. Expenditure on grants is recorded once the Trust has made an unconditional commitment to pay the grant and this is communicated to the beneficiary or the grant has been paid, whichever is the earlier.

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

The Trust is not VAT registered therefore all costs are included gross of irrecoverable VAT.

Investments

Investments are a form of basic financial instruments and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

The main form of financial risk faced by the Trust is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

Debtors

Debtors are accrued income from dividends and are measured at their recoverable amount and included when reasonable certainty exists over their receipt.

Notes to the Financial Statements
For the year ended 31 July 2022

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors

Creditors are recognised where the Trust has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured reliably.

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.

2. Funds

All funds have been designated for the provision of bursaries and grants. The Endowment balances within each of the three Funds are capital reserves. The Revenue balances are available for distribution in accordance with the terms of each of the Funds.

In 2016, due to the uncertainty of investments and to allow the level of support to the schools to be maintained, the Governors designated £100,000 to a Special Income Reserve. £7,000 was released from the Special Income Reserve in 2022 (2021: £11,000) to meet the income deficit arising on the Melville Memorial Fund during the year.

3. Donations

	Total 2022 £	Total 2021 £
Donations from individuals	<u>2,412</u>	<u>3,412</u>

The Governors of the Melville College Trust

Notes to the Financial Statements
For the year ended 31 July 2022

4. Investment income

	Wight Rutherford £	Melville Memorial £	Colin Young Bequest £	Total 2022 £	Total 2021 £
Portfolio dividend income	125,107	11,552	39,233	175,892	183,191
Bank interest receivable	8	-	10	18	18
	<u>125,115</u>	<u>11,552</u>	<u>39,243</u>	<u>175,910</u>	<u>183,209</u>

5. Charitable activities

	2022 £	2021 £
Direct costs		
Bursaries and grants (note 7)	240,100	240,000
Projects	1,171	-
Newsletters	3,965	-
	<u>245,236</u>	<u>240,000</u>
Support costs		
Clerk's fee	9,042	8,833
Legal fees	3,426	-
Other costs	996	180
	<u>13,464</u>	<u>9,013</u>
Governance costs		
Trustee indemnity insurance	755	694
Auditor's remuneration: audit fees	7,350	7,002
	<u>8,105</u>	<u>7,696</u>
Total	<u>266,805</u>	<u>256,709</u>

Project costs relate to £1,171 of memorial costs.

6. Governors' remuneration

No Governor received any remuneration during the current or prior year. Two Governors (2021: one) received reimbursement of expenses from the Trust during the year of £652 (2021: £120) for website and project costs.

The Trust arranged indemnity insurance cover in respect of Governors and Officers at a cost of £755 (2021: £694).

The Trust had no employees during the period (2021: none).

The Governors of the Melville College Trust

Notes to the Financial Statements
For the year ended 31 July 2022

7. Grants	Wight Rutherford Bequest £	Melville Memorial Fund £	Colin Young Bequest £	Total 2022 £	Total 2021 £
Bursaries	163,469	15,043	51,488	230,000	230,000
Clubs and societies	7,107	654	2,239	10,000	10,000
Prizes	-	100	-	100	-
	<u>170,576</u>	<u>15,797</u>	<u>53,727</u>	<u>240,100</u>	<u>240,000</u>

Grants are made to Daniel Stewart's and Melville College and the Mary Erskine School in accordance with the amended Trust Scheme. Awards for school prizes can be made on the instigation of the Trust or if requested by the school. In addition to the Trust prize for outstanding contribution to SMC by a pupil in S4, S5 or S6, from 2017 the Trust now awards prizes for collaborative research in Chemistry in the name of Sir Fraser Stoddart.

8. Investments	Wight Rutherford Bequest £	Melville Memorial Fund £	Colin Young Bequest £	Total 2022 £	Total 2021 £
Market value at 1 August 2021	5,561,172	532,643	1,668,141	7,761,956	6,398,733
Add: acquisitions at cost	774,531	28,028	465,300	1,267,859	1,759,053
Less: disposals proceeds	(887,864)	(37,304)	(496,975)	(1,422,143)	(1,594,904)
Net gains/(losses) on investments	<u>(248,860)</u>	<u>(30,410)</u>	<u>(42,897)</u>	<u>(322,167)</u>	<u>1,199,074</u>
Market value at 31 July 2022	5,198,979	492,957	1,593,569	7,285,505	7,761,956
Investment cash	<u>117,476</u>	<u>8,299</u>	<u>60,446</u>	<u>186,221</u>	<u>35,906</u>
Market value at 31 July 2022	<u>5,316,455</u>	<u>501,256</u>	<u>1,654,015</u>	<u>7,471,726</u>	<u>7,797,862</u>
Historic cost at 31 July 2022	<u>4,482,835</u>	<u>407,335</u>	<u>1,397,465</u>	<u>6,287,635</u>	<u>6,097,337</u>

9. Debtors	2022 £	2021 £
Accrued income	<u>9,860</u>	<u>10,931</u>
10. Creditors	2022 £	2021 £
Deferred income	252	-
Accruals	<u>9,395</u>	<u>7,705</u>
	<u>9,647</u>	<u>7,705</u>

Notes to the Financial Statements
For the year ended 31 July 2022

11. Analysis of net movement in funds

2021/22	General £	Wight Rutherford Endowment £	Wight Rutherford Revenue £	Melville Memorial Endowment £	Melville Memorial Revenue £	Colin Young Bequest Endowment £	Colin Young Bequest Revenue £	Special Income Reserve Fund £	2022 Total Funds £
Income and endowments from:									
Donations (note 3)	2,412	-	-	-	-	-	-	-	2,412
Investment income (note 4)	-	-	125,115	-	11,552	-	39,243	-	175,910
Total	2,412	-	125,115	-	11,552	-	39,243	-	178,322
Expenditure on:									
Costs of raising funds									
- investment managers fees	-	33,848	-	3,311	-	9,955	-	-	47,114
Charitable expenditure (note 5)	1,634	10,387	178,007	956	16,482	3,271	56,068	-	266,805
Total	1,634	44,235	178,007	4,267	16,482	13,226	56,068	-	313,919
Net income/(expenditure) before losses	778	(44,235)	(52,892)	(4,267)	(4,930)	(13,226)	(16,825)	-	(135,597)
Net (losses) on investments (note 8)	-	(248,860)	-	(30,410)	-	(42,897)	-	-	(322,167)
Net income/(expenditure)	778	(293,095)	(52,892)	(34,677)	(4,930)	(56,123)	(16,825)	-	(457,764)
Transfers between funds	-	36,525	(36,525)	1,361	5,639	19,873	(19,873)	(7,000)	-
Net movement in funds	778	(256,570)	(89,417)	(33,316)	709	(36,250)	(36,698)	(7,000)	(457,764)
Balances brought forward at 1 Aug 2021	4,291	5,573,025	129,965	534,572	145	1,690,265	37,157	89,000	8,058,420
Balance carried forward at 31 July 2022	5,069	5,316,455	40,548	501,256	854	1,654,015	459	82,000	7,600,656

Transfers from the revenue funds to the endowment funds reflect the movement of cash between from the income account to the capital account within the portfolios. The reduction in revenue funds arises as a result of the Trust's current total return investment strategy, which focusses on long term capital growth over income generation.

The Governors of the Melville College Trust

Notes to the Financial Statements
For the year ended 31 July 2022

11. Analysis of net movement in funds

2020/21	Wight Rutherford		Melville Memorial		Colin Young Bequest		Special	2021
	General	Revenue	Endowment	Revenue	Endowment	Revenue	Income Reserve Fund	
	£	£	£	£	£	£	£	£
Income and endowments from:								
Donations (note 3)	3,412	-	-	-	-	-	-	3,412
Investment income (note 4)	-	128,597	-	10,669	-	43,943	-	183,209
Total	3,412	128,597	-	10,669	-	43,943	-	186,621
Expenditure on:								
Costs of raising funds								
- investment managers fees	-	29,820	3,151	-	9,478	-	-	42,449
Charitable expenditure (note 5)	180	6,834	567	23,791	2,335	56,786	-	256,709
Total	180	36,654	3,718	23,791	11,813	56,786	-	299,158
Net income/(expenditure) before losses	3,232	(36,654)	(3,718)	(13,122)	(11,813)	(12,843)	-	(112,537)
Net gains on investments (note 8)	-	865,664	90,747	-	242,663	-	-	1,199,074
Net income/(expenditure)	3,232	829,010	87,029	(13,122)	230,850	(12,843)	-	1,086,537
Transfers between funds	-	(97,481)	(2,341)	13,341	7,547	(7,547)	(11,000)	-
Net movement in funds	3,232	731,529	84,688	219	238,397	(20,390)	(11,000)	1,086,537
Balances brought forward at 1 Aug 2020	1,059	4,841,496	449,884	(74)	1,451,868	57,547	100,000	6,971,883
Balance carried forward at 31 July 2021	4,291	5,573,025	534,572	145	1,690,265	37,157	89,000	8,058,420

Transfers from the endowment funds to the revenue funds reflect the release of cash from the investment portfolios to the charity's bank accounts.

Notes to the Financial Statements
For the year ended 31 July 2022

12. Analysis of net assets between funds

	General	Wight Rutherford		Melville Memorial		Colin Young Bequest		Special Income Reserve Fund	2022 Total Funds
	£	£	£	£	£	£	£	£	£
2021/22									
Investments	-	5,316,455	-	501,256	-	1,654,015	-	-	7,471,726
Net current assets/(liabilities)	5,069	-	40,548	-	854	-	459	82,000	128,930
	5,069	5,316,455	40,548	501,256	854	1,654,015	459	82,000	7,600,656
2020/21									
Investments	-	5,573,025	-	534,572	-	1,690,265	-	-	7,797,862
Net current assets/(liabilities)	4,291	-	129,965	-	145	-	37,157	89,000	260,558
	4,291	5,573,025	129,965	534,572	145	1,690,265	37,157	89,000	8,058,420

13. Related parties

During the year, the Trust received £2,400 (2021: £2,400) of donations from one Governor.

Andrew Scott is a member of The Royal Company of Merchants of the City of Edinburgh.

Stephen Paterson is a member of the Audit Committee of the Royal Company of Merchants of the City of Edinburgh.

Janet Hamblin is a member of the Royal Company of Merchants of the City of Edinburgh and became a Governor, and Chair of the Finance Committee, at Erskine Stewart's Melville School on 1 November 2022.

Grant Macrae is Chairman of the Audit and Risk Committee of the Royal Company of Merchants of the City of Edinburgh, a Trustee of the Merchant Company Education Board and Chairman of the Audit and Risk Committee of the Merchant Company Education Board.

Ken Richards is a member of the Royal Company of Merchants of the City of Edinburgh and a Governor at Erskine Stewart's Melville School.

14. Non-audit services

In common with many other charities of our size, we use our auditors to assist with the preparation of the financial statements.