

The Governors of the Melville College Trust
Report of the Governors and Financial Statements
For the year ended 31 July 2023



The Governors of the Melville College Trust

Report of the Governors and Financial Statements for the year ended 31 July 2023

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The Governors of the Melville College Trust

Report of the Governors and Financial Statements for the year ended 31 July 2023

Trust Information

Honorary Members

A Dobson
I Gardiner
R Holroyd
G Macrae
S Ray
K Richards
K Richardson
N Ross
J Scott
A Veitch

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
A Scott

Chairman's Committee

S Paterson (Chair)
T Bryson
C Collingwood
V Coltherd
C Cunningham (appointed 25 November 2022)
J Johnston (appointed 25 November 2022)
M MacColl
S Newlands
A Scott

Investment Committee

T Bryson – Chair
V Coltherd (appointed 6 March 2023)
D Dunsire
J Johnson
N Kordowski – co-opted
S Murray – co-opted (appointed 6 March 2023)
M MacColl (retired 25 November 2022)
S Newlands (retired 25 November 2022)

Clerk and Treasurer and Trust Office

D N Dunsire LLB
c/o Lindsay's
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 2023**

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 requested 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 second Chairman's report as we saw another year of significant economic volatility affecting our investments in particular. The Chair of the Investment Committee Tommy Bryson, will cover our investment performance in his report.

Our regular Committee meetings are now back to being mostly in person but Committee members have the option to use video technology. The Chairman's Committee continued with the sub-committee approach with its aim to spread the workload and remove reliance on one or two individuals.

**Report of the Governors
for the year ended 31 July 2023**

Chairman's review (continued)

Headline achievements from sub-committees:

Governance

- A major review of our Statutory Instrument has been carried out, suffice to say some of the clauses in the document are no longer applicable because of the passage of time. We are now looking at the process of effecting the required changes in a time and cost-efficient manner. A particular thanks to Committee Member Vic Coltherd for all his hard work here.

Strategy

- We are continuing to develop a supportive relationship with the Mary Erskine's Guild.
- We are working closely with the new School management in helping to promote the School and enhance the school resources and infrastructure.
- We are actively looking to reduce the age and improve the gender balance of the Trustees.

GDPR

- We have entered into a Memorandum of Understanding with the School whereby they manage the Trust database of contacts and therefore we come under their cyber / IT controls and protections.

Marketing/Communications

- We continue to send out regular Newsletters to our database of FP contacts which are well received. A big thanks to former Chairman Alan Veitch for all his hard work with preparing these Newsletters.
- We held a successful School Reunion last year at which we unveiled a plaque renaming the main function room at Inverleith, the Dougie Morgan Room after our famous Alumnus. We followed this Reunion with a recent lunch in September to commemorate the 50th Anniversary of the Schools merging. It was an enjoyable but poignant day, rounded off by the School Choir singing our hymn "Summer Suns Are Glowing".

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 maintain a total returns policy from our investments continues to underpin our investment performance in difficult times.

During the School Year (2022/2023), the Trust provided £231,501 in bursaries to the Erskine Stewart's Melville Schools, which has enabled 23 pupils to enjoy the excellent facilities and education available. 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:

- Creating a garden at the Junior School for the Gardening Club
- Mountain bikes for Outdoor Learning
- Virtual headsets for Pastoral Support
- Cricket Mat at MES (facilitated with the support of former Chair Alan Veitch)
- Digital Piano for Wallace Dunlop Hall
- Drum kit for the ESMS Senior Pipe Band

The Governors of the Melville College Trust

Report of the Governors for the year ended 31 July 2023

Chairman's review (continued)

No Trust Governors retired last year, but I am pleased that Claire Cunningham and Jill Johnston have joined the Trust, Claire with her knowledge of the MES Guild and Jill given her investment management experience.

This has been my second 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 good health despite the challenging times we and the School itself 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. £4,000 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 2023**

Investment Committee Report 2023

The current members of the Investment Committee are Tommy Bryson (Chairman), David Dunsire, Jill Johnson, Nicholas Kordowski, Vic Coltherd and Susan Murray.

The Committee meets with the Investment Managers at approximately half year intervals to review investment performance, ESG/Sustainability and the service levels provided. Early in the year we reviewed the Trust risk category and decided that a medium to high risk level is more appropriate for a perpetual Trust with a long-term investment horizon and a Total Return approach. In effect this means that a high proportion of the overall investments will be equities, with low levels of fixed income, cash and alternatives. Both Managers have provided reports for the year to 31st July 2023 detailing their current views on the investment 'climate' and outlook. Summaries of these reports are included below.

The last 12 months have been a challenging time to navigate markets. Rising interest rates (a result of persistent inflation) have driven increased volatility. Further, the war in Ukraine shows no signs of resolution and this adds to the uncertainty. The Committee is satisfied with how the Managers have navigated this volatility with one slightly ahead of benchmark and one slightly behind. The Total Return approach has allowed us to continue to fund payments whilst maintaining a solid portfolio which is well placed to benefit from growth in markets over the long term. The Manager reports below provide additional context.

Performance – Wight Rutherford (part of the total fund) and Melville Memorial Funds

Fund Manager – Brewin Dolphin

	Wight Rutherford			Melville Memorial		
	31 Jul 23	31 Jul 20	31 Jul 18	31 Jul 23	31 Jul 20	31 Jul 18
Portfolio market value	£3,142,822	£2,928,124	£5,057,334	£494,222	£450,354	£466,502
Portfolio income (cumulative)	£71,735	£141,268	£184,607	£11,095	£15,127	£16,955
Portfolio yield	2.1%	2.6%	3.6%	2.1%	2.6%	3.6%
	1Y	3Y	5Y	1Y	3Y	5Y
Portfolio Total Return (net p.a.)	2.0%	6.2%	4.3%	2.2%	6.1%	4.5%
RPI +3%	12.3%	11.6%	9.0%	12.3%	11.6%	9.0%
MSCI PIMFA Private Investor Balanced Index	1.3%	5.8%	3.6%	1.3%	5.8%	3.6%

Over the year, the Wight Rutherford Fund and Melville Memorial Fund both outperformed against MSCI PIMFA Private Investor Balanced Index.

Persistently high inflation during the period catalysed historically steep interest rate increases, which contributed to volatile markets throughout the year. Bond markets, traditionally a safe haven in times of volatility, were particularly badly hit as yields rose sharply across the asset class. Higher interest rates also caused stress in the financial sector as evidenced by a number of bank failures, although central banks acted quickly to contain any contagion risk. As markets started to see signs of inflation moderating and the monetary tightening cycle ending, a narrow band of growth stocks began to lead the market higher. The 'big 7' US technology stocks, in particular, performed strongly, with AI stories boosting market sentiment from depressed levels. Elsewhere, higher 'risk-free' rates saw inflows to bond markets as investors sought to de-risk portfolios. The knock-on effect was largely flat equity markets, when adjusting for the outsize returns of the large technology companies.

**Report of the Governors
for the year ended 31 July 2023**

Investment Committee Report (continued)

Speculation is mounting that interest hiking cycles may be nearing an end. Several sources of inflation have reversed, supply chain issues are largely resolved, and energy prices have normalised following the shock of the Ukraine invasion in 2022. However, recessionary risks remain elevated as we move towards 2024. Given the long-term outlook for the investments they remain focussed on high quality assets that are well placed to weather a more difficult economic period and take advantage of any opportunities.

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 23	31 Jul 20		31 Jul 23	31 Jul 20	31 Jul 18
Portfolio market value	£2,016,153	£1,914,125		£1,569,409	£1,450,023	£1,483,231
Portfolio income (cumulative)	£48,585	£160,188		£37,978	£120,185	£223,748
Portfolio yield	2.3%	3.2%		2.3%	3.2%	3.4%
	1Y	3Y	5Y	1Y	3Y	5Y
Portfolio Total Return (net p.a.)	-2.0%	4.3%		-1.9%	5.0%	3.6%
RPI +3%	12.3%	11.6%		12.3%	11.6%	9.0%
MSCI PIMFA Private Investor Balanced Index	1.3%	5.8%		1.3%	5.8%	3.6%

Portfolio performance in the financial year was a contrast of results. The first half of the financial year was an incredibly volatile period as markets contested with rising interest rates, higher inflation, and a confidence crisis in the UK bond market. This proved to be a difficult period for the majority of assets in the portfolio, with only oil and gas assets and a few special situations delivering positive returns. The second half of the financial year to 30th July 2023 was a more accommodating environment, as inflation calmed and some clarity was gained on peak interest rates.

With Central Banks initially slow to react to spiking inflation, we have seen the fastest rate hiking cycle in modern history over the financial year. At the start of 2023 Investors initially expected the US market to go through a ‘hard landing’, which is when inflation is reduced at the cost of a significant recession. This then shifted towards a ‘soft landing’ when Silicon Valley Bank and First Republic Bank failed, with investors believing that rates would have to be cut in response. Currently it seems more like a ‘no landing’ situation, with US consumers in particular proving incredibly resilient. The default expectation is that rates will now remain higher for longer, rather than the cuts that many had priced in for the end of 2023/start of 2024.

The great Chinese Re-Opening has also been a story that’s failed to materialise, with the property crisis and continued western de-stocking of product inventories proving significant drags on the economy. This is fortunately not an area where we have had significant exposure. The global environment remains volatile with energy and commodity prices rising in recent months. New themes are emerging without warning, such as the rise of generative AI and Chat-GPT, which has the potential to unleash a new wave of productivity across a wide range of sectors.

Investing for the long term in quality assets remains our core objective. The majority of the direct equity holdings in the portfolio delivered consistent earnings over the past twelve months.

In March we completed the transition to a higher risk strategy. Increasing the overall equity allocation and in turn adjusting our long-term target return to CPI+4%.

**Report of the Governors
for the year ended 31 July 2023**

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 £7,341,488 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.

**Report of the Governors
for the year ended 31 July 2023**

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 on 24 November 2023 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.

**Report of the Governors
for the year ended 31 July 2023**

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 24 November 2023 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 2023

Opinion

We have audited the financial statements of the Governors of the Melville College Trust (the 'Trust') for the year ended 31 July 2023 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 2023, 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 2023**

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 2023**

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

24 November 2023

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 2023**

	Notes	2023 Revenue Funds £	2023 Endowment Funds £	2023 Total Funds £	2022 Revenue Funds £	2022 Endowment Funds £	2022 Total Funds £
Income and endowments from:							
Donations and legacies	3	12,716	-	12,716	2,412	-	2,412
Other income	4	2,016	-	2,016	-	-	-
Investment income	5	169,888	-	169,888	175,910	-	175,910
Total		184,620	-	184,620	178,322	-	178,322
Expenditure on:							
Cost of raising funds							
Investment managers fees		-	43,269	43,269	-	47,114	47,114
Charitable activities	6	259,123	10,143	269,266	252,192	14,613	266,805
Total		259,123	53,412	312,535	252,192	61,727	313,919
Net (expenditure) before investment (losses)		(74,503)	(53,412)	(127,915)	(73,870)	(61,727)	(135,597)
Net (losses) on investments	9	-	(131,253)	(131,253)	-	(322,167)	(322,167)
Net (expenditure)		(74,503)	(184,665)	(259,168)	(73,870)	(383,894)	(457,764)
Transfers between funds		64,455	(64,455)	-	(57,758)	57,758	-
Net movement in funds		(10,048)	(249,120)	(259,168)	(131,628)	(326,136)	(457,764)
Reconciliation of funds							
Total funds at 1 August 2022		128,930	7,471,726	7,600,656	260,558	7,797,862	8,058,420
Total funds at 31 July 2023		118,882	7,222,606	7,341,488	128,930	7,471,726	7,600,656

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 2023

	Notes	2023 £	2022 £
Fixed Assets			
Investments	9	<u>7,222,606</u>	<u>7,471,726</u>
Current assets			
Sundry debtors	10	9,705	9,860
Cash at bank		<u>117,259</u>	<u>128,717</u>
		126,964	138,577
Liabilities: Creditor amounts falling due within one year	11	<u>(8,082)</u>	<u>(9,647)</u>
Net current assets		<u>118,882</u>	<u>128,930</u>
Total net assets		<u>7,341,488</u>	<u>7,600,656</u>
The funds of the Trust:			
Unrestricted – general fund		<u>8,501</u>	<u>5,069</u>
<i>Designated funds</i>			
Wight Rutherford Bequest			
- Endowment		5,158,975	5,316,455
- Revenue		<u>31,060</u>	<u>40,548</u>
		5,190,035	5,357,003
Melville Memorial Funds			
- Endowment		494,222	501,256
- Revenue		<u>858</u>	<u>854</u>
		495,080	502,110
Colin Young Bequest			
- Endowment		1,569,409	1,654,015
- Revenue		<u>463</u>	<u>459</u>
		1,569,872	1,654,474
Special Income Reserve		<u>78,000</u>	<u>82,000</u>
	12,13	<u>7,341,488</u>	<u>7,600,656</u>

Approved and authorised for issue on behalf of the Governors on 24 November 2023 and signed on their behalf by:



S Paterson
Chairman

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

**Notes to the Financial Statements
For the year ended 31 July 2023**

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 2023

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 2023

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. £4,000 was released from the Special Income Reserve in 2023 to meet the income deficit arising on the Colin Young Bequest Fund during the year (2022: £7,000 to the Melville Memorial Fund).

3. Donations

	Total 2023 £	Total 2022 £
Donations from individuals	2,412	2,412
Gift aid	1,866	-
Legacies	8,438	-
	<u>12,716</u>	<u>2,412</u>

The legacy income is restricted for the specific purpose of providing financial assistance to meet the school fees of less well-off pupils.

4. Other income

	Total 2023 £	Total 2022 £
Events - Reunions	<u>2,016</u>	<u>-</u>

The Governors of the Melville College Trust

Notes to the Financial Statements For the year ended 31 July 2023

5. Investment income

	Wight Rutherford £	Melville Memorial £	Colin Young Bequest £	Total 2023 £	Total 2022 £
Portfolio dividend income	120,320	11,095	37,978	169,393	175,892
Bank interest receivable	315	-	180	495	18
	<u>120,635</u>	<u>11,095</u>	<u>38,158</u>	<u>169,888</u>	<u>175,910</u>

6. Charitable activities – Governance costs

	2023 £	2022 £
Direct costs		
Bursaries and grants (note 8)	248,618	240,100
Projects	210	1,171
Newsletters	2,062	3,965
Reunion event	2,160	-
	<u>253,050</u>	<u>245,236</u>
Support costs		
Clerk's fee	7,500	9,042
Legal fees	260	3,426
Other costs	374	996
	<u>8,134</u>	<u>13,464</u>
Governance costs		
Trustee indemnity insurance	-	755
Auditor's remuneration: audit fees	8,082	7,350
	<u>8,082</u>	<u>8,105</u>
Total	<u>269,266</u>	<u>266,805</u>

Project costs relate to memorial costs.

Other costs relate to trustee expenses, bank charges and website costs.

Trustee indemnity insurance lapsed in April 2023 and a new policy is in place from September 2023.

7. Governors' remuneration

No Governor received any remuneration during the current or prior year. One Governor (2022: two) received reimbursement of expenses from the Trust during the year of £141 (2022: £652) for project costs.

The Trust had no employees during the period (2022: none).

The Trust arranges indemnity insurance cover in respect of Governors and Officers. Due to an oversight the previous policy lapsed in April 2023, hence there is no cost this year (2022: £755), but a new policy is now in place.

The Governors of the Melville College Trust

Notes to the Financial Statements For the year ended 31 July 2023

8. Grants	Restricted £	Wight Rutherford Bequest £	Melville Memorial Fund £	Colin Young Bequest £	Total 2023 £	Total 2022 £
Bursaries	8,438	163,370	15,064	51,566	238,438	230,000
Clubs and societies	-	7,103	655	2,242	10,000	10,000
Prizes	-	-	180	-	180	100
	<u>8,438</u>	<u>170,473</u>	<u>15,899</u>	<u>53,808</u>	<u>248,618</u>	<u>240,100</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.

9. Investments	Wight Rutherford Bequest £	Melville Memorial Fund £	Colin Young Bequest £	Total 2023 £	Total 2022 £
Market value at 1 August 2022	5,198,979	492,957	1,593,569	7,285,505	7,761,956
Add: acquisitions at cost	1,223,252	143,311	227,904	1,594,467	1,267,859
Less: disposals proceeds	(1,308,228)	(154,169)	(231,349)	(1,693,746)	(1,422,143)
Net (losses)/gains on investments	<u>(73,441)</u>	<u>1,967</u>	<u>(59,779)</u>	<u>(131,253)</u>	<u>(322,167)</u>
Market value at 31 July 2023	5,040,562	484,066	1,530,345	7,054,973	7,285,505
Investment cash	<u>118,413</u>	<u>10,156</u>	<u>39,064</u>	<u>167,633</u>	<u>186,221</u>
Market value at 31 July 2023	<u>5,158,975</u>	<u>494,222</u>	<u>1,569,409</u>	<u>7,222,606</u>	<u>7,471,726</u>
Historic cost at 31 July 2023	<u>4,420,124</u>	<u>410,497</u>	<u>1,371,387</u>	<u>6,202,008</u>	<u>6,287,635</u>

10. Debtors	2023 £	2022 £
Gift aid debtors	50	-
Prepayments	220	-
Accrued income	9,435	9,860
	<u>9,705</u>	<u>9,860</u>

11. Creditors	2023 £	2022 £
Deferred income	-	252
Accruals	8,082	9,395
	<u>8,082</u>	<u>9,647</u>

Notes to the Financial Statements
For the year ended 31 July 2023

12. Analysis of net movement in funds

2022/23	General £	Restricted £	Wight Rutherford		Melville Memorial		Colin Young Bequest		Special Income Reserve Fund £	2023 Total Funds £
			Endowment £	Revenue £	Endowment £	Revenue £	Endowment £	Revenue £		
Income and endowments from:										
Donations (note 3)	4,278	8,438	-	-	-	-	-	-	-	12,716
Other income (note 4)	2,016	-	-	-	-	-	-	-	-	2,016
Investment income (note 5)	-	-	-	120,635	-	11,095	-	38,158	-	169,888
Total	6,294	8,438	-	120,635	-	11,095	-	38,158	-	184,620
Expenditure on:										
Costs of raising funds	-	-	31,056	-	3,027	-	9,186	-	-	43,269
- investment managers fees	-	-	-	-	-	-	-	-	-	-
Charitable expenditure (note 6)	2,862	8,438	7,204	175,902	665	16,400	2,274	55,521	-	269,266
Total	2,862	8,438	38,260	175,902	3,692	16,400	11,460	55,521	-	312,535
Net income/(expenditure) before losses	3,432	-	(38,260)	(55,267)	(3,692)	(5,305)	(11,460)	(17,363)	-	(127,915)
Net (losses)/gains on investments (note 9)	-	-	(73,441)	-	1,967	-	(59,779)	-	-	(131,253)
Net income/(expenditure)	3,432	-	(111,701)	(55,267)	(1,725)	(5,305)	(71,239)	(17,363)	-	(259,168)
Transfers between funds	-	-	(45,779)	45,779	(5,309)	5,309	(13,367)	17,367	(4,000)	-
Net movement in funds	3,432	-	(157,480)	(9,488)	(7,034)	4	(84,606)	4	(4,000)	(259,168)
Balances brought forward at 1 Aug 2022	5,069	-	5,316,455	40,548	501,256	854	1,654,015	459	82,000	7,600,656
Balance carried forward at 31 July 2023	8,501	-	5,158,975	31,060	494,222	858	1,569,409	463	78,000	7,341,488

Transfers from the endowment funds to the revenue funds reflect the movement of cash from the capital account to the income 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.

Notes to the Financial Statements
For the year ended 31 July 2023

12. Analysis of net movement in funds

2021/22	General		Wight Rutherford		Melville Memorial		Colin Young Bequest		Special Income Reserve		2022 Total Funds
	£	£	£	£	£	£	£	£	£	£	
Income and endowments from:											
Donations (note 3)	2,412	-	-	-	-	-	-	-	-	-	2,412
Investment income (note 5)	-	-	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 6)	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 9)	-	(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 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.

Notes to the Financial Statements
For the year ended 31 July 2023

13. Analysis of net assets between funds

	General		Wight Rutherford		Melville Memorial		Colin Young Bequest		Special Income Reserve Fund		2023 Total Funds £
	£	£	£	£	£	£	£	£	£		
2022/23											
Investments	-	5,158,975	-	494,222	-	1,569,409	-	-	-	-	7,222,606
Net current assets	8,501	-	31,060	-	858	-	463	78,000	-	-	118,882
Net assets	8,501	5,158,975	31,060	494,222	858	1,569,409	463	78,000	-	-	7,341,488
	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	5,069	-	40,548	-	854	-	459	82,000	-	-	128,930
Net assets	5,069	5,316,455	40,548	501,256	854	1,654,015	459	82,000	-	-	7,600,656

Notes to the Financial Statements
For the year ended 31 July 2023

14. Related parties

During the year, the Trust received £2,400 of donations from one Honorary Member (2022: £2,400, when a 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 an Honorary Member 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 member of the Audit and Risk Committee at Erskine Stewart's Melville School.

15. 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.